

Regional co-operation: recent achievements and initiatives

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Regional cooperation in South East Europe: **Moving towards local ownership**

The countries of South-East Europe are acquiring greater ownership of regional cooperation. The Stability Pact is transferring its responsibilities to locally managed bodies based in the region. The Zagreb Summit of the South-East Europe Cooperation Process (SEECP) and the Stability Pact Regional Table on 10-11 May will mark an important step in this process. The European Commission fully supports this transfer of ownership to the local level and cooperates closely with the Stability Pact, the SEECP and other stakeholders to that end.

Recent years have witnessed substantial progress in regional co-operation in South East Europe, as well as in the countries' closer relationship with the EU. As a result, a review of the structures and methods of regional cooperation became necessary. The countries of the region can increasingly assume responsibility for regional cooperation, which should lie first and foremost in their hands.

In early 2006 the Stability Pact and the European Commission worked out a joint approach on the transition to regional ownership. This included:

- Gradual transfer of full responsibility for regional cooperation to the countries themselves, with continuous guidance and support from the EU.
- Gradual transfer of key functions of the Stability Pact to bodies based in the region, and an enhanced role for the South-East Europe Cooperation Process (SEECP), as the authentic voice of the region.
- Ongoing engagement of the EU and the Commission in regional co-operation in view of the region's European perspective.

In line with this approach, which was endorsed by EU Member States and by other partners, the May 2006 Regional Table of the Stability Pact in Belgrade adopted a Roadmap for a regionally-owned Cooperation Framework in South East Europe. The Roadmap foresees the establishment of a Regional Cooperation Council (RCC) to take over the responsibilities of the Stability Pact by early 2008. The Regional Cooperation Council will coordinate regional cooperation processes and ensure their sustainability and focus. A Secretariat will be established, based in the region and a Secretary-General from the region will be appointed. The Regional Cooperation Council and its Secretariat will provide the SEECP with operational capabilities as well as a framework for the continued involvement of the international donor community in the region.

Regional cooperation activities, including the various initiatives of the Stability Pact, will be streamlined according to agreed priorities. Priority areas for co-operation in the framework of the RCC are as follows:

- a. Economic and Social Development.
- b. Infrastructure
- c. Justice and Home Affairs
- d. Security Co-operation
- e. Building Human Capital

f. Parliamentary Co-operation

Social cohesion and gender mainstreaming will also be given due attention. Particular emphasis is placed on the role of civil society actors in regional cooperation.

These activities will build on recent achievements such as the creation of a regional free trade arrangement (CEFTA), the establishment of an Energy Community for South-East Europe, the signing of a European Common Aviation Area agreement, as well as on other ongoing regional cooperation activities and projects in the fields of energy, transport, environmental protection, justice, freedom and security and disaster prevention.

The SEECP Summit, which takes place in Zagreb on 11 May, is the result of months of preparations and is expected to decide on the appointment of the first Secretary General of the Regional Cooperation Council and the seat of the Secretariat. The Summit will also endorse the Statute of the Regional Cooperation Council. The Stability Pact Regional Table will meet the day before also in Zagreb to take the necessary decisions for its part for the transition.

Following the SEECP Summit meeting all stake-holders, including the Commission, will work closely with the Secretary General to set up the Secretariat and ensure a smooth hand-over of activities from the Stability Pact by early 2008. The financial costs of the Secretariat will be split in three among the SEECP countries and UNMIK, representing Kosovo, the European Commission, and other donors.

Background

The *Stability Pact for South Eastern Europe*, established in 1999, has been the main regional scheme in the Balkans. It has gathered the countries of the region (Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro Romania, Serbia¹), the EU Member States and the Commission, other donor states (including USA, Japan, Russia, Switzerland and Norway) and international organisations active in the region. The Pact focuses on promoting regional cooperation and coordinating international assistance. Its main areas of activity are the creation of a secure environment, the promotion of sustainable democratic systems, and the promotion of economic and social well being. Its Special Co-ordinator is appointed by the European Union which also contributes to the financing of his office based in Brussels. Since 2002, the Special Co-ordinator is Dr. Erhard Busek.

The *South East Europe Cooperation Process (SEECP)* was founded in 1995 as a political forum for regional cooperation. Its participating states are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, the former Yugoslav Republic of Macedonia, Moldova, Romania, Serbia, and Turkey. Montenegro will become the 11th participating on the occasion of the Summit in Zagreb. The SEECP holds annual Summits and frequent Ministerial meetings. The *Thessaloniki EU-Western Balkans summit* (June 2003) recognised the SEECP as 'gradually becoming the voice of the region'. At their 11 May Summit, the SEECP countries are expected to sign a protocol amending the Charter on Good Neighbourly Relations, Stability, Security and Cooperation in South Eastern Europe in order to take into account the creation of the Regional Cooperation Council and to assume greater responsibility for regional cooperation.

¹ Kosovo has been represented by UNMIK, in line with UNSC Resolution 1244/1999.

The new CEFTA

In December 2006, a new Central European Free Trade Agreement² (CEFTA) was signed by Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia and UNMIK/Kosovo³.

The new Agreement *enlarged* CEFTA to include additional countries and territories of South East Europe and created:

- A regional free trade area, based on the existing network of bilateral agreements. More than 90% of trade and almost all trade in industrial goods are liberalised;
- A simplified single system of rules that will make it easier to trade within the region

The Agreement was also *modernised* to include new trade provisions in areas such as harmonisation of rules, technical standards, services, competition, government procurement and the protection of intellectual property rights.

Importance of the new agreement

Regional trade integration is of crucial importance to the Western Balkans, and a key element of EU policy for the region. Through increased economic ties, the countries of the region will be able to create a stronger basis for economic development, and will thus be better prepared to sustain the impact of the EU internal market when they eventually join the Union. An adequately integrated regional market will also increase the attractiveness of the various countries for much needed foreign investment.

CEFTA will also contribute to prepare the countries that have not yet acceded to the WTO⁴ to join this organisation, as the two processes are rooted in the same goals of progressive liberalisation and open trade.

The European Commission plans to support the functioning of CEFTA, both through technical assistance aiming to facilitate the implementation and performance of the agreement and through initial (three-year) financial support for the setting up of the CEFTA secretariat.

Next steps

The seven signatories are currently completing the ratification process. So far, the former Yugoslav Republic of Macedonia, Montenegro and UNMIK/Kosovo have completed the procedure. The Agreement will enter into force, once five out of the seven signatories have ratified it. Although the initial, very ambitious, target-date has already passed (1 May 2007), it is still likely that the agreement will enter into force before the summer recess.

The Agreement's entry into force will enable the Joint Committee to meet in September to establish necessary sub-committees and to set up the CEFTA secretariat, vital for the good functioning of the agreement.

² CEFTA was first established in 1992 and included countries of Central and South East Europe that eventually joined the EU and withdrew from CEFTA. By 2007, only Croatia and the former Yugoslav Republic of Macedonia were left among the signatories of the original Agreement.

³ Bulgaria and Romania withdrew from the Agreement, upon joining the EU on 1/1/2007.

⁴ Bosnia and Herzegovina, Montenegro and Serbia.

Visa facilitation for the Western Balkans

The Commission concluded in April/May this year negotiations on visa facilitation and readmission agreements with Western Balkan countries. The agreements were signed on 18 September by the Council and the Western Balkan countries and are likely to enter into force on 1 January 2008. Visa facilitation will make travelling to the EU easier for citizens of Western Balkan countries, thus rendering the European perspective more tangible. It is a first step towards the establishment of a visa-free regime.

At present, citizens from all Western Balkan countries except Croatia⁵ are subject to a visa requirement for entering the EU. The visa facilitation and readmission agreements with these countries were initialled in April-May. A readmission agreement with Albania is already in force.

The visa facilitation agreements will make travelling to the EU for short-term trips easier for citizens of Western Balkan countries. These agreements bring substantial benefits to travellers to the EU from these countries. All travellers to the EU will benefit from lower visa fee rates. The fee will remain at 35 € and the recent general raise of the fee to 60 € will not apply to citizens of the Western Balkan countries. Certain groups such as students and pensioners will be totally exempted from visa fees. The processing of visa applications will be accelerated. For certain categories of persons, e.g. businessmen, students and journalists, the requirements on documents supporting a visa application will be simplified. Certain categories of frequent travellers will be granted multi-entry visas with long periods of validity. Finally, holders of diplomatic passports will be exempted from the visa obligation.

The agreements on readmission set out clear obligations and procedures for the authorities of both the Western Balkan countries and EU Member States as to when and how to take back people who are illegally residing on their territories. The agreements cover not only the illegally staying nationals of both parties but also third country nationals and stateless persons provided they have transited through the country which is asked to accept the readmission, or have a visa or resident permit from that country.

It is important that the visa facilitation and readmission agreements can enter into force at the latest on 1 January 2008⁶. The Council decided when the visa fees were raised that the entry into force of the raise should be postponed with one year until 1 January 2008 for citizens of countries, which could be expected to conclude visa facilitation agreements, which would maintain the fee of 35€ and which would enter into force at the latest on 1 January 2008.

Steps will need to be taken by EU Member States to ensure that all existing arrangements are in line with the letter and spirit of new agreements (e.g. need to increase the number and improve accessibility of consular offices, as well as to ensure appropriate approach of consular services on the ground)

Visa facilitation is a part of a broader set of measures aiming at increased people-to-people contacts between the EU and the Western Balkan countries. These include awarding more scholarships to students and researchers from the region, further cooperation in the areas of research, education and culture, including through participation into the relevant Community programmes and agencies, and simplified rules for researchers and students for admitting them to the EU and granting them resident permits. The Council is expected to adopt a new directive in the second half of October which will simplify the procedure for granting residence and work permits for third country nationals in general and establish a common set of rights for third country workers legally residing in a Member State. A

⁵ Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro and Serbia.

⁶ The UK, Ireland and Denmark do not take part in the adoption of the visa facilitation agreements. The UK and Ireland take part in the adoption of the readmission agreements, but Denmark does not.

directive which will harmonise the entry and residence conditions for highly skilled workers from third countries is also expected to be adopted in the same time.

The conclusion of visa facilitation agreements is to be seen as an important step along the path set out by the Thessaloniki agenda towards a visa free travel regime. In order to move forward in this area, the Western Balkan countries will have to implement relevant reforms and reinforce their cooperation with the EU and at regional level in areas such as strengthening the rule of law, fighting organised crime and corruption, and increasing their administrative capacity in border control and security of documents by introducing biometric data.

The Commission has already publicly announced its intention to start a dialogue in the beginning of 2008 with each of the Western Balkan countries on the requirements for visa liberalisation. Vice President Frattini presented these plans in April this year at the occasion of a ceremony for initialling the visa facilitation agreements and President Barroso mentioned these plans in a speech held 11 May in Zagreb at a meeting within the Southeast Europe Cooperation Process.

We are not proposing visa liberalisation at this stage. Our intention is to start a dialogue with each country with the purpose to examine the conditions for a visa free regime. A prudent step-by-step approach will be applied where the way forward will depend on each country's progress in relevant JLS areas. Of special importance will be the capacity to implement the visa facilitation and readmission agreements.

More scholarships to students from the Western Balkans

More scholarships will become available to students of the Western Balkans for studies in the European Union as of the current year.

The Commission has been reviewing its actions under Tempus and Erasmus Mundus in order to expand opportunities for mobility undergraduate and graduate students as well as teachers as from 2007. This follows the recommendations of the Commission's January 2006 'Salzburg' Communication and the December 2006 European Council which underlined the desirability of promoting people-to-people contacts by making available more scholarships for the students of the Western Balkans.

Cooperation with Western Balkan countries in the area of Education has been significant in recent years, with a substantial Commission Contribution under two programmes: Tempus and Erasmus Mundus.

In line with the recommendations of its January 2006 Communication on the Western Balkans⁷, the Commission has undertaken a number of measures:

- In 2006, a new scheme "Erasmus Mundus – Western Balkan Window" was initiated under the CARDS programme to allow up to 100 students from the region to undertake postgraduate studies in EU high profile master's courses. This arrangement will be renewed under the new Instrument for Pre-accession Assistance and will be extended to Croatia and the former Yugoslav Republic of Macedonia, which, as candidate countries, are not eligible under the general Erasmus Mundus Programme.
- The third phase of the Tempus programme expired at the end of 2005. The Commission plans to continue Tempus with its strong focus on institutional co-operation beyond 2006. Moreover, the revision of the Programme (Tempus IV) has allowed the incorporation of a new dimension into the Programme: students' mobility activities. This new component will be available as from 2008.
- A new "Erasmus Mundus - External Cooperation Window" will be initiated in 2007 to enable additional scholarships to graduate and undergraduate students. This follows the European Council Conclusions of December 2006 which highlighted the desirability of promoting people-to-people contacts by making more such scholarships available. This new Window will enable the exchange of 500 undergraduate students annually between the EU Member States and the Western Balkan region as well as between the countries of the Western Balkan region themselves.

These 3 components of the Higher Education Programme in the Western Balkan countries have been included in the 2007 Financing Proposal for Education and Youth Programmes, which will be approved by the European Commission later this year.

⁷ COM(2006)27 final, 27-1-2006. This Communication was produced in the context of the Salzburg EU-Western Balkans meeting of March 2006.

Financial assistance to the Western Balkans – The Instrument for Pre-accession Assistance (IPA)

-> A new tool since 1 January 2007

The Instrument for Pre-accession Assistance⁸ belongs to the new set of external relations instruments established for the 2007-2013 period. Applicable as of 1 January 2007, it is at the junction between external assistance and internal policies. It streamlines and unites under a single legal basis all pre-accession assistance, be it to candidate countries (currently Croatia, Turkey, and the former Yugoslav Republic of Macedonia) or potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro, and Serbia including Kosovo).

IPA thus replaces the previous pre-accession instruments (Phare, ISPA, SAPARD and Turkey pre-accession instruments), as well as CARDS which covered assistance to the Western Balkans.

-> Objectives and scope of the IPA

IPA offers targeted assistance through its five components:

1. Transition Assistance and Institution Building
2. Cross-Border Cooperation
3. Regional Development
4. Human Resources Development
5. Rural Development

The first two components are open to all beneficiary countries, while the last three are reserved to candidate countries, as they aim to prepare for the management of Structural and Cohesion Funds and Rural development after accession. However, measures of a similar nature to those of components 3, 4 and 5 are available also to potential candidate countries under component 1, the difference lying in the way these measures are implemented (on a decentralised basis for candidate countries, and on a centralised basis for potential candidate countries).

Assistance to potential candidate countries will concentrate on institution building, in particular to strengthen compliance with the Copenhagen political criteria, enhance administrative and judicial capacity and encourage some alignment with the *acquis communautaire*. The IPA regulation also foresees investments to promote economic and social development, and other transition measures.

For candidate countries, eligible for all five components, the institution building effort will focus on full alignment with the *acquis*.

Both groups of countries will benefit from increased assistance for regional and cross-border co-operation under component 2.

IPA encourages responsibility and ownership of the implementation process by the beneficiary country. Decentralised management is the objective whenever possible. For this, specific structures and systems need to be put in place by the beneficiary country. For candidate countries, this is true from the very start of the implementation of IPA, whereas potential candidate countries will be required to adapt their structures and systems progressively. Under the new instrument, stricter conditions and requirements have to be fulfilled for the Commission to confer management powers on the beneficiary country.

⁸ Council Regulation (EC) No 1085/2006

->Level of Assistance

European Commission assistance to the Western Balkans was substantial during the period 2000-2006, totalling € 5.4 billion. This amount includes substantial reconstruction aid after the Kosovo war. The Commission remains committed to supporting the region with adequate funds and holds that EU policy priorities for the Western Balkans should be backed by commensurate support under the new Financial Framework.

A key role of IPA will be to act as a catalyst for attracting further domestic and foreign investment in the beneficiary countries.

Under IPA, the Western Balkans are due to receive around € 2.7 billion over the next four years (2007-2010). A multi-annual indicative financial framework covering 2008-2010 (and confirming 2007 figures) was adopted by the Commission on 8 November 2006. The planned allocations by country (in million €) are shown in the table:

Country	2007	2008	2009	2010	2007-10
<i>Croatia</i>	<i>141.2</i>	<i>146.0</i>	<i>151.2</i>	<i>154.2</i>	<i>592.6</i>
<i>Former Yugoslav Republic of Macedonia</i>	<i>58.5</i>	<i>70.2</i>	<i>81.8</i>	<i>92.3</i>	<i>302.8</i>
<i>Serbia</i>	<i>186.7</i>	<i>190.9</i>	<i>194.8</i>	<i>198.7</i>	<i>771.1</i>
<i>Kosovo*</i>	<i>68.4</i>	<i>64.7</i>	<i>66.1</i>	<i>67.3</i>	<i>266.5</i>
<i>Montenegro</i>	<i>31.4</i>	<i>32.6</i>	<i>33.3</i>	<i>34.0</i>	<i>131.3</i>
<i>Bosnia & Herzegovina</i>	<i>62.1</i>	<i>74.8</i>	<i>89.1</i>	<i>106.0</i>	<i>332.0</i>
<i>Albania</i>	<i>61.0</i>	<i>70.7</i>	<i>81.2</i>	<i>93.2</i>	<i>306.1</i>
<u><i>Total W.Balkans</i></u>	<u><i>609.3</i></u>	<u><i>649.9</i></u>	<u><i>697.5</i></u>	<u><i>745.7</i></u>	<u><i>2702.4</i></u>

**under UNSCR 1244*

In addition to the above, the Western Balkans will benefit, together with Turkey, through horizontal and regional programmes almost € 560 million over the same period.