With standards review in Kosovo due this year, and the Belgrade Agreement pushing expiration date, 2005 is a pivotal point for the Western Balkan region and its people. This is a rare window of opportunity, which ought not to be missed.

My feeling is that time is running out for the Balkan, and unless things are moved forward within this year, the train called *Euro-Atlantic integration* could be missed. There are other world hotspots and regions – most notably Iraq, Iran, Central Asia, the wider Middle East, now also Kyrgyzstan – and other pressing issues like fight against global terrorism and WMD proliferation that are preoccupying the US and the EU. For how much longer global attention can be sustained in the Balkans is unclear.

Certainly instability in the Western Balkans is an EU problem, but this fact alone is not enough to sustain European attention and commitment. There are plenty of so called European problems, which the EU 25 chooses not to deal with. Europe, like the US, has a limited ability to focus on the Western Balkans. Therefore, there are really two EU approaches I envisage for the Balkans. One possibility is the process of rapid integration, where additional aid and political capital is pumped into the area. The other is the process of disintegration, where strict visa regimes, rigid spending and political isolation become the norm.

The first is only possible if some of the open questions can be solved this year, while I'm afraid, the second is all to likely if progress on say Kosovo future status, or progress on reforms in SMU is not made this year. In this sense we are indeed running out of time. For example, Western Balkans is hardly at the top of the agenda in the EU Council discussions. It is even more seldom mentioned in Washington. Feet-dragging on open questions can no longer be the strategy.

Europe also has limited resources; as does the US. While fiscal burden – both inside and outside Europe – is growing exponentially, the EU budget is hardly expanding. It is difficult to argue that Europe will forever find it in its interest to keep the funds flowing to the Balkans. Without real progress, many in Brussels and other parts of Europe may start to reconsider the value of additional spending in the region.

Slovenia obviously has a deep interest, and a strong political commitment to see Western Balkans fully stabilized and integrated into the Euro-Atlantic family. In light of this official Ljubljana has pursued a policy of integration and trade liberalization with the Western Balkan region. We firmly stand in support of Croatia's bid to win EU accession, as well as Serbia's bid to win PFP status. We hope to see Serbia sign the Stabilization and Association Agreement with the EU very soon. It is absurd that still today Belgrade has no contractual relationship with the EU.

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Kosovo future status is no doubt the most difficult issue to resolve, and politically most sensitive. The fact however is, that things have also changed on this dimension. For example, there is a new government in Kosovo, and my feeling is that they are extremely forward looking and pragmatic. Prime Minister Bajram Kosumi understands the nature of the problem well, and I trust he is committed to a stable and peaceful solution to the future status of Kosovo, which of course also entails full and maximum protection of the Serb minority, and an open and active dialogue with Belgrade.

Protection of minorities is the single most important standard which Kosovo will have to meet. The international community will not be flexible as far as minority protection goes. But we also have to be reasonable, and acknowledge progress where progress has been made. It is important to understand that protection of the Serb minority will not succeed without the full participation of the Kosovo Serbs in the political life of Kosovo.

There can obviously be no agreement without dialogue. But this dialogue has to be active, and it should take place on the highest political level where constructive compromise is possible.

The Balkan Commission will soon issue a report on the final status of Kosovo. I expect their conclusions to support independence but withhold sovereignty. I also fear that many in the international community are leaning towards this conclusion. In light of this, Belgrade is encouraged to engage fully and actively on all levels. Without the engagement on the highest political level, I don't see how Belgrade will improve its bargaining position and raise the bargaining price.

Montenegro is also under pressure – mostly from within. It is far from clear that the referendum on independence, if held today, would bring an undeniable result that would be a solid foundation of a state. A road to independence could plunge the country into deeper internal splits and procedural frustrations. More than the process of separation, the region needs a new level of integration along politico-economic lines. An agreement between the opposition and the government on the referendum could go a long way in resolving the disagreements in Montenegro.

In general, reforms across the region are progressing slowly. More could be done to preserve the velocity of democratic reforms and market liberalization, without which individual prosperity will not change significantly. Reform processes should not be subjugated to status discussions, though a degree of correlation between the two is expected and also understandable.

Finally, all countries of the Western Balkans will sooner or later have to be integrated fully into the European Union and NATO. This is the only realistic and lasting solution which will ensure stability and progress in the region.

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