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**REGIONAL COOPERATION IN THE BALKANS AS
AN ESSENTIAL STEP TOWARDS EU MEMBERSHIP
Lessons of Visegrád**



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SUMMARY

Bulgaria and Romania, as they work to fulfil the EU accession criteria, are obliged to give high priority to strengthening and fostering cross-border cooperation. The realization that SEE stability depends on regional cooperation is especially important. Bulgaria and Romania are ahead of the Western Balkan states in democratization and integration and may indeed make good guides towards EU accession.

The cross-border cooperation takes place on national and local levels, although most projects are national, with strong participation by central bodies and weak local-government involvement. This is because the real power in each country remains at national-government level. Local government has few independent powers, despite efforts in recent years to devolve some authority onto them.

Cooperating in various ways and fields of common concern, Bulgaria and Romania have achieved a number of positive outcomes. During the difficult years of transition and preparation for fulfilling the accession criteria, they realized that regional cooperation is a necessary step towards the EU. Economic cooperation also brings greater economic prosperity, while active political dialogue contributes to the democracy-building process. But the two countries still have much to achieve, if they are to reach the higher level of cooperation required by the EU. Romania and Bulgaria need to advance the process of cooperation in the whole South-East European (SEE) region, focusing on more active involvement in the five Western Balkan countries: Albania, Macedonia, Serbia and Montenegro, Bosnia–Herzegovina and Croatia.

Integration of the Western Balkans has become a priority issue on the EU agenda in the last few years. The lack of a history of regional cooperation, different degrees of economic development, existing trade barriers, violent conflicts, *etc.* have made the need for cross-border activities all the more urgent. There are several broad factors conducive to SEE regional cooperation as a precondition for integrating the Balkans into the EU. They include common geography and proximity, previous experience of communism, the need for security in an area of potential instability and conflict, common regional issues and problems, and stronger economic cooperation through removing trade barriers, creating an investment-friendly environment, building of common infrastructure, *etc.* The EU is committed to widening cooperation in the Western Balkans, as a means of making the area more prosperous and peaceful. The EU is now more constructively involved in the region, better informed on its regional and local characteristics, and more focused in its development strategy. But EU policy for Balkan integration faces a dilemma over the need to coordinate bilateral with multilateral approaches, represented by the Stabilization and Association Process (SAP) and SP respectively. The recent relative stability in the Western Balkans is a kind of European victory. The successive conflicts have been followed by great efforts to ensure stability and overt willingness to leave such conflicts in the past and work together for overall regional development. Behind these efforts lies the EU promise to integrate the Balkans into the European family. This is largely why the Copenhagen Summit in December 2002 is taken as a watershed in SEE history, for it offered all Balkan

countries real prospects of full integration in the EU structures, and for Bulgaria and Romania, a chance to begin negotiations straight away.

The SEE countries might improve their effectiveness and strengthen and broaden their cross-border activities by drawing conclusions from the cooperation model applied in Central and Eastern Europe. The CEE countries made efforts to develop inter-governmental dialogue and foster economic relations by removing trade barriers, synchronizing exports and imports and improving productivity, with an overall impact on their EU preparations. Their example shows that governments of neighbouring countries do well to act in consort instead of isolation.

The CEE region is comparable in some ways to the Balkans, giving the Visegrád and CEFTA models of cooperation direct relevance. Of course, Western Balkan governments are aware that they cannot achieve as much as the Central Europeans by copying their behaviour as their economies are less sophisticated than those of the CEE countries were in the early 1990s and show scars of recent violent conflicts and wars. But they share common historical aspects, notably communist experiences, geographical proximity, relative homogeneity in economic development, and similar external political and economic orientations. Both regions suffered international isolation during the communist years, faced difficulties in the transition period, and undertook drastic, costly reforms to their political, economic and legal systems.

For Bulgaria and Romania, involvement in CEFTA, has given significant practical experience. Since the initiative was in so many ways a by-product of Eastern EU enlargement, the two candidates had a chance to follow the process up to the final stages and thus be introduced in detail to the overall enlargement policy and accession requirements. CEFTA also became an important forum

for the two SEE countries to exchange information and experience. Romania and Bulgaria should use the CEE countries' shared background and draw relevant conclusions, in order to better coordinate and facilitate their efforts in the final stages of the EU negotiations.

One broadly discussed topic in recent years has been CEFTA's future. At the beginning of May 2004, five of the eight members joined the European Union and were required to leave CEFTA, leaving only Bulgaria, Romania and Croatia. However, CEFTA is expected to remain as a vehicle for them in the period up to accession to the EU. The organization has always welcomed new members and is likely to expand, with Macedonia as the next to join, as the only potential member that currently fulfils CEFTA requirements: World Trade Organization membership and a stability and association agreement with the EU. This automatically poses the question of CEFTA turning into SEFTA, with its activities in the Balkan peninsula, integrating also the countries of the Western Balkans.

INTRODUCTION

Regional cooperation in the Balkans began towards the end of the 1980s with the regional democratization process, but activities were frozen from 1991 to 1996 by violent conflicts and wars. Not until the late 1990s were the grounds laid for cross-border initiatives starting with attempts to coordinate infrastructural projects and political and economic policies.

The urge to build good relations and strengthen neighbourly ties in the South-East European (SEE) countries arose out of the prospect of joining the European Union. Brussels sees regional cooperation initiatives as a requirement if SEE countries are to move closer to the EU. Broadly, the cooperation process is intended to promote mutual dialogue among SEE governments at all levels and in all fields of common concern. This is envisaged as a way of transforming the region into one of stability, security and cooperation, and helping to initiate, facilitate and accelerate the process of EU accession.

Integrating the SEE countries into the EU is seen as the culmination of endeavours to 'return to Europe' by overriding the artificial division between East and West in the continent, as rejoining the European family. It is expected to stabilize still young democracies and provide an environment for socially balanced market economies. EU entry will provide economic and social benefits by giving access to the single market and increasing chances of attracting more foreign direct investment (FDI) and other capital inflows. But before this return, the SEE countries will have to meet a set of strict Union criteria and conditions in which cross-border cooperation features large.

This EU interest in strengthening cooperation among candidate countries is a 'rather new phenomenon,' applying first during the pre-accession process for the ten CEE, Baltic and Mediterranean entrants in 2004 (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia). This had not featured as an important condition in any previous EU enlargements over the last 30 years (the UK, Denmark and Ireland in 1973, Greece in 1981, Spain and Portugal in 1986, and Austria, Finland and Sweden in 1995).

With the CEE countries, regional cooperation became prominent among their European common goals, and in this respect, the SEE countries could draw some lessons and study the experience. The Visegrád countries (initially Czechoslovakia, Hungary and Poland) started active political cooperation efforts under the banner of a 'co-ordinated return to Europe' and realized the importance of fostering regional initiatives as an aid to attaining full membership. To foster their economic cooperation, the Visegrád Four (with the 1993 dissolution of Czechoslovakia) established the Central European Free Trade Area (CEFTA), which was seen as an important pre-accession instrument and contributed to some extent to reviving CEE regional economic ties and allowing collective approaches to the EU. Most observers consider that the SEE countries should bear in mind these successfully working models of regional cooperation enhancement, despite the significant difficulties the whole SEE region faces.

Bulgaria and Romania, neighbouring countries, are expected to enter the European Union in the second wave of the fifth enlargement at the beginning of 2007. EU membership has been a priority for almost every Bulgarian government in the last ten years and for all political parties. The country has had to make drastic reforms in its political, economic and legal systems during the

difficult years of transition. These have been focused on the *acquis communautaire*. The effort has paid off – Bulgaria is the candidate furthest advanced in the accession process and taking a leading role in the region. It has begun to see and present itself as an island of security and stability in an unstable region, willing to show its neighbours the way through the difficult process of European integration. This role among the SEE countries in the cooperation process has contributed greatly to the positive results achieved so far.

This paper outlines the special features of cross-border cooperation in the SEE region and Bulgaria's important functions as a leader. *Chapter 1* deals with the cooperation process among the two second-wave countries – Bulgaria and Romania. This is emphasized because these two states have advanced furthest in the EU negotiation process and will enter the Union sooner than the other SEE states. *Chapter 2* goes into the cross-border initiatives among the Western Balkan states, from Bulgaria's point of view. Emphasis is laid on the bilateral relations among Bulgaria and its immediate neighbours (Macedonia and Serbia and Montenegro), especially on the trade relations and how the foreign trade developed as a result of the achieved rapprochement among these countries. The third part (*Chapter 3*) broadly describes the main fields of CEE countries' joint relations in the frameworks of the Visegrád Group and the CEFTA and stresses on the necessity the SEE countries to use these Central European states working models of cooperation. The final chapter (*Chapter 4*) draws some conclusions and provides remarks on how Bulgaria as a future member of the European Union could strongly contribute to the overall development of the Balkan region and to the stability of Europe as a whole.

1) COOPERATION BETWEEN BULGARIA AND ROMANIA

Bulgaria and Romania, as they work to fulfil the EU accession criteria, are obliged to give high priority to strengthening and fostering cross-border cooperation. For such joint initiatives contribute to regional stability and development, improve their economies, and above all contribute to facilitating the two countries' integration into Europe.

The realization that SEE stability depends on regional cooperation is especially important. Bulgaria and Romania are ahead of the Western Balkan states in democratization and integration and may indeed make good guides towards EU accession.

The cross-border cooperation takes place on national and local levels, although most projects are national, with strong participation by central bodies and weak local-government involvement. This is because the real power in each country remains at national-government level. Local government has few independent powers, despite efforts in recent years to devolve some authority onto them.

1.1. Bilateral cooperation

The potentials for bilateral relations between Bulgaria and Romania had long been under-developed, but great strides have been made in the last decade, as the two countries prepare for EU membership. Much of the prompting has come from the EU, which looks for progress by Sofia and Bucharest in mutual activities, establishment of an environment for neighbourly relations, and higher levels of cooperation in almost all fields of

common concern. As a result, various bilateral projects have been implemented. This rapprochement has also contributed also to overall development of their trade and economic relations, including two-way trade turnover.

One long-established area of cross-border cooperation has been the Danube. Yet even today, the river border is spanned by only one bridge and three ferries. It is patently important to have a second bridge, to ensure higher levels of cooperation and lessen a physical barrier to trade, capital flows, exports, investment, tourism, *etc.* Construction of a second bridge began in 2000, thanks to funds of EUR 25 million from the EU Stability Pact for South East Europe and the governments of Germany and France. The site in the region of Vidin-Calafat was chosen after several difficult years of negotiating and completion is expected in 2006, at a probable overall cost of 190 million EUR. The disagreements in the negotiations were mainly because Bulgaria wanted the bridge in the less-developed north-western regions of Bulgaria, while Romania wanted it in the central or southern part of Romania, to reduce travel in Romania by foreign trucks.

Bulgaria and Romania have also discussed in recent years the question of establishing more Danube ferries. The planned routes are in the regions of Silistra (Bulgaria) and Calarasi (Romania), and Nikopol (Bulgaria) and Turnu Magurele (Romania). The funding for these infrastructure projects would come partly under the PHARE Cross-Border Cooperation (CBC) Bulgaria-Romania Programme.

In general, the construction of a second bridge and of two more ferries is of prime importance for strengthening economic ties and ensuring fruitful political cross-border dialogue between the two governments. Implementation of these will certainly contribute to neighbourly relations, economic growth and closer EU integration.

The fostering of bilateral cooperation between Bulgaria and Romania has also been of some assistance in solving pollution problems in a number of twin cities along the Danube, such as Russe/Giurgiu, Silistra/Calarasi and Nikopol/Turnu Magurele. These joint regional pollution projects have involved constructing pollution-control systems on the both sides of the river. The Bulgarian fertilizer producer Agropolychim has shown willingness to bid for the fertilizer plant in Turnu Magurele, which could contribute much to solving grave environmental problem in this border region. The Bulgarian company has also promised to close the Romanian plant's polluting sulphuric acid production. If this bid goes through, it will be the first major Bulgarian investment in Romania and as such, could be a spur to cross-border cooperation.

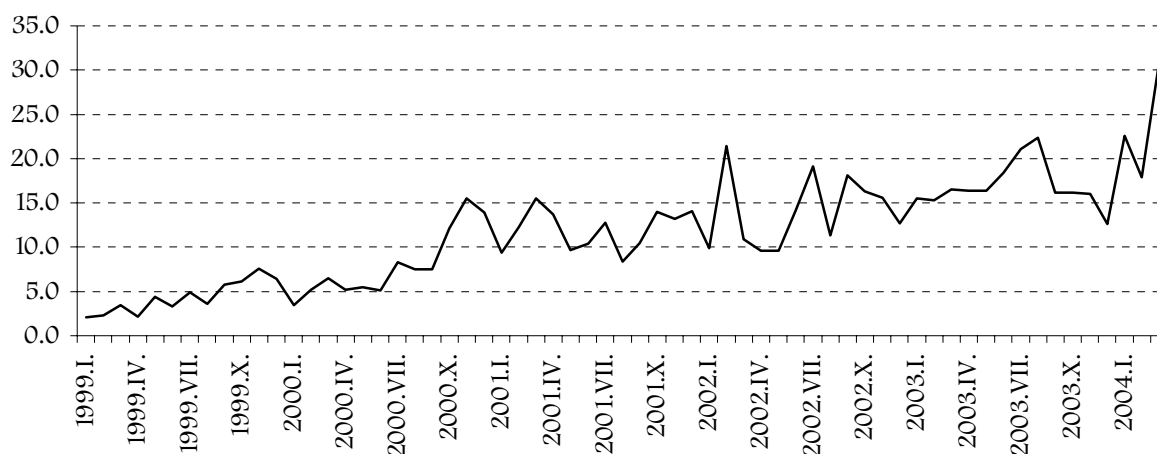
Bulgaria and Romania are also preparing a long-term project to upgrade the Danube waterway, financed with a EUR 360 million grant from the European Commission. The project is expected to be complete by 2007 and it will facilitate traffic on the common section of the river between the islands of Belene and Batin.

The most intensive integration will be taking place across the Danube in the coming years. The economic situations on the two banks are quite different. The immediate beneficiary may be Romania, as the Bulgarian territory involved is more developed and urbanized and could serve as a source of capital and investment. The Bulgarian side of the Danube has several large towns and cities, including two with established universities of economics and engineering.

An essential part of the countries' bilateral relations is trade and economic cooperation and how foreign trade turnover has developed since the break up of the Council for Mutual Economic Cooperation (COMECON) in 1991.

Chart I.
Bulgarian exports to Romania, cup, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	22.6	17.9	30.8									
2003	15.5	15.3	16.5	16.4	16.4	18.4	21.1	22.4	16.2	16.2	16.0	12.6
2002	9.9	21.4	10.9	9.6	9.6	14.2	19.1	11.3	18.1	16.3	15.6	12.7
2001	9.4	12.3	15.5	13.7	9.7	10.4	12.8	8.4	10.5	14.0	13.2	14.1
2000	3.5	5.2	6.5	5.2	5.5	5.1	8.3	7.5	7.5	12.1	15.5	13.9
1999	2.1	2.3	3.5	2.2	4.4	3.3	4.9	3.6	5.8	6.1	7.6	6.4



Source: <http://www.stat.bg/indicator.html?lang=1&id=340>

Bulgarian–Romanian trade turnover fell back sharply in the 1992–8 period. This was due to implementation of difficult economic and structural measures in both countries, and because they, like most ex-COMECON members, gave preference to exploring new trade opportunities in the West, to the detriment of established contacts between them.

General expansion of economic ties between Bulgaria and Romania followed the agreement on Bulgaria's accession to CEFTA, signed in 1999. Turnover in 2000 reached USD 314.78 million – two-and-a-half times the USD 125.11 in 1999 – with Bulgaria's exports growing by 50 per cent and its imports by 210 per cent. These rose again to USD 125.67 million (up 48.5 per cent) and USD 172.13 million (up 25.2 per cent) in 2001. In 2002, Romania was Bulgaria's top CEFTA trade partner and its eleventh in foreign trade overall, with trade and

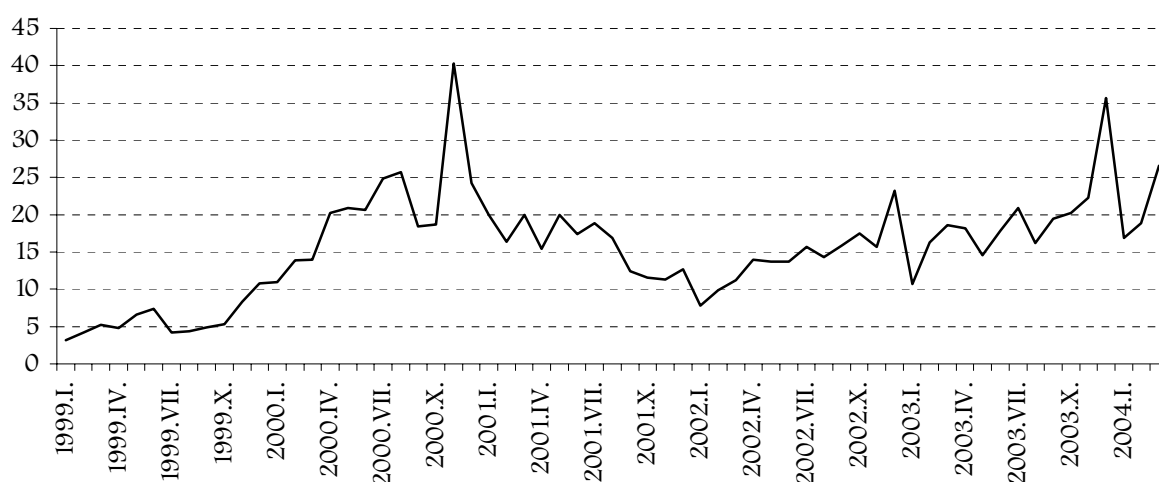
economic relations amounting to USD 321 million. In 2003, imports rose to USD 260.1 million (up 61 per cent) and exports to USD 226.9 million (up 42.5 per cent), bringing turnover to USD 487 million (up 51.7 per cent). The trend has reflected strengthening trade relations and a sharp fall in the USD/EUR exchange rate.

Bulgaria's main exports to Romania are petroleum (15.37 per cent), wheat (6.47 per cent), iron and steel products (5.9 per cent); knitted goods (4.47 per cent) and glass (4.16 per cent). Its main imports are petroleum (31.6 per cent), natural gas (11.38 per cent), ore (6.23 per cent) and aluminium (2.53 per cent).¹

¹ Bulgarian Economy Ministry: <http://www.mi.government.bg/eng/trade/regional/docs.html?id=95716>.

Chart 2
Bulgarian imports to Romania, cup, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	16.9	18.9	26.6									
2003	10.7	16.3	18.6	18.2	14.6	17.8	20.9	16.2	19.5	20.2	22.3	35.7
2002	7.8	9.9	11.2	14.0	13.7	13.7	15.7	14.3	15.9	17.5	15.7	23.2
2001	20.0	16.4	20.0	15.4	20.0	17.4	18.9	16.9	12.4	11.6	11.3	12.7
2000	11.0	13.9	14.0	20.2	20.9	20.7	24.9	25.7	18.4	18.7	40.3	24.3
1999	3.2	4.2	5.2	4.8	6.6	7.4	4.2	4.4	4.9	5.3	8.3	10.8



Source: <http://www.stat.bg/indicator.html?lang=1&id=308>

1.2. Pre-accession cooperation

The closer economic cooperation achieved under EU auspices forms part of the two countries' preparations for full membership. The EU supports regional projects through the PHARE Cross-border Cooperation Programmes, ISPA and SAPARD. For Bulgaria, the PHARE CBC Programme includes joint projects with Greece (as a neighbouring EU member) and Romania (as an EU candidate). The programme is oriented towards projects in transport infrastructure, energy and telecommunications, environment and regional development. Its main objectives are support for cooperation between border regions in CEE and EU countries, help for regions with specific develop-

ment problems, and encouragement to create and develop cross-border networks and establish links between these and wider EC networks.

Bulgaria is receiving some EUR 135 million from ISPA pre-accession funds for 2004 and the overall sum is expected to amount to EUR 700 million over the 2002–6 period. Financial memoranda for 2004 were signed in February, so that many projects, totalling EUR 118 million, were able to start. Annual non-repayable aid to Bulgaria from SAPARD has been EUR 54–56 million a year.

In March 2004, financing for the year began under the PHARE and SAPARD programmes and envisaged funding was 30 per cent higher than in the previous year. The European Commission has recently announced a further increase in PHARE funding for Bulgaria in 2004,

bringing the allocation to EUR 157.3 million. This will provide additional sums under the satellite programme of trans-border cooperation with Romania, Greece and Turkey.

On March 25, 2004, the Bulgarian government ratified a financial memorandum with the European Commission under the PHARE Cross-border Cooperation Programme with Greece and Romania. Bulgaria will receive EUR 28 million to develop regional cooperation on a local level and render support to border regions. The memorandum signed with Romania concerns EUR 8 million. The specified funding is to be spent on the transport infrastructure – building a ring road to Silistra, improving access to the Gurgevo frontier post, improving Danube flood protection, *etc.* The financial memorandum with Greece is for a sum of EUR 20 million, earmarked for improving roads and transport infrastructure leading to the frontier, modernizing the Blagoevgrad–Kulata railway, *etc.*

In February 2004, Bulgaria's Ministry of Regional Development and Public Works announced that new PHARE projects to be started during the spring of 2004 would total EUR 39.9 million, of which EUR 20 million would be earmarked for cross-border cooperation projects for three additional important projects. Some EUR 12.6 million would be invested in the reconstructing the Simitli–Razlog–Gotse Delchev–Sadovo railway, EUR 6.4 million in the Razlog water treatment plant, and EUR 400,000 in monitoring the River Mesta.

Before signing the European Commission's Financial Memorandum on March 25, 2004, the Bulgarian government announced funding applications for EUR 160 million under the PHARE CBC with Romania, Macedonia, Serbia and Montenegro, Greece and Turkey, 40 million covered by Bulgarian co-financing and the rest to be provided by the European Commission. Towards the end

of 2004 and in early 2005, some projects were expected to begin under the PHARE CBC with Macedonia and Serbia and Montenegro. This year's budget for these two programmes is EUR 4.12 million – 3 million for projects with Serbia and about 1 million for projects with Macedonia.²

Under their PHARE CBC, Romania and Bulgaria participate in trilateral cooperation with Greece and with Turkey, each with particular stated objectives. Bulgarian joint endeavours with Romania and Turkey focus broadly on political cooperation and the fight against organized crime. Those with Romania and Greece concentrate on economic development, communication infrastructure, foreign policy and regional security. The latter also seeks to affirm Greece's support for EU accession by the two candidates. Thanks to efforts by Bulgaria and Romania, the first quadrilateral meeting of foreign ministers was held in February 2002. This has been followed by other such meetings. Through the initiative, the two candidate countries rendered assistance to bringing Greece and Turkey together.

1.3. Cooperation on a local level

According to a special Council of Europe report, Bulgaria still has serious problems with the decentralization process. The country is said to have made no progress in local government and still needs to create an institutional system for devolving power onto local authorities. The same document cites as a prerequisite amendment of Bulgaria's legislation on 28 local administrations. Here, the Congress of Local and Regional Authorities considers it important that local administrators should be elected by citi-

² The data has been summarized from a number of articles, published on: http://www.bicc-sandanski.org/eicbg806/novini/pre_funds.htm.

zens, not appointed by central government.

Bulgarian–Romanian cooperation on a local level in the last few years has taken the form of Euroregions. The four established, without fixed statutes but officially recognized by the Council of Europe, represent the need for cross-border projects and consist of districts and municipalities in neighbouring countries. They are planned to create structures of a size that will allow applications for EU funding. The four established so far are Bulgaria and Romania:

- * Euroregion Russe–Giurgiu: Russe region (Bulgaria) and Giurgiu (Romania).
- * Euroregion Lower Danube (Danube Dobrudja): 13 municipalities in Silistra and Dobrich region (Bulgaria) and the Calarasi, Constan a and Ialomica regions (Romania).
- * Danube South Euroregion: municipalities of Svishtov, Belene and Nikopol (northern Bulgaria) and Zimnich, Turnu Magurele, Rosiori de Vede and Alexandria (southern Romania).
- * Euro-Danube Region: Vidin, Montana and Vratsa regions (NW Bulgaria) and Dolj (SW Romania).

The Euroregion of Russe and Giurgiu, formed in 2001, was the first in Bulgaria. Its joint Secretariat, Environmental Commission and Health Commission meet quarterly to analyse issues of environment protection, public health and veterinary services. They propose relevant measures to the local administrations of the two municipalities. The Euroregion is a logical outcome of the long-standing relations between the two neighbouring municipalities as regards culture, education, business, sports, tourism and environment protection.

During the past few years, the twin cities have actively developed cross-border cooperation and started or fully implemented important joint endeavours, such as a project aimed at ensuring co-

ordinated territorial development and urban-planning policy, and another for constructing a joint waste-collection system. The latter means that waste will be collected in Giurgiu for transportation to Russe for recycling. This infrastructural project received ISPA funding, but it is unlikely to be implemented before the two countries' accession to the EU, expected in 2007.

Another joint activity involves district heating in Giurgiu from a thermal power station across the Danube in Russe. It follows completion of a similar project in Silistra and Calarasi, whereby the Bulgarian city of Silistra receives natural gas from Calarasi, across the Danube, instead of from the Bulgarian gas network 100 km away. Russe and Giurgiu have also set up a joint Romanian-Bulgarian inter-university centre. A monthly periodical in Romanian and Bulgarian was expected in 2004.

However, the projects so far on a local level have mainly been on a small scale, contributing broadly in the field of social and cultural development: business forums, regional seminars, conferences, workshops, *etc.* Infrastructural projects are also planned. A start has been made to upgrading of the border-region roads.

1.4. Multilateral cooperation

To participate more actively and further contribute to strengthening cross-border cooperation in the Balkan region, Bulgaria and Romania have taken part in regional initiatives by several South European organizations and joined various organizations that have emerged since 1989.

These include the *Black Sea Economic Cooperation Organization* (BSEC), a multilateral body with an impact on cooperation in the Balkans, initiated by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania,

Russia, Turkey and Ukraine in 1992. Its focus is on economic and social development of the participating states and progress with ensuring stability and security in the region. It represents a special type of cooperation in that it includes an EU member (Greece), two candidate countries (Bulgaria and Romania), and states with partnership or trade and economic cooperation agreements with the EU (Albania, Armenia, Azerbaijan, Georgia, Moldova, Russia and Ukraine). It is the most institutionalized regional organization in South-East Europe, with an International Permanent Secretariat in Istanbul (since 1994), the Black Sea Trade and Development Bank (opened in Greece in 1999), a Parliamentary Assembly (since 1993), a Business Council, an Association of the Chambers of Commerce, *etc.* The International Permanent Secretariat is responsible for practical coordination at various levels of cooperation. It also collects and compiles information for implementation of proposed projects. The Black Sea Trade and Development Bank aims to finance and support regional projects and provide banking services to the public and private sectors in member-states. The Parliamentary Assembly seeks to complement and support intergovernmental cooperation and assist national parliaments in adopting legislation to implement BSEC decisions. The organization has been seen as an effort to facilitate the process of reforms and bring European integration closer. For Romania and Bulgaria, Greece's membership of the BSEC represents a direct connection with the EU. The focus is generally on large infrastructural projects. Its activities seek to contribute to removing barriers to trade, investment and capital flows, and speeding up economic development. Some implemented projects have involved the communications and transportation infrastructures, building of gas and oil pipelines, and connecting electricity grids between BSEC states and Western Europe.

Another organization in which Bulgaria and Romania cooperate is the *South East European Cooperation Process* (SEECP), which similarly seeks to foster cross-border initiatives for peace, stability, security and social development. Its endeavours include broad cooperation in policy and security, democracy and justice, the social and cultural fields, *etc.* The SEECP has no permanent institutions and exists in practice in the form of regular meetings of heads of state and foreign ministers of the participating countries (Albania, Bulgaria, Greece, Macedonia, Romania, Serbia and Montenegro and Turkey). Bulgaria and Romania are active in seeking to strengthen their neighbourly relations and promote cross-border cooperation among Balkan countries. By improving the SEE states' inter-governmental dialogue, the two countries aim also at further progress towards bringing the Balkans closer to the EU and speeding the process of integration into European structures.

In implementing the projects of the *Southeast European Cooperative Initiative* (SECI), Bulgaria and Romania have cooperated actively and shown their leadership in the region. The SECI was similarly created to promote higher cooperation among Balkan countries and reinforce stability and security. It was established at the end of 1996 by a joint initiative of the European Union and the United States, to foster economic development and environmental cooperation among participant states and facilitate efforts by candidate countries to meet EU entry conditions. In pursuit of the SECI priority of ensuring stability and security of the region, a Centre for Combating Trans-Boundary Crime and Corruption started to function in 2000. Bulgaria and Romania have participated actively in the fight against organized crime, as a basic EU priority of particular importance to their integration into EU structures. Other SECI activities include regional projects, meetings, conferences and workshops organized by the

so-called Agenda Committee. The participant states are Albania, Bosnia-Herzegovina, Bulgaria, Macedonia, Greece, Hungary, Moldova, Romania, Turkey, Croatia, Slovenia, Serbia and Montenegro.

The *Danube Commission* is another regional initiative that has driven forward the process of their cross-border cooperation. Bulgaria and Romania seek to ensure free shipping on the river between the two countries. Other members of the commission are Germany, Austria, Slovakia, Hungary, Croatia, Serbia-Montenegro, Moldova, Ukraine and Russia, with France, Turkey, the Czech Republic and the Netherlands having observer status. Permanent invited international organizations represented are the Council of Europe, UN European Economic Council, and Rhine Central Shipping Committee.

There are many other examples for cooperative endeavours among the two neighbouring countries in regional organizations. Their active participation in such kind of initiatives could be easily explained with the desire of Sofia and Bucharest to demonstrate their readiness for entering the EU, after fulfilling the requirement for strengthening the cross-border activities throughout the Balkans. The cooperation among Romania and Bulgaria in such kind of organizations also could serve as a tool for preventing cross-border organized crime, illegal border crossing, drugs traffic, *etc.*

Cooperating in various ways and fields of common concern, Bulgaria and Romania have achieved a number of positive outcomes. During the difficult years of transition and preparation for fulfilling the accession criteria, they realized that regional cooperation is a necessary step towards the EU. Economic cooperation also brings greater economic prosperity, while active political dialogue contributes to the democracy-building process. But the two countries still have much to achieve, if they are to reach the

higher level of cooperation required by the EU. Romania and Bulgaria need to advance the process of cooperation in the whole SEE region, focusing on more active involvement in the five Western Balkan countries: Albania, Macedonia, Serbia and Montenegro, Bosnia-Herzegovina and Croatia.

Bulgaria has made important progress in cross-border cooperation with Romania, as part of its preparations for joining the EU. EU membership has been a prime goal for almost every Bulgarian government and most political parties in the last ten years. Bulgaria was required to undertake drastic reforms in its political, economic and legal systems during the difficult years of transition, to meet the strict conditions for full-fledged membership. Through these successfully implemented reforms, the country has become the furthest advanced in the accession process and taken a leading role in the SEE region. It has begun to see and present itself as an island of security and stability in an unstable region, willing to show its neighbours the way through the difficult process of European integration. The country became a regulator and sometimes a driving force in the cooperation process and contributed greatly to the positive results achieved so far.

2) THE WESTERN BALKANS – TOWARDS DEEPER COOPERATION

Bulgaria has a strong interest in strengthening its cross-border initiatives with all SEE countries and encouraging cooperative activities among the various Western Balkan countries. In fostering regional cooperation throughout the Balkans, Sofia seeks to ensure the ability of Albania, Bosnia-Herzegovina, Croatia, Macedonia, and Serbia and Montenegro to cooperate and establish neighbourly

relations that could afterwards bring them closer to the EU. It is also in the EU's interest for Bulgaria to remain involved in regional endeavours throughout the Balkans, as these initiatives can be important sources of stability and overall economic and political development in South Eastern Europe. Sofia has greatly assisted the EU by guiding its neighbours towards the process of European integration and facilitating their efforts to become part of the European family.

The essential role of Bulgaria in the process of bringing the Western Balkans closer to the EU extends to the SEE Stability Pact, through which it ensures its involvement in strategically important regional projects. For example, construction of a second Bulgarian–Romanian bridge across the Danube, discussed in the last section, is expected to finish in 2006, as an important project in the Stability Pact framework.

Integration of the Western Balkans has become a priority issue on the EU agenda in the last few years. The lack of a history of regional cooperation, different degrees of economic development, existing trade barriers, violent conflicts, *etc.* have made the need for cross-border activities all the more urgent. There are several broad factors conducive to SEE regional cooperation as a precondition for integrating the Balkans into the EU. They include common geography and proximity, previous experience of communism, the need for security in an area of potential instability and conflict, common regional issues and problems, and stronger economic cooperation through removing trade barriers, creating an investment-friendly environment, building of common infrastructure, *etc.* The EU is committed to widening cooperation in the Western Balkans, as a means of making the area more prosperous and peaceful. The EU is now more constructively involved in the region, better informed on its regional and local characteristics, and more focused in its development strategy. But EU policy

for Balkan integration faces a dilemma over the need to coordinate bilateral with multilateral approaches, represented by the Stabilization and Association Process (SAP) and SP respectively. The recent relative stability in the Western Balkans is a kind of European victory. The successive conflicts (the break-up of the Federal Republic of Yugoslavia, the civil war in Bosnia, the Kosovo war and the conflicts in Macedonia) have been followed by great efforts to ensure stability and overt willingness to leave such conflicts in the past and work together for overall regional development. Behind these efforts lies the EU promise to integrate the Balkans into the European family.³ This is largely why the Copenhagen Summit in December 2002 is taken as a watershed in SEE history, for it offered all Balkan countries real prospects of full integration in the EU structures, and for Bulgaria and Romania, a chance to begin negotiations straight away.

The biggest challenge for the EU in this respect is to ensure balance and coordination between the bilateral approach and the multilateral SP one. Strategically, these rely on contrasting principles. The Stability Pact seeks to strengthen regional cooperation as a precondition for stability and prevention of further conflict, while the SAP priority is bilateral coordination, and it only identifies cross-border endeavours as an auxiliary mechanism. Despite these distinct strategic objectives, the reforms they promote are of complementary importance.

The prospects of the Western Balkans becoming part of the European family was set out above all in the 1999 founding document of the SP, established to foster greater political stability, lasting peace and security, stable democratic institutions, economic and social development with Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and Serbia and Montenegro as beneficiary members. Other signatories

³ Van Meurs and Jannis (2002).

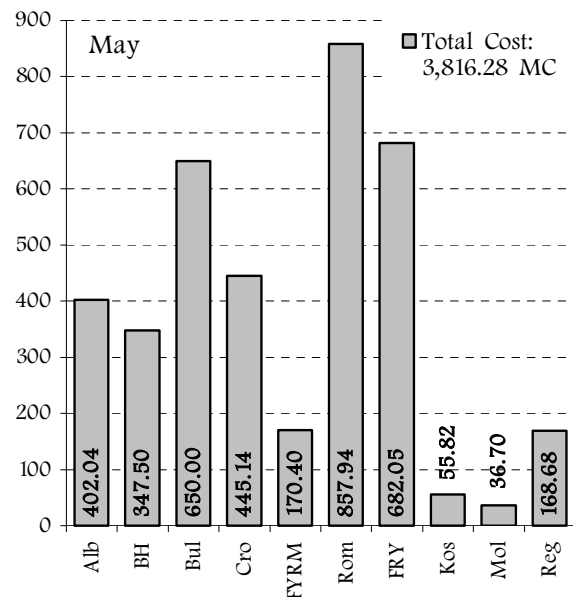
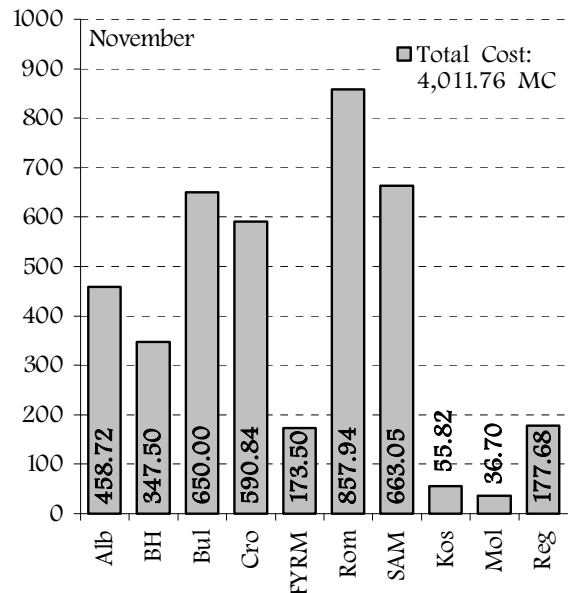
include all EU member states, Canada, Japan and the United States, and several transition countries and international organizations. The SP is based on the three pillars of creating a secure environment, promoting sustainable democratic systems, and promoting economic and social development. It has now emerged as an additional instrument for assisting Western Balkan countries in getting closer to the EU and facilitating their efforts to meet the conditions for joining the European family. Established as a regional tool for the reconstruction, the SP has coordinated various Balkan projects for rebuilding and developing infrastructures. There have also been a number of projects to do with democracy and human rights, economic restructuring and development, defence, security and internal affairs. These are valuable especially for combining governmental, non-governmental and local levels and engaging them in cooperation on an extended array of issues. Most SP funds allocated so far have been spent on ensuring long-term development through infrastructures such as transport, air traffic, energy, *etc.*, private-sector development in trade, SMEs and banking, and resolution of pressing refugee issues.

Reconstruction of the Western Balkan infrastructure has been the task of the Infrastructure Steering Group (ISG) set up in 2001. By November 2003, the ISG list covered 51 projects and a total of EUR 4.01 billion. The country breakdown appears in *Chart 3*.

The breakdown of the EUR 4.01 billion shows that the sector invested most heavily in transport (notably road infrastructure) with 68 per cent of the total (EUR 2.74 billion) for 37 different projects. The energy sector comes next with EUR 0.77 billion (20 per cent) for five electricity projects, and the water and environment sector last with five projects and a total cost of EUR 0.33 billion (8 per cent). A further 4 per cent are cross-border or trade facilitation

projects totalling EUR 016 billion for 6 projects.

Chart 3
The Stability Pact's ongoing infrastructure projects, as of May and November 2003



Source:

http://www.seerecon.org/infrastructure/document/infrastructure_projects_list_nov2003.pdf

Around the time of the Stability Pact, the EU introduced the new SAP, offering contractual bilateral relationships and financial assistance for individual countries and introducing the status of 'potential candidate for EU membership' for Western Balkan countries with long-

term prospects of accession. SAP applied to the five countries not yet part of the EU accession process: Albania, Bosnia-Herzegovina, Macedonia, Croatia, and Serbia and Montenegro. An essential part of the process is the formal signing of a Stabilization and Association Agreement (SAA), designed to regulate the bilateral relations between the EU and the individual country in the fields of trade, competition, state aid rules, intellectual property, *etc.* The first SAA was signed with Macedonia in April 2001. By that time, the EU had set up SAP, consisting of individual SAAs, a CARDS assistance programme and a programme of Autonomous Trade Measures (ATMs). With this, the model introduced for the Western Balkans was a reflection of the accession process for Eastern enlargement, with the SAAs clearly resembling the European Agreements, and the CARDS programmes the SEE versions of the PHARE programme. As with the Eastern enlargement, the EU has also instituted annual progress reports.

The SAA with Macedonia was followed by one with Croatia in October 2001. The process was taken further with negotiations with Albania starting at the beginning of 2003. Serbia and Montenegro, as well as Bosnia-Herzegovina, are still at the stage of feasibility studies. In addition to their bilateral negotiations with the EU, Albania, Macedonia, Croatia, Bosnia-Herzegovina and Serbia and Montenegro, as well as Bulgaria and Romania have

signed in June 2001 a memorandum of understanding on trade liberalization. The overall objective of this commitment is to create a network of bilateral free-trade agreements. In February 2003, the negotiations on the 21 agreements were completed and almost all became effective in mid-2003. This will facilitate SEE countries' efforts to come closer to EU accession, as it will render the assistance needed for creating a more integrated market in South East Europe, with a population of 55 million people. Establishing this common SEE market will attract greater FDI and capital inflows.

Chart 4
The Stability Pact's ongoing regional infrastructure projects by sector, as of November of 2003

Sector	Ongoing Regional Infrastructure Projects as of November 2003		
	No. of Projects	Cost (MC)	(%)
Transport	37	2,748.07	68,50
Roads	25	1,660.07	41,38
Railways	4	442.00	11,02
Ports and Waterways	4	255.70	6,37
Airports	4	39.30	9,73
Energy	5	773.00	19,27
Electricity	5	773.00	19,27
Gas, Oil and District Heating	0	0.00	0,00
Water and Environment	5	330.54	8,24
Water Supply	0	0.00	0,00
Water Waste	4	230.14	5,74
River Basin Management	0	0.00	0,00
Environment	1	100.40	2,50
Cross Border/Trade Facilitation	6	160.15	3,99
Total	53	4,011.76	100,00

Source:

http://www.seerecon.org/infrastructure/documents/infrastructure_projects_list_nov2003.pdf

The EU introduced the CARDS programme to assist financially in these countries' participation in the Stabilization and Association Process. It focuses on reconstruction, refugees, the building up and modernization of institutions, the rule of law, social development, respect

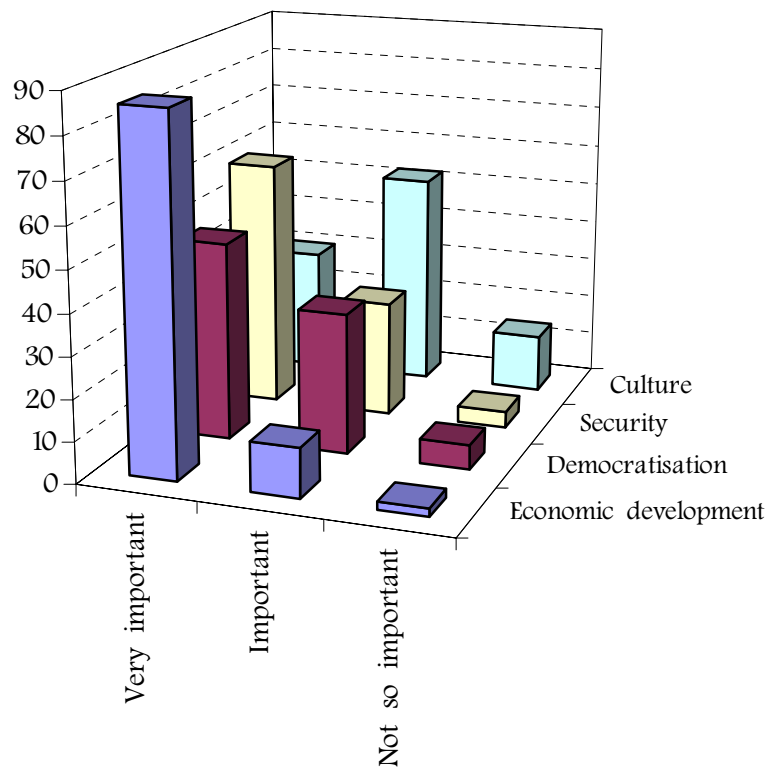
of minorities and development of market economy. For achieving these goals, EUR 4650 million have been committed for 2000–2006. As each country advances further in the process of getting closer to the EU, the CARDS assistance will focus on supporting these fields, which are important for implementing the obligations of the SAAs.

CARDS includes a Regional Assistance Programme for the Western Balkans, to ensure the countries’ overall development. The budget of EUR 197 million for 2002–4 represents 10 per cent of the available CARDS funding for those years. The Regional Strategy Paper published under this programme presents a more focused and cohesive political strategy covering four regional issues: integrated border management; institutional capacity building; domestic stabilization; and regional infrastructure development.

Cross-border cooperation in the SEE countries is a prerequisite if the Western Balkan countries are to move closer to the EU and turn potential accession into reality. All Balkan countries share this goal, having realized the importance of coordinating their efforts to meet the conditions for joining the EU. In the Western Balkans, governments have realized that cross-border cooperation can remove a number of regional barriers to overall development. Various issues relating to regional cooperation throughout the SEE

region were expressed in a report published in 2002 and based on questionnaires and interviews held in Albania, Bosnia-Herzegovina, Croatia, Macedonia, Serbia and Montenegro, Bulgaria and Romania with representatives of local authorities. When asked to what extent regional cooperation was important to European integration, 86 per cent of respondents believed that cross-border initiatives promoted their country’s prospects of joining the EU. Asked to assess actual and potential benefits of regional cooperation, most considered that their country could benefit most from cooperation in trade (22.4 per cent), followed by transport (21.4 per cent); energy (16.5 per cent) and telecommunications (13.5 per cent). As for the importance of various aspects of regional cooperation, some 25 per cent of the answers rated economic development as a ‘very impor-

Chart 5
Importance of regional cooperation to SEE local authorities



Source: Anastasakis and Bojicic-Dzelilovic (2002), from data from the Hellenic Observatory, the European Institute, and the London School of Economics and Political Science

tant' or 'important', followed by security (23.7 per cent); democratization (22.6 per cent) and culture (20.6 per cent).

Bulgaria, realizing the importance of regional cooperation to solving regional problems and approaching closer to the EU, has shown the greatest willingness to cooperate comprehensively with its neighbours Macedonia and Serbia and Montenegro, through cross-border endeavours and active participation in regional organizations. Lasting peace throughout the SEE region is an important requirement for foreign investment and for economic and social development. By helping its neighbours to better prepare to meet EU conditions, Sofia seeks to demonstrate its support for the EU policy of enlargement, and thereby ensure its integration into the European family.

3) BILATERAL COOPERATION WITH SERBIA AND MONTENEGRO AND WITH MACEDONIA

3.1. Serbia and Montenegro

Political changes in Serbia after October 5, 2000 created conditions for rapid progress in Bulgarian–Serbian relations and cooperation, after a long period of stagnation, and a series of top-level meetings.

One important bilateral project has been construction of the Sofia–Niš motorway on 'Corridor 10' route between Turkey and Western Europe, with some funding allocated from the Stability Pact. This also provides a strategic link between Bulgaria and Western Europe. Modernization of the Sofia–Niš railway line and construction of a parallel mo-

torway is of great importance to both countries and the whole region, as they will provide fast and easy communications along one of the busiest routes between Central and Western Europe and the Middle East. Another sign of willingness to strengthen relations is the construction of pipelines for transferring natural gas between the two countries. The two governments have had various discussions on opening new frontier crossing points, which could also benefit cross-border activities and neighbourly ties.

The Bulgarian ceramics maker Kao-lin recently bought a plant in Serbia. The Bulgarian tour operator Balkantourist took part in privatization bidding for Serbia's state-owned tour operator. The Bulgarian investments in Serbia and Montenegro have been implemented in the form of registered companies, 100 per cent Bulgarian-owned (65 cases), joint ventures (150) or partnerships (10). There are twenty 100 per cent Serbian-owned companies in Bulgaria, as well as 120 joint ventures and 300 registered businesses.

The two countries are exchanging information and discussing possibilities for Bulgarian construction companies in Serbia and jointly in third countries. Bulgarian interest has been shown in participating in investment projects such as the Dimitrovgrad–Niš railway and the motorway from Dimitrovgrad to the Bulgarian border.

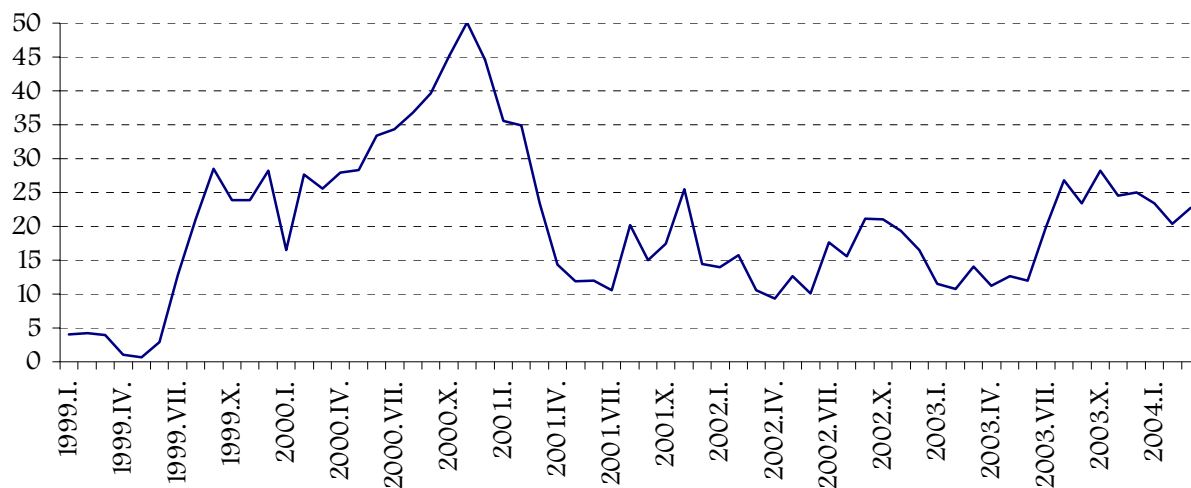
Construction of the Sofia–Niš motorway and electrification and modernization of the Dragoman–Dimitrovgrad–Niš railway are priority bilateral projects. Foreign Ministers Solomon Passy of Bulgaria and Goran Svilanovi of Serbia expressed clear political will in February 2003 by signing of a joint statement on Expedited Development of the Joint Project for Cross-border Transport Infrastructure along European Corridor 10. Joint action to secure funding of these

projects is expected.⁴ Implementation will improve regional links to Western Europe and Serbian access to the Black Sea region.

and agricultural products on the export list. The imports retain their traditional characteristics: mainly vegetable products, lead ores and various copper products.

Chart 6
Exports to Serbia and Montenegro, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	23.4	20.4	22.7									
2003	11.5	10.8	14.1	11.2	12.6	12.0	20.0	26.8	23.4	28.2	24.5	25.0
2002	14.0	15.8	10.6	9.3	12.6	10.1	17.6	15.6	21.1	21.0	19.3	16.5
2001	35.6	34.9	23.4	14.3	11.9	12.0	10.6	20.2	15.0	17.5	25.5	14.4
2000	16.5	27.6	25.6	27.9	28.3	33.4	34.3	36.8	39.6	45.2	50.1	44.6
1999	4.1	4.2	4.0	1.0	0.7	2.9	12.8	21.0	28.5	23.9	23.9	28.2



Source: <http://www.stat.bg/indicator.html?lang=1&id=337>.

Trade and economic cooperation is basic to Bulgarian–Serbian relations. A programme for activating such cooperation was announced by the Bulgarian government at the end of 2000, when a protocol was signed between the Bulgarian and Serbian chambers of commerce. Trade turnover between them reached a record USD 397 million in 2000, with Bulgarian exports, mainly raw materials, inputs and primary goods (about 80 per cent), prevailing. In imports, there is a rough balance between primary goods and finished products. One development has been a stronger presence of food

The overall picture shows a marked 10 to one deficit for Serbia in bilateral trade, mainly due to the inability of Serbian firms to offer competitive goods on the Bulgarian market, and to a lack of funds to finance export operations.

Another issue in Bulgarian–Serbian bilateral relations is to bring the border-crossing regime into line with European standards. This is important for progress in developing trade, devising cross-border projects, fighting crime, resolving problems of cross-border pollution, and fostering bilateral relations in general. The public in the two countries would like improved facilities at frontier crossings and the opening of new ones. This is in the interest of business and of promoting cross-border cooperation and contacts, also at personal level. The Bulgarian side

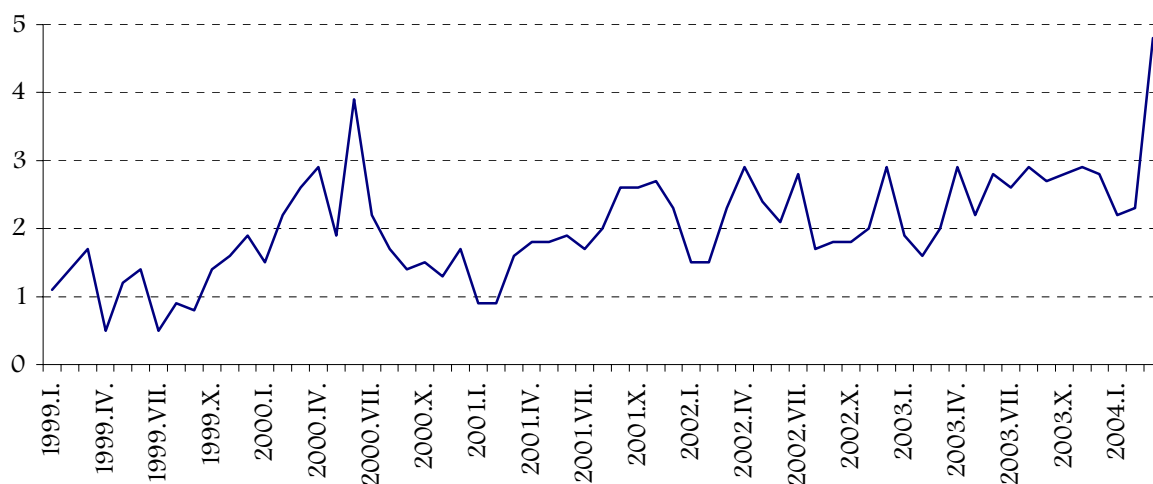
⁴ Bulgarian Ministry of Foreign Affairs: <http://www.mfa.government.bg>.

appreciates the need to ease the visa system for citizens of Serbia with countries signatory to the Schengen Agreement, and has expressed readiness to assist and share experiences in visa and migration policy.

trans-Balkan Corridor 8 linking the Black Sea with the Adriatic), whose construction has started. It has strategic importance for Bulgaria as it provides a link with the EU through Macedonia and Albania to Italy. The completed Corridor 8

Chart 7
Imports from Serbia and Montenegro, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	2.2	2.3	4.8									
2003	1.9	1.6	2.0	2.9	2.2	2.8	2.6	2.9	2.7	2.8	2.9	2.8
2002	1.5	1.5	2.3	2.9	2.4	2.1	2.8	1.7	1.8	1.8	2.0	2.9
2001	0.9	0.9	1.6	1.8	1.8	1.9	1.7	2.0	2.6	2.6	2.7	2.3
2000	1.5	2.2	2.6	2.9	1.9	3.9	2.2	1.7	1.4	1.5	1.3	1.7
1999	1.1	1.4	1.7	0.5	1.2	1.4	0.5	0.9	0.8	1.4	1.6	1.9



Source: <http://www.stat.bg/indicator.html?lang=1&id=305>

3.2. Macedonia

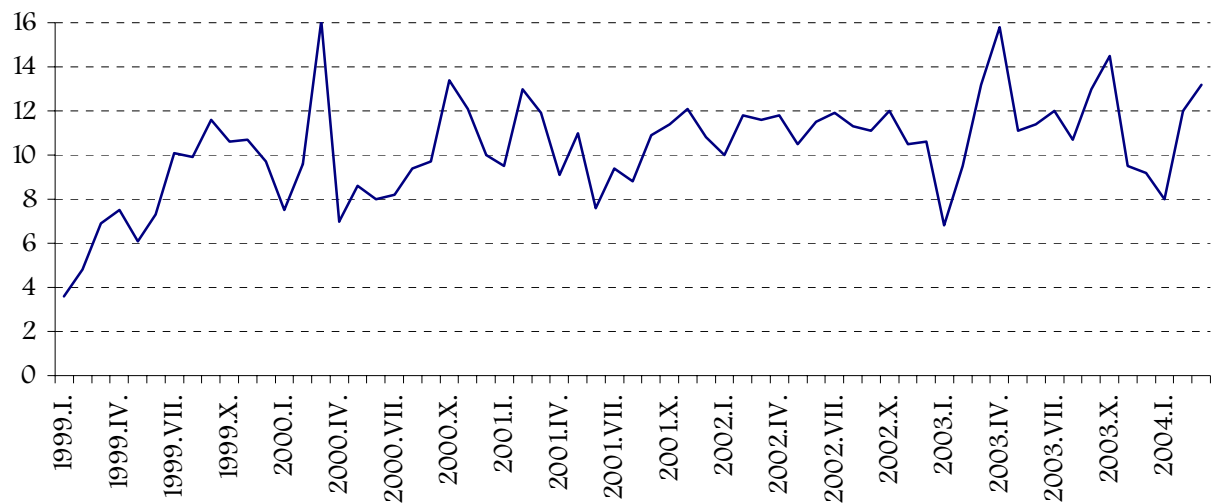
The factor contributing most to initial post-1989 development of cross-border contacts with Macedonia and highlighting the need for further cooperation was trade at a micro level, so-called cross-border suitcase trade. The Greek embargo created profitable markets for peddling of Bulgarian goods in Macedonia.

The most important project in recent years has been the Sofia–Skopje–Tirana transport corridor (part of the

will link Europe with the Caucasus and Central Asia, giving it great importance for overall social and economic development in the region, including European integration, and for expansion of cooperation. Corridor 8 has a length of almost 1220 km. It starts from the Adriatic at Bari and runs across Albania, Macedonia and Bulgaria, linking Durres/Vlora with Tirana, Skopje, Kafasan, Sofia, Plovdiv and Burgas/Varna on the Black Sea. It has multiple components, including ports, highways, railroads and airports, as well as infrastructural components such as service facilities for managing traffic. Slightly more than half of the corridor's route runs across Bul-

Chart 8
Exports to Macedonia, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	8.0	12.0	13.2									
2003	6.8	9.5	13.2	15.8	11.1	11.4	12.0	10.7	13.0	14.5	9.5	9.2
2002	10.0	11.8	11.6	11.8	10.5	11.5	11.9	11.3	11.1	12.0	10.5	10.6
2001	9.5	13.0	11.9	9.1	11.0	7.6	9.4	8.8	10.9	11.4	12.1	10.8
2000	7.5	9.6	16.1	7.0	8.6	8.0	8.2	9.4	9.7	13.4	12.1	10.0
1999	3.6	4.8	6.9	7.5	6.1	7.3	10.1	9.9	11.6	10.6	10.7	9.7



Source: <http://www.stat.bg/indicator.html?lang=1&id=338>

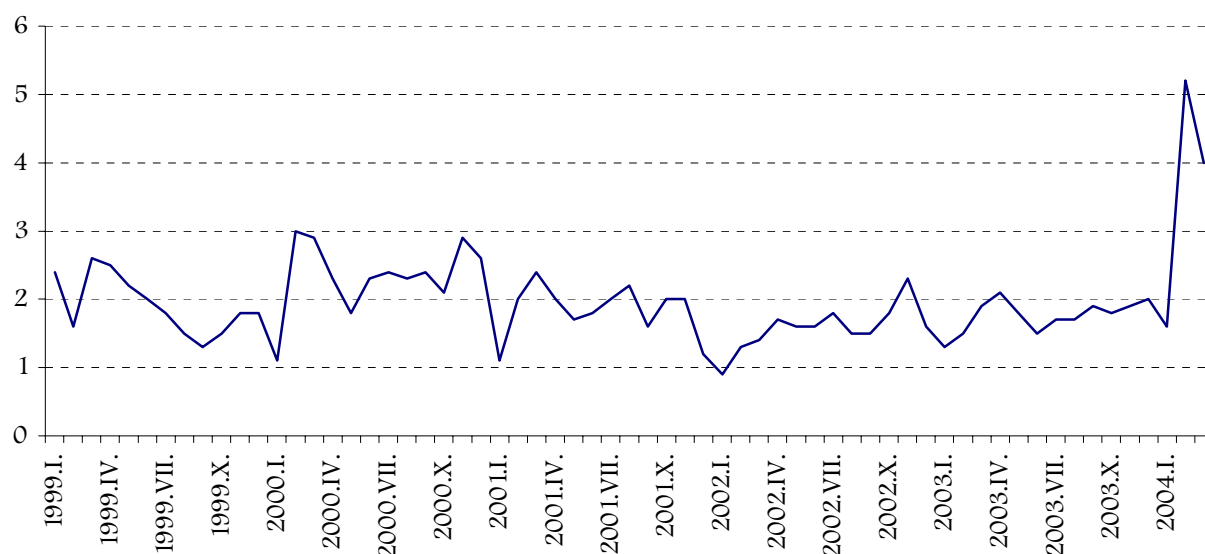
Bulgaria, where most of the necessary road and railway infrastructure is in place.

Other examples of important cooperation between Bulgaria and Macedonia in the last few years have been construction of the first power line, from Dubrovo (Macedonia) to Chervena Mogila (Bulgaria), and the Macedonia – Gjeshovo railway line, which is expected to be finished by the end of 2004. Despite of some positive results, bilateral cooperation between Bulgaria and Macedonia has faced significant difficulties. An essential example is the failure to build a railway link to the Bulgarian border. The project is vital to landlocked Macedonia and has been discussed for over ten years, but lack of funds and Macedonian expectations that foreign donors will finance it has led to a long delay.

Turning to trade and economic relations, trade turnover between the two countries averaged USD 238 million in 1992–2001. The share of Bulgarian exports in that averaged 79.6 per cent. Turnover with Macedonia since 1996 has shown a steady growth of about 15.5 per cent per year. Exports to Macedonia remain steadily positive at an average of USD 184.4 million in 1992–2001. After a big 66,6 per cent drop in 1996, Bulgarian exports to Macedonia experienced slow growth due to improved trade conditions after the lifting of the embargo on former Yugoslavia. The average annual increase in imports from Macedonia since 1996 has been 17.5 per cent. The fastest growth was apparent in 1993,

Chart 9
Imports from Macedonia, EUR million per month

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	1.6	5.2	4.0									
2003	1.3	1.5	1.9	2.1	1.8	1.5	1.7	1.7	1.9	1.8	1.9	2.0
2002	0.9	1.3	1.4	1.7	1.6	1.6	1.8	1.5	1.5	1.8	2.3	1.6
2001	1.1	2.0	2.4	2.0	1.7	1.8	2.0	2.2	1.6	2.0	2.0	1.2
2000	1.1	3.0	2.9	2.3	1.8	2.3	2.4	2.3	2.4	2.1	2.9	2.6
1999	2.4	1.6	2.6	2.5	2.2	2.0	1.8	1.5	1.3	1.5	1.8	1.8



Source: <http://www.stat.bg/indicator.html?lang=1&id=306>

when they were 336 per cent higher than the previous year's. Turnover between the two countries was USD 143.9 million in 2002, of which USD 126 million were Bulgarian exports and USD 17.9 million imports. Macedonia is the fifth largest Balkan trading partner for Bulgaria in turnover terms. A 7.47 per cent increase in turnover appeared in 2002, when Bulgarian exports increased by 100 per cent but imports dropped by 9 per cent and the trade balance remained heavily in Bulgaria's favour. In 2003, turnover between the two countries was USD 176.25 million – USD 152.6 million in exports and USD 23.6 million in imports, with Macedonia remaining Bulgaria's fifth largest Balkan trade partner and the structure of the turnover unchanged. Exports increased by 21.1 per cent, imports by 31.8 per cent, and turnover by 22.5 per cent.

3.3. Multilateral cooperation

The SEE countries have shown a will to revive cooperation by taking part in the regional international organizations already mentioned – BSEC, SECI, SEECF, *etc.* The first and most obvious factor conducive to such cooperation is common geography and immediate neighbourhood. Most of them also shared under communism common experiences that had similar effects on their political, economic and culture structures. These countries now face consequent developmental and transition difficulties, which allow governments and peoples in the Balkan region to appreciate each other's needs and interests. These shared regional problems are rec-

ognized as a major factor stimulating cooperation and collective effort within these regional organizations. As participants in these initiatives, SEE countries pay keen attention to projects that could develop the regional transport, energy and communications infrastructures.

4) VISEGRÁD AND CEFTA COOPERATION – THE EXAMPLE OF THE CEE COUNTRIES

The SEE countries might improve their effectiveness and strengthen and broaden their cross-border activities by drawing conclusions from the cooperation model applied in Central and Eastern Europe. The CEE countries made efforts to develop inter-governmental dialogue and foster economic relations by removing trade barriers, synchronizing exports and imports and improving productivity, with an overall impact on their EU preparations. Their example shows that governments of neighbouring countries do well to act in consort instead of isolation.

The CEE region is comparable in some ways to the Balkans, giving the Visegrád and CEFTA models of cooperation direct relevance. Of course, Western Balkan governments are aware that they cannot achieve as much as the Central Europeans by copying their behaviour as their economies are less sophisticated than those of the CEE countries were in the early 1990s and show scars of recent violent conflicts and wars. But they share common historical aspects, notably communist experiences, geographical proximity, relative homogeneity in economic development, and similar external political and economic orientations. Both regions suffered international isolation during the communist years, faced difficulties in the transition period, and undertook drastic, costly reforms to their political, economic and legal systems.

The Visegrád countries started their endeavours under the banner of a ‘co-operative return to Europe’. They showed the EU they were willing to work together and co-ordinate their integration efforts, to ensure economic and political development, eliminate trade barriers, promote trade expansion and financial stability, improve living standards and employment conditions, increase productivity, *etc.* They would not have achieved EU accession without fruitful and active cooperation in organizations and initiatives, such as the Central European Free Trade Agreement (CEFTA), the Visegrád Group (V4) and the Central European Initiative (CEI).

The Visegrád Group came into being in February 1991, with the aim of promoting Euro-Atlantic integration for its founder members (Poland, Czechoslovakia and Hungary) by transforming their economic and political systems along pluralist, market economic lines. Its prime purpose was political dialogue among the three governments. The Visegrád Group contained adjacent countries that had similar levels of economic and political development, common history and close traditions. Their common communist experience and the similarity of the daily difficulties they faced enabled their governments and peoples to understand each other and appreciate each other’s needs. They all were looking in the same direction – to Western Europe – and they all were ready to expend effort on reintegrating into the European family. But significant difficulties were encountered in the early years. Only a few years after it was established, the Visegrád Group almost died, with cooperation and consultation almost suspended between 1992 and 1998, partly because of the partition of Czechoslovakia into two countries with no inclination to cooperate with each other. It was also because the new Czech Republic soon became the most developed country in the region, so that Warsaw began to see cooperative en-

deavours with its neighbours as counter-productive.

Despite the difficulties, the V4 faced overcame the problems and resumed political dialogue. Cooperation intensified in the second half of the 1990s as EU accession prospects for Hungary, Czech Republic and Poland became more certain. The rapprochement was assisted by new regimes in Slovakia and the Czech Republic intent on mending bilateral relations between them. The EU also contributed by urging the V4 to cooperate closely as a criterion for entry.

The regional clash of interests and subsequent compromises could serve as a good example of how countries should concentrate on achieving their priority, strategic goals. The V4 realized the power of good neighbourly relations and mutual dialogue and overcame their conflicts, in a way that must be relevant to the Western Balkans, to ensure fruitful dialogue and cooperation among governments that have often been at variance.

Since 1999, there has been active V4 political cooperation based on regular high-level meetings. Attention has turned to broad fields of common concern, such as foreign and internal policy, trans-border cooperation, infrastructure, education, culture, science, social affairs and the environment.

Chart 10
Factors (two per respondent) behind Visegrád cooperation, percentages of responses

	Czech Republic	Hungary	Poland	Slovakia
Geographical position	29.1	54.8	44.5	49.7
Common past	32.6	35.8	26.4	40.7
Effort to join the EU	24.0	55.6	32.7	36.0
Economic transformation	24.7	23.3	33.5	31.4
Cultural similarities	13.2	10.8	23.8	20.8
They should not cooperate	7.6	5.2	1.4	3.1
Don't know/hard to say	22.1	10.0	9.6	4.7

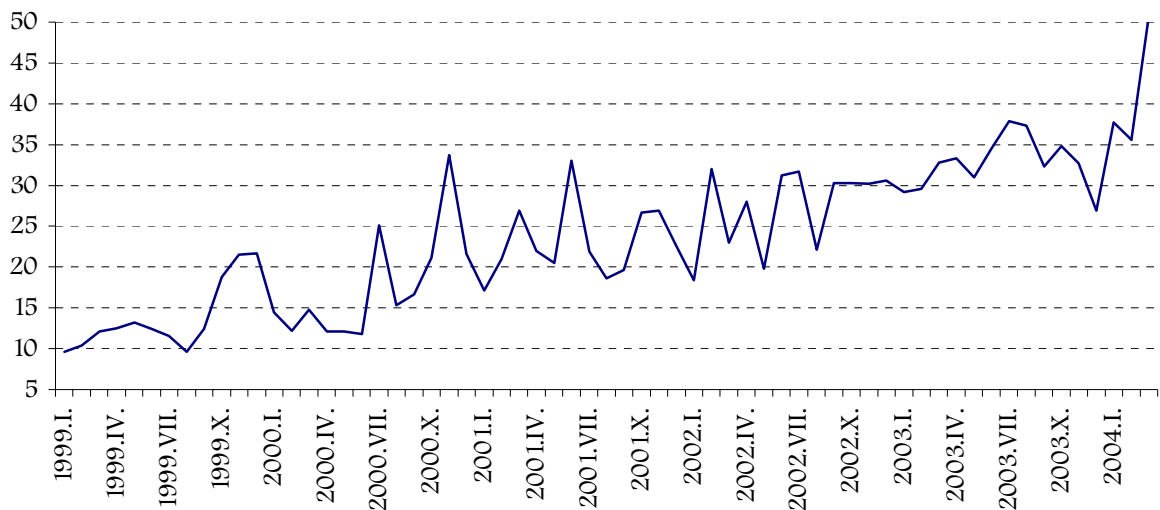
Source: Visegrád... (2003).

It is interesting to mention V4 public opinion of the cooperation process, which emerges from comparative surveys in 2001 and 2003 entitled 'Visegrád cooperation as seen by the citizens of four countries'. The findings show clear recognition of the meaning and importance of V4 cooperation. When asked why the Visegrád countries were cooperating, a high proportion of respondents in all four states chose the answer willingness and effort to enter the EU.

To take V4 cooperation into the economic field, Czechoslovakia, Hungary and Poland established CEFTA (the Central European Free Trade Area) under an agreement signed on December 12, 1992. Slovenia acceded in 1996 and other regional states followed. Broadly, the CEFTA agreement aimed to strengthen economic relations between participating countries, remove trade barriers, raise living standards, ensure better employment opportunities, speed up productivity, and create conditions for financial stability. This was further determined by the participating countries' efforts to join the EU. As Slovenian Prime Minister Janez Drnovsek said in 1997, 'Our continuous cooperation not only leads to strengthened trade links in Central Europe but also contributes to greater efficiency in our economies and readiness to join a larger, more complex economic area, the European Union.' Here CEFTA provided a framework for development of economic cooperation that anticipated collective EU membership. That explains how it became an important pre-accession instrument, for example, by providing a forum on various cooperative endeavours among its member states, including EU-compatible issues such as free movement of capital, liberalization of trade and services, combating organized crime, expanding trade, *etc.* It became in effect a waiting room for EU membership.

Chart 11
Bulgaria's exports to CEFTA countries, cup, EUR million

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	37.7	35.6	50.6									
2003	29.2	29.6	32.8	33.3	31.0	34.5	37.9	37.3	32.3	34.8	32.7	26.9
2002	18.4	32.0	23.0	28.0	19.8	31.2	31.7	22.1	30.3	30.3	30.2	30.6
2001	17.1	21.0	26.9	22.0	20.5	33.0	21.9	18.6	19.6	26.7	26.9	22.5
2000	14.5	12.2	14.8	12.1	12.1	11.8	25.1	15.3	16.7	21.1	33.7	21.6
1999	9.6	10.4	12.1	12.5	13.2	12.4	11.6	9.6	12.4	18.8	21.5	21.7



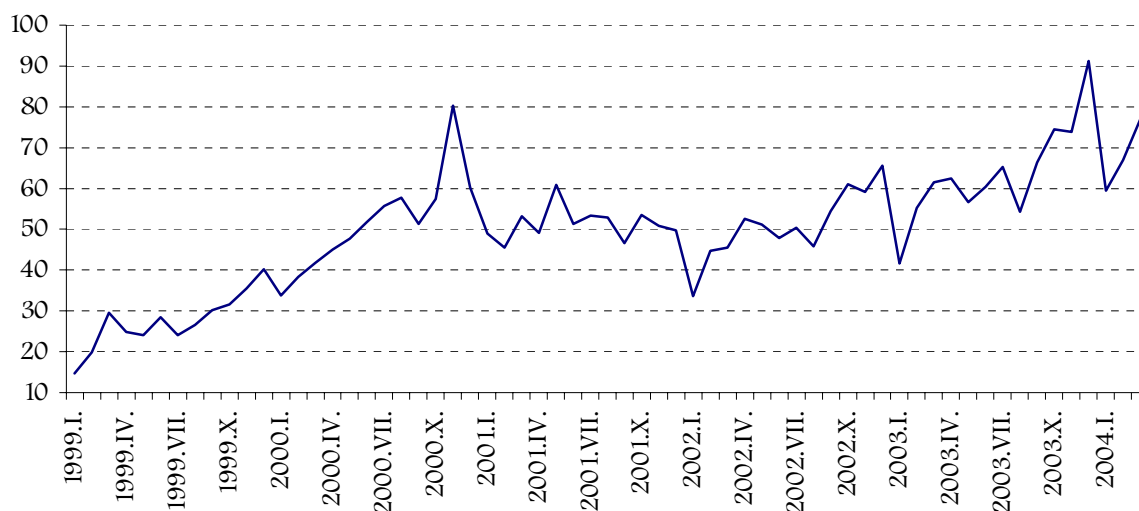
Source: <http://www.stat.bg/indicator.html?lang=1&id=339>

CEFTA also provided a forum for high-level dialogue and fruitful discussion among political leaders. It contributed strongly to political understanding during the dormant years of Visegrád and to repairing relations between the Czech Republic and Slovakia. It is also important to mention the security-related input of CEFTA, as an overall contribution to attaining levels of stability, through joint efforts to tackle organized crime in the CEE countries and through the so-called region-building process. By 2003, CEFTA covered eight countries: Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria and Croatia (since March 2003). Five met the strict Copenhagen criteria and joined the Union at the beginning of May 2004. For Bulgaria and Romania, involvement has given significant practical experience.

Since the initiative was in so many ways a by-product of Eastern EU enlargement, the two candidates had a chance to follow the process up to the final stages and thus be introduced in detail to the overall enlargement policy and accession requirements. CEFTA also became an important forum for the two SEE countries to exchange information and experience. Romania and Bulgaria should use the CEE countries' shared background and draw relevant conclusions, in order to better coordinate and facilitate their efforts in the final stages of the EU negotiations.

Chart 12
Bulgarian imports from CEFTA countries, cup, EUR million

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2004	59.5	66.9	77.0									
2003	41.6	55.3	61.5	62.4	56.7	60.4	65.2	54.3	66.4	74.5	73.8	91.2
2002	33.7	44.8	45.5	52.5	51.2	47.9	50.4	45.9	54.4	61.1	59.2	65.5
2001	48.9	45.5	53.2	49.2	60.8	51.3	53.4	52.9	46.7	53.5	50.9	49.8
2000	33.8	38.3	41.7	45.1	47.8	51.8	55.7	57.8	51.4	57.5	80.2	60.3
1999	14.7	19.9	29.5	24.8	24.1	28.5	24.1	26.6	30.2	31.6	35.5	40.2



Source: <http://www.stat.bg/indicator.html?lang=1&id=307>

Apart from this bridge function, the most considerable advantage of CEFTA membership for Bulgaria and Romania has been overall development of the trade and economic relations between them. Under the signed agreements, the trade barriers were removed, and this was soon reflected in rising trade turnover. For Bulgaria, trade with Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Romania and Croatia have developed and risen considerably. For example, exports to Hungary almost doubled in 1999–2003, from EUR 27.6 million to 54.7 million, and imports almost tripled from EUR 46.9 million to 119.1 million. A similar rise occurred in trade with the Czech Republic over the same period: exports rose from EUR 14.3 million to 37.3 million and imports from EUR 92.8 million to 155.9 million. Turn-

over with Poland doubled: exports rose from EUR 23.1 million to 55.3 million and imports from EUR 70.8 million to 135.1 million.⁵

One broadly discussed topic in recent years has been CEFTA's future. At the beginning of May 2004, five of the eight members joined the European Union and were required to leave CEFTA, leaving only Bulgaria, Romania and Croatia. However, CEFTA is expected to remain as a vehicle for them in the period up to accession to the EU. The organization has always welcomed new members and is likely to expand, with Macedonia as the next to join, as the only potential member that currently fulfils CEFTA requirements: World Trade

⁵ <http://www.stat.bg/indicator.html?lang=1&id=312&per=3>.

Organization membership and a stability and association agreement with the EU. This automatically poses the question of CEFTA turning into SEFTA, with its activities in the Balkan peninsula, integrating also the countries of the Western Balkans.

At the November 2003 CEFTA summit, it was agreed that the organization had played an important role in bringing its signatories closer to the EU and that it would continue to do so, despite of radical structural reorganization. They believed it would be of great practical importance for the SEE states to return to Europe. The prime ministers stressed the need for the organization to open its doors to new members provide a waiting room for the EU, as an essential part of the overall pre-accession process. The participants reaffirmed that economic cooperation within CEFTA would contribute to the European integration process. Bulgarian Prime Minister Simeon Sax-Koburg Gotta said, 'I am confident that CEFTA has been a great opportunity to learn from each other and to work together. We should keep these mutually beneficial links even when some of us have joined the EU and eventually when we all become members of a reunited Europe.'⁶

An agreement was signed at a meeting of the CEFTA joint committee on July 4, 2003 amended Article 41 on validity and cancellation of the agreement with a provision on ceased validity in case of EU membership. Previously, a signatory could cancel CEFTA membership in an official written note to the depository six months in advance. Because of the relatively long cancellation deadline and because EU membership was a goal of all CEFTA signatories, the agreement was amended to waive prior notification in the event of EU entry. For example, Slovenia sent cancellation notification to all countries with which it had free-trade

agreements, except CEFTA countries, where cancellation was automatic.

The success of CEFTA and the Visegrád Group has been apparent in terms of the improvement in regional CEE ties and assistance to maintaining mutual political interaction and assistance. The initiatives represent a shift to the concept of cross-border cooperation as the most efficient way for CEE countries to approach the EU collectively. Visegrád and CEFTA have demonstrated how joint regional economic and political cooperation could yield important dividends for participating states and further contribute to facilitating their EU negotiations. The main advantage of CEFTA membership for Bulgaria has been the experience in economic cooperation with other states as an important element of rapprochement. Sofia is now ready to implement this in the SEE region and lead the process of expanding CEFTA in the Balkan peninsula.

5) THE ROLE OF BULGARIA AND PROSPECTS AHEAD

The EU has evaluated highly the Bulgarian contribution so far to advancing cross-border cooperation in the Balkans. The EU considers Bulgaria an important element in regional stability and recognizes its role as a regional pillar of security and cooperation through its promotion of common European values in interstate relations. It appreciates Sofia's assistance and support over several violent conflicts in the Balkans (Kosovo, Macedonia, *etc.*) and evaluates the sacrifices made. The EU recognizes that the country plays a special part in the implementation of the Stability Pact for South Eastern Europe, whose long-term objective is to bring countries from the region closer to the EU. It also noted the support for the Pact's main priorities in

⁶ Speech at the CEFTA summit, November 2003, Bratislava.

legislation and interior affairs (legal reforms, building of stable democratic institutions, fight against corruption and organized crime, border control) and Sofia's active participation in all regional cooperation initiatives. The EU frequently emphasizes the importance of regional cooperation as a means of fostering stability and neighbourly relations and notes with satisfaction that the Bulgarian contribution to regional cooperation initiatives has greatly enhanced the level of joint endeavours among Balkan states.

For Bulgaria, EU entry symbolizes the country's return to Europe after the hard years of communism and transition. Despite the many daily hardships Bulgarian citizens faced during the prolonged transition, the public still supports EU entry and believes that European integration will bring economic and social benefits, through the single market, greater foreign investment, and free movement of people, goods, services and capital. The completion of the accession negotiations is imminent. The last five chapters of the *acquis* that Sofia needs to close are competition policy, agriculture, finance and budgetary provisions, regional policy and coordination, and Chapter 31 (other issues). The agriculture, regional policy and finance chapters are said to be among the most difficult. Meglena Kuneva, Bulgaria's European affairs minister, has expressed confidence that the next regular report of the European Commission on Bulgaria will indicate that Bulgaria is ready to finalize the accession talks.

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