

Prospects and Risks Beyond EU Enlargement

Iris Kempe & Wim van Meurs

Bertelsmann Group for Policy Research
Center for Applied Policy Research
Ludwig Maximilian University Munich

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**Eastern Europe:
Challenges of a Pan-European Policy
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**Southeastern Europe:
Weak States and Strong International Support
Wim van Meurs ed.**

Preface

Since the signing of the Treaties of Rome in 1957, Western European history has been an ongoing process integrating and enlarging European institutions. Over the course of that time, the institutions now known as the European Union have become a major pillar for the security and stability for Europe as a whole. These essential functions can only be perpetuated if the Union can project its capacities and capabilities beyond its current borders. Today's European agenda is defined by integration. Offering prospects for membership in the EU has been a successful instrument for helping shape the transition in East Central Europe. The imminent first round of enlargement also calls for a deepening of EU integration, which should be resolved through the EU Convention and the next Intergovernmental Conference.

While the European Union is preparing for ten new member states, developments in the wider Europe are far from standing still. The countries beyond the EU's future borders in Eastern Europe and the Balkans are undertaking a threefold process of national consolidation, transition to a market economy and strengthening parliamentary democracy. These processes entail risks that range from authoritarian regimes to armed escalation. These risks have a direct impact on European security and stability. At the same time, some areas of internal transition are making serious strides toward Western standards. For this reason, simply reducing Eastern and Southeastern Europe to a set of risks threatens to create a self-fulfilling prophecy. One must always also consider the European self-definition of the countries concerned. In Southeastern Europe, this definition, in combination with EU policy, is the driving force for internal development. Among the successor states of the former Soviet Union, Ukraine and Moldova are deciding in favor for EU membership, and the Union is not meeting their interest.

Developments in the EU's direct neighborhood are dynamic. In the Balkans, change has been driven by conflicts that led to violence. Since the European summit in Helsinki (1999), it has been obvious that the Balkans are a key region of interest for the EU. The Union's fundamental aim for Southeastern Europe is to create a situation in which military conflict is unthinkable - expanding to the region the area of peace, stability, prosperity and freedom established over the last 50 years by the EU and its member states. Pressed by violent events, the Union decided to apply its successful approach of opening accession options and offering intensive transition support. At first glance, Southeastern Europe appears a part of extensive EU strategies, but more detailed analysis shows that Balkan-EU relations are still an open question. Offering prospective membership to five additional countries ranging from Albania to Serbia is not an easy task. Legitimate doubts exist about whether the southeastern countries are able to fulfill EU requirements. Moreover, integrating the Balkans also requires steps forward in European integration. Both aspects need new analytical solutions and political attention beyond current strategies.

The EU's relations toward its future East European neighbors differ strategically from its relations to the southeastern ones. At present, the EU has identified the need for a new neighborhood policy that takes into account negative side effects enlargement will have for countries that are not currently viewed as accession candidates. Rhetorically, the Union is not interested in a new dividing line along its future eastern border. Precisely this approach is reflected in the main EU documents guiding the future neighborhood policy: the European Constitution and the "Wider Europe - Neighborhood" outline initiated by the European

Commission in March 2003. The goal of avoiding a new dividing line shapes the EU's external relations, the second pillar of EU integration. The third pillar of integration, justice and home affairs is, however, driven by the interest of keeping problems out and borders closed. A new neighborhood policy has to overcome the contradiction between these two interests. Furthermore, the situation within in the region differs widely between an authoritarian Belarus and a Ukraine whose foreign policy agenda is guided by interest in EU membership. A new neighborhood policy has to be based on a policy-oriented knowledge of the regional situation as well as on new possibilities for European integration.

Both neighborhood agendas, in Eastern and Southeastern Europe, are enormous challenges for the continent's future. The Union has hard work ahead of it for many years to come. Because all too often knowledge about transformation, security and integration in these regions is obscure, even for specialists, these two volumes lay out the risks and challenges facing both regions and the enlarged European Union as a whole.

Risk Reporting 2002 is a joint policy advice project of the Bertelsmann Foundation in Gütersloh, and the Bertelsmann Group for Policy Research at the Center for Applied Policy Research (CAP) in Munich. In line with the general objective of addressing key issues and risks even before they become part of the European agenda, Risk Reporting for a future enlarged European Union's eastern and southeastern neighborhood started in 1999 with the volume *The EU Accession States and Their Eastern Neighbours*. Unlike most studies at the time of the Helsinki European Council, this project focused not the accession states' integration in Euro-Atlantic structures, but rather on enlargement's projected consequences for relations with the eastern neighbors. The next study, *Beyond EU Enlargement*, published in 2001, again followed an unorthodox line of thinking by comparing the relevance and characteristics of specific risk areas related to EU enlargement (i.e. minority issues; visa, border and trade policies; cross-border cooperation; security policies) for the future eastern and southeastern neighbors of an enlarged EU. Differentiated, non-integrationist forms of cooperation are being designed and implemented with the CIS states, whereas the states of the Western Balkans have been offered differentiated, long-term trajectories towards integration in Euro-Atlantic structures. In sum, only a *multi-layered* Europe can come to terms with the conflicting time frames and strategic agendas without risking institutional overstretch or destabilizing disparities along the outer borders of an EU with 25 members.

Many thanks are due to the 25 authors from think tanks, academic institutions, NGOs and government institutions throughout Europe, who contributed greatly to the success of this endeavor. Over and above the requirements of a normal anthology, they met for symposia in Munich, Moscow, Sofia and Warsaw to discuss policy recommendations and to compare notes on national and regional peculiarities. Iris Kempe and Wim van Meurs created the initial strategic framework for the individual reports and have amalgamated arguments and recommendations in a thought-provoking paper on *Prospects and Risks Beyond EU Enlargement*.

Prof. Dr. Dr. h.c. Werner Weidenfeld

Director of the Center for Applied Policy Research

at the Ludwig-Maximilians-University, Munich

Member of the Executive Board of the Bertelsmann Foundation, Gütersloh

Europe Beyond EU Enlargement

IRIS KEMPE & WIM VAN MEURS

Eastern enlargement of the European Union is a guidepost for a new pan-European policy. The current EU enlargement is less a solution bringing stability and prosperity than a challenge requiring new policies, caused by both pressure from Southeastern and Eastern Europe and European self-understanding. Post-conflict development in the Western Balkans is driven by the EU's approach to stabilization and association, even if the transition of some countries concerned lags far behind Western standards. As reflected in the Ukrainian case, EU accession is also very attractive for some of the Soviet Union's successor states. In addition to southeastern and eastern neighbors' transition problems, European integration has to be modified if the Union is to retain its ability to act after enlargement. The processes of deepening and enlarging European integration will most likely reach a phase of consolidation after the Inter-Governmental Conference of 2003–04 and the accession of up to twelve states in 2004–07. Consequently, in order to shape developments *beyond* the outer border of the EU-25/27, in the Western CIS, Southeastern Europe and around the Mediterranean, a multi-layered Europe will have to be designed that does not rely solely on the attractiveness of EU membership for its strategic capabilities as a regional actor.

Policy Recommendations for a Multi-Layered Europe

In its eastern and southeastern neighborhood, the European Union is challenged to develop alternatives to short-term prospects for membership until the Union itself is ready for further enlargement, and the neighboring countries are able to fulfill the Copenhagen criteria. A multi-layered Europe is based on different levels of cooperation and integration, but in every case the policies should be guided by the two principles of keeping the integration process open and identifying new areas of functional cooperation. Keeping the European integration process open does not necessarily mean that every county should have a right to accession. At the same time, however, the EU, by its own definition, cannot deny the accession status under all circumstances and forever. Simultaneously, there should be serious and attractive alternatives to direct entry into the Union. In this case, "Europe" can be extended through functional cooperation on all levels and in all policy areas that feature mutual interest between the Union and its neighboring countries. At present, the EU's external relations are targeted on accession guidelines that are unilaterally fixed by the West, while relations with countries that do not have prospects for membership must be based on mutual agreements. The overall approach of a new multi-layered Europe can be implemented through the following policy recommendations.

For Eastern Neighbors

The European Union is a crucial actor for strengthening security and stability in Eastern Europe. Beyond the success story of the EU's eastern enlargement, the Union and some member states have already understood the need for a new neighborhood policy. The

European Commission outlined its conceptual thinking in March 2003 by initiating the communication to the European Council and the Parliament “Wider Europe – Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors.” Furthermore, the European Convention also considered the increasing pressure of shaping the future neighborhood relations by situating this policy within the European constitution. In general, this is a step in the right direction for developing a policy beyond accession and the one-size-fits-all approach of the Partnership and Cooperation Agreements. The existing agreements between the EU and its future neighboring countries are seen more as pious statements of intent than as a sustainable framework for cooperation. Any new institutional framework has to avoid being perceived as just a replication of old mechanisms. Therefore the new neighborhood policy has to be based, to the maximum possible extent, on agreements between the EU on the one side and the different neighboring countries on the other. In any case, the EU should try to avoid unfulfilled membership prospects, as with Turkey, which will not contribute to a safer and more stable Europe; indeed, exclusion and unfulfilled promises might bring about the opposite result.

1. The European Union must implement its normative goal of **avoiding a new dividing line** between the future EU member states and the neighboring countries. Measures to avoid a new dividing line should go beyond declarations by not excluding future enlargement of the EU and by underlining the Union’s general openness to countries that belong to Europe and are willing and able to fulfill European norms. Even if a general institutional openness is an important factor for shaping pan-European policy, membership prospects for Ukraine, Moldova and Belarus are not a realistic option for the time being. To avoid unrealistic expectations and new frustrations at being rejected, it should be clear to both sides that any kind of integration with the EU first and foremost depends on the state of each country’s internal transition. In this sense, the decision about membership is not made in Brussels or the EU capitals, but is driven by developments in Kiev and Chisinau. At present, all of the future neighboring countries lag well behind Western standards.

Ukraine and Moldova have both declared their strong interest in joining the European Union. The interest is first and foremost a result of internal discourse about foreign policy orientations between East and West, between Russia on one side, and the European Union and NATO on the other. In internal reform debates, EU membership has little to do with fulfilling the criteria of economic stability and sustainable democracy, which from Brussels’ point of view are basic accession requirements. By underlining its general openness while simultaneously excluding accession for the time being, the EU should be able to find a new framework to overcome the gap between the neighbors’ important foreign policy perception of belonging to the west and their current inability to fulfill western functional requirements. The reform debate within the neighboring countries can be supported by an EU description of being a non-accession country, while unrealistic prospects for membership in the short or even medium term can also be avoided.

2. **Functional cooperation** between the European Union and its neighboring countries should be strengthened in fields of common interest. Based on the analysis of “Challenges for Pan-European Security,” transportation and energy are areas where pan-European integration can be advanced. Following the basic idea of functional integration, cooperation in some key areas will have spillover effects on other fields of cooperation. Even without any perspective of EU membership, functional integration could be strengthened into a free trade area or a European Free Trade Association (EFTA). Free trade between EU and its future neighbors is already foreseen within the Partnership and Cooperation Agreements and might also be part of the initiative to

create a join European-Russian economic and social sphere. Nevertheless, this idea should be developed from a vague promise to a concept for functional integration.

Another aspect of functional integration is security. In the aftermath of September 11th, the first steps of a new agenda for Russian-EU security cooperation were already taken. In order to not only define common risks and interests, but also to implement joint defense and security activities, a European Defense and Security Policy has to confirm its capacities and capabilities. September 11th is also an indicator of the embryonic status of European security cooperation. Increasing pressure from the eastern neighbors to build a European security policy should also be seen as an impetus for European integration.

3. The combination of declaring openness to **institutional integration**, as a factor for the neighboring countries' internal reform processes, and strengthening functional integration needs to be differentiated. The decisive factor is the country's self-definition as a part of the West. European strategies have to contend with Ukraine's strong orientation toward the EU, as well as Belarus' official anti-western position. The EU should take the neighboring countries' European orientation seriously, but simultaneously have a strong focus on internal transition issues.
4. As foreseen in the European Commission's communication "Wider Europe – Neighborhood," the Union, in accordance with the countries concerned, should elaborate a **monitoring system** for the neighborhood policy related to an overarching dual goal. On one side, neighborhood monitoring should act as an indicator for the state of the transition process within the neighboring states. The EU's country strategy papers published at the end of 2001 were initial steps in analyzing the regional situation and shaping EU policy along regional requirements. At the same time, neighborhood monitoring makes EU cooperation clear for the eastern neighbors. The western decision not to offer membership to these countries will not be perceived as institutional unwillingness but will be seen to depend on each country's internal state of affairs. On the other side, neighborhood monitoring has to be a guideline for the EU's external relations. Two factors are crucial: the countries' interest in joining the EU, and the countries' capacities and capabilities of meeting western requirements, with particular attention on the transition's progress and regress. If both factors are fulfilled, and the EU is able to integrate new member states, further accession cannot be excluded.

Because for the time being the neighboring states only partly fulfill preconditions for membership, neighborhood monitoring should focus on requirements for good neighborly relations. As a precondition, the EU has to identify and implement a new neighborhood policy. Based on the expert group's analysis, certain areas should be linked within the new approach, and therefore be part of the monitoring. These include transition toward some basic requirements of the *acquis communautaire* such as a market economy and sustainable democracy. Furthermore, it should also include some factors that are particularly significant for good neighborly relations, such as an efficient and controlled border, a framework for cross-border cooperation, and basic requirements for a free trade area with the EU. Fulfilling the criteria of a good neighborhood should be a condition for deepening European cooperation. Monitoring should be conducted annually in joint cooperation between the states concerned and the European Commission.

5. Under present conditions, **Belarus should be treated as a special case**. The overall goal is to understand Belarus as a self-isolated country whose transition is prevented by its leadership, but which has the potential to be a European partner. Because of its geographic situation, with direct borders to Poland and Lithuania, and because it was

one of the most developed parts of the Soviet Union, the country is important for European cooperation. But because of the authoritarian regime of president Lukashenko, the country lags far behind other transition countries in democratization and modernization. Nevertheless, western decision-makers should change the general course of isolating Belarus into a kind of acupuncture strategy. The development of something beyond the current system is more important and realistic than fighting against it. On this basic assumption, market economics, democracy and civil society could be strengthened by European support. An overall goal is to bring the country back to the West. This could be achieved by small steps, such as teaching western languages and creating platforms for East-West communication. Cross-border cooperation with the accession countries Poland and Lithuania has to be strengthened.

6. Poland's and Lithuania's **introduction of visa regulations** driven by the Schengen *acquis* in July 2003 has to be accompanied by a positive visa strategy. After ten years of fruitful cooperation along the future EU external border, decision-makers and societies on both sides of the boundary perceive Schengen *per se* as building a new dividing line. Taking this negative perception into consideration, introducing the Schengen *acquis* is a litmus test for Europe's willingness to avoid new dividing lines. Candidate states, in cooperation with the European Commission, have to strengthen their administrative capacities to issue visas efficiently. Long queues, waiting times and a small number of consulates will not only complicate crossing borders, they may lead to corruption and are also a very bad image of European cooperation. Poland and Ukraine made initial steps towards more flexible and effective implementation of EU visa requirements by offering visas for Ukrainian citizens free of charge, while Kiev decided to maintain a visa-free regime for Polish citizens. In its own interest, the EU should support the candidate states in introducing visa regulations efficiently. In addition to administrative requirements, an information campaign should be conducted to depoliticize the visa issue. By making Schengen transparent and efficient, it can be reduced to its real function.

While introducing the Schengen regulations, cross-border cooperation should be deepened and widened. Based on the concept of the European Union's Northern Dimension, an **Eastern Dimension** is an option for putting cross-border cooperation into a European framework. The Union has to consider the experiences of the Northern Dimension, as well as specific requirements of an Eastern Dimension. As long as the concept does not include funding and a European legal framework, it will remain a myth. Based on additional financial and institutional support, an Eastern Dimension is one pillar in a new neighborhood policy and that avoids new dividing lines.

7. After the signing of the solution for transit between **Kaliningrad** and the rest of the Russian Federation, the window of opportunity is open to implement a new standard of cooperation. First and foremost, Russia and the EU, but also Poland and Lithuania as direct neighbors, are challenged to concentrate on new approaches to stabilize the region. In the fall of 2002, Kaliningrad had been the test case for EU enlargement in regard to Russia. Even if Moscow is still using Kaliningrad as a lever to influence EU enlargement, the question of transit from the Kaliningrad exclave to the rest of Russia remains relevant. This decision changes the Russian regional "hot spot" of Kaliningrad into an area of overlapping interest. Volume one includes some recommendations that can be used for Kaliningrad beyond the visa problem. The most important goal is economic and social development, which depends first of all on a proper strategy of infrastructure and technological modernization. This strategy should be elaborated jointly and financed on a share or parity basis. Independent estimates assess investment needs in this field at €650 million within 6 years, which is relatively little money

compared to resources that will be available to Poland and Lithuania, but much more than Kaliningrad can hope to receive under the Technical Assistance for the Commonwealth of Independent States (TACIS) program.

Considering Kaliningrad's exclave position, cross-border cooperation is very important and should be strengthened. The EU initiative on the Northern Dimension should be used more actively. Its own actions ("value-added") should be coordinated with activities of the CBSS to form "coalitions of the willing" from member and applicant countries to build on an existing constituency. Otherwise, there is a risk that the initiative will be left without a distinguishable agenda and fade into history. Furthermore, the Northern Dimension's efficiency also depends on additional funding from the EU. The EU should also encourage bilateral and trilateral Lithuanian-Polish-Russian projects, as long as some of them can be implemented without EU money, or financed with credit instruments already available to applicant countries. In this context, the idea of combining funds from different assistance programs deserves a more positive response. The same recommendation applies to environmental security.

From the Russian side, the perception of Kaliningrad has to be changed from a strategic pillar into a weak region that demands particular support. Given that Russia still lacks coherent approaches to regional policy, Russia and the EU could agree to set up a joint regional development fund that could even be administered by an independent bank. The availability of Russian financial instruments creates a window of opportunity, which could produce useful synergies.

8. **Technical support** from the European Union should be more related to neighborhood requirements. The EU's country strategy papers published in December 2001 create a conditionality between regional analysis and supporting the transition process. Based on a conditionality approach, technical assistance should be linked to EU demands for a new neighborhood policy. Technical assistance should go to the areas of functional integration. The combination of supporting efficient borders and strengthening cross-border cooperation should be particularly important for technical assistance. Even if TACIS has made important transformations in its decade of existence, from a program driven by the "Washington consensus" (transformation through liberalization) toward institutional change, it has to continue evolving and adapting its processes. The regional situation can be considered on the basis of the neighborhood monitoring. Internal processes should avoid red tape; for instance, the monitoring systems have to be proportional to the projects.

The goals and the funding mobilized to attain them should be interrelated. In comparison with the candidate states and the Balkans, the neighboring countries receive a relatively small amount of technical aid. For the present, EU enlargement has higher priority, but one should also consider the positive aspects of integrating the accession countries into the Union. As a positive side effect, pre-accession support will decrease. In the medium term, PHARE funding should be transformed into TACIS funding, which will also create conditionality between technical assistance and neighborhood policy.

9. The neighboring countries are a driving force for **strengthening the European Security and Defense Policy**. The tragic events of September 11th and President Putin's surprisingly pro-western orientation afterwards made the requirements for security cooperation quite obvious. Furthermore, the Iraq crises clearly pointed out that Russia has active influence in articulating European security policy beyond EU institutions. The neighboring countries, first and foremost Russia, are interested in security cooperation with the EU, even if the Union still has limited capacities and capabilities in the field. On the other side, EU member states such as Germany and France also demonstrated

overlapping interests and/or positions with Russia in regard to the Iraq conflict. Furthermore, a small number of frozen conflicts are locked within the neighboring countries. These range from the armed conflict in Chechnya to unsolved status questions and economic interests in Transdniestria and are related to a combination of regional conflicts and institutional weakness. Because the EU and Russia have already agreed on some regional hot spots within the former Soviet Union, the decision for joint action has been made. Once again, future initiatives depend less on EU and Russian interests but much more on strengthening European security policy in a pan-European framework.

For Southeastern Neighbors

With the long-term agenda of regionalization and integration set, the strategic challenges of Southeastern Europe (SEE) revolve around using the longer time span to EU membership in a meaningful and effective way, while keeping all the countries and entities in the heterogeneous region included in the process. In June 2003, the results of the European Council and the Balkan Summit in Thessaloniki fell short of the necessary consistent implementation strategy for the European integration of the Balkans. At the same time, the euphoria related to the successful completion of Eastern enlargement seems to nurture the illusion that this role model of integration suffices to cope with the stability risks and the developmental deficits of the Balkans. A rethinking and renewal of Balkan strategies, however, is still outstanding and should produce an arrangement with as many pre-accession instruments as practicable, as much stabilization policy as needed and as much economic-development assistance as possible. The real challenges are moving from stabilization to integration, and from an externally-driven reform process to partnership, regional ownership, and sustainability. In sum, EU policy instruments need to become more flexible and differentiated. Whereas the advantages of eventual membership will come in a managed, incremental process, the illusions of partial or virtual membership should be avoided by developing functional forms of cooperation between the region and Europe as well as within the region.

The following recommendations for the rethinking and renewal of European strategies for the Balkans point in various directions: (a) a consistent and comprehensive implementation of the perspective of EU integration; (b) functional cooperation both within and beyond the logic of EU integration, within the region, but also between the region and the EU or for a Wider Europe; and (c) specific strategies for the inevitable asymmetries and unintended consequences involved in international interference in a region of stability deficits, weak states, and unresolved issues of nation and state building.

Southeastern Enlargement

1. **For southeastern enlargement:** SAP and EU candidate status should be upheld as separate but sequential trajectories for EU integration. The EU prospects for the Balkans, the logic of regionality and the concept of enriching SAP imply that as of 2004 DG Enlargement will take responsibility for both the remaining candidates of eastern enlargement and for the SAP states in a new DG Southeastern Enlargement.
2. **Monitoring:** The density and intensity of EU guidance and assistance, combined with the relative weakness of the Union's counterparts, requires a consistent benchmarking and monitoring system. Monitoring ought to be broader than the criteria and conditionalities of the Stabilization and Association Agreements. It should not be overly and prematurely focused on the EU *acquis communautaire*, as in most countries and areas in question, the driving force is still the *prospect* of EU integration, rather than the precise stipulations of the *acquis*. Conversely, *acquis* screening ought to be made

available for each “associated country” once it has advanced enough in a specific policy field. Monitoring ought to include not only the recipient’s performance, but also the effectiveness and prioritization of EU assistance and the congruence among international donors and agencies. The results of such comprehensive monitoring and screening would be equally helpful for both the international community and the national governments.

3. **SAP:** In order to include all countries and entities of the region in the Stabilization and Association Agreement (SAA) path, a special *SAA-Minus* has to be defined for those incapable of fulfilling the SAA admission criteria in the medium term, e.g. due to unresolved status issues. Once the constitutional constellation and the SAA procedure for Serbia and Montenegro have been fully settled, Kosovo would be a prime candidate for SAA-Minus, with reduced conditionality and reduced but effective assistance and benefits. Conversely, the logic of conditionality requires that each country’s “graduation” from SAA to candidate status depends on the reform criteria in the agreement, not on its planned duration. The separation and sequencing of SAA and candidate status, however, is not violated by selectively offering relevant pre-accession instruments to the more advanced SAA states. These instruments can include screening for the adoption of the *acquis*, certain economic instruments, twinning and assistance for building administrative capacity. Eventually, an “enriched SAP” might significantly shorten the actual phase of accession negotiations and strengthen a country’s “locomotive role” within regional cooperation. Romania and Bulgaria negotiated virtually on a par with the ten acceding countries in terms of political representation and access to EU programs and funds. The same logic to avoid new status-induced disparities would require additional funding (especially for socioeconomic cohesion) in the Western Balkans.
4. **The Southeast European specifics** of stabilization, development and integration, however, require substantial modifications to the successful model of eastern enlargement. The lengthy SAA, once signed, requires selected interim incentives for both reform-minded politicians and their constituencies. Tangible benefits linked to concrete benchmarks might involve trade policies, the four freedoms and the Schengen visa regime. Unlike East-Central Europe, the process of EU integration for Southeastern Europe has begun before the process of economic restructuring, rising unemployment and de-industrialization has bottomed out.

Functional Cooperation

5. **Pan-European benefits:** In view of a completed Europe that will include the Western Balkans, some exclusive EU benefits can be turned into “pan-European” benefits to strengthen regional and European solidarity without violating SAP conditionality. EU member states and European public opinion may be used to the complexity of the EU’s architecture and working methods. Generally, this does not apply to the Balkan states and their populations. It certainly does not mean the lack of clarity about EU priorities in the region, compounded by multiple and often divergent EU messages, is a minor issue that merits only minor attention. Moreover, familiarization with the EU’s working methods and internal politics would also enhance the ability of the countries of Southeastern Europe to improve their cooperation with EU institutions. Citizens from the region could qualify for EU educational programs and for staff positions in the EU. Information campaigns on the Union ought to include the region on an equal footing, and observer status for the states in the European Parliament or at the next Inter-Governmental Conference might be worth considering.

6. **Functional cooperation:** Regional cooperation should be made obligatory and instigated with vigor only in forms that are beneficial for both advanced countries and laggards. Cooperation can proceed via the Stability Pact (SP) and the South East European Cooperation Process (SEECP): regional infrastructure, energy networks, free movement of goods, capital and persons within the region, etc. In many issues of civil society development, regional cooperation can add value, but it should not be a direct requirement of European conditionality. Accordingly, functional regional cooperation should be less constrained by the EU's distinctions among members, candidates, SAP countries and non-members. Without raising the specter of virtual, partial or second-class membership, the EU might intensify cooperation in some policy areas such as the fight against organized crime, environmental policies, and security issues. Functional cooperation would be beneficial for both the region and the EU.
7. **Regionalization:** True regional ownership requires an SEECP with stronger capabilities, not necessarily institutionalized, including regular ministerial meetings in key areas of potential regional cooperation: security, economics and trade, energy, etc. The Stability Pact ought to define its own agenda selectively and proactively based on actual and potential added value that is complementary to the Stabilization and Association process. Consequently, the Stability Pact's table structure has to be reconsidered and certain other tasks regionalized, transferred to the EU or phased out in the medium term. Conversely, the EU preference for frameworks of regional cooperation that respect the differing status among member states, acceding, accession, associated and non-member states contradicts the functional logic of cooperation. As a rule, crosscutting forms of cooperation—both on a local and a national level are more productive and sustainable.

Unintended Consequences

8. **Governance:** At present there is little compatibility between the EU framework and the Commission's stated aims in governance. There needs to be open and public recognition that the process of external governance, in managing the integration of Southeastern European states through the Stabilization and Accession process (SAP), risks weakening the standing and capacity of SEE state institutions and also risks marginalizing democratic processes, at least in the short term. Unless the problems of building state institutions and developing civil society are addressed in the context of the historically unprecedented level of external regulation, the risk of unintended outcomes will be magnified enormously. As long as state institutions and political processes in Southeastern Europe are judged solely on their compatibility with EU mechanisms, rather than in relation to domestic political, economic and social constraints, there is a risk that governance reform will fail to address key domestic questions. It is important that SEE governments have more input into SAP and Community Assistance for Reconstruction, Development and Stabilization (CARDS) priorities to avoid spending EU funds unproductively. Imposing EU policy should not be seen as a shortcut to institutionalizing good governance practices, because this raises the problem of artificiality. There is a danger of imposing external policy frameworks that could result in paper institutions with little influence over, or relationship to, society. There needs to be international recognition that the encouragement of "government by task force," and the creation of new policy institutions outside the formal democratic framework of the SEE states, may result in unintended consequences, such as the weakening of state capacity. This is particularly a danger when these *ad hoc* bodies seek to influence state policies through appeals to external bodies rather than relying on domestic political processes. Building civil society needs to feed into the domestic political process rather than take resources away from this process. Civil society groups need to be judged on

their membership and articulation of social needs rather than their policy. A civil society that relies too much on external financing may be unable to provide an alternative voice or develop broader policy-making discussion and involvement.

9. **Economics:** EU conditionality in bilateral relations with individual SEE countries is at present probably the most important instrument for implementing certain EU objectives. The criteria that the countries are expected to fulfill are well known to SEE governments, but foreign assistance programs do not always fully conform to these criteria, nor do they necessarily respect the interests of the beneficiaries. Thus, a stronger link between existing EU conditionality criteria and concrete objectives of assistance programs is required. To make donors' projects more recipient-driven and less donor-driven, greater flexibility by donors to take greater consideration of recipients' concrete needs would be highly desirable. Mechanisms to screen external intervention within the SAp, which link access to finance from western aid agencies to compliance with certain criteria, have to be introduced. Given the long time horizon for EU membership of most SEE countries, it would be more useful to adopt criteria designed to assist development and transition efforts of SEE economies, rather than insisting on criteria that are only likely to become important at a later stage, at the moment of EU accession. It may be preferable for SEE countries to devote their scarce resources to reforms and development, rather than to harmonization with EU legislation. Thus, both agendas of stabilization and integration often fail to provide the incentives and preconditions for economic growth.
10. **The policy priorities** of the EU tend to follow the model of eastern enlargement and EU preferences rather than the requirements and concerns of the region. Recently, organized crime and corruption seem to have outshone all other issues. Consequently, next to all regional cooperation initiatives have included the fight against organized crime and corruption in their catalogue of objectives. Similarly, SAp and CARDS are overly focused on issues (well-known from the progress reports of eastern enlargement) such as good governance, administrative capacity building, border control and reform of the judiciary.

Prospects and Risks Beyond EU Enlargement

With the ceremony in Athens on 16 May 2003, the die has been cast for the enlargement of "Europe." The European Union envisions an enlargement of eight East-Central European transition countries plus Cyprus and Malta. Having passed through a ten-year process of political and economic transformation leading into EU accession negotiations, they now qualify for full membership. This round of enlargement will increase EU membership from 15 to 25 countries, the territory by more than 20 percent from 3.3 to 4.0 million sq. km and the population by almost 20 percent from 370 to 440 million inhabitants. Meanwhile, the European Union, originally a club of six consolidated democracies and industrialized economies, is in the middle of the process of redefining itself. Not only the current convention on the future of Europe and the next Inter-Governmental Conference (IGC), but also the recent endeavors to strengthen the foreign-policy, military and crisis-management capabilities of the EU in the framework of its Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP) are likely to have a profound impact. In sum, the EU the candidate countries will accede to will be quite different from the one they set out to apply for in 1993. Despite the epochal achievement of post-communist transition that these countries have mastered, with the assistance of the international community and with the prospect of EU membership as a catalyst, the signing of the actual accession treaties will by no means mark the end of the integration process.

In line with its open-door policy, NATO too decided to admit another seven countries as full members, and all other countries of the former eastern bloc (except Yugoslavia and Bosnia-Herzegovina) have joined the Partnership for Peace (PfP) and the Euro-Atlantic Partnership Council (EAPC). As a result of Russia's pro-Western behavior after September 11th, NATO created a new NATO-Russia Council, whose competencies should go beyond the former NATO-Russia Joint Permanent Council. Compared with the old institution, the new one should allow more decisions involving both partners to be made more openly, but in any case the reform still has to prove its sustainability. The organization the seven new members are about to join, however, has redefined its appearance and its agenda. Changes include the shift from collective defense to conflict prevention and crisis management, the EU acquiring its own aspirations and some capabilities in the relevant areas, an emancipatory redefinition of transatlantic partnership, Russia's new role as a strategic partner and, finally, the still inestimable consequences of September 11th for world order in the 21st century.

Despite the challenges of European reform and accession, on one hand, and the new global paradigm of the "war on terror," on the other, the process of European integration in the wider sense has not reached its *finalité*. Rather, NATO and EU enlargement have created two approximately matching architectures of integration, with the exceptions of Romania, Bulgaria and Turkey, which will become NATO members while remaining only candidates for EU membership. The organization with the less comprehensive and demanding set of conditionalities and accession criteria has successfully instigated a series of mechanisms and programs to support and involve neighboring countries that are not yet able to become full members: PfP, EAPC, the Membership Action Plan (MAP) and the Mediterranean Dialogue.

Conversely, the European Union's relative success in transforming and integrating new members has frequently been contrasted with its inability to design strategic approaches to countries and regions that cannot yet be offered future membership. The approaching round of enlargement will create a new outer border of the EU with exactly such regions. Including Romania, the new eastern border from Narva on the Baltic Sea to the Danubian estuary on the Black Sea will add 3700 km of frontier with Russia, Belarus, Ukraine and Moldova to the

current 1470 km of Finnish-Russian border. Moreover, to the southeast, in addition to Turkey as a non-negotiating candidate, the Western Balkans as a region of recent conflicts will become an enclave within the EU, with nearly 24 million inhabitants and 264,000 sq. km. Since 1999, the five countries in the area have become “potential candidates” for EU membership. This status sets them apart from the future Eastern neighbors that have either never expressed the wish to become EU members (Russia and Belarus) or are decades away from qualifying for candidate status by current standards (Moldova and Ukraine). Nevertheless, for most, if not all, countries of the Western Balkans, the road toward EU membership will be long and arduous.

NATO and other relevant organizations in norm-setting, stabilization and transition in Europe, e.g. the OSCE or the Council of Europe, have more limited responsibilities and thus reduced conditionality and moderate entry criteria compared with the EU. These other organizations have been able to avoid the dilemma the EU is currently facing. While struggling to preserve internal cohesion and dynamism in the face of enlargement and new global and regional responsibilities, the EU bears the brunt of this dilemma. There is no exit strategy to direct neighborhood to the east, and the logic of a European *finalité* presupposes the inclusion of the Western Balkans enclave. In both cases, to the east and to the southeast, national and regional deficits in stability and transition are increasingly becoming European problems, and the solutions will have to be European solutions. Consequently, the EU as an inherently open organization faces the dilemma of how to relate to neighbors that are unable and often reluctant to engage in the transition and reform that lead up EU integration. On one hand, the EU thus lacks an adequate partner, while on the other, if only out of self-interest the EU must engage at least in the stabilization of the neighboring countries. The EU’s leverage and external guidance, however, heavily depend on the credibility and attractiveness of the prospects for integration. The Union’s capabilities and attractiveness, in turn, depend on norm-setting and membership conditionalities. In sum, the EU has to reconsider the inclusive programs and benefits it can offer to *all* neighboring potential candidates and non-candidates, without endangering the quality and the power of full membership.

Prior to the 2004 accession round, the EU had to come up with answers to a series of related concrete questions, such as the most prominent and self-evident consequence of enlargement, the Kaliningrad quandary. At the EU-Russian summit in November 2002, a formal solution was found for transit between Kaliningrad and the rest of Russia. This ends a long strategic debate and opens at the same time opportunities for a sustainable Kaliningrad policy, which has to be driven from both the Russian and European sides. The overall goal is to decrease regional weakness and the asymmetries between Kaliningrad and neighboring Poland and Lithuania through an efficient regional policy, European funding for modernization and infrastructure development, and cross-border cooperation.

Overall, the Kaliningrad case was blocked by unclear status issues related to conflicting interests. Similarly, a solution has to be found for Kosovo’s status limbo that excludes the entity from loans from the international financial institutions (IFI) and other state-oriented processes such as the Stabilization and Association Agreement. The secessionism of Transdnistria, moreover, points out the EU’s self-imposed constraints on the reach of its conflict management, which includes the Russophone diaspora in Estonia and the confrontation between Slavs and Albanians in Macedonia, but explicitly excludes the stand-off between Chisinau and Tiraspol in Moldova.

Clearly, neither a “Fortress Europe” nor an indiscriminate “contiguous” mode of enlargement can resolve this dilemma. Once made, the promise of “a perspective of future membership” becomes irrevocable, as the case of Turkey has demonstrated. Apart from the general assumption that no country is *per se* excluded from the European Union, any allusion to prospects of membership that are by current standards at best decades away is

counterproductive. It risks a loss of credibility for the EU, produces phony debates on accession dates within the local elites and creates public frustration in the country involved. Adequate public policy and responsible management of expectations require fairness and restraint. A sound process of reform toward a market economy, a consolidated civil society and a pluralist democracy are *conditio sine qua non* for EU integration, not vice versa. Only after a certain critical level of transition has been achieved does a well-defined framework of EU integration to guide reforms and transition policies become relevant and productive.

Shortcuts toward candidate status in the transition process and shortcuts of partial or virtual membership within the pre-accession process would have unintended consequences. Otherwise, the ideal of EU membership might easily, e.g. in Ukraine or Moldova, become the national elite's favorite foreign-policy slogan without links to domestic reform efforts, or producing simulated rather than real, sustainable reforms. Post-communist transition cannot be reduced to a handful of quantifiable indicators. A GDP ranking thus tends to underrate the disparities among the fifteen EU member states, the ten accession states, the three remaining candidates, the five associated countries to the southeast, and the four non-candidate neighbors to the east. The GDP of the ten candidates is less than 5 percent of the EU-15's GDP. Romania's GDP per capita is 25 percent of the EU-15 average, Macedonia's and Moldova's even lower. Therefore, programs and strategies have to be developed that enhance a neighboring country's reform capability, and thereby its ability to meet EU conditions, without relying on the status of pre-accession or, in the case of the Western Balkans, "association."

Conversely, the level and intensity of EU assistance, and the pull of EU integration, are key factors in any post-communist transition process toward democracy and a market economy. The agenda the EU defines for its relations with a certain country, as well as the forms and intensity of assistance linked to this agenda, are the determinants of the relationship. The agenda the EU defines for an adjacent country or region is the combined outcome of the neighbor's situation and potential, including stability risks, reform strategies or geographic location, and EU views on its geographic *finalité* and institutional dynamics. The EU, however, is not a development agency or a crisis manager. The pre-set agendas and the hurdles of conditionality in many cases threaten over time to produce divergence and drop-outs rather than convergence to the EU model. These asymmetric relations, i.e. weak neighboring states in combination with strong European guidance and assistance, tend to produce unintended consequences. In weak states with low absorption capacities and low state functionality, the sheer massiveness of external guidance and assistance has not produced the expected results and efficiency, while often creating or exacerbating new problems. The density and intensity of assistance varies tremendously depending on the EU's agenda, rather than objective local needs for transition assistance. For example, the financial commitments in the 2000 budget of the EC for the Western Balkans (24 million inhabitants) were twice as high as for the CIS (282 million inhabitants).

Toward a Multi-Layered Europe

The results and recommendations of *Beyond EU Enlargement* map out an approach to Europe's future. In Southeastern Europe, the Union is already taking on responsibility to stabilize the region's postwar recovery. Because the enlarged EU will surround the Western Balkans, this approach is very much in the European interest. Although approaches to a new neighborhood policy for Eastern Europe are still under discussion, they are already on the agenda of western decision-makers. On the whole, while the EU recognizes its responsibility beyond its borders, pressure from the outside remains much higher than European responses. For instance, Ukrainian and even Moldovan decision-makers are using the perspective of EU membership as a new guideline for their post-Soviet orientation. At the same time, internal development is an inconsistent mix between meeting western standards and muddling through transition problems. Developments in the Balkans are driven by membership prospects and assistance, even if EU membership for countries such as Albania is, in the short and medium term, based much more on a Western commitment than on fulfillment of the Copenhagen criteria. In both in Eastern and Southeastern Europe, expectations from the European Union exceed its current strategies.

To reduce the gap between external expectations and EU policies, the Union has to develop a new level of pan-European capacities. This step cannot be achieved by "simply" continuing the success story of EU enlargement. Only the model of a multi-layered Europe can fulfill the huge attraction of the EU, which is present in most of the former communist countries. EU integration has to be the most important core of the model. Based on the EU's history and self-understanding internal integration will continuously increase. The future of European integration is partly reflected in the post-Nice process and the European Convention. Although the process is first and foremost oriented around the current enlargement, European integration must also meet pan-European requirements. It is not only Russia that challenges the EU to strengthen its Common Security and Defense Policy. Furthermore the EU should identify other areas for functional cooperation with non-candidate states. Differentiated integration can offer alternatives for strengthening cooperation without full membership. In any case, future capacities and capabilities for European integration shape a multi-layered Europe. At the same time, the EU cannot solve the problem by simply ignoring it, because expectations beyond the Union's borders would either be constantly increasing or would be disappointed. In the latter case, the EU might lose its influence in stabilizing and safeguarding Europe.

The second layer is the enlargement process that connects countries to the EU until accession. Based on setting norms from the outside, on monitoring and on integration, the enlargement process is the success story of the European Union's external relations. Within the multi-layer model, enlargement is the most concrete but also most ambitious option, which should not be used as a magic bullet. One has to consider that its benefits also depend on internal capacities to strengthen integration, and a rash opening of the Union might even destabilize its ability to act.

The current accession process illustrates that not all countries from the Baltics to the Balkans that have been offered more or less concrete accession prospects will enter into the Union in the short or even medium term. To reduce rejection shocks and to improve the accession process, pre-accession benefits have to be strengthened. Once the overall prospects for membership are decided, providing technical assistance and information should be instruments of a pre-accession strategy. Overall, in the third layer a powerful pre-accession

approach should be developed, which makes the status attractive enough to guide cooperation in the medium term.

For good reasons, the EU has not offered membership prospects to the countries of the fourth layer, such as Ukraine and Moldova. Currently, the decision depends not only on the shortcomings of the countries' internal reforms, but also on the EU's capacities for integration and its political will. In any case, declarations about avoiding a new dividing line should be taken seriously and not limited to mere statements. To integrate countries without current accession prospects into the multi-layer model, a new neighborhood policy is needed. The neighborhood policy cannot be shaped only by the EU; the neighboring countries must also agree. Neighborhood policy differs from pre-accession and accession policy in its general approach. Being a neighboring country does not necessarily mean being oriented on the *acquis communautaire*, but does mean strengthening cooperation. From the neighboring countries' side, it is imperative to have access to European markets and societies. Therefore, neighborhood policy should avoid trade borders and visa borders until there are new opportunities for functional integration. In a nutshell, EU interest is guided by security, stability and cooperation. The status of a neighboring country should only be offered to countries fulfilling two criteria, geographic location in the European neighborhood and European self-definition.

The Chechnya war and the conflicts arising as a consequence of September 11th illustrate that a new European model has to go beyond direct neighborhood. To increase its pan-European influence, the EU should strengthen its capacities and capabilities for conflict prevention as well as conflict management. At the same time, supporting transition processes through technical assistance can be a keystone for European cooperation.

The multi-layered Europe should widen the European Union towards a pan-European agenda, in which successful external relations are not restricted to enlargement. To make the approach executable, the different layers of European integration, accession, neighborhood, and pan-European policy have to be flexible. The intentions of the Treaties of Rome declare that the Union should be open for every European country, but that does not mean that every European country should receive a membership guarantee. Membership depends on EU capacities, strategic decisions and internal developments of the Eastern and Southeastern states. The principle of openness implies that a certain country can develop its status from an outer layer into an inner one. The principle of differentiation presumes that the closer a country would like to be to the EU, the stronger it has to be monitored by European standards. There should be different kinds of monitoring, ranging from the progress reports of the candidate countries to a new monitoring of neighborhood policy. The most important principle is transforming single-layer approaches into a multi-layered model. The EU has to broaden its attractiveness from offering enlargement to becoming a pan-European actor.

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Annex 1. Country and Regional Data

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