

the extremist Croats in Herzegovina, and in beginning to permit the return of its Serb refugees. Both actions should have positive effects on Bosnia, both for refugee returns there and for national cohesion. The EU was quick to respond to these developments by acknowledging Croatia's "European vocation", offering aid and trade concessions that had been denied the previous regime, and bringing it into the new regional framework for south eastern Europe.

The emergence of that regional framework in the last three years is the most important innovation in the EU's strategy for the successor states of the former Yugoslavia. Its two principal elements are the Stabilization and Association Agreements (SAA) and the Stability Pact for South Eastern Europe. Both elements represent a decisive shift to a comprehensive approach to the region – the SAA by offering parallel paths to eventual EU membership to all associated states, the Pact by creating a multilateral context for regional cooperation. In the first case, EU leadership is a given; in the second, it is there for the taking.

The SAAs are an adaptation of the Europe agreements signed with the three Baltic states, the four Visegrad states of central Europe, Romania, Bulgaria and Slovenia in the mid-1990s. They contain provisions for trade liberalization, economic and technical assistance, and political dialogue. Most importantly, they hold out the promise of eventual membership in the EU once the state has transformed itself by meeting a demanding set of political and economic conditions. In an initial phase each country undertakes reforms to bring it to the point where the EU will offer it an SAA. Among the Balkan states only Macedonia (signed in April 2001) and Croatia (October 2001) have so far reached that point. Once an SAA has come into force it governs the next phase of transition in which the state gradually adopts the EU's legislative *acquis*, applies for membership and readies itself for accession. The assumption underlying the SAA strategy is that its incentives and disciplines will do for the Balkan states what they did for Spain and Portugal and appear to be doing for the states of central and eastern Europe – modernize and pacify.

The Stability Pact had its origins in discussions among the EU foreign ministers in 1998. It was given form and direction in early 1999 by the German presidency of the EU and signed at Cologne on June 10. The parties – about thirty states (including those from the region) and a dozen international agencies – reaffirmed their commitment at a summit in Sarajevo on July 30. The Pact's aim is to "strengthen the countries of south eastern Europe in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region." By September 1999 a complex structure had been put in place, involving three "Working Tables" – for democratization and human rights, for economic reconstruction and for security – plus a Regional Table to coordinate them under the chairmanship, initially, of Bodo Hombach (a close political associate of German Chancellor Schroeder). He has been succeeded by an Austrian, Erhard Busek.

In its brief life the Pact has been able to generate considerable financial support for both its Quick Start projects (designed to show immediate payoffs) and its longer-term programmes. A first regional donors' conference on March 2000 raised almost 2.4 B euros, while a second, in October 2001, raised another 3 B euros. Further funds are made available by governments, international