

THE MITROVICA DILEMMA

VERENA KNAUS*

Mitrovica is a dying town. Many other towns across South Eastern Europe are suffering from the consequences of deindustrialization and unresolved ethnic tensions, but nowhere else has the combination produced a social and economic crisis as severe as in the divided town of Mitrovica.

Mitrovica used to be a one-company town built around the Trepca mining and metallurgy complex, once a flagship company of Kosovo employing close to 22,000 people. Today, production has collapsed completely, and employment in Trepca has dropped to about 3,100 individuals receiving stipends or salaries for doing maintenance and cleanup work. The one-company town was left without its company.

Ethnically motivated expulsions after the conflict in 1999 left Mitrovica divided between an Albanian-majority part south of the Ibar River, with 65,012 inhabitants, and a Serb-majority part north of the River, a confined 1.5 square kilometer area that contains a Serb majority of 13,402 and an Albanian minority of 2,100.¹ A total of 2,583 families have filed claims for displacement from their homes and apartments on both sides of the river.² There has basically been no progress on returns or property restitution in Mitrovica since the conflict.

The private sector both north and south of the Ibar River is too weak to make up for the dramatic collapse in employment. In the South, the private sector employs 5,400 individuals and generates about 43% of monthly

* Verena Knaus is a researcher for the European Stability Initiative ("ESI"), a nonprofit policy and research institute for South Eastern Europe. She is the leading researcher in the field for ESI's Lessons Learned and Analysis Unit in Kosovo. She has been working for ESI since its inception in 1999, helping to turn it from a network of Balkan enthusiasts into a strong institution with a permanent presence across the region. Knaus's work for ESI has spanned the development of financial and administrative systems, marketing, fundraising, and developing the network of members and associates of ESI. Since the summer of 2001, Knaus has been based in Pristina, coordinating the activities of the Lessons Learned and Analysis unit. Knaus studied modern history at Oxford University and international relations at SAIS in Bologna.

1. EUROPEAN STABILITY INITIATIVE, A POST-INDUSTRIAL FUTURE?: ECONOMY AND SOCIETY IN MITROVICA AND ZVECAN, BACKGROUND PAPER FOR WILTON PARK CONFERENCE 2 (Jan. 30–Feb. 1, 2004), at http://www.esiweb.org/pdf/esi_mitrovica_economy_id_1.pdf [hereinafter A POST-INDUSTRIAL FUTURE?].

2. Housing and Property Directorate in Kosovo, Housing and Property Claims Commission, *Claims by Municipality*, available at www.hpdkosovo.org/statistics_mun.asp (last visited Nov. 13, 2004).

cash income.³ This yields an average monthly per capita cash income of thirty-eight euros.⁴ Some families receive additional incomes from rent paid by the international community and remittances from the Albanian diaspora abroad. The existing private sector is predominantly trade, construction, and basic services. A study by the Ministry of Labour and Social Welfare found that 72.5% of microenterprises are family based and nearly half are “on the survival level.”⁵

The economy in North Mitrovica is entirely dependent on outside subsidies. It is a bubble economy by all means. Nearly 64% of monthly cash income derives from direct budget transfers from Belgrade, which pay the salaries of 4,100 health, education, and university staff as well as pensions and social assistance.⁶ The Kosovo budget contributes nearly 22%, half of which is spent on salaries for the civil service and the other half on social transfers including pensions, social assistance, and stipends to former Trepca workers.⁷ These outside subsidies yield an average monthly per capita income of 102 euros.⁸ Of this, only 14% is generated by the economy.⁹ Very little is produced in North Mitrovica, and there are no investments.

In 1991, Mitrovica was a multiethnic town with a population of 82,837 Albanians, 10,698 Serbs and Montenegrins, and 11,350 Bosnians and Roma.¹⁰ Mitrovica was proud of its multiethnic football team—once making it into Yugoslavia’s first league, a thriving music scene, and the Trepca Company.

Mitrovica has become a symbol of division, with barbed wire along the Ibar River separating the Serb North from the Albanian South. Today,

3. A POST-INDUSTRIAL FUTURE?, *supra* note 1, at 5 tbl.6; EUROPEAN STABILITY INITIATIVE, HOW PEOPLE LIVE: SOUTH MITROVICA, CASH INCOME: SOUTH MITROVICA, at http://www.esiweb.org/pdf/esi_mitrovica_economy_id_3.pdf (last visited Nov. 13, 2004). These cash tables are based on eighteen months of empirical research undertaken by ESI and the Lessons Learned and Analysis Unit of UNMIK.

4. A POST-INDUSTRIAL FUTURE?, *supra* note 1, at 5.

5. *Id.* at 4 (citing UNMIK, ADMIN. DEP’T OF LABOR & EMPLOYMENT, MITROVICE: THE BRIDGE TO THE FUTURE, MICROENTERPRISES: SITUATION AND PERSPECTIVES (Feb. 2001) (on file with the Ministry of Labour & Social Welfare archive in Pristina)).

6. *Id.* at 6 tbl.7; EUROPEAN STABILITY INITIATIVE, HOW PEOPLE LIVE: NORTH MITROVICA AND ZVECAN, CASH INCOME: NORTH MITROVICA AND ZVECAN, at http://www.esiweb.org/pdf/esi_mitrovica_economy_id_2.pdf (last visited Nov. 13, 2004) [hereinafter HOW PEOPLE LIVE: NORTH MITROVICA AND ZVECAN]. These cash tables are based on eighteen months of empirical research undertaken by ESI and the Lessons Learned and Analysis Unit of UNMIK.

7. A POST-INDUSTRIAL FUTURE?, *supra* note 1, at 6 tbl.7; HOW PEOPLE LIVE: NORTH MITROVICA AND ZVECAN, *supra* note 6.

8. A POST-INDUSTRIAL FUTURE?, *supra* note 1, at 5.

9. *Id.*; HOW PEOPLE LIVE: NORTH MITROVICA AND ZVECAN, *supra* note 6.

10. A POST-INDUSTRIAL FUTURE?, *supra* note 1, at 2 tbl.2 (citing 1991 Yugoslav Census Data).

Mitrovica has become known for its division and ethnic clashes. The latest outbreak of violence in Mitrovica on March 17–18, 2004, triggered ethnic clashes across Kosovo, leaving 19 dead, 730 homes and 29 churches and monasteries damaged or destroyed, and over 4,000 Serb and other minorities internally displaced.¹¹

Mitrovica is a microcosm for all of Kosovo. If present trends continue, Mitrovica will be a dead town. Mitrovica's division and unresolved political status reinforce its social and economic crisis and fuel ethnic tensions. Most international attention and resources have been spent on maintaining the status quo and paying for soldiers, policemen, and an expensive international administration. Too few funds have been spent on development. Too little effort has been made to find a lasting solution for the Mitrovica problem that takes into account fears and concerns on both sides. The uncertainty over Mitrovica's future keeps the town trapped in a downward spiral. The same is true for Kosovo.

Five years after NATO's bombing campaign successfully ended the ethnic cleansing of the Albanian population by Serb police and paramilitaries, ethnic tensions resurfaced, and NATO troops and the U.N. suddenly found themselves caught in the cross fire between angry young crowds, groups of Albanian extremists, and the beleaguered Serb community. For a brief moment the world turned its attention back to Kosovo. The rooms at the famous Grand Hotel on Mother Theresa Street were booked, and several high-level delegations, including Chris Patten, Javier Solana, the NATO Secretary-General, and the French Foreign Minister passed through Pristina, the dusty capital and home to about 300,000 inhabitants. The violence reminded international media and policymakers of the Kosovo problem—a unique combination of an unresolved political status and a looming social and economic crisis. The impressive achievement of rebuilding Kosovo immediately after the war and establishing more or less multiethnic governing institutions from scratch in only a few years seemed in shambles. Official and unofficial statements of diplomats, politicians, and analysts echoed uncertainty, a sense of failure, and a lack of vision. The atmosphere in Pristina, Brussels, and Washington was full of doubts. Can there ever be a true multiethnic Kosovo? Will Kosovo be divided along ethnic lines? Will Kosovo remain an international protectorate forever?

The long-term vision for Kosovo is clear: the future of Kosovo lies in Europe. Even this no-man's-land, run by a U.N.-appointed Special Repre-

11. Press Release, United Nations Interim Mission in Kosovo, SRSG's Address to the Kosovo Assembly (Apr. 9, 2004), available at <http://www.unmikonline.org/press/2004/pressr/pr1164.pdf>.

sentative, protected by NATO troops, and policed by a force composed of forty-eight different nationalities, will one day join the EU.

The two main challenges facing Kosovo today are the continued political uncertainty over Kosovo's future status and a serious economic development challenge. The example of Mitrovica demonstrates the human and political costs of failing to address these problems now. Just like maintaining the status quo in Mitrovica will inevitably lead to further economic decline and more violence in the future, the Kosovo problem can no longer be put on "standby mode."

Local political leaders and the EU need to take the lead and seriously engage in the double challenge of state building and economy building. The Kosovo leadership needs to offer a credible and realistic proposal to the Serb community living in Kosovo and engage in direct negotiations with Belgrade immediately. Kosovo leaders need to show that they understand the fears and concerns of the Serb community and both sides, Pristina and Belgrade, need to work hard on reaching a compromise agreement addressing the issue of returns, property rights, and the future role of Serbia in Kosovo. The EU needs to offer a credible strategy and the necessary resources to address the deepening social and economic crisis.

Serious efforts need to be made by domestic and international actors to turn the major setback of March 2004 into an opportunity. In fact, Mitrovica holds the keys to success or failure. A significant breakthrough in returns, property restitution, and transforming the role of the Republic of Serbia in Kosovo from parallel government to long-term donor in Mitrovica could prepare the ground for real progress Kosovo-wide.

In February 2004, the European Stability Initiative ("ESI") presented a package proposal to local leaders composed of three elements: full resolution of property rights and restoration of freedom of movement in 2004, the development of a joint development and assistance strategy for the Mitrovica region, and the redrawing of municipal boundaries to create a majority Serb but multiethnic North Mitrovica and Zvecan municipality.¹² This proposal has been discussed and presented to Albanian, Serb, and international leaders, and it has received the support of the Contact Group and many senior politicians on both sides. By making such a proposal, the Albanian leadership would prove its commitment to creating conditions for the Serb community to live and integrate fully in Kosovo. By accepting such a proposal, especially the return of Albanians north of the Ibar River, the Serb leadership would show its commitment to accepting and support-

12. EUROPEAN STABILITY INITIATIVE, PEOPLE OR TERRITORY?: A PROPOSAL FOR MITROVICA 2 (Feb. 16, 2004), at http://www.esiweb.org/pdf/esi_document_id_50.pdf.

ing the authority of the Kosovo governing institutions, including the police service, the judiciary, and municipal structures. By engaging in direct negotiations with Belgrade on the future of Serbia as a strategic donor in Kosovo, the Albanian leadership in Pristina would actually prove its political maturity and rebuild the trust and confidence with the international community. In February, ESI predicted that a failure to solve the Mitrovica problem as an absolute priority would result in more violence in the future, and would actually pave the way for the partition of Kosovo. Unfortunately, the events of March 17 and 18 confirmed ESI's prediction.

The immediate security response in the wake of the recent violence is not enough. The international response to send more troops and step up arrests of extremist elements is crucial, but it needs to be complemented by a clear political and economic vision. The political vision for Kosovo is an undivided, democratic, multiethnic, sovereign state firmly anchored in European structures and institutions, extending the maximum amount of protection and rights to its minority communities. The economic vision for Kosovo is a functioning market economy integrated regionally and with Europe, slowly catching up with Greece, Portugal, and Slovenia with the help of EU development funds.

EU membership is the only credible future strategy for Kosovo and the region. The risk of further instability in Kosovo is a matter of deep concern to the EU and we cannot allow the process to slip back into "standby mode." The example of Mitrovica shows that freezing the conflict by maintaining the status quo only fuels further ethnic tensions and actually makes the situation worse.

The EU has committed itself politically to bringing Kosovo closer to Europe. Already today, European institutions and member states are by far the largest donor and contribute the bulk of international troops in Kosovo. At a speech in Belgrade in April last year, the President of the European Commission, Romano Prodi, reaffirmed that the historic process of Europe's unification will not be complete until the countries of the Balkans join the Union, stating "[w]e want you to become members of the Union—with no 'ifs' and no 'buts.'"¹³

The rhetoric of "Europeanisation" underlies many programs in Kosovo, including the "standards before status" document.¹⁴ The weakness of

13. Romano Prodi, Speech at the South Eastern European Cooperation Process Summit (Apr. 9, 2003), in NEWS UPDATE (Delegation of the European Comm'n, Skopje, the former Yugoslavian Republic of Skopje), Apr. 11, 2003, at 1, at http://www.delmkd.cec.eu.int/en/information_sources/newletters/electronic/2003/EC%20News%20Update%20Special%20Edition,%2011%20April%202003.pdf.

14. See U.N. Interim Mission in Kosovo, *Standards for Kosovo*, UNMIK/PR/1078 (Dec. 10, 2003), at <http://www.unmikonline.org/press/2003/pressr/pr1078.pdf>.

the “standards before status” process, however, is its unclear outcome and a list of benchmarks that are difficult to measure. The promise of a possible review date and the beginning of status negotiations in mid-2005 is too vague to galvanize the political support that is needed to make difficult political choices. Clear and measurable benchmarks are needed. Data on returns and property restitution in each municipality, for example, could be made public on a monthly basis. The same goes for crime statistics, in particular crimes directed against minorities. This would create benchmarks that can actually be measured and public information that can be openly discussed. It would also serve as a tool to identify model municipalities, best practices, and areas that need significant improvement.

The “standards before status” process, however, should not single Kosovo out as an anomaly. In fact, the standards reflect European criteria and preconditions and as such are also applied to Croatia, Macedonia, and Serbia. In the conclusions of the Thessaloniki Council in June 2003, the EU stressed that “the pace of further movement of the Western Balkan countries towards the EU lies in their own hands and will depend on each country’s performance in implementing reforms.”¹⁵ Each country will be reviewed and judged on its own merits. In order to create a real incentive for the Kosovo government to comply with EU criteria, the “standards before status” process should thus be transformed into a “standards for status” process. The very “final status” of Kosovo has to be a democratic and economically sustainable member state of the EU, safeguarding minority rights, upholding the rule of law, and adhering to core European values. The ultimate responsibility lies with the Kosovo leadership. But the EU has the experience and the means to help Kosovo reach this goal.

The EU might need to rethink its existing institutional tools. Existing instruments, such as the European Agency for Reconstruction and the EU Pillar as part of UNMIK, are insufficient to take on the task of helping Kosovo along. The recent appointment of Fernando Gentilini as special EU envoy by Javier Solana on March 29 is a first step in the right direction.¹⁶ The extension of a European Partnership program to Kosovo marked another important step.¹⁷ The partnership document clearly states that its aim

15. European Commission, General Affairs & External Relations Council, *The Thessaloniki Agenda for the Western Balkans*, at http://europa.eu.int/comm/external_relations/see/gacthess.htm (June 16, 2003).

16. INST. OF EUROPEAN AFFAIRS, BALKANS UPDATE 2 (June 7, 2004), at <http://www.iiea.com/-files/BalkansUpdate7.pdf>.

17. Council Decision 2004/520/EC of 14 June 2004 on the Principles, Priorities and Conditions Contained in the European Partnership with Serbia and Montenegro Including Kosovo as Defined by the United Nations Security Council Resolution 1244 of 10 June 1999, 2004 O.J. (L. 227) 21, 21 [hereinafter Council Decision 2004/520/EC]. This extension is also defined by United Nations Security

is “to ensure a stable future for a secure, democratic, and multi-ethnic Kosovo” with its place in Europe.¹⁸ These are important steps, but there needs to be more.

An additional factor hampering Kosovo’s development is a crisis of political representation as a result of Kosovo’s unresolved political status. The U.N. administration is above the democratic process, because its officials do not feel accountable to the people of Kosovo but to the capitals and institutions paying their salaries. At the same time, the overall responsibility of UNMIK, as ultimate arbiter enshrined in the Security Council Resolution 1244,¹⁹ continues to shield Kosovo’s nascent political institutions from real responsibility. They can afford to live in a comfortable limbo of demanding more competencies while not fully exercising those already transferred. Even in areas like education, health policy, and tax administration, a complete transfer of powers and responsibilities has not necessarily translated into more local policy initiatives or creative reforms. Kosovo politicians are allowed to get away with this, because most voters do not yet hold their own politicians accountable for economic development, social reforms, or the provision of health care. Most reform legislation in Kosovo is actually drafted by foreign experts, and a number of officials seem to enjoy the well-established blame-game between UNMIK and the Kosovo institutions, with both parties unwilling to take full responsibility.

The end result is total confusion and a severe crisis of political representation. An extensive survey done by the United Nations Development Programme in 2003 on perceptions of local government revealed the extent of confusion of Kosovo citizens over who is responsible for what and who can be held accountable.²⁰ The complexity of Kosovo’s existing governance structures have left the public, at best, bewildered and, at worst, disenchanted. For each service, UNMIK is held responsible by 5–30% of respondents.²¹ Even in clearly transferred competencies such as pension payments, health care, and education, approximately 10% of Kosovars hold UNMIK responsible.²² Consequently, the gap dividing the public from both UNMIK and Kosovo institutions and the mistrust felt towards democratic institutions is growing. In Mitrovica, matters are even worse. In fact, North

Council Resolution 1244. S.C. Res. 1244, U.N. SCOR, 54th Sess., 4011th mtg., U.N. Doc. S/RES/1244 (1999).

18. Council Decision 2004/520/EC, *supra* note 17, at 31.

19. S.C. Res. 1244, *supra* note 17, ¶¶ 10–11.

20. See UNITED NATIONS DEV. PROGRAMME, THE KOSOVO MOSAIC: PERCEPTIONS OF LOCAL GOVERNMENT AND PUBLIC SERVICES IN KOSOVO (Mar. 2003), at http://undg.ks.undp.org/mosaic/data/Full_Report_Eng.zip.

21. *Id.* at 16.

22. *Id.*

Mitrovica is the only place in Kosovo without democratically elected municipal officials. The democratic deficit could not be more apparent.

Clear-cut competencies and lines of authority are needed. Kosovo institutions need to be held accountable for their actions by their own electorate, and progress needs to be measured against actions—not words. The same is true for Serb leaders in Kosovo. They need to feel accountable to the Serb community in Kosovo and not to Belgrade.

A point in fact is domestic security. Holding Kosovo authorities responsible for their failure to immediately condemn the violence on the first day of the March unrests is justified. Holding them accountable for the failure of KFOR²³ and police to restore order and protect lives and churches is unjust, because these competencies remain fully reserved in the hands of UNMIK. In order to measure the sincerity and commitment of the Kosovo leadership to protect all citizens irrespective of ethnicity against violence and discrimination, local authorities and the Kosovo Police Service have to be clearly responsible. There needs to be a clear command structure with an identifiable leadership that can be held personally and politically accountable. Indeed, there needs to be a Kosovo Ministry of Interior with a clear mandate for domestic security working in partnership with KFOR and UNMIK police.

Addressing these manifold challenges requires a serious international and local engagement. In the wake of the recent violence, solving the Mitrovica dilemma must be an immediate priority for the Kosovo leadership and the international community. As Kosovo's microcosm, Mitrovica is the ultimate testing ground for the willingness of the Kosovo Albanian and Serb leadership to reach a locally negotiated compromise solution.

At the outset of direct negotiations between Pristina and Belgrade, the international community has to set out two guiding principles: (1) a final settlement needs to be based on an agreement accepted by both sides and (2) the option of partition along ethnic or territorial lines must be ruled out from the start. The Contact Group and the EU should announce this explicitly and firmly reject all demands for a territorial solution to the problem of minorities in Kosovo. This is a precondition to bringing all partners around the negotiating table. Partition is clearly the least favored option by the international community; it is unacceptable to the Albanian majority, and it is an indirect call on Serbs living south of the Ibar River in Kosovo to pack their things and go. Partition only rewards those who want ethnically "clean" regions.

23. "KFOR" is short for "Kosovo Force," which refers to NATO troops in Kosovo.

What is clear in Mitrovica is also true for the rest of Kosovo. Political stability cannot be achieved without development. If Kosovo is not to remain an island of instability within the region, a serious economic development agenda is key to stability. The political strategy needs to be complemented by an economic strategy. The EU needs to help Kosovo “catch up” with the rest of Europe.

Kosovo’s development challenge is serious. Kosovo has the fastest growing population in Europe. Estimates predict that 30,000 new jobs will be needed each year for the next five years to accommodate the influx of working-age youth.²⁴ Real jobs are scarce. Only about 15% of the labor force have an official job.²⁵ By far the largest employer is agriculture, employing around 140,000.²⁶ The agricultural sector is predominantly subsistence agriculture characterized by extremely low productivity and average land holdings of two hectares for families of nine.²⁷ Most farmers do not produce for the market. In Viti municipality, a rural municipality in south-east Kosovo bordering Macedonia, research by the Lessons Learned and Analysis Unit draws a grim picture: only ninety-five out of a thousand inhabitants have a secure income. 180 live off subsistence agriculture, 323 individuals are of working age but without a job, and 352 are under sixteen or still in education.²⁸

These youngsters, mostly unskilled or inadequately skilled, are pressing on to a labor market that already shows signs of contraction. Already 12% of the population live in extreme poverty,²⁹ as international funds are declining and employment is dropping. The two main sources fuelling Kosovo’s short-lived postwar boom, donor money and remittances from the Albanian diaspora abroad, have declined sharply over the past two years. Economic indicators show a worrying trend: private consumption has decreased as jobs are being cut, and investments in machinery and capi-

24. UNITED NATIONS MISSION IN KOSOVO EUROPEAN UNION PILLAR, KOSOVO OUTLOOK 2004, at 11 (May 13, 2004), at <http://www.esiweb.org/bridges/kosovo/1/13.pdf>.

25. JANUSZ SZYRMER & ED FUNKHOUSER, KOSOVO ECONOMY IN 2002, at 4 (May 8, 2003), at <http://www.esiweb.org/bridges/kosovo/2/6.pdf> [hereinafter SZYRMER & FUNKHOUSER].

26. *Id.* at 5.

27. PROVISIONAL INSTS. OF SELF-GOVERNMENT, MINISTRY OF AGRIC., FORESTRY & RURAL DEV., THE KOSOVO GREEN BOOK: A STRATEGY FOR SUSTAINABLE AGRICULTURAL AND RURAL DEVELOPMENT IN KOSOVO 23–24 (May 2003), at <http://www.esiweb.org/bridges/kosovo/4/15.pdf>.

28. Verena Knaus, Senior ESI analyst, Kosovo and the Outside World, Address at the IREX Seminar held in Pristina (Apr. 2004). The figures are based on several months of intense field research on the local economies in Viti and Gjilan municipality by the Lessons Learned and Analysis Unit of ESI and the EU Pillar of UNMIK.

29. I WORLD BANK POVERTY REDUCTION & ECON. MGMT. UNIT, KOSOVO POVERTY ASSESSMENT 9 (Dec. 20, 2001), at http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2002/02/02/000094946_0201230401191/Rendered/PDF/multi0page.pdf.

tal goods have decreased as well. Foreign investors are reluctant to invest in Kosovo given the political uncertainties and Kosovo's comparative disadvantage. Despite an increase in domestic production, Kosovo continues to run an import deficit close to one billion euros.³⁰ Estimates of GDP per capita range from 690 to 1,200 euros annually.³¹ There is a real risk that Kosovo will fall behind even more.

However, the economic and social challenge facing Kosovo is not fundamentally different from those which the EU has been dealing with in Ireland, Greece, and the new member states joining on May 1, 2004. For several decades, the EU has been developing the tools needed to tackle structural economic and social problems in less developed regions within the EU. The EU explicitly recognized that wide social and economic disparities are intolerable within a real community. The structural and cohesion funds as key development tools to help underdeveloped regions catch up with the European common market are the core of the EU.³²

The term "cohesion" first came into use in the late 1980s. In Article 158 of the Consolidated Version of the Treaty Establishing the European Community, there is an explicit commitment to promote "harmonious development" and to "reduce[e] disparities" between more and less developed regions.³³ Within its current and future borders the EU, thus, explicitly engages in a process of economy building involving fundamental structural transformation that ultimately leads to real convergence. Ireland is a shining example of the impact of structural and cohesion funds. The Irish economic miracle is the result of EU cohesion policies combined with sound domestic policymaking, successfully attracting foreign investment. "Irish GDP has risen from two thirds of the EU average when it joined in the 1970s to 118 percent today."³⁴ Ireland received seventeen billion pounds in total EU support between 1989 and 2000.³⁵

In essence, the EU structural and cohesion funds focus on three main areas:

30. SZYRMER & FUNKHOUSER, *supra* note 25, at 9 tbl.5.

31. The lack of reliable statistics is an additional impediment to Kosovo's economic development. The current estimates of GDP are based on multiple sources of educated guesswork, limited trade and tax data, and other sectoral or micro studies. Given that Kosovo's actual population is also unknown—estimates range from 1.75 to 2.4 million people—GDP per capita calculations are extremely difficult.

32. CONSOLIDATED VERSION OF THE TREATY ESTABLISHING THE EUROPEAN COMMUNITY arts. 159–61, Nov. 10, 1997, O.J. (C 340) 173 (1997).

33. *Id.* at art. 158.

34. EUROPEAN STABILITY INITIATIVE, THE ROAD TO THESSALONIKI: COHESION AND THE WESTERN BALKANS 5 (Mar. 12, 2003), at http://www.esiweb.org/pdf/esi_document_id_44.pdf [hereinafter THE ROAD TO THESSALONIKI].

35. *Id.* (quoting RAY MAC SHARRY & PADRAIC WHITE, THE MAKING OF THE CELTIC TIGER: THE INSIDE STORY OF IRELAND'S BOOM ECONOMY 154 (2000)).

1. improving the physical infrastructure of the economy,
2. raising the level of human capital through enhancing skills and education levels, and
3. directly assisting the private section with productivity-enhancing instruments.³⁶

Kosovo's physical infrastructure suffers from years of neglect, underinvestment, destruction, and a very slow process of restructuring and reform. With one-third of the population under the age of fifteen and an antiquated education system not responding to the needs of the market, Kosovo also faces an enormous human resource challenge and serious skills deficits. Mitrovica's industrial and economic collapse is repeated across Kosovo. The former industries have largely collapsed, and the existing private sector consists mostly of small and microenterprises based around the family unit engaging in trade, service, and construction activities. Without targeted assistance, the private sector cannot create the jobs needed to employ Kosovo's young population. However, these problems are not unique to Kosovo. The entire region needs to gain access to EU development assistance modeled on the structural and cohesion funds. What makes Kosovo unique is the extent of its social and economic crisis.

What distinguishes EU development strategies for old and new member states from current EU assistance in Kosovo are the three guiding principles of the EU structural and cohesion funds: additionality, development planning, and partnership.³⁷ Additionality means that EU funds are added to domestically-financed public investments; there is no assistance without local cofinancing.³⁸ Development planning foresees that each project is embedded in long-term development programs developed by the recipient country. The emphasis on local development planning guarantees that each project is really tailored to local needs and reflects the best interests of the recipient community.³⁹ Close partnership with the EU is key to the success of a truly Kosovo-owned development plan.

Most importantly, the region needs financial commitments commensurate with the challenges faced by the countries of the Western Balkans hoping for EU accession. "Pre-accession aid to the ten candidate states in

36. John Bradley, Address at the LLA/Wilton Park Conference, Building Capacity: Applying EU Experience to the Western Balkans (May 14, 2003).

37. THE ROAD TO THESSALONIKI, *supra* note 34, at 6.

38. *Id.*

39. *Id.*

Central and Eastern Europe is €3 billion annually.”⁴⁰ The financial package for Romania and Bulgaria in the first three years after admission to the EU in 2007 foresees a total of 15 billion euros to be spent on agriculture, subsidies for poor regions, and the strengthening of national administrations of the two countries.⁴¹ In comparison, the entire European Commission budget for the countries of the Western Balkans in 2003 was just under 700 million euros.⁴² The budget of the European Agency for Reconstruction earmarked for Kosovo in 2004 is just under 50 million euros.⁴³ The budget of the EU Pillar responsible for economic development within UNMIK in 2004 is no more than twenty-one million euros.⁴⁴ This is clearly not enough for Kosovo.

Other countries in South Eastern Europe are suffering from the consequences of deindustrialization, and other regions are suffering from unresolved ethnic tensions. But nowhere has the combination of the two produced a social and economic crisis as severe as in Kosovo. Nowhere else is a failure by the international community to act as dangerous as in the divided city of Mitrovica. Europe needs to focus its attention and resources to the last remaining powder keg in the region.

Now is also the time for local politicians to send a dramatic signal to the outside world, in particular to Brussels. Europe needs to be convinced that Kosovo is serious about its commitment to multiethnicity, democracy, and future EU membership. The Kosovo leadership needs to show that it is willing to find compromise solutions that answer the real needs of Kosovo. There are no alternatives. If Mitrovica can be solved, Kosovo can be solved; if Mitrovica fails, Kosovo could become Europe’s West Bank.

40. EUROPEAN STABILITY INITIATIVE, WESTERN BALKANS 2004: ASSISTANCE, COHESION AND THE NEW BOUNDARIES OF EUROPE 14 (Nov. 3, 2002), at http://www.esiweb.org/pdf/esi_document_id_37.pdf.

41. Oana Lungescu, *Brussels Plans Bulgaria-Romania Aid*, BBC NEWS, Feb. 9, 2004, at <http://news.bbc.co.uk/2/hi/europe/3473369.stm> (last modified Feb. 9, 2004).

42. EUROPEAN COMMISSION, GENERAL BUDGET OF THE EUROPEAN UNION FOR THE FINANCIAL YEAR 2003: THE FIGURES 10 (Jan. 2003), at <http://europa.eu.int/comm/pdf/budget/syntchif2003/en.pdf>.

43. EUROPEAN AGENCY FOR RECONSTRUCTION IN KOSOVO, QUARTERLY REPORT TO THE EUROPEAN PARLIAMENT (Apr.–June 2004), available at <http://www.ear.eu.int/publications/main/news-a1c2s3.htm>.

44. This number has been provided to the author by the Head of Finance of the EU Pillar of UNMIK.