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**The Stability Pact for
South Eastern Europe -
potential, problems
and perspectives**

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The Stability Pact for South Eastern Europe - potential, problems and perspectives

1. Europe and the Balkans at a cross-roads

Crises sometimes happen to be turning points in history, serving as eye-openers that stimulate a fundamental reversal of behaviour. The Chinese language has created a symbol uniquely reflecting this reality: the ideogram for 'crisis' is composed of two characters which separately mean 'danger' and 'opportunity'.

In retrospect, historians might view the date of 10 June 1999 as such a turning point in history, embodying both tragedy and hope. It was on this very day that the United Nations Security Council issued Resolution No. 1244, which finally put an end to the war in Kosovo; and on the same day a meeting of Foreign Ministers in Cologne, assembling representatives from 38 countries and 15 international organisations, formally endorsed the Stability Pact for South Eastern Europe, thus marking the start of a new phase in international Balkan politics.

President Gligorov of Macedonia grasped this *janus*-headed reality quite well when he appealed to his fellow Heads of State and Government a few weeks later in Sarajevo: "This crisis gave us a chance. It is up to us to

take advantage of it, to be brave and determined enough and to turn this chance into a success.”¹

Certainly, at the threshold of a new millennium, Europe has reached a cross-roads. Decisions taken by this generation will determine whether all the peoples of Europe are able to start the new century with an unprecedented period of stability, peace and welfare, or whether this generation will simply experience a painful *déjà vu* of European history, starting the next century as the last one ended - with a crisis, the tremors of which shook Europe all the way from the Atlantic to the Ural.

The last ten years of post Cold War history have been marked by a parallelism of two completely diverging trends in Europe: the arduous and at the same time exciting process of transforming the countries of Central and Eastern Europe that were cut off for decades from the political, economic, and cultural life in Europe, followed by a successive opening of the Euro-Atlantic institutions, thus creating a pan-European peace order that bodes well for the future of this continent. However, exactly the same time-span was pre-dominated in another part of Europe, the Western Balkans, by what no-one in post Cold War Europe could imagine again: four incredibly awful wars in only eight years, which destabilised a whole region, driven by chauvinist nationalism and a cruelty deemed impossible in post war Europe.²

- 1 Address of His Excellency Kiro Gligorov at the Sarajevo Summit for the Stability Pact for South Eastern Europe on July 29, 1999 (personal copy of the author).
- 2 German Foreign Minister Joschka Fischer at the Petersberg Conference on 27 May 1999: “Ten years after the end of the Cold War Europe has once again two faces. On the one hand we have the success story of European integration, the Europe of human rights and of equality, of peace, democracy and welfare. However, at the same time the Europe of nationalism, of the past, of tyranny and brutal suppression of human rights that we already deemed to have overcome has been revived, in Vukovar, in Srebrenica, in Racak and in the many nameless places of horror” (this and the following translations done by the author), Bulletin des Presse- und Informationsamtes der Bundesregierung, No. 34, 31 May 1999, p. 359.

It is one of the most painful and frustrating realities European leaders have to face today that the many attempts to pacify this trouble-spot of Europe have not succeeded. This century has not only ended with four Balkan wars; it also started with three wars in that region, with apparently just a period of respite in between: the Balkan wars of 1912 and 1913 and the war between the Austro-Hungarian Empire and Serbia, which dragged the whole of Europe into turmoil and conflict in 1914. It was in those years that the image of the Balkans as the 'powder-keg' and 'backyard' of Europe became firmly established in the minds of the contemporaries, equating the term 'balkanisation' with crisis and trouble in "far-away countries" of which "we know nothing", as Chamberlain admitted in 1938.

Due to the war in Kosovo, which finally brought international attention back to this part of Europe, today the international community has -- late but hopefully not too late -- announced a fundamental policy shift in its approach to the region, eventually learning the overdue lessons of history. The simple truth is that Europe cannot afford another devastating conflict as in Bosnia and Kosovo, neither in the Balkans nor elsewhere. The international community has been simply compelled to re-assess its approach towards Serbia and the region as a whole. In Kosovo, its credibility, its capacity to act and its resources were challenged to the utmost limits: the appalling mockery of those values most precious for the Euro-Atlantic community by a regime practising clandestine ethnic cleansing as a deliberate political strategy in the outgoing 20th century; the destabilisation of an entire region with incalculable consequences for the whole of Europe; the enormous costs to contain and stop a war machine like the one of Miloševi ; the enormous logistical and financial challenge to supply almost one million refugees and displaced persons with food and shelter; the ensuing burdens of peace-keeping and post war reconstruction that will last for many years. The international community will hardly be able to manage another crisis of this proportion in the coming years. Finally,

the Euro-Atlantic community had to realise and to accept that Europe as a whole has a stake in the Balkans.

2. The basic rationale of the Stability Pact

As a consequence, two lessons have begun to dominate the minds of many in the Western capitals; lessons that have become the basic rationale for the Stability Pact. At the meeting of Foreign Ministers in Cologne on 10 June 1999 Joschka Fischer declared:

“The previous policy of the international community vis-a-vis former Yugoslavia had two severe deficits: It concentrated on the consequences instead of on the sources of conflict, and it tackled the problems of the region individually and separately from the ones in other parts of Europe.”³

Fischer expressed what has become common sense among European leaders in the aftermath of the Kosovo crisis. The predominantly reactive fireman policy of recent years in the Balkans concentrated on managing crisis after crisis, in Slovenia, Croatia, then Bosnia and Herzegovina, and now Kosovo. A coherent, long-term policy of conflict prevention that addresses the looming problems well before they erupt was never designed. This was most notable in the period of 1995 to 1998 when the international community paid its utmost attention to the implementation of the Dayton peace agreement; at the same time, the Kosovo crisis, as close observers warned *uni sono*, was about to erupt, following the exclusion of

3 Speech of the German Foreign Minister, Joschka Fischer, at the Conference of the Foreign Ministers concerning the Stability Pact for South Eastern Europe, Cologne, 10 June 1999, German Foreign Ministry, Mitteilung für die Presse, No. 1041/99, 11 June 1999. See also the speech of OSCE Chairman-In-Office Knut Vollebaek at the Sarajevo Summit on 30 July 1999, and the presentation of Ambassador Wilfried Gruber at the Halki International Seminar 1999: A Stability Pact for South Eastern Europe, September 1999 (personal copy of the author).

the Kosovo issue in Dayton and the radicalisation of the hitherto peaceful resistance of the Kosovo-Albanians.⁴

In addition, the international approach towards the Balkans has indeed been mainly piecemeal and country-oriented, fatally following the geographic direction Miloševi chose to take. Thus, the transnational patterns of many problems in the region were hardly tackled: the manifold border and minority issues, the problem of refugee returns, the region-wide security concerns and the socio-economic interdependencies, for example, in terms of infrastructure.⁵ In this regard, the Kosovo conflict has surely been an eye-opener. It amply demonstrated the inextricably regional nature of the enormous problems shared by the whole region, drawing Macedonia, Albania and Montenegro into a conflict that could have escalated even further.

This time, after the end of the war in Kosovo, the governments and international organisations forming the Stability Pact seem to have drawn the necessary conclusions, at least in theory. They know that the war is over, but the victory has yet to be achieved. The international community has embarked on an integrative, long-term policy that is moving away from the country-limited focus of the past and, instead, perceives the region as a whole.⁶ At the same time, political leaders have begun to focus on the sources of conflict, willing to tackle the most divisive issues with a comprehensive approach combining all political, economic and military levers at hand.

4 Richard Caplan: International diplomacy and the crisis in Kosovo, in: *International Affairs*, Vol. 74, No. 4, 1998, pp. 745-761.

5 The negotiations on arms control and confidence-building according to Annex 1 B of the Dayton peace agreement -- the Article II and Article IV agreements already concluded in 1996, the Article V talks ongoing -- with their region-wide approach were the exception to the rule.

6 Emil Mintchev points out that such a regional approach guided the Congress of Berlin in 1878, reaching agreement on borders and multiethnic tolerance; Mintchev:

This is good news. However, there is also a lot of room for scepticism, derived from past experience and continuing patterns of old thinking. To pour some water into the wine: It is not that the international community has gained completely new insights into old realities.

In fact, the EU 'Regional Approach', adopted by the European Union on 27 February 1996 as part of the Royaumont process following the Dayton peace agreement, had already drawn some of the same conclusions after the three-year war in Bosnia.⁷ It envisaged facilitating the successful implementation of the peace plan by supporting the former countries of Yugoslavia (excluding FRY) and Macedonia politically as well as economically with a whole set of EU instruments, including financial assistance under the PHARE and OBNOVA programmes, autonomous trade preferences, and the offer of Co-operation and Association Agreements.

Thus, the EU concluded Co-operation Agreements with Albania and Macedonia, extended PHARE and OBNOVA assistance to both countries, and granted trade preferences to Bosnia and Herzegovina and Croatia. Each improvement in relations was made dependent upon the implementation of strict conditions set by the European Commission.⁸ Compliance was regularly monitored and reported on an individual basis.⁹ According

Friedensordnung nach dem Kosovo-Krieg. Eine integrative Strategie für den Balkan, in: Internationale Politik, Vol. 54, No. 5, May 1999, p. 58.

7 The Royaumont process was initiated at a conference on 13 December 1995, organised by the European Union, with a declaration of 27 countries to promote stability and good neighbourhood in South Eastern Europe. For the Regional Approach, as defined in 1996, see the Council Conclusions of 26 and 27 February 1996 <http://www.europa.eu.int/comm/dg1a/see/docs/reg_approach_96.htm>

8 Council Conclusions on the Application of Conditionality with a view to developing a Coherent EU-Strategy for the Relations with the Countries in the Region, 29/30 April 1997
>http://www.europa.eu.int/comm/dg1a/see/docs/conditionality_29_april_97.htm

9 See the two reports on compliance of the European Commission 15 April 1998 and 26 May 1999
<http://www.europa.eu.int/comm/dg1a/see/com_98_237/index.htm> and
<http://www.europa.eu.int/comm/dg1a/see/com_99_235/6.htm>

to the European Commission the expenditure for the countries of the Regional Approach has amounted to more than 7 billion EURO since 1991. In 1999 alone, more than 700 million EURO were spent.¹⁰

However, these previous international efforts to stabilise the Balkans had some serious deficiencies. They focused mainly on bilateral relations. They did not pay enough attention to the Eastern Balkans, thus neglecting the stabilising potential especially of Bulgaria and Romania for the region as a whole. The numerous initiatives and aid programs were uncoordinated, running side by side, sometimes even in fierce competition -- as in the case of the European Royaumont process and the American Southeast European Co-operative Initiative (SECI). And the main actors lacked the necessary political will and resolve to make a real difference in the Balkans. Thus, all the Balkan initiatives prior to the Stability Pact are today mostly perceived as ill-conceived and insufficient.

This time, the odds seem to be better for achieving lasting success. There is a considerable consensus among the most important international actors on the main features of the Stability Pact. There is a common understanding on both sides of the Atlantic to pull together in one accord. There has been a merger of all previous efforts by institutions like the European Union, the OSCE, the Council of Europe, the international financial institutions and others, including numerous NGOs. And there has been a serious determination by the international actors, nurtured by a common feeling of urgency, that far-reaching and long-term decisions have to be taken to transform the face of the Balkans.

10 The Stabilisation and Association Process for countries of South-Eastern Europe, Commission Communication to the Council and European Parliament COM (99) 235 - 26 May 1999, chapter 1, p. 2, and chapter 3, p. 5 and Annex 1
<http://www.europa.eu.int/comm/dg1a/see/com_99_235/3.htm>

3. *The need for differentiation*

At the beginning, there have been many voices in Slovenia, Bulgaria, Romania, and even Croatia arguing that the Stability Pact is not really the business of their governments. These countries do not want to be identified with the negative image of the Balkans any more and view themselves as far ahead of the other countries of the region in terms of democratisation, socio-economic reforms and the rapprochement towards the Euro-Atlantic institutions. None of these countries wants to be put into one basket with the countries of the Western Balkans. Indeed, there is even the fear that the Stability Pact might be understood by some members of the European Union as a substitute to EU membership - an understanding that was obviously signalled to them from some of the Union members who are not really interested in giving South Eastern Europe a real EU perspective.¹¹

Indeed, at first sight, the Stability Pact appears to benefit primarily the Western Balkans -- Macedonia, Albania, Croatia, Bosnia and Herzegovina, and maybe even Serbia at a later stage. The project is an immediate response to a specific crisis that erupted in this region, namely in Kosovo. It is primarily designed to prevent another armed conflict in this part of the Balkans.

Political 'stabilisation' has already taken place in Slovenia, Bulgaria and hopefully also Romania.¹² In all three countries, there is less focus on sta-

11 These concerns were for example voiced during some meetings the author had in late September 1999 in the Foreign and Defense Ministry and the National Assembly in Sofia.

12 Present surveys and forecasts in Romania predict that the presidential elections late next year or early in 2001 might bring former President Iliescu back to power. European and American politicians currently visiting Bucharest vividly warn that in this case the accession process of Romania into the Euro-Atlantic institutions might come to a halt. Romania might lose crucial years of reform, as did Bulgaria in the time from 1993 to 1996 when society was not ripe for far-reaching, painful reforms. In Bulgaria, this period of former Communist rule ended with a collapse of the

bilisation than on integration. Slovenia is only geographically still counted as a Balkan country and former Yugoslav republic.¹³ It has already negotiated on EU membership since March 1998. Bulgaria and Romania likewise already have a clear ticket for EU membership, as laid down in their 'Europe Agreements'. Both have had their multilateral and bilateral screening with the European Commission since April 1998 as part of their Accession Partnerships and are actually on the verge of becoming negotiating partners of the EU Commission.

Thus, there is indeed a need to differentiate. However, the Stability Pact is not solely designed to meet the needs and aspirations of the Western Balkans. It also holds great potential for the other countries of the region.

The Stability Pact has been intently designed for the whole region. For one, Slovenia, Bulgaria and Romania are successful examples of democratic transformation in South Eastern Europe, as are Greece and Turkey. These countries demonstrate that captivity to one's history and region doesn't exist. Secondly, Slovenia, Bulgaria and Romania are the main anchors of stability in South Eastern Europe. Spreading democracy, peace and good neighbourly relations from here to the other parts of the Balkans means to make the best use of their stabilising potential for Europe as a whole.

Thirdly, Slovenia, Bulgaria and Romania have a keen self-interest in strengthening stability and regional co-operation throughout the region. All of them are dependent to a high degree on peace, stability and growth in their neighbourhood. As recent years have amply demonstrated, em-

economy and serious political disruptions that brought the Union of Democratic Forces back to power.

13 Slovenia has a per capita income per year of \$ 9,000, as compared to \$ 2,700 in Romania, \$ 2,200 in Bulgaria, and \$ 1,400 in Albania (Germany: \$ 25,000); see Michael Dauderstädt: *Pulverfaß ohne Boden. Neuordnung und Wiederaufbau im Kosovo*, *Politikinformationen Osteuropa*, Friedrich-Ebert-Stiftung, No. 81, June 1999, S. 5.

bargoes, a disruption of trade routes, or tremendous refugee flows and wars had a severe impact on trade, investment and growth in the whole region.

Fourthly, by actively participating in the Pact, all three countries will present themselves to the international community as trustworthy exporters of stability which deserve to be invited into the Euro-Atlantic community on their own merits. Slovenia, Bulgaria and Romania will gain a lot if they are perceived as countries taking on responsibility for their region and Europe as a whole. The Joint Position that was formulated by the Foreign Ministers of Bulgaria, Macedonia and Albania in Sofia on 25 July 1999 following a Bulgarian initiative¹⁴ and presented at the Sarajevo summit of the Stability Pact on 30 July 1999 signalled that the countries of the Eastern Balkans are taking up their responsibility as a bridge-head¹⁵ between the Balkans and the rest of Europe.

4. The crucial inception phase of the Stability Pact

To understand the potential of the Stability Pact and also some considerable hurdles on the way ahead, it is instructive to take a look at the inception phase of the Pact -- beginning with the first thoughts in the German Foreign Ministry in early 1999, and ending with the Sarajevo summit of 29/30 July 1999. It was a phase of remarkable momentum and diplomatic initiative, but also of severe infighting and struggle about the main features of the Pact.

Under the Austrian Presidency in the second half of 1998, there were already thoughts in some European capitals about the need to devise a com-

14 The Paper, containing concrete proposals for each Working Table, was presented at the Sarajevo Summit on 30 July 1999 (personal copy of the author). The three Ministers decided to hold in future regular meetings on the Pact.

15 Emil Mintchev: Das Ziel: Stabiler Brückenkopf in der Balkanregion, Das Parlament, 1 August 1997.

prehensive strategy for South Eastern Europe. Milošević's military offensive in Kosovo, which started in February 1998 with the crackdown in the Drenica region, escalated. The Holbrooke-Milošević agreement of 31 October 1998 had in the last minute averted the NATO air campaign but had already eroded again. Another war in the Balkans calling for international crisis management seemed imminent. Under these circumstances, the Vienna Summit of the European Union on 11/12 December 1998 decided to formulate a 'Common Strategy on the Western Balkans'.¹⁶

However, as the 'Common Strategy' was one of the new tools designed in the Amsterdam Treaty to strengthen the Common Foreign and Security Policy of the EU, the Strategy could not be formulated before the Treaty entered into force, which took place on 1 May 1999.

In January 1999, the new German government took over the EU Presidency and decided to make the Balkan policy one of its top priorities during the Presidency. Due to a growing sense of urgency, it was not deemed possible to wait for the Amsterdam Treaty to enter into force. Thus, the staff of the Foreign Ministry generated the idea of a Stability Pact for South Eastern Europe leading to concrete, immediate action.

The initiative had several advantages for the Fischer staff. It fit well into the overall approach on international security of the new German government as laid down in the coalition treaty, stressing the need to strengthen conflict prevention in order to avoid further conflict management operations. It offered the new government an opportunity to gain profile and initiative domestically as well as internationally in a popular, undisputed field. And it allowed the German government in the following

16 For the Vienna document see Europäischer Rat in Wien, Bulletin des Presse- und Informationsamtes der Bundesregierung, No. 7, 17 February 1999, p. 77 (chapter 74). The first 'Common Strategy' the European Commission drafted was on Russia, endorsed at the EU summit in Cologne on 4 June 1999, whereas the Strategy for the Western Balkans has not been presented yet (September 1999).

six months to set the pace for the Pact, thus giving it a strong impetus right from the beginning.

4.1. No 'fast track' to EU and NATO accession

The first papers for the Stability Pact were already drafted by the Fischer staff in the early weeks of 1999, long before the air campaign started on 24 March 1999.¹⁷ During a meeting with his State Secretaries and with the Heads of Department on the Petersberg near Bonn, Joschka Fischer discussed the Plan at length as part of a *tour d'horizon*. Two aspects were striking: Firstly, Joschka Fischer strongly favoured the Plan. From this point onwards, the German Foreign Minister was seriously committed to making the Stability Pact a real success.

Secondly, Fischer personally did override serious doubts by some of his experts. The discussion centred around the sensibility of giving the countries of the Western Balkans¹⁸ a real EU perspective at this stage. On the one hand, there were those experts closely following the ongoing accession negotiations of the European Commission with the Czech Republic, Estonia, Hungary, Poland, and Slovenia. Many of these experts already saw innumerable hurdles for the countries of the first round to enter the Community, fearing that a further widening of the group of candidates would have intolerable consequences for the EU.¹⁹ In addition, a public diplomacy offensively advocating EU membership for the Western Balkans would raise expectations that simply could not be fulfilled.

17 The following information is based on the personal experience of the author during his time at the Policy and Advisory Staff of the German Ministry of Defense until July 1999, supplemented by interviews with experts of the Foreign Ministry.

18 The following only refers to the Western Balkans, as Bulgaria and Romania already have a clear perspective of EU membership.

19 These objections were also already voiced at that time in the press; see the editorial by Klaus-Dieter Frankenberger: *Der Ruf nach Stabilität*, *Frankfurter Allgemeine Zeitung (FAZ)*, 27 May 1999.

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On the other hand, there were those advocating a sincere EU perspective for the Western Balkans as the decisive and only incentive for real and lasting change.²⁰ Many of them, including the experts on South Eastern Europe and Fischer himself, were aware of the fact that the Western Balkans was at a decisive cross-roads. They realised the historic dimension of the decisions to be taken and were, thus, not willing to be bogged down by the technicalities of enlargement. For them, the Stability Pact was a strategic decision of high political value for the region and for Europe as a whole.

In fact, the discussion at the Petersberg was symptomatic of many internal debates in EU administrations and also inside the European Commission on this issue in the weeks to come. As it turned out, in Bonn Fischer indeed managed to determine the direction of the Stability Pact on this crucial issue. However, in Brussels he was less successful in the discussions with his European counterparts.

The draft of the Stability Pact was in its first phase, from February to April 1999, orchestrated on the interministerial German level in the upgraded 'Bundessicherheitsrat'. In a second phase, from April to June 1999, it was introduced and finalised on the level of the European Union.²¹

20 President Constantinescu of Romania unambiguously stated in Sarajevo: "Our peoples can, and will unite around such a major and vibrant project as the Stability Pact. The process of integrating the democratic, European and Euro-Atlantic structures is the most powerful incentive for unity, mutual respect, and co-operation." President Constantinescu's intervention in Sarajevo on 29 July 1999 (personal copy of the author). This position is shared by many Western observers; see Ludger Kühnhardt: *Wie der Balkan im Jahr 2010 aussehen könnte*, Rheinischer Merkur, 9 April 1999; and Erhard Busek: *Helft dem Balkan zur Selbsthilfe*, Die Welt, 28 May 1999.

21 For this second phase see also Heinz-Jürgen Axt: *Der Stabilitätspakt für Südosteuropa: politischer Aktionismus oder langfristig tragfähiges Konzept?* Südosteuropa, Vol. 48, Nos. 7-8, 1999, pp. 404-415.

The text that Fischer presented at the Council meeting in Luxembourg on 8 April 1999 as the consolidated German proposal contained a far-reaching message. It demanded a

“clear-cut and repeated declaration (‘Bekanntnis’) of the EU that the countries of the region have the perspective of membership, even if that looking from today lies in an unspecified future. This is not only in order to ensure equal treatment with the countries of Central and Eastern Europe. The perspective of EU membership is, as developments in the Central and East European countries have demonstrated, a crucial stimulus for transformation.”²²

Criteria or conditions for entering into negotiations on membership were not included. This was very straight-forward and corresponded with the personal convictions of Minister Fischer who obviously wanted to leave some room for debate in this area. However, the following weeks saw a gradual watering down of this language due to severe reservations especially in Paris, the main German ally in European affairs.

The Council meetings on 8 and 26 April 1999 principally welcomed the German initiative without, however, going into the details, due to the much more urgent task of finding a diplomatic solution to the Kosovo crisis. Yet, in early May correspondents had already reported from Brussels that a full perspective of membership was not planned by the European Commission. It would be a long time before the countries of South Eastern Europe were prepared for such a step.²³ During the next Council

22 Ein Stabilitätspakt für Südosteuropa, 9 April 1999, <http://www.auswaertiges-amt.de/6_archiv/inf-kos/hintergr/stabdt.htm>. There seems to be a confusion of terminology in some publications. The Stability Pact initiative has to be separated from the so-called ‘Fischer Plan’ that was first presented on 9/10 April 1999 by the Political Director of the German Foreign Ministry, Wolfgang Ischinger, in Dresden to his counterparts of the G8, and finally became the basis of the G8 consensus that opened the gate for the UN Security Council Resolution on 10 June 1999. The ‘Fischer Plan’ focused solely on a solution for Kosovo in six steps in order to get Russia ‘back into the boat’ and reach a resolution of the UN Security Council. It was not designed for the whole region.

23 Vorbereitung für einen Stabilitätspakt für den Balkan, FAZ, 14 May 1999.

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meeting on 17 May 1999 in Brussels a 'Common Position' by the European Commission was submitted, which was heavily discussed among the Foreign Ministers. Serious disagreements were leaked, reporting French, Spain and Dutch objections against offering countries like Albania and Macedonia a real perspective for accession.²⁴ The version that was finally endorsed stated that

“the EU will draw the region closer to the perspective of full integration of these countries into its structures ... with a perspective of EU membership on the basis of the Amsterdam Treaty once the Copenhagen criteria have been met”.²⁵

This was a clear modification of the Fischer language. For the first time, full integration of all the countries of South Eastern Europe in the European Union was envisaged. However, the perspective of membership was now explicitly linked to the strict Copenhagen criteria of 1993 and the Amsterdam Treaty. There would be no 'fast track' to EU membership or any 'membership light'.²⁶ That was a principal and probably unavoidable decision, reflecting both the realities of South Eastern Europe and the need to treat all candidates equally. Exempting the countries of the Western Balkans from the conditions set for all other candidates of the enlargement process would have raised a storm of protest not only in Warsaw, Prague, and Ljubljana, but also among the population of the Union where an understandable fear of being dragged even more into the Balkan turmoil has emerged over the years.

24 Rußland bleibt kooperativ. EU-Außenminister beraten Konzept für den Balkan, Frankfurter Rundschau, 18 May 1999; Europa will dem Balkan helfen, Die Welt, 25 May 1999; Außenminister billigen Balkan-Pakt, Süddeutsche Zeitung, 18 May 1999.

25 Common Position concerning the launching of the Stability Pact of the EU on South-Eastern Europe, 17 May 1999, <http://www.europa.eu.int/comm/dg1a/see/docs/stability_pact_17_may_99.htm>

26 Conclusions of the meeting, 2177th Council meeting, General Affairs, 8016, (Presse 146). See also Wolf J. Bell: Ziel ist die dauerhafte Stabilisierung, General Anzeiger, 20 May 1999.

At the Petersberg meeting of the EU Political Directors on 27 May, the Stability Pact was finalised. Joschka Fischer now explicitly conceded: There will be “no short cut into the European structures”. However, he added, presumably addressing mainly his critics, “if the very idea of Europe shall unfold its full potential also in South Eastern Europe, the stabilisation process will need to promise a clear-cut EU accession perspective for the countries of former Yugoslavia and Albania, even if the realisation will only be very long-term.” There are, he stressed, “neither political, nor economic, cultural, religious or other reasons why the people in Dubrovnic, Sarajevo and Belgrade should be denied what the people in Dublin, Frankfurt and Warsaw already have, and that is a firm place in Europe.”²⁷

The wording that the EU governments finally agreed to in the Stability Pact on 10 June 1999 was, again, more distanced:

“The EU will draw the region closer to the perspective of full integration of these countries into its structures. In case of countries which have not yet concluded association agreements with the EU, this will be done through a new kind of contractual relationship taking into account the individual situations of each country with the perspective of EU membership, on the basis of the Amsterdam Treaty and once the Copenhagen criteria have been met. We note the European Union’s willingness that, while deciding autonomously, it will consider the achievement of the objectives of the Stability Pact, in particular progress in developing regional co-operation, among the important elements in evaluating the merits of such a perspective.”

It is this final formulation which will be the yardstick for considering EU membership for any of the countries of South Eastern Europe in the coming years. The linkage to progress in regional co-operation that is emphasised throughout the declaration should be noted as should be the announcement of a “new kind of contractual relationship” of the EU with

27 Speech of the German Minister of Defense, Joschka Fischer, on the Petersberg on 27 May 1999, *op. cit.*

the countries of the Western Balkans.²⁸ Whether this formulation of the EU that displays more a hands-off policy than clear determination will suffice to act as the necessary impetus remains to be seen. Having raised high expectations among the peoples of South Eastern Europe, growing disillusionment seems to be inevitable as the years go by and the promise of eventual membership does not materialise.

4.2 The Stabilisation and Association Process -- pure activism or real substance?

On the EU perspective, the Commission and the Council did not display very much creativity. The desire to give forceful signals was mainly confined to the realm of rhetoric. However, the Commission obviously saw some need to go beyond declaratory policy and add more substance to the EU perspective.

In the 'Common Position' that was announced after the Council meeting on 17 May 1999 the Union offered "a new kind of contractual relationship" for the countries of South Eastern Europe.²⁹ Thus, the Commission followed a pattern it had established at two other turning points of recent history in Europe: in 1989/90 it created the 'Europe Agreements' for the democratisation of countries of Central and Eastern Europe; and in 1991 it designed the concept of 'Partnership and Co-operation Agreements' for the countries of the former Soviet Union.³⁰

More precisely, on 26 May 1999 the Commission came up with a proposal for starting the so-called 'Stabilisation and Association Process'.³¹ It

28 Both aspects are discussed in more detail in the next chapters.

29 Common Position concerning the launching of the Stability Pact of the EU on South-Eastern Europe, 17 May 1999, op. cit.

30 An EU expert: "We must think about intermediate steps. It is not comprehensible to offer only the alternative membership or non-membership"; cited in Europa will dem Balkan helfen, Die Welt, 25 May 1999.

31 The Stabilisation and Association Process for countries of South-Eastern Europe. Commission Communication to the Council and European Parliament, COM (99)

was approved by the EU Council meeting in Luxembourg on 21 June 1999. The core of this process is the establishment of the new category of 'Stabilisation and Association Agreements' (SAAs) for the countries of the Western Balkans. It will also include an enhanced political dialogue on a regional level and deepened economic and trade relations, the development and partial re-orientation of financial aid and increased assistance for democratisation, civil society, education and institution-building.

The actual additional value of this new initiative is yet to be seen. There is a lot of room for scepticism. Firstly, this new political instrument was proposed at the Council meeting when the Commission was obviously trying to ward off more ambitious proposals on EU enlargement to South Eastern Europe. Secondly, the new contractual perspective does not affect Bulgaria and Romania, who already signed 'Europe Agreements' years ago and are waiting to be invited to begin accession negotiations. The SAAs primarily serve those countries that have not concluded Cooperation Agreements with the EU up to now -- Croatia, Bosnia and Herzegovina, and even FRY. For Macedonia and Albania the prospect of negotiating an Association Agreement will simply be replaced by the SAA perspective.

Thirdly, the Commission stresses that the Regional Approach of 1996 will remain basically valid. Thus, the conditions for upgrading EU relations with the individual countries of the Western Balkans and extending financial aid will not be tempered. Negotiations on the SAAs will start on the same premises as formulated in the Council Conclusions on conditionality of April 1997:³²

235, 26 May 1999, op. cit.; see also the intervention by Commissioner Van den Broek at the Sarajevo Summit on 30 July 1999 (copy of the author).

32 Council Conclusions on the Application of Conditionality, 29 /30 April 1997, op. cit.

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- Rule of law, democracy, compliance with human/minority rights (including media)
- Free/fair elections, full implementation results
- Absence of discrimination
- Implementation of the first steps of economic reform (privatisation, abolition of price controls)
- Proven readiness to adhere to good neighbourly relations
- Dayton compliance (International Tribunal in The Hague, refugee return, etc.) for Bosnia and Herzegovina, Croatia and FRY.³³

The start of negotiations on the SSAs always requires a prior special report by the Commission, in addition to the regular progress reports on all countries by the Commission. The conditions for concluding negotiations are even more strict:

- Substantial progress in achieving the objectives of the conditions for the opening of negotiations.
- Substantial results in the field of political/economic reforms (stable economic environment, liberalisation of prices, regulatory framework, competitive banking sector, etc.).
- Proven co-operation/good neighbourly relations.

In order to give a signal of determination, the Council invited Macedonia as the first country of South Eastern Europe to begin negotiations on an SAA. In the eyes of the Commission, Macedonia has made the most significant progress in democratisation, economic transformation and good

³³ The new stress on greater regional co-operation might place the hurdle for the applicants even higher. Thus, the Commission indicates that the expanded programme for South Eastern Europe requires “compliance with more demanding conditions”, *ibid.*, chapter 3, p. 1.

neighbourly relations during recent years.³⁴ Albania has been declared to be the next candidate for opening negotiations on an SAA, with Croatia and Bosnia and Herzegovina still far from meeting the conditions in the Commission's eyes.

As long as the actual content of the SAAs is not known, it is too early to judge the real value of the 'Stabilisation and Association process'. Surely, there are those in the European bureaucracies who are not very interested in giving the countries of South Eastern Europe a real chance of accession over time. For them, such an instrument might have just been designed to buy time until the Kosovo crisis is over. For others, this new instrument of EU policy towards South Eastern Europe can be used to draw the region successively closer to membership. In the end, a lot will depend on the political determination and long-term interest of those political leaders who pressed for real substance from the beginning.

4.3 The issue of NATO involvement in the Pact

The German draft Fischer originally presented at the Council meeting in Luxembourg on 8 April 1999 not only contained a far-reaching message on EU enlargement. It also stated:

“Similarly to EU membership the perspective of NATO membership is one of the most significant stimuli for transformation. Therefore, it is of great importance that NATO retains its policy and keeps the door open in the long run for new members.”³⁵

34 See the Commission Report on the feasibility of negotiating a Stabilisation and Association Agreement with the former Yugoslav Republic of Macedonia, Brussels, 16 June 1999, COM (1999) 300. See also Developments in the countries of the Regional Approach since 1996, in particular regarding compliance, since October 1998, with Regional Approach conditionality criteria, added by Country Specific Conclusions, COM (99) 235, 26 May 1999
<http://www.europa.eu.int/comm/dg1a/see/com_99_235/6.htm>

35 Ein Stabilitätspakt für Südosteuropa, 9 April 1999, <http://www.auswaertigesamt.de/6_archiv/inf-kos/hintergr/stabdt.htm>.

This statement went, as was soon evident, far beyond the interests of most international actors involved. The EU saw the Stability Pact as an appropriate tool for strengthening its nascent Common Foreign and Security Policy. NATO itself, having just accepted Poland, Hungary and the Czech Republic as new members in March 1999, was very careful not to make any substantial promise or raise any additional expectations on further enlargement rounds. Instead, in the 'Statement on Kosovo' and in the final Communiqué of the Washington anniversary summit of 24 April 1999 it decided to postpone any decision on further enlargement until at least 2002, just confirming its 'open door' policy and offering a new 'Membership Action Plan' to draw possible candidates closer to NATO.

Thus, the governments of South Eastern Europe which unanimously and actively supported NATO's air campaign in Kosovo were pretty much isolated in their demand to be rewarded for their co-operative behaviour by being named candidates of NATO enlargement as well, causing some disappointment especially on the Macedonian side. In the course of the Kosovo conflict the Alliance, however, spelled out temporary security guarantees in the case of Macedonia and Montenegro.

In the end, NATO was not willing to go as far as the European Union on the enlargement issue. It is far too early to offer the countries of the Western Balkans a perspective of NATO membership. The perspective of EU enlargement was much more explicitly expressed in the final version of the Stability Pact than the NATO perspective. The text only reaffirmed the "right of each and every participating State to be free to choose or change its security arrangements, including treaties of alliance" and the possibility of "integration, on an individual basis, into Euro-Atlantic structures."³⁶

36 Stability Pact for South Eastern Europe, 10 June 1999, chapter 8.

However, NATO -- and here especially the U.S., not being a member of the EU -- has a distinct interest in taking on a substantial role in the Stability Pact. Thus, following a U.S. initiative, NATO announced a new 'South Eastern Europe Initiative' (SEEI) and arranged a '19+ 7' meeting at the Washington summit, signalling its own interest in a sustained dialogue with the region.³⁷ The Alliance not only strongly endorsed the Stability Pact in its summit declarations; it also offered to set up a "consultative forum for security issues", meaning the 19+ 7 formula, with the countries of the region, and it has decided to build on the framework of the Euro-Atlantic Partnership Council and the Partnership for Peace.³⁸ The appeal of this body is that NATO has designed a distinct, tailor-made forum for consultation and co-operation with the countries of South Eastern Europe, going beyond EAPC and PfP³⁹, thus strengthening its voice and gaining stronger leverage in the region.

In future, NATO will have several tools to strengthen security in the region: the 19+ 7 meetings; an Ad Hoc Working Group on Regional Cooperation in South Eastern Europe where topics like crisis management, defence planning and democratic control of armed forces can be raised; PfP activities concentrated on assisting in the transformation of the armed forces; and bi- and multilateral programmes of the NATO countries which can be co-ordinated in the Alliance. These programmes can make a real contribution to the re-structuring of the armed forces and to more regional co-operation in security affairs.

37 Vorbeugung, Krisenmanagement, Kriseneindämmung. Die NATO beschreibt ihre neuen Aufgaben, FAZ, 26 April 1999.

38 The meeting included the Heads of State and Government of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Slovenia, Communiqué of the Washington Summit of 24 April 1999, chapter 19.

39 As Bosnia and Croatia are not part of NATO's PfP programme, the Alliance has, in fact, opened a new channel for consultation with those two countries that might have growth potential in future.

NATO also demanded to play an active role at the 'Regional Table' of the Pact, the main steering body under the Special Coordinator of the EU, and at the third 'Working Table' on security issues. It appeared to be obvious that NATO, being the guarantor and anchor of security and peace in Bosnia as in Kosovo, would be offered a highly visible, political role in this Working Table, especially at the Sub-Table on 'Defence and Security Issues'. However, due to reservations by some EU governments like France and also by Russia⁴⁰, which took part in the final drafting of the Stability Pact, the role of NATO was minimised in a way that does not correspond with its actual significance in the region. The necessity of gaining Russia's consent for diplomatically solving the Kosovo crisis and the French objections against a too-prominent role of NATO in the region became, in the final analysis, more important than the adequate representation of the Alliance in the Stability Pact.⁴¹

However, crucial questions are still open to debate. It remains to be seen whether NATO's South Eastern Europe Initiative will become merely a discussion forum, maybe even only a temporary one (the French position), or whether the Initiative will gain real substance, starting a practical co-operation with the seven countries on a bilateral as well as on a regional level (the U.S. position). And it also remains to be seen whether SEEI will be closely co-ordinated within the Stability Pact or whether the bypassing of NATO will cause the Alliance to pursue its initiative *de facto* separately.

This was the last divisive issue during the inception phase of the Stability Pact. On 10 June 1999 the Pact was endorsed by a Foreign Ministers conference on exactly the same day that UN Security Council Resolution No.

40 Both argue that the 3. Working Table of the Stability Pact on Security Issues should be headed and controlled by the OSCE, and that NATO's SEEI in fact is a duplication of OSCE efforts in arms control and confidence building.

41 Stabilitätspakt für den Balkan verabschiedet, Neue Züricher Zeitung (NZZ), 11 June 1999.

1244 ended the Kosovo conflict. The EU had waited to sign the Pact until the Kosovo conflict was over -- a symbol pointing to a better future. The following months were spent giving the Pact the necessary political blessing and momentum: The G8 approved the Pact on 20 June 1999, the German government proposed Bodo Hombach as EU Special Coordinator on 24 June, and on 30 July the Stability Pact was officially launched at a summit in Sarajevo that was intended to demonstrate the resolve of the international community to make this Pact a lasting success.

5. *The working of the Stability Pact*⁴²

The philosophy and the procedures of the Stability Pact have a historic precedent that Joschka Fischer alluded to several times: the Helsinki Charter of 1975 and the CSCE process, which in the eyes of the German Foreign Service did a lot to alleviate and then also to overcome the division of Europe in 1989.⁴³ In the early 1970s it was conceived that only a concept of long-term co-operation with Central and Eastern Europe on a broad range of topics could bring about the democratic transformation that the Western countries aimed at for the region. This concept of transformation through an open-ended process of increasing co-operation has now been applied to the needs of South Eastern Europe. There is a con-

42 It should be noted that, though Kosovo is part of the region covered by the Stability Pact, both aid programmes are clearly separated. The international community has set up its own structure to facilitate reconstruction according to the specific needs of this province, according to UN Security Council Resolution No. 1244. Thus, there is a UN Coordinator supervising four different branches, all with a distinct lead agency: one for building up a new civil administration in Kosovo (UN), one for refugee return (UNHCR), one for strengthening democracy (OSCE) and one for economic reconstruction (EU). There is, of course, also the international peace force under NATO command (KFOR). And there is a separate donors process that started earlier than the donors process for the Stability Pact.

43 See Speech of Joschka Fischer at the Conference of the Foreign Ministers concerning the Stability Pact for South Eastern Europe, Cologne, 10 June 1999, op. cit., p. 2, and his speech at the Petersberg Conference on 27 May 1999, op. cit., p.1.

siderable openness as to where the Stability Pact will lead. It is designed as a process that will unfold over time.

The mechanisms of the Pact will also correspond to the mechanisms of the Helsinki Charter.⁴⁴ There is a steering body, the 'South Eastern Europe Regional Table', acting as a clearing house for all questions of principle.⁴⁵ As a rule, this forum will meet on the level of Foreign Ministers. Under this Regional Table three 'baskets', here called 'Working Tables', were established, concentrating on a whole range of topics: democratisation and human rights; economic reconstruction, development and co-operation; and security issues. The Regional Table and the Working Tables consist of the participants of the Stability Pact, and might also include participants and observers from the whole region, from other interested neighbouring countries and associated countries of the EU, and from international organisations and institutions. Their objective is to facilitate the resolution of differences in the region by promoting bi- and multilateral agreements, identify cross-border projects that strengthen good neighbourly relations among the countries and inject momentum in areas where further progress is needed. Each Working Table may establish sub-tables and establish its own work plan. They will identify the projects in their realm and decide on the appropriate lead organisations.⁴⁶

The Special Coordinator, the former Head of the German Chancellory under Gerhard Schröder, appointed by the European Union, is the main representative of the Stability Pact in public. He has a multinationally recruited staff of about 20 members in Brussels. The Special Coordinator

44 See the Annex to the Stability Pact of 10 June 1999: Organisation of the South Eastern Europe Regional Table and the Working Tables of the Stability Pact for South Eastern Europe, cit. op. More specified information about the topics of the Working Tables can be gained there.

45 The Regional Table met for the first time on 16 September 1999 in Brussels.

46 Klaus Grewlich, Task Force South Eastern Europe in the German Foreign Ministry, at a co-ordination meeting of the 'Hochschulrektorenkonferenz' in Bonn on 10 September 1999 (personal notes of the author)

chairs the Regional Table, co-ordinates all activities of and among the Working Tables and reports periodically to the OSCE. He will regularly meet with the Chairs of the Working Tables.⁴⁷ In the future, he will have to closely co-ordinate his activities with the European Commission which has accompanied the creation of this new Brussels job with scepticism, restricting its own competence in the region. It will be seen how the Special Coordinator will position himself in the vast Brussels bureaucracy in terms of infrastructure, finances and political standing. This will have a major impact on the project as a whole.

Thus, the Stability Pact might become an organism of great productivity in the coming years. There will be hundreds of meetings of the Regional Table and the Working Tables with their Sub-Tables, added by numerous bi- and multilateral meetings in the spirit of the Stability Pact. There will be meetings on the level of the Heads of State and Government, of the different Ministers, of administration officials, researchers, and specialists on the whole range of issues covered by the Pact. A network of contacts and personal relations will grow among politicians, businessmen, scientists, lawyers, officers etc. from the many countries, international organisations and NGOs involved that will contribute a lot to integrate the region into the mainstream of European politics.

Dialogue and co-operation will lead to more understanding and removal of ignorance and misperception. Thus, the Stability Pact entails a chance for all the countries of the region to make their achievements known and to impress a new image of the Balkans on the international community.

47 The Chairs of the Working Tables are appointed for two years, the Co-Chairs rotate on a six-months basis among the countries of South Eastern Europe.

6. A multitude of hurdles ahead

The Stability Pact is, indeed, ambitious. The overall vision is no less than the prevention of further conflicts in the region and the profound transformation of South Eastern Europe into a region comprised of democratic, peaceful, multiethnic civic societies with free enterprise economies and good-neighbourly relations, settling disputes peacefully according to international standards. The goal is to help the Balkans catch up and close the gap that now separates Western and even Central Europe from many of the countries of Southern Europe, drawing the region into the mainstream of European politics. As Foreign Minister Fischer proclaimed: "We must do for South Eastern Europe today what has been done since 1945 for the West and after 1989 for the East of our continent."⁴⁸

6.1 The magnitude of the socio-economic challenge

However, there is hardly room for optimism, given the painful record of history and the socio-economic challenges that lie ahead. Due mainly to the years of Communist rule, in socio-economic terms the region is lagging behind Western Europe in the magnitude of several decades. All of the countries of the region, except for Slovenia, are still far from fulfilling the Copenhagen economic criteria for entering the European Union. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and FRY have an added gross national product which does not exceed the gross national product of Poland or of Hamburg and Bremen.⁴⁹ The countries lack foreign investment, crucial infrastructure, communications, energy production and transportation. None of the countries has re-gained the gross national product it earned in 1989. In some of the countries the economic transformation has hardly begun.

48 Joschka Fischer at the Petersberg Conference on 27 May 1999, op. cit.

49 See Michael Dauderstädt, op. cit., p. 5.

Yet, it must also be acknowledged that the countries of the region suffered more than all other countries in Europe under the expansionist policy of Milošević and the necessity of the international community to react accordingly. Four wars in eight years have eroded most of the confidence of foreign and domestic investors in the region. The tourist flow to the region, e.g. to the Dalmatine coast of Croatia or to Northern Greece, has almost receded in recent years. The war in Bosnia reduced the economic output of the country down to 10 per cent of pre-war industrial production. The trade embargo against FRY from 1993 to 1996 not only terminated all trade between the country and its neighbours; it also stopped all traffic through this main traditional transit route, dramatically reducing the exports of countries like Macedonia to Western Europe.⁵⁰

The war in Kosovo exacerbated the situation considerably.⁵¹ The destruction of the most important transit routes, especially of the bridges crossing the Danube and the railway network, in effect almost decoupled some of the countries of the region economically from Western Europe. Now the extremely weak infrastructure throughout the region that was for decades almost exclusively oriented towards the COMECON and the Soviet market has been fully revealed. Those countries like Bulgaria which already

50 In 1993, 33.4 per cent of Macedonian exports went into the European Union. After the trade embargo against FRY began in 1993, the trade with Western Europe, but also with countries like Bulgaria, plummeted. Due to the status conflict with Greece almost all trade routes to Western Europe were closed for Macedonia during these years. Today the EU share of Macedonian exports has reached 25 per cent again. The economic loss caused by the trade embargo for Macedonia is supposed to amount to \$ 3,5 billion which amounts to Macedonia's gross national product of 1998; Sabine Riedel, Michael Kalman: *Die Destabilisierung Südosteuropas*, op. cit., p. 299.

51 See IMF and World Bank: *The Economic Consequences of the Kosovo Crisis: A Preliminary Assessment of External Financing Needs and the Role of the Fund and the World Bank in the International Response*, 16 April 1999; IMF: *The Economic Consequences of the Kosovo Crisis: An Updated Assessment*, 25 May 1999; and Vladimir Gligorov and Nelas Sudström: *The Costs of the Kosovo Crisis (The Vienna Institute for International Economic Studies: Current Analyses and Country Profiles, No. 12)*, April 1999.

have a high degree of trade integration with the European Union suffer the most. The costs of alternative routes of transportation are many times higher than the usual costs, causing even more industrial plants in South Eastern Europe to collapse.

6.2 The essential need of full engagement in the Pact

Given this discouraging starting-point for the Stability Pact, the international community is well aware of the fact that progress ultimately depends on the earnest will of the countries of South Eastern Europe to shoulder the primary responsibility for themselves. The Pact is doomed to fail if there is no sincere and lasting determination among the governments of the region themselves to co-operate fully in this project, developing their own initiatives and ideas that lead to concrete agreements. As Bodo Hombach rightly stated on the first day of the Sarajevo Conference when the regional leaders were assembled, there needs to be a “get-up-and-go” spirit in the region itself.⁵² And he added:

“The international community will engage in South Eastern Europe in the same measure as it perceives the unmistakable determination of each individual State of the region to create the pre-conditions for further democratisation, for building up civil societies, establishing favourable conditions for investment and trade, good neighbourly relations and regional co-operation.”⁵³

This new form of ‘linkage’ policy will drive the whole process in the coming years. Thus, the founders of the Pact have repeatedly stressed that the countries of the region are the “owners”⁵⁴ of the stabilisation process.

52 Speech of the Special Coordinator of the Stability Pact, 29 July 1999 (personal copy of the author). EU Commissioner Van den Broek declared in his intervention in Sarajevo on 30 July 1999: “The engagement of the states of the region, their ownership of the process, is the cornerstone without which it is meaningless to talk of the implementation of the Pact” (personal copy of the author). See also Mintchev, *op. cit.*, p. 61.

53 *Ibid.*

54 Sarajevo Summit Declaration, 30 July 1999.

The Pact is supposed to represent a “partnership”, as OSCE Chairman-in-office Knut Vollebaek termed it at the Sarajevo Conference, that crucially depends on the full commitment of both sides to this undertaking.⁵⁵

The call to establish a real partnership, however, not only serves as a serious reminder that aid will only flow to those who earnestly take the initiative themselves. It also stems from the experience of the Balkan conferences of the 19th century where the countries of the region were treated as mere objects of European power politics. Repeating this approach will make the Pact meaningless if not worse. It should be noted that in the first months after the Stability Pact was launched, those negative feelings revived again in the region. It will require a lot of sensitivity and empathy to overcome those emotions which might evoke a fatal ‘wait and see’ policy in the region.

Thus, a lot will depend on whether the promise of real partnership is reflected in the day-to-day affairs of the Pact or whether, in practice, the countries of South Eastern Europe remain *de facto* objects of the process, torn between the multiple international actors with their own agendas and priorities as was so often true in the past. Experience suggests that it will be difficult to overcome a certain paternalistic behaviour on behalf of the international community which could in fact inhibit the unfolding of energies in the region itself.

6.3 Regional co-operation as the key topic of the Pact

However, it remains true that the success of the Stability Pact ultimately depends on the peoples of South Eastern Europe themselves. And the “key topic”⁵⁶ will be the promotion of good-neighbourly relations and regional co-operation. Hombach called upon the leaders of South Eastern

55 Address by the OSCE Chairman in office, Foreign Minister Knut Vollebaek of Norway, on 30 July 1999 in Sarajevo (personal copy of the author).

56 Ibid.

Europe to design projects involving two, three or even more of the countries. And he identified, after a first tour through the region, a “willingness to co-operate regionally not hitherto existing”.

Whether this is too optimistic remains to be seen. To be sure, there are some positive trends that are inspiring -- the expanding regular dialogue of the Defence Ministers of South Eastern Europe, co-ordinating their policies on a wide range of issues; the inauguration of the headquarters of the Multinational Peace Force in South Eastern Europe as a major, widely recognised result of this co-operation⁵⁷; or the signing of the border treaty between Croatia and Bosnia at the Sarajevo summit by Franjo Tudjman and Alija Izetbegovic, a breakthrough in bilateral relations -- this is all good news for the region. The good examples of Bulgaria and Romania, which have re-defined the relations with their neighbours, obviously serves as an incentive for others.

However, all long-term observers of the region know about the poor record of intra-regional co-operation in recent decades. Deep-seated mistrust, nationalist competition and historic bills and myths have hampered co-operation and contact throughout the region. The intra-regional trade is marginal. The interest in strengthening transnational infrastructure is limited. The border crossings are few. Most governments view their neighbours more as competitors and security risks than as partners. All are eager to increase relations with Western Europe and fear that co-operating with the neighbours, especially with the less developed ones, might even minimise their chances to approach the Euro-Atlantic institutions.

To change this century-old pattern of non-co-operation, the countries of the Stability Pact have devised a system of incentives and deterrents that

57 The Peace Force, composed of ground forces from Albania, Bulgaria, Greece, Italy, Macedonia, Romania, and Turkey, was inaugurated at Plovdiv on 11 September 1999. It is the first time that the countries of the region have agreed upon regional co-operation in the field of national security, which has been hitherto guarded as a purely national domain in South Eastern Europe.

needs to be employed systematically, consistently, and equally to have a lasting effect. The main incentives are two-fold: progress on the path of EU accession; and cash flow in the form of grants, investment or trade preferences. The main deterrents are vice-versa: denial of progress on EU rapprochement or even termination/suspension of co-operation; and exemption from the cash flow in the region or even sanctions and embargoes as in the case of Serbia. These instruments are powerful as the regional leaders know that economic reconstruction and progress ultimately depend on co-operation with the European Union in the Stability Pact.

As to the incentive of the eventual integration into the European Union, this depends on consistent language, combining forceful and credible assurances of openness with realistic, manageable steps to draw the countries closer to membership, without evoking unrealistic expectations concerning the time-table. As has been demonstrated, the inception phase of the Pact was not very promising in this respect.

6.4 The financial commitment of the international community

The issue of money is more delicate and still awaits clear commitments. It is the second yardstick for measuring whether the international community is really serious about the Stability Pact and willing to accept its own burdens for the sake of the region. And, to be sure, this also includes the issue of opening the EU market to products from the region, lowering or even removing EU trade barriers that hamper the exports and thus the economic growth of the South European states.⁵⁸

There are, again, some indicators evoking scepticism. It was surely correct to stop the initial allusions to a second 'Marshall Plan', raising expectations that cannot be fulfilled. However, there are some factors that

58 President Clinton set a good example in Sarajevo when he announced to lower trade tariffs on such Balkan exports as shoes; see At Balkan Summit in Sarajevo, Clinton Takes Aim at Milošević, International Herald Tribune, 31 July/1 August 1999.

put in doubt whether the international donors community is really willing to commit the money necessary to motivate a real new beginning in South Eastern Europe.

For one, with the reconstruction of Kosovo, the donors community has just started an enormous aid programme for the same region. All in all, the first donors conference for Kosovo ended with pledges of more than 100 countries and international organisations totalling \$ 2.1 billion.⁵⁹ It is questionable whether almost the same donors at the first donors conference for the Stability Pact, scheduled for October 1999, will again pledge a similar amount of money for the same region.

Secondly, it is striking that the donors conference for the Stability Pact was scheduled after the donors conference for Kosovo. Given the more urgent need of rapid reconstruction in Kosovo, this was understandable. It amply demonstrates where the priorities lie at present. However, this short-term priority should not put into question what is necessary to change the profile of the whole region in the long run.

Thirdly, the 'Balkan fatigue' that has dominated much of the attitude of the Western community towards the region in past decades is already emerging again. The further the war in Kosovo moves away on the horizon, the less the readiness to pledge money will be. The Stability Pact was designed and pushed through before and during the war; it will hardly receive the same attention by political and financial leaders in times of peace, as the memories of war fade and the sense of urgency wanes.

Fourthly, the budget deficits in the main West European capitals will hinder those governments from spending considerable amounts of money on a project of conflict prevention in a far-away region when at the same time its own population has to endure severe cuts in social welfare. The

59 EU and World Bank Pass Kosovo Hat, International Herald Tribune, 30 July 1999.

German government, for example, decided to cut its budget by 7.4 per cent in the year 2000 in order to consolidate the federal budget, which aroused a storm of protest. Under these circumstances it is extremely difficult to grant greater amounts of money for a project that will yield results only in the long run.

And fifthly, the dynamic of the inception phase of the Pact was due not least to the sustained efforts of the German EU Presidency that was eager to start this programme. Other governments appear to give this project less priority during their own EU Presidency.

Thus, there has been a striking silence in all meetings of the Stability Pact on the issue of money during the inception phase. When the topic was raised, the wording was always rather defensive. U.S. President Clinton has already stated clearly that the U.S. would play a “more modest role” in the Pact.⁶⁰ EU Commissioner Van den Broek warned at the Sarajevo Conference: “Those who hope it [the Pact] to act as a conduit for vast new financial flows into the region will be disappointed.”⁶¹ And Bodo Hombach cautioned that the Stability Pact is “no horn of plenty”, endowed with unlimited financial means to solve all the problems of the region.⁶²

This reserve is nurtured by the discouraging experience of reconstruction in Bosnia. During the inception phase of the Pact, as part of the international attention was drawn back to Bosnia, new criticism emerged on the international reconstruction programme for this country. Three years after the programme started, Bosnia is still totally dependent on international aid, the 15,000 employees in Sarajevo being the main source of growth,

60 Cited in Marshall-Plan für den Balkan, Süddeutsche Zeitung, 22 June 1999. See also “This Time, Europe Pays”, The International Herald Tribune, 14 June 1999.

61 Intervention by Commissioner Van den Broek at the Sarajevo Summit, 30 July 1999 (personal copy of the author)

62 “Serbien muss erst seine politischen Probleme lösen”, interview with Bodo Hombach, Der Spiegel, No. 32, 9 August 1999.

with a gross national product still only half of that in 1991, with almost no foreign investment and an unemployment rate of around 40 per cent.⁶³ The international efforts in Bosnia have generated a “rent seeking economy”⁶⁴ without managing to induce initiative on the part of the Bosnians themselves. No-one in the EU capitals wants to repeat this frustrating experience again. And a perpetuation of aid without a time-limit can also not be the guiding principle for the international community -- neither on Bosnia, nor on South Eastern Europe as a whole. As one commentator noted: “Bosnia stands as a model -- of how not to do it.”⁶⁵

In addition, there is a widely held belief in Western capitals that money spent in the Balkans is lost in a bottomless pit. It was a sad coincidence that just at the time when the Stability Pact was inaugurated a 4,000-page report by the anti-fraud unit, set up by the Office of the High Representative for Bosnia, was leaked to the press revealing that as much as one billion dollars has disappeared from public funds or been stolen from international aid projects by fraud in Bosnia, a country which has received \$ 5.1 billion in international aid since 1995.⁶⁶ Such allegations, even if officially denied as over-stated, are a severe blow to the whole project of the Stability Pact. They will render it even more difficult to raise funds for the project, inducing the governments and the public to be extremely critical about spending money on South Eastern Europe. And they will strengthen those in the EU countries demanding strict controls and accountability for every EURO spent.⁶⁷

63 See Sabine Riedl/Michael Kalmann: Die Destabilisierung Südosteuropas durch den Jugoslawienkrieg, Südosteuropa, Vol. 48, Nos. 5-6, 1999, p. 298;

64 Michael Dauderstädt, op. cit., p. 14.

65 Bosnia, a Botched Recovery From War, International Herald Tribune, 29 July 1999.

66 Bosnia Gets Little Relief. U.S. Team Finds Aid Fraud Sapped \$1 Billion, New York Times, 18 August 1999.

67 Some commentators even campaign for not spending any money for the Stability Pact due to corruption and mafia structures; Torsten Krauel: Kein Geldregen für den Balkan, Die Welt, 23 June 1999.

Thus, realism on the part of the Balkan states as to the financial dimension of the aid is appropriate. This is also true for the German enterprises that want to get a bigger piece of the cake than in Bosnia where the German government has paid 28 per cent of the reconstruction up to now but German enterprises have got only 6 per cent of the orders.⁶⁸ Anyway, in the final analysis, private investment will be more important than public investment, and setting the right priorities such as on institution building will be more important than spending a few EURO more or less.

6.5 The disruptive potential of Serbia

The comments on hurdles and obstacles cannot end without a word on the disruptive potential of Serbia for the entire region. As long as President Milošević stays in power, he will be a permanent source of instability in the region, threatening other armed conflicts, keeping away investment and prolonging the image of a region in trouble and turmoil.

The Stability Pact will need a few peaceful and rather stable years in South Eastern Europe to unfold, and it is not clear whether this 'window of opportunity' will be granted to the region. Three spots of imminent crisis could very well disrupt the whole fabric of the Stability Pact: Montenegro, Kosovo and Macedonia. All of them are inextricably linked and have to be seen in concert.

In Montenegro, since his democratic election in December 1997 President Djukanovic has embarked on a determined policy of democratic, market oriented reform, leaning towards and encouraged by the West, threatening to leave the Yugoslav Federation unless the constitutional relations between Serbia and Montenegro are re-defined in principle soon. Since the end of the Kosovo war, this conflict reached another level of escalation, with Podgorica demanding talks on a re-distribution of power in Yugosla-

⁶⁸ Wer die Zeche zahlt, Focus, 28 June 1999.

via, threatening an ultimatum a referendum on independence, and Miloševi declining even to talk about this issue.⁶⁹

In essence, Djukanovic's policy still aims at a maximum of independence in the framework of the Yugoslav federation, allowing him to pursue his Western oriented policy without much interference from Belgrade. This is also what the majority of Montenegrins still aims at, though the number favouring complete independence is seeming to rise. Everyone in Montenegro knows that Miloševi will hardly tolerate a secessionist move which would *de facto* detach another part of FRY from his rule, separate Serbia from the Adriatic Sea and smash the last remnants of the dream of 'greater Serbia'.

Up to now, Djukanovic has pursued a moderate, patient policy of seeking Western and domestic backing, avoiding an open confrontation with Miloševi, however taking all the measures necessary to prepare domestically for independence⁷⁰. He is still willing to give the democratic opposition in Serbia a chance to oust Miloševi which would open new prospects for the democratisation of Serbia and thus also for Montenegro's remaining in FRY.

69 In August 1999, Podgorica tabled concrete proposals on the distribution of powers in FRY, demanding equal representation in all federal bodies (including a new parliament), *de facto* independence in economic affairs, its own Foreign and Defence Ministry, and a right of veto in all other decisions of the federal bodies. The command over the federal armed forces would rotate among the two republics of the new confederation. Djukanovic threatened to hold a referendum on full independence in six weeks if Miloševi would decline; see Montenegro strebt nach Selbständigkeit, NZZ, 6 August 1999; Belgrad ignoriert Montenegros Streben nach mehr Selbständigkeit, FAZ, 7 August 1999.

70 Djukanovic is already preparing for an independent Montenegrin currency, replacing the Yugoslav Dinar. He has employed the well-known Steve Hanke who has successfully installed a Currency Board in Bulgaria 1997 which tied the Bulgarian Lew to the German Mark. Djukanovic seems to favor a similar path for his republic. Thus, Montenegro might follow the model of Slovenia where the introduction of a new currency in 1991 was the first step to independence; see Montenegros Sezessionisten im Aufwind, NZZ, 31 August 1999.

However, time is running out to find a peaceful solution. Impatience has been growing in Podgorica since Montenegro is not willing to be captive any longer to Milošević's disastrous policy.⁷¹ If Djukanovic's strategy of restraint does not materialise, he might very well openly opt for leaving the Yugoslav federation and declaring independence.⁷² This would confront the Western countries with an extremely delicate choice: The international community can and will probably not accept any move of Montenegro towards independence which would open a Pandora's box in terms of re-drawing borders all over the Balkans. This was pointed out several times by the main Western powers. However, the price might be to abandon Djukanovic who is the most prominent and powerful figure of hope for democratic change in FRY and who is striving for the same values the Western community stands for.

The future of Kosovo, the second major risk of the Stability Pact, will set a precedent for the whole region. At present, the international community appears to be determined to stick to what has become the bottom line of its Kosovo policy since the elimination of autonomy in Kosovo in March 1989: the sovereignty and territorial integrity of FRY and, thus, the call for a substantial autonomy for Kosovo *within* FRY. This was once again explicitly stated in UN Security Council Resolution 1244 of 10 June 1999, and it was the *conditio sine qua non* for FRY, Russia and China accepting NATO's peace force in Kosovo.

71 The sense of urgency is increased by the rapidly escalating economic malaise in FRY, following the Kosovo war and the strict sanctions enacted by the international community against the Milošević regime. The sharp increase in inflation and the devaluation of the Dinar, due to Belgrade's policy of printing new money excessively to pay for salaries and pensions, severely hamper the Montenegrin economy, without Podgorica having any political influence on the financial decisions taken in Belgrade.

72 Djukanovic asked about becoming a member in the Council of Europe and in the OSCE; Montenegro möchte in OSZE und Europarat; FAZ, 16 September 1999.

However, as time passes by, the chances of Kosovo remaining in FRY are becoming more and more dim. The first few months in Kosovo the UN civil administration and NATO have, due to substantial pressure by the KLA and a need to avoid an open confrontation with this new force in Kosovo, taken measures which in fact increase the likelihood of Kosovo's becoming independent.

The decision to create a Kosovo Corps, manned by former KLA fighters, in fact allows the KLA to keep a force, albeit mainly unarmed, which is in the eyes of the Albanian Kosovars the nucleus for a future regular army for Kosovo. The outer borders of Kosovo are controlled by NATO, not by Serbian border guards. And NATO will hardly dare to allow Serbian personnel to return to Kosovo for the time being, though UN Security Council Resolution 1244 explicitly permits Serbian personnel to maintain a presence at key border crossings and at Serb patrimonial sites.

Moreover, the Yugoslav Dinar has already been replaced by the German Mark. Taxes are paid to UNMIK in Pristina, not to Belgrade.⁷³ The elections that will take place in the coming years will elevate political leaders to power who unanimously and strongly favour independence. There will be some seats reserved for minorities in parliament and administration; however, either these seats will remain vacant, or they will be more of a front, not able to alter the path of Kosovo anyway.

Thus, Kosovo will gain step by step many of the features of an independent state. This completely corresponds with the wishes of almost all people in Kosovo, since 'ethnic purity' has in fact largely been achieved by the expulsion of Serbs and Roma in the aftermath of the Kosovo war. Serbia has effectively lost control over Kosovo, and it is hard to imagine KFOR leaving the region and Serbian forces re-entering it at any time in the foreseeable future.

73 See the excellent article by Matthias Rüb: Unterschiedliche Vorstellungen über die Zukunft des Kosovo, FAZ, 20 September 1999.

Thus, reality and paper, factual development and official wording are drifting apart, and this gap will continuously deepen. At some point of time, when the Western governments become more and more disgruntled about the prospect of having their armed forces for an indefinite time-span in Kosovo, the international community will face tough choices: either to hand Kosovo back to Serbia, which would probably stimulate another round of war in Kosovo, as the KLA would never accept such a move; or to accept Kosovo's independence, which would imply not only a historic reversal of Western principles on Kosovo policy but also risking a major disruption of relations with Serbia, Russia and China.

For now, the international community can buy time to let reconciliation take hold. However, there is currently no conceivable scenario that might offer a peaceful solution to the Kosovo issue. The only, though vague hope is that a Serbia which has turned democratic would be willing to accept Kosovo's independence in the long run. However, up to now this hope seems to be rather idealistic as today's democratic leaders in Serbia hardly think about Kosovo differently from Miloševi .

There is another aspect of this complex picture, and this brings in the future of Macedonia. Many people in the region fear a re-opening of the 'Albanian question' after just having gained control over the 'Serbian question'. The perception of most actors in the region is that Kosovo will finally gain independence. This is the scenario the neighbouring countries are preparing for. And this is the scenario which is most frightening for Macedonia which has a minority of about 30 per cent Albanians on its territory.⁷⁴

74 This was evident at an international conference in Varna on 'Security and Reconstruction in South Eastern Europe', which the author attended on 24 to 26 September 1999. Emil Mintchev called such a development a "nightmare" for the whole region; presentation at the Center for European Integration Studies in Bonn on 14 September 1999 (personal notes of the author).

An independent Kosovo will immediately put into question the future of the statehood of Albania and Macedonia. Up to now, the KLA and the other political parties in Kosovo have been cautious of talking about the prospect of a 'Greater Albania'. In the coming years, they will primarily focus on re-construction, democratisation and independence. However, in the longer run a merger of an independent Kosovo with Albania and the Northern part of Macedonia has a considerable likelihood. It has already been propagated by important political forces in Albania.⁷⁵ However, it would be a nightmare for the entire region, opening a new vicious circle of nationalist fervour, redrawing of borders and armed conflict.⁷⁶ For the still fragile young country of Macedonia, whose very existence was put into doubt for several years, such a prospect is already raising tensions domestically.

Thus, the prospects of 'Greater Albania' and, indeed, the future of the region as a whole will be very much determined by the future of Kosovo. And the future of Kosovo will be influenced by the future of Serbia. The successful democratisation of Serbia is the key for avoiding another round of conflict on the Balkans.⁷⁷ This transformation of Serbia is no guarantee for lasting peace in South Eastern Europe; yet, it is the only real chance

75 The former Albanian President Berisha, now the main opposition figure in his country, has openly proposed an Albania federation on a party congress, even alluding to the Albanian minorities not only in Macedonia, but also in Montenegro and Greece; Berisha for albanische Föderation, FAZ, 2 October 1999.

76 In a very fundamental speech on American Balkan politics Deputy Secretary of State Strobe Talbott declared, the U.S. would not accept an independent Kosovo; and he proceeded: "Quite to the contrary, we feel that secession would give heart to separatists and irredentists of every stripe elsewhere in the region. Most of all, secession would encourage proponents of Greater Albania – a single state stretching across the Balkan peninsula from Albania proper to northwestern Macedonia, with its own sizeable ethnic Albanian population. Greater Albania would be no less anathema to regional peace and stability than Greater Serbia." Address at the Aspen Institute, Aspen, Colorado, 24 August 1999.

77 Once again Strobe Talbott in his Aspen address: "If the people who live there [in Kosovo] are ever going to settle for some form of self-governing autonomy short of total independence, it will only be if Serbia itself changes profoundly."

to keep Kosovo within FRY and, thus, to prevent the redrawing of borders in the entire region. This is what makes the democratisation of Serbia so pivotal. It is an issue that is, indeed, urgent as the time factor is an important factor in the whole equation.

8. Conclusion and Perspectives

Thus, the Stability Pact is facing serious, perhaps almost insurmountable risks and hurdles. The first few months were very promising. The shock of the Kosovo crisis really seemed to unite all the main international actors. The determination to make the Pact a real success was remarkable.

However, since the end of the German EU Presidency the momentum of the whole process has significantly slowed down. Nine months after the concept of the Stability Pact was first designed in the German Foreign Ministry, people have become more cautious and realistic in words and deeds. Since the glamorous inauguration ceremonies in Cologne and Sarajevo, now it is time to look for the substance of the Pact.

It is obvious and almost inevitable that the European bureaucracy has begun to take hold of the project, and there is a real danger that the Pact will be bogged down in intra- and inter-organisational rivalries and competition. At the same time, a certain 'wait-and-see' attitude in many governments of the region seems to take hold, often neglecting the primary responsibility these countries bear themselves. Impatience and disillusionment in South Eastern Europe is growing rapidly⁷⁸, as people are ea-

78 This was clearly expressed by almost all participants of the above mentioned conference in Varna the author attended in September. It was the first question the author was asked by a Bulgarian radio station during his stay. And it was openly addressed by the officials from the Bulgarian National Assembly, the Foreign and the Defence Ministry and from the think-tanks the author met right after the conference in Sofia.

gerly waiting for concrete signs of commitment by the international community.

However, it is important to keep in mind that the Stability Pact is not intended for months, but for many years to come, maybe for decades. To grasp the magnitude of the challenge ahead, it is wise to bear in mind that the Balkans -- except for Croatia, Slovenia and parts of Romaina -- were separated for many centuries from West European culture and politics. Six hundred years of Osmanic rule left a distinct mark on the mentality and political structures of the region. The countries of South Eastern Europe did not experience what had a deep and lasting impact on the mental and political development of Western and Central Europe: especially the centuries of renaissance, humanism and enlightenment, which promoted the ideas of individualism, rationality, human rights, and Western constitutional thinking.

Thus, the Pact surely is no *deus ex machina*, instantly solving all the problems that have plagued the region for centuries. Its design is long-term, and to have an effect all participants will need patience, resolve and persistence. Setbacks will surely come -- in the form of political turmoil, economic recession, social unrest or even military conflict.

At this point of time it is paramount to get the Pact really going. What is now needed is an indication of continuing resolve, consisting of three elements: Firstly, a clear signal by the countries of the region themselves to go ahead, take the chance and act in a new spirit of co-operation and reconciliation. Secondly, an equally clear financial signal of commitment by the donors conference, clarifying that the international community has really grasped the magnitude of the challenge ahead. And thirdly, a signal of determination by the European Union that the countries of South Eastern Europe have, indeed, a credible perspective for membership.

The invitation the EU Commission recommended to begin accession negotiations with Bulgaria and Romania at the Helsinki summit of the Euro-

pean Union in December 1999 will be such a signal. It demonstrates that not only the countries of Central Europe but also the countries of South Eastern Europe that make unmistakable progress in terms of democratisation, good neighbourly relations and multi-ethnic tolerance have a real chance to escape the claws of history. The emerging European peace order will only be a lasting and stable one if all the peoples of Europe can eventually be drawn into the mainstream of European politics.

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