

The Stability Pact for South Eastern Europe: Achievements and Future Challenges

It has been a good three years since the launch of the Stability Pact for South Eastern Europe in June 1999. The political leaders of the region and the international donor community came together to signal their political commitment to reforms, regional co-operation and continued financial support for South Eastern Europe, with the ultimate aim of establishing a politically and economically stable environment in the region.

Today, we are much closer to this goal than three years ago.

At the time of our initiative's inception, the war in Kosovo had just ended, and with more than two million displaced people in the region, Europe faced the most dramatic humanitarian crisis since the Second World War. The international community had previously reached a consensus that military intervention in Kosovo was necessary to prevent further suffering of the people. But despite the NATO intervention, Yugoslavia was still ruled by a dictatorial regime, which was a destabilizing factor for the entire region.

It was under these difficult conditions that the international community came together to decide on a multilateral strategy synchronized with the US for stabilizing the conflict-ridden region. The main lesson learned through the Yugoslav wars was that ethnic rivalries, refugee flows and unstable economies can and will adversely affect Europe's progress.

The Stability Pact represents the first coherent long-term strategy to bring stable and long-lasting peace to this conflict-ridden region through integration into the European community. Through the Stability Pact, more than 40 signatory countries and organizations have committed themselves to helping the countries in the region "in their efforts to foster peace, democracy, respect for human rights and economic prosperity, in order to achieve stability in the whole region".¹ It is based on the key lessons and experience of international crisis management and addresses, for the first time, a comprehensive approach to the political, economic and structural deficits of the countries in the region.

In fact, the shift from inter-state conflicts to intra-state conflicts since the end of the Cold War has resulted in a wide range of new threats. As a consequence, security is now no longer defined from a narrow perspective. Today, we need to go beyond the traditional understanding of security, which is derived from a negative definition, e.g. security as the pure absence of an armed conflict. In contrast, the modern conception of security encompasses a wide

1 Stability Pact for South Eastern Europe, Cologne, 10 June 1999, in: Institute for Peace Research and Security Policy at the University of Hamburg/IFSH (Ed.), OSCE Yearbook 1999, Baden-Baden 2000, pp. 551-564, here: p. 552.

range of dimensions, e.g. the political, economic, social, personal, food, health, environmental and military.² Equally, the state as the major referent object of security gives way to the emergence of other new referent objects in their own right: to communities and individual citizens who can be subject to a wider range of threats than those purely military. Many have termed this “human security”.

A Multi-Dimensional Concept of Security

From this perspective, the Stability Pact perceives human security as a multi-dimensional concept and approaches it in a comprehensive way:

Rather than reacting to crises after they have already broken out, our aim is to proactively bring political and economic stability to the region by taking action in three key sectors: creating a stable security environment, establishing democratic structures and promoting economic reconstruction and co-operation. This comprehensive approach is based on the understanding that these three objectives are closely interlinked and can only be reached if progress is achieved simultaneously in all three areas. The creation of transparent, democratic and accountable institutions and the establishment of the rule of law is the *conditio sine qua non* for attracting investors and strengthening the economic situation in the region. By the same token, experience shows that economic decline gives rise to social tensions which, in view of the ethnic diversity of the region, can become an explosive mixture if not counteracted in an effective and timely fashion. In this endeavour, and modelled on the CSCE process, three Working Tables have been established:

Working Table I deals with “Democratization and Human Rights”, Working Table II with “Economic Reconstruction” and Working Table III with “Security Issues” (whereby one Sub-Table centres on “Security and Defence Issues” and the other on “Justice and Home Affairs”).

Moreover, this comprehensive approach is reflected in the fact that the initiative unites the international community: The EU, G8, OSCE, Council of Europe, NATO, international financial institutions (IFIs), all the countries in South Eastern Europe and their neighbours as well as Japan and Switzerland have joined forces to tackle the causes of conflict in the region. Each partner involved contributes to the sector where he possesses specific expertise, hence bringing added value to the initiative. In addition, the transfer of knowledge from neighbouring countries like Slovenia or Hungary, which have had recent experience in political and economic transition, is a vital contribution to the goals of the Stability Pact. From this perspective, the re-

2 In line with this, the United Nations Development Programme (UNDP) approaches the concept of security in a comprehensive manner, identifying seven components or values of “human security”: political security, economic security, community security, personal security, food security, health security and environmental security. Cf. Overview of Human Development Report 1994, at: <http://www.undp.org/hdro/e94over.htm>.

cent accession of the Czech Republic, Slovakia and Poland to our initiative enriches the Pact.

As the principal “owners of the stabilization process”, the countries in the region are fully involved in the initiative on an equal basis. It is obvious that the Stability Pact can only be a successful instrument of conflict prevention as long as it remains fully relevant to regional needs and priorities and as long as the direct involvement of the recipient countries in the planning and implementation of the various projects is ensured.

The European Union's Role in the Stability Pact

The EU which maintains a leading role in the initiative and which, together with its member states, represents the biggest donor in the region, has committed itself to drawing South Eastern Europe “closer to the perspective of full integration (...) into its structures”.³ In addition to Romania and Bulgaria that are already EU candidate countries in their own right (perspective 2007), all South Eastern European countries have been recognized as potential candidates for EU membership in accordance with the Feira, Zagreb and Copenhagen conclusions. This approach is based on the assumption that the perspective of full membership exerts a stabilizing effect on the whole region and that it strengthens the resolve of political leaders and the general population to implement and sustain the often painful reforms.

The key element of this strategy is the Stabilization and Association Process (SAP) incorporating five countries in the region (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia).

The Stability Pact can be described as a two-way street: It establishes conditionality between, on the one hand, reforms and regional co-operation and, on the other, outside (financial) assistance to these efforts (in the form of loans, grants, investment or trade preferences) as well as a confirmed EU perspective. This *quid pro quo* is part of the political bargain. For instance, in the framework of the Anti-Corruption Initiative or the Initiative for the Fight against Organized Crime, various countries in the region have committed themselves to introducing measures and reforms following an agreed timetable. They have done so in order to effectively combat corruption and organized crime, which currently represent two major obstacles to the establishment of rule of law and to economic stabilization of the region.

Regional co-operation is the centrepiece of the 244 projects in the framework of the so-called “Quick Start Package” (approved at the Regional Conference in Brussels in March 2000) and the subsequent 27 infrastructure projects that international donors agreed upon at the second Regional Conference (October 2001). This means that the vast majority of the projects involve several

3 Stability Pact for South Eastern Europe, cited above (Note 1), p. 556.

countries and contain a regional dimension. The aim is to boost cross-border co-operation among the countries in South Eastern Europe. In this way, the very essence of Western Europe's post-Second World War reconciliation and decades-long restructuring and economic growth process can be transferred to South Eastern Europe, hence effectively preparing the countries in the region for their integration into Euro-Atlantic structures.

Which Lessons Can Be Drawn from Three Years of the Stability Pact?

The prospect of EU membership has undeniably spurred the reform process in all countries of the region, even though much remains to be done. Romania and Bulgaria are already negotiating their accession to the EU, and Croatia and Macedonia have both signed Stabilization and Association Agreements (SAA) with the Union. A vital achievement in this context has been the democratic change in the Federal Republic of Yugoslavia (FRY), a development that has been encouraged and supported by the Szeged Process, a Stability Pact initiative that supported Serbia's democratic forces and the independent media even prior to the downfall of Milosevic. In the meantime, democratically elected governments are in place throughout the whole region and they represent a basic prerequisite for a sustainable reform process and the stabilization of South Eastern Europe.

Moreover, regional co-operation, which is a qualifying element for EU membership, has improved considerably over the last two years. It has become an established feature of the regional intergovernmental dialogue: The "familiarization process" and the ability to have "all the actors around one table" is crucial to ensuring increased understanding among former adversaries, and is the only way to replace mistrust with confidence.

Enhanced regional co-operation has found expression in concrete initiatives such as the Memorandum of Understanding on Trade Liberalization and Facilitation signed in June 2001 by seven countries in the region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania and the FRY; Moldova has signed a statement expressing its intention to join the process). Another important achievement in this context is the "Agenda for Regional Action" for refugees and displaced persons that the governments of Bosnia and Herzegovina, Croatia and the FRY adopted on the same day. It encompasses various key initiatives for refugees, including reconstruction programmes, social housing and social security.

Successes and Future Challenges

The Stability Pact is by now a mature operation. Its first phase was aimed at setting in motion a broad-based political process along the lines of the CSCE Helsinki process, drawing the countries of the region towards Europe. It functioned on the essential assumption that the international community will support the South Eastern European countries in their attempt to accelerate reforms and enhance regional co-operation. However, the Pact has now entered a new phase that requires redirecting and refocusing its actions.

Against this background, in early 2002, the Stability Pact conducted a thorough review of a large number of its initiatives and activities. I have widely consulted with its main partners, including EU and non-EU members, on how to streamline this operation and how to improve its working methods. The recommendations submitted to and approved by the EU Foreign Ministers on 11 March 2002 refer to the need to enhance complementarity with other EU processes, setting priority objectives and improving working methods, and fostering regional ownership.

Accelerating EU Approximation - A Clear Road Map to Integration

The efficiency and effectiveness of the Stability Pact operation will continue to depend on the leading role of the EU if our common goals in the region are to be achieved. Against this background, complementarity between the Stability Pact and the two main EU strategies towards the region, namely the Stabilization and Association Process for the "Western Balkans" and the accession process for candidate countries that also participate in the Stability Pact, e.g. Rumania and Bulgaria, needs to be enhanced.

The Stability Pact remains committed to coherence and mutual support in both processes. It will be aimed at promoting the objectives of these processes and will assist countries in the region to make full use of their instruments.

In order to enhance complementarity and information exchange between EU institutions and the Pact, an Informal Consultative Committee (ICC) was established at the beginning of 2002. One of our aims is to ensure the necessary co-ordination between assistance programmes, such as CARDS, PHARE/ISPA and TACIS, with a view to enhancing cross-border co-operation.

However, there is still a clear need for the EU to elaborate its strategies towards the region and link them with each other. The enlargement strategy has to be reconsidered with a view towards providing clear prospects of accession to all those countries that will not be accepted in the 2004 round of EU enlargement. By the same token, in order to prevent further destabilization of the South Eastern European region, it is of utmost importance to prevent a widening of the political and economic gap between the Central Eastern

European countries which are heading towards EU accession and their neighbours in South Eastern Europe. There is a need for a clear road map to integration. As with EU integration, the Stability Pact can act as a bridge between various enlargement processes that proceed at different speeds, for example also with regard to NATO enlargement.

“Fewer Meetings, More Action”

In order to reduce the number of Stability Pact meetings and rationalize Stability Pact structures a number of organizational changes will be undertaken. The aim is to strengthen co-ordination and co-operation among task forces and initiatives that work on related subjects, e.g. the Migration and Asylum Initiative, the Initiative for Social Cohesion and the Refugee Return Initiative, and between the initiatives on trafficking in human beings, police co-operation and anti-corruption.

Greater emphasis will be laid on increasing the visibility of Stability Pact actions on the ground and raising public awareness of our achievements, also within the donor community. In view of the shift in geopolitical priorities since the events of September 11, we need to make sure that, despite new foreign policy objectives, South Eastern Europe remains on the agenda of the international community.

The EU has asked the Stability Pact to focus on five to six priority objectives to be achieved within the year 2002. The following objectives, limited in number, have been chosen; these are a further elaboration of the strategies and priorities established by the Regional Table in June 2001.

Trade and Investment

Liberalizing trade is of critical importance to the economies of South Eastern Europe and excellent progress was made in the past year. A Memorandum of Understanding was signed at ministerial level in Brussels on 27 June 2001. It foresees the conclusion of 21 bilateral Free Trade Agreements (FTAs) by the end of 2002 (as of December 2002, 19 negotiations were completed), creating a market of up to 55 million consumers. The FTAs will be fully in line with World Trade Organization (WTO) rules and with the commitments in the framework of EU accession or the SAP. Let us be reminded that Western Europe's unprecedented growth after the Second World War was not due to government money but due to exports and free trade!

In view of the enormous structural deficits in the region, the money raised to date in the framework of the Stability Pact can be only catalytic in nature, psychologically designed to mobilize and attract complementary private investors. Hence, an essential objective of our initiative lies in preparing the ground for private investment in South Eastern Europe. In this vein, the in-

vestment climate needs to be improved. Credits from Western banks to the local banking and private sector are still critical. The Stability Pact will put an even stronger emphasis on the Investment Compact, which tries to help countries eliminate investment barriers and attract more investments. We aim to remove obstacles to private investment and monitor the overall investment climate by focusing the Investment Compact on a limited number of policy areas in each country, downsizing the number of regional flagship initiatives and promoting a regional investment space.

Infrastructure (Including Energy)

Since its creation, the efficiency and credibility of the Stability Pact has suffered from a gap between political commitments made by Stability Pact partners, on the one hand, and progress on the ground, on the other. Generous announcements by the donor community created high and sometimes unrealistic expectations in the region. But delays in disbursement and implementation have often generated disappointment. It should be noted, however, that weak implementation is, in most cases, not due to a lack of political will, but to long bureaucratic procedures or structural limitations.

Yet, given the fact that unfulfilled promises are a powerful source of disappointment that put the credibility of the international community at stake, the Stability Pact seeks to ensure the timely implementation of the two agreed sets of infrastructure projects for the region in close co-operation with the EU, the IFIs and the beneficiary countries. Issues to be addressed by the Stability Pact partners include finalizing and implementing regional strategies in the specific sectors and removing obstacles to implementation. The role of the Infrastructure Steering Group in selecting priority infrastructure projects will be expanded. Regional energy co-operation will be strengthened particularly in the field of electric power. The Stability Pact welcomes the commitment reached within the South Eastern European Co-operation Process (SEEC) to bring about a regional energy concept.

Refugee Issues

The "Agenda for Regional Action" clearly demonstrates the extent to which today's emergency situations, often characterized as "complex humanitarian operations"⁴, call for the co-ordination of different sectors of activity by different actors in the short, medium and long-term. Now that the refugees and displaced persons emanating from the wars in ex-Yugoslavia have been provided with immediate assistance, the second step consists of developing sustainable, long-term solutions for these people.

4 Cf. Jean-Claude Concolato, *Vers un tournant de l'action humanitaire*, in: *Esprit* 7/1994, pp. 72-75.

In the framework of the Stability Pact, Croatia, Bosnia and Herzegovina and the FRY reached a historical agreement on the unresolved situation of 1.2 million refugees and displaced persons. By adopting the “Agenda for Regional Action”, the three governments, together with donors, undertook to implement a detailed work plan covering issues such as reconstruction, housing, loan schemes, property legislation, pensions and social security. In 2002, we have been working on providing sustainable solutions for at least 100,000 refugees and displaced persons by increasing the level of return and integration assistance and credits for self assistance, accelerating the repossession of properties (both by private owners and tenancy right holders), decreasing the number of beneficiaries of humanitarian assistance, and adapting the overall level and timing of available financing in refugee-related activities to needs (e.g., for 200,000 housing units needed in the next three to four years). Particular attention is being given to resolving outstanding regional issues (concerning, e.g., pension payments, social rights, private property and tenancy rights).

Sub-Regional Co-operation

Efforts within the Stability Pact to contain potential conflicts focus primarily on resolving the tension between the nations-state principle and multi-ethnicity. Rather than changing existing borders, which would merely create new minorities, special legal protection and rights of participation must be enforced for the ethnic minorities in the various states. By the same token, concrete possibilities need to be developed for the cross-border coexistence of ethnic groups. For this reason, the Stability Pact intends to start up an informal sub-regional dialogue and co-operation process between representatives from the FRY (Serbia, Montenegro), Albania and Macedonia as well as with UNMIK regarding Kosovo on functional cross-border issues like energy, infrastructure or border management etc.

Small Arms and Light Weapons (SALW)

The uncontrolled proliferation of small arms and light weapons throughout the region represents a serious danger to peace and stability. On the basis of the Regional Implementation Plan on Small Arms, participants from South Eastern European countries have embarked on joint project proposals to control the spread of small arms and light weapons throughout the region as well as on enhanced information sharing on weapons trafficking and border strengthening efforts. In light of this achievement, a “Regional Clearinghouse” was established in Belgrade in May 2002 under the auspices of the UNDP. The aim of the initiative is to develop and implement projects focused on reducing the excess supply and illicit trafficking of small arms and light weapons throughout the region.

Organized Crime

In an attempt to streamline ongoing initiatives to fight organized crime, we will establish an executive secretariat for the Stability Pact Initiative to fight Organized Crime (SPOC) at the SECI Transborder Crime Centre in Bucharest to cover the region. The secretariat is to strengthen co-operation between the regional Crime Centre, Europol and Interpol as well as assessing the legal, institutional and technical conditions for the exchange of information.

Enhancing Regional Ownership

Viable solutions can only be achieved through enhanced local ownership. The active role of South Eastern European countries in the Stability Pact's initiatives will be the main recipe for success. We aim to transfer more functions to the region, and to reflect the ownership principle in our staffing procedures. South Eastern European countries are to be more closely associated with the decision-making process. The Stability Pact will develop closer links with the SEECP and encourage the upcoming chair to strengthen and enhance its structures and to act as a co-ordinated regional voice and a forum for regional co-operation.

Enhancing regional ownership also helps to reduce the dependency syndrome. The "ownership principle" implies that the countries in the region carry the main responsibility for the success of the current reform process. It is therefore imperative to further strengthen the efforts in the region to effectively address the challenges that continue to represent a key obstacle to political security and sustainable economic development in the region.

Conclusion

The Stability Pact fulfils a bridging function, in the sense of post-conflict peace-building, between a situation immediately following armed conflict and the region's eventual integration into Euro-Atlantic structures. It is based on a coherent understanding of security, encompassing various interdependent components. The initiative works on the assumption that a sustainable stabilization of the South Eastern European region can only come about by ever-increasing interaction among the countries on the political, legal, economic, societal and security level.

Therefore it is essential for the countries in South Eastern Europe to further strengthen regional co-operation, that is co-operation in areas where value added is to be extracted through a common approach to problems and challenges that are of a transnational nature - like environmental concerns or migration issues. Rather than tackling these issues in an isolated manner, the

exchange of experience and expertise is vital in an increasingly globalized and interdependent world. Thus, regional co-operation among the countries of South Eastern Europe as well as between them and the EU (and Eastern European states) replicates the mechanism by which the European integration process has been driven so far. Thus, South Eastern European countries are preparing themselves in an effective manner for integration into Euro-Atlantic structures. In this sense, regional co-operation in the framework of the Stability Pact represents an accelerator for membership in the European Union. Hence, the Pact's founding principle and its basic cornerstone, namely support by the international community in exchange for reforms and regional co-operation, is the correct line to follow, and one to which there is no alternative.