

No. 74/99  
November 19, 1999

## REBUILDING KOSOVO AND STABILIZING SOUTHEAST EUROPE: EU PLAYS MAJOR ROLE

At the Organization for Security and Cooperation in Europe (OSCE) Summit in Istanbul yesterday, European Commission President Romano Prodi presented the European Union's role in and overall approach to promoting stability in South East Europe.

In an address, President Prodi said that, on top of the EU's massive assistance to the region since 1991 (€19.3 billion)<sup>1</sup>, the EU is now adopting a comprehensive action plan based on Stabilization and Association Agreements (SAAs) with the individual countries. The SAA process aims to boost trade, investment and economic prosperity, reinforce political dialogue, democracy and regional cooperation, and draw the region closer to the EU institutions in preparation for eventual EU membership.

President Prodi added: *'We will look closely at what more we can do on trade, especially by promoting a free trade area in the region, rewarding concrete steps in that direction with freer access to the EU market. And we must step up our efforts to build institutions and civil society. We look forward to doing all of this in partnership with the United States and our other friends, and within the overall framework of the Stability Pact.'*

The European Union is a major partner in the *Stability Pact for South East Europe*<sup>2</sup>, which it initiated and helped to launch in July 1999. EU political and economic support - as well as expertise in running assistance programs in the region - continue to play a pivotal role. The EU remains by far the single largest contributor in assistance to Southeast Europe. From 1991-1999, the EU has provided over €7.5 billion in combined assistance to the region (humanitarian aid, reconstruction assistance, and economic, financial, and balance-of-payment support). Added to bilateral member state assistance and the contributions of the EBRD, total EU assistance for the period 1991-1999 amounts to over €19.3 billion.

The EU believes that a Financing Conference for the Stability Pact should be held in early 2000. By the end of this year, the EU intends to propose assistance totalling € 5 billion for the period 2000-2006 for five countries (Albania, Bosnia Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, and the Former Yugoslav Republic, once it meets certain conditions). €6.2 billion will be proposed for Bulgaria and Romania for the same period.

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<sup>1</sup> the €19.3 billion in 1991-1999 assistance is from the EU, its member states, and the European Bank for Reconstruction and Development (EBRD) to which EU member states are the major contributors.

<sup>2</sup> The aim of the Stability Pact is to provide a framework wider than the EU that contributes to lasting peace and stability, democracy, economic prosperity and regional security. The participants include all the countries in the region, the EU member states plus European Commission, the United States, Canada, Japan, the Russian Federation and Turkey, as well as international organizations and financial institutions.

In parallel, the EU's new Stabilization and Association Process will draw all the SEE countries closer to the Union and the mainstream of European development. This new kind of contractual relations proposed under the SAAs is based on development of existing trade links and economic and financial assistance, political dialogue, cooperation in selected areas, and overall preparation for eventual membership of the European Union. The extent of the development of these relations will depend on the individual countries' efforts.

### Kosovo

On Kosovo, President Prodi said:

*'We are making a powerful contribution in Kosovo. The Reconstruction Agency for Kosovo will be operational early next year. We are a key contributor to UNMIK (UN Mission in Kosovo). Yesterday the Commission announced at the Kosovo donors' conference a pledge of €500 million to help rebuild Kosovo on top of €137 million this year.'*

The Second Donors' Conference for Kosovo, co-chaired by the European Commission and the World Bank, was held in Brussels yesterday. Donors pledged over \$1 billion to support the Kosovo program for the remaining months of 1999 and the year 2000. Of that amount €500 million (\$526.7 million) comes from the EU, and \$156.6 million comes from the US.

Several participants noted that the problems of Kosovo could only be solved in the regional context of the Western Balkans. The EU has been a major contributor in the effort to rebuild the Western Balkans (Albania, Bosnia Herzegovina, Croatia, the Former Yugoslav Republic of Yugoslavia (Kosovo and Montenegro), the Former Yugoslav Republic of Macedonia (FYROM). Since 1991, the EU has provided assistance worth €4.6 billion, of which humanitarian assistance totals €2.1 billion.

Existing EU trade agreements with the individual countries are designed to promote regional cooperation. In terms of trade, the EU is the main trading partner of all countries in the region, ranging from 55% of trade with Croatia to 90% of trade for Albania. By comparison, the trade exchanges between these countries and the United States range from 4%-7%. The EU grants valuable trade concessions to all successor states of the Former Yugoslavia (FRY to be included once conditions are met) plus Albania. These concessions concern 80% of their total exports to the EU, and are worth some €100 million per year.

Within its Stabilization and Association process, in particular the negotiation of Stabilization and Association Agreements, the EU envisages a convention on regional cooperation, including the establishment of a regional Free Trade Area. The EU also proposes that measures similar to those undertaken by the EU could be envisaged within the Stability Pact.

\* € 1 = \$1.03 at current exchange rates.

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1991-1999 EU assistance to the Western Balkans										
Allocations in millions of euro										
Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	TOTAL
<b>ALBANIA</b>										
Phare		244.00			88.00	53.00	70.40	42.50	118.50	616.40
ECHO		4.13			1.15	1.65	16.30	11.00	7.00	41.23
FEOGA (DG VI)		120.00								120.00
Food security (DG VIII)							10.80		5.50	16.30
Democracy & Human Rights					1.00	0.60	0.40	0.80	p.m.	2.80
BOP support (DG II)									20.00	20.00
<b>Total =</b>		<b>368.13</b>			<b>90.15</b>	<b>55.25</b>	<b>97.90</b>	<b>54.30</b>	<b>151.00</b>	<b>816.73</b>
<b>BOSNIA AND HERZEGOVINA</b>										
Phare + Obnova						228.12	207.07	188.26	138.20	761.65
ECHO		495.26			145.03	142.45	105.00	87.95	56.40	1,032.09
Mostar, customs, voluntary return of refugees and demining					70.00	65.40	39.90	15.00	9.50	199.80
Media				0.21	0.65	1.65	4.09	2.24	2.40	11.23
Democracy & Human Rights					0.70	4.80	4.80	1.80	p.m.	12.10
BOP support (DG II)									45.00	45.00
<b>Total =</b>		<b>495.47</b>			<b>216.38</b>	<b>442.42</b>	<b>360.86</b>	<b>295.25</b>	<b>251.50</b>	<b>2,061.87</b>
<b>CROATIA</b>										
Obnova						10.99	8.59	15.00	15.00	49.58
ECHO		204.77			38.43	21.15	14.50	6.95	8.00	293.80
Media				0.09	0.31	0.72	1.67	0.59	1.00	4.38
Democracy & Human Rights						0.70	2.20	0.60	p.m.	3.50
Demining								1.00	0.50	1.50
Customs (DG XXI)									1.00	1.00
<b>Total =</b>		<b>204.86</b>			<b>38.74</b>	<b>33.56</b>	<b>26.96</b>	<b>24.14</b>	<b>25.50</b>	<b>353.76</b>
<b>FRY</b>										
Obnova								18.16	164.40	182.56
ECHO		170.25			36.87	23.40	13.50	11.20	6.10	261.32
Media				0.37	1.18	0.37	3.83	5.38	0.50	11.62
Democracy & Human Rights					1.90	0.70	0.80	2.50	p.m.	5.90
Food security (DG VIII)									10.40	10.40
<b>Total =</b>		<b>170.62</b>			<b>39.95</b>	<b>24.47</b>	<b>18.13</b>	<b>37.24</b>	<b>181.40</b>	<b>471.80</b>
<b>FYROM</b>										
Phare + Obnova		60.00			25.00	25.00	33.00	25.00	68.20	236.20
ECHO		36.52			9.15	0.00	0.00	0.00	0.00	45.67
Media				0.05	0.28	0.00	0.21	0.28	0.50	1.32
Democracy & Human Rights							0.50	0.20	p.m.	0.70
BOP support (DG II)							40.00		80.00	120.00
<b>Total =</b>		<b>96.57</b>			<b>34.43</b>	<b>25.00</b>	<b>73.71</b>	<b>25.48</b>	<b>148.70</b>	<b>403.89</b>
<b>Multicountry</b>										
Phare + Obnova								7.00	0.80	7.80
ECHO		17.10			20.00	0.00	0.00	17.00	378.00	432.10
Food security (DG VIII)									10.00	10.00
Media				0.44	0.61	0.15	1.45	1.40	2.00	6.05
Democracy & Human Rights							5.30	0.90	p.m.	6.20
<b>Total =</b>		<b>17.54</b>			<b>20.61</b>	<b>0.15</b>	<b>6.75</b>	<b>26.30</b>	<b>390.80</b>	<b>462.15</b>
<b>TOTAL =</b>		<b>1,353.20</b>			<b>440.26</b>	<b>580.85</b>	<b>584.29</b>	<b>462.71</b>	<b>1,148.90</b>	<b>4,570.21</b>

## 1991-1999 EU assistance to South-Eastern Europe

Allocations in millions of euro

Beneficiary country	European Union	Member States [1]	EIB	EU TOTAL	EBRD
ALBANIA	816.73	712.80	46.00	1,575.53	68.00
BOSNIA AND HERZEGOVINA	2,061.87	507.90	0.00	2,569.77	70.00
CROATIA	353.76	1,165.90	0.00	1,519.66	511.00
FEDERAL REPUBLIC OF YUGOSLAVIA	471.80	712.40	0.00	1,184.20	0.00
FYROM	403.89	178.20	60.00	642.09	143.00
Regional cooperation	462.15	0.00	0.00	462.15	0.00
<b>TOTAL A [2] =</b>	<b>4,570.21</b>	<b>3,277.20</b>	<b>106.00</b>	<b>7,953.41</b>	<b>792.00</b>
ROMANIA	1,813.20	3,069.40	1,134.50	6,017.10	1,283.00
BULGARIA	1,480.50	754.80	751.00	2,986.30	296.00
<b>TOTAL B =</b>	<b>3,293.70</b>	<b>3,824.20</b>	<b>1,885.50</b>	<b>9,003.40</b>	<b>1,579.00</b>
<b>TOTAL A + B =</b>	<b>7,863.91</b>	<b>7,101.40</b>	<b>1,991.50</b>	<b>16,956.81</b>	<b>2,371.00</b>

### Financial perspectives 2000-2006 (indicative allocations):

Albania, Bosnia and Herzegovina, Croatia, Federal Republic of Yugoslavia, FYROM: approx. 5 billion euro

Romania and Bulgaria: 6.215,3 millions of euro

[1] Provisional figures; figures on '98-'99 are not included as only provided by LUX, I, SV, DK, UK, EL, SF. - [2] These figures include Phare, Obnova, Media, Democracy & Human rights, Demining, Humanitarian aid, Food security and Macro-financial assistance.