

Stability Pact and its Role in the Development of Regional Cooperation in South East Europe

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Following the developments of 1991-1999 in South East Europe (SEE), the European international organisations have undergone great structural transformation. New structures have been created, many existing structures have been transformed and many others have been demolished in order to respond effectively to the changes in the SEE. The NATO has decided to launch a South East European Initiative in its Washington Summit in 1999 for better cooperation with the countries of SEE. EU, in 1995 established Royaumont Process for strengthening the civil society in the region and in 1999, launched the Stabilisation and Association Process. The Council of Europe has been engaged in supporting the countries of the region in better integration to the human rights and democracy instruments of the Council of Europe. In this context, it is worth to note the Council of Europe's Stability Programme for South East Europe to be implemented, together and in close coordination with the countries concerned and other international and regional organisations active in the region. The OSCE have increased its presence in the region through its monitoring missions.

Various other regional initiatives have been launched in 1990's as a means for solving the regional problems of SEE. The initiatives include, South East Europe Cooperation Initiative; the South Eastern Europe Cooperation Process; Central European Initiative; Organisation of Black Sea Cooperation; South Eastern European Defence Ministers group; Multinational Peace-Keeping Force for South East Europe; the Adriatic and Ionian Sea Council; Regional Summit of Foreign Ministers of South Eastern Europe, etc.

Despite these developments and changes, the regional cooperation continued to face obstacles that were hindering its further development. The obstacles include, weak state institutions; less institutionalised structure of the regional cooperation in SEE; initiatives of the international community that have been contradictory to each other and duplication of what have been done previously.

These were problems that led to the adoption of the Stability Pact for South Eastern Europe on 10 June 1999 at EU Ministerial Summit held in Cologne, later officialised with first summit of the Pact, held in Sarajevo in July 2001. With the Stability Pact, the countries of the region undertook to work together in promoting regional security and overcoming common obstacles to European integration. However, aforementioned problems are still alive in the region and they further hinder the development of the regional cooperation in SEE.

The Concept of Regional Cooperation

In the Stability Pact charter, the countries of the region pledged to work together on 'bilateral and regional co-operation amongst themselves to advance their integration, on an individual basis, into Euro-Atlantic structures.' This mission rose from the belief that the problems of SEE cannot be solved merely with the national initiatives. Many of the national problems stretch to other parts of the region. Cooperation among the countries of the region will help the efforts of individual states to face the regional problems. However, the form of regional integration or co-operation called for by the Stability Pact has never been defined.

The level of regional integration is very minimal and it includes integration that has been achieved through the EU's processes. There is no integration made through the countries of the region themselves. Existing intra-regional trade is minimal. For all countries of the region, trade with the European Union is far more significant. Using aggregate figures, South East European countries trade nearly five times more with the EU than with each other.

In terms of the regional cooperation, one distinction is very important: issues which are common to some or all of the states of the region, but are essentially national in nature, and those which are genuinely regional. For regional co-operation to be meaningful, it must be based on genuine incentives, arising from the security and material interests of the countries of the region.

Conditionality is significant in achieving the regional cooperation. One of the conditions for opening negotiations on a Stabilisation and Association Agreement is that the state must enhance co-operation with other South Eastern European countries and conclude free-trade agreements with its neighbours. However, this has also not been enough.

By having regional cooperation at functional level, simultaneously there should be also in focus the control mechanisms of the achieved functional cooperation or integration. Functional integration (e.g. economic forces and material incentives) can be used to overcome political divisions. It is to use functional integration in highly strategic industries to make further conflict between the countries of the region impossible. Following the tactic of Jean Monnet to 'concentrate all available power at a specific point in a narrow sector, then break through and spread out behind the lines', *energy sector* can be a useful tool for promoting regional security in SEE.

Achievements

The newly launched initiatives have made more visible the need for realisation of the concepts, such as the concept of 'interlocking-institutions' or 'complementarity' that will make the actions of international structures in the region *not contradictory but complementary* to each other. The complementarity concept is very important for SEE as almost each organisation (and the member countries of the relevant international organisations) adopted different regional programs and initiatives, which were in essence duplication. Arising from this need, the Stability Pact was adopted under a comprehensive approach, that would involve almost all major international organisations and bilateral donors to foster the development of democratic processes, strengthen political and economic cooperation in the region, protect and promote human rights and lay the groundwork for a sound market economy.

The structure of the Stability Pact and its procedures are reminiscent of that of the Contact Group,¹ although the Pact is more structured than the contact group. It is in favour of the regional cooperation to keep the informal character of the Pact and avoid further institutionalisation of the Pact as it can loose the focus of strengthening the institutionalisation of the regional cooperation among the countries of the region.

The Stability Pact has achieved great results in terms of the complementarity. The appointment of the Special Coordinator of the Stability Pact is made by the European Union, after consultation with the OSCE Chairman in Office and other participants, and endorsed by the OSCE Chairman in Office. Also, the obligation of the World Bank and the EU Commission to coordinate economic assistance to the region is another tool of the complementarity in the Pact. Towards this end, they launched a High-Level Steering Group (HLSG), participated by the Finance Ministers of Canada, the country holding the presidency of the EU, Germany, France, Italy, Japan, Russia, the Netherlands, the UK and the US, and representatives from the EBRD, the EIB, IMF, SP, UN, EU Commission and WB. The work of the HLSG is supported by a Working-Level Steering Group and by a joint WB-EU Commission office, the Office for South East Europe, established in Brussels to facilitate this coordination effort.²

¹ For more information on Contact group and G7/G8 and their effects on European institutions, see Christoph Schwegmann, 'The Contact Group and its impact on the European institutional structure', *ISS Occasional Paper*, No. 16, June 2000.

² World Bank, *The Road to Stability and Prosperity in South East Europe: A Regional Strategy Paper*, March 2000, p. 3.

Complementarity goes hand in hand with the regional cooperation. Cooperation and coordination at the donor level, has influenced the patterns of cooperation and coordination among the participating countries of the Stability Pact. One of stated aims of the Pact is to bolster the cooperation between international institutions and bilateral donors that are involved in the development of the countries in the region.³

The Stability Pact has also launched a series of regional initiatives. They include initiatives aimed to promote common action in a variety of fields: the Stability Pact Investment Compact, Anti-Corruption Initiative (SPAI), Anti-Organised Crime Initiative (SPOC), Media Charter, NGO Charter and e-Balkans initiative.

Obstacles

There are various obstacles that hinder further development of the regional cooperation through the Stability Pact. They include:

Weak State Institutions: A consensus is emerging that the greatest obstacle to stability and prosperity in SEE today is the lack of regional cooperation, the lack of which is the result of the weak state institutions. Weak institutions prevents furthers integration of the region with Europe and further integration within the region itself. As the results of the World Bank's study on the region rightly puts it: 'Much of economic development, social inclusion and regional stability in South Eastern Europe will depend on strengthening of institutions, governance and a lowering of the level of corruption. Gradual integration with European and global structures will also require significantly more mature institutional structures... Cross-country evidence shows that South Eastern Europe has very weak institutions and governance.'

Weak state is unable to implement the decisions and policies agreed in the framework of the Stability Pact for strengthening of the regional cooperation. International donors should give more support to the strengthening of the state institutions. International donors prefer to support reconstruction or humanitarian aid projects, which are easily identified, rather than support to the strengthening of the state institutions, that are difficult to identify. Unless there is support to the improvements in the effectiveness of state structures, there will not be great marks in promoting regional co-operation. Regional co-operation will only lead to meaningful results if it is fully supported by regional governments, which means it must help them deliver concrete benefits to their citizens.

Donor Conferences: Although in essence there is a cooperation and coordination between the participating and facilitating States, international and regional organisations and institutions, which have unique knowledge and expertise to contribute to the common endeavour, donor countries prefer to emphasise their own support to the certain projects.

The funding of the individual projects within the framework of the Pact is provided through donor conferences, which are convened either separately for each aid receiving country or its part. Donor support should give wider support to the inter-state projects, such as on the issues of transport, border crossings, corridors of railway and highway.

National Coordinators: National coordinators, who coordinate the process and attend to the strategy implementation on behalf of their countries, have been significant tool in the development of the regional cooperation. However, their lack of power in influencing the decision-making structure in their own countries brings into question their successes.

³ Royal Norwegian Ministry of Foreign Affairs, *Main Features of Future Norwegian Assistance to Countries in South eastern Europe*, Oslo, November 1999, p. 5.

Private Sector: In the structure of the Pact, the participants from the business world should also play a major role, particularly those who do cross border trade.

Exclusiveness v Inclusiveness: The Stability Pact should avoid the policies of the exclusiveness as they damage the regional cooperation. We still cannot move away from the baggage that has been left from the Pact's exclusiveness policy towards Federal Republic of Yugoslavia (FRY). From the date of establishment of the Pact in July 1999, until October 2000, the date when FRY de facto joined the Pact, the relations between the Pact and FRY has passed through three phases: exclusiveness, rapprochement and inclusiveness. Initially, the EU, as leading organisation at the SP, pursued the policy, which was based on exclusion of FRY from the existing SP projects. Although FRY de jure was a participant to the SP, until October 2000 de facto it was out of the Pact. All the projects aimed in the framework of the Pact, started to be implemented in other member countries of the Pact. FRY, once being the core of the roads from Greece and other southeast European countries to Western Europe, with the projects, such as that of Corridor IV, agreed on 27 March 2000, aiming at creating rail and road link between Greece with the core EU through Bulgaria and Romania, was gradually becoming excluded from Europe altogether, while becoming a black hole in the centre.⁴ In June 2000, both EU and US, signalled shift in their strategies towards FRY, using carrot instead of the stick.⁵ Washington suggested that rifts could be mended if Milosevic departs and Brussels said that trade might resume as long as the Belgrade government doesn't get the revenues. The third phase, that of inclusiveness, was signalled before the Presidential elections in FRY held on 24 September 2000 and following the victory of the opposition parties, EU on 9 October 2000 decided to lift the sanctions against FRY. Following this decision, the FRY in October 2000 officially joined the SP, becoming active member in redrawing the Balkan economic, political and cultural maps.

Instability: The region has been an exporter of instability, refugees and, increasingly, crime - problems that the international community is unable to ignore. Even though the region has started to reintegrate into the international community, the threat to South East Europe's stability is still very much alive with the ongoing ethnic conflicts in the region. The international community has a clear stake in achieving peace, stability and prosperity in SEE. Not only will continued instabilities adversely affect the stability of SEE, continued instabilities also affect western European countries as well as other countries in the pact.

Evaluation and Conclusion

The preceding study shows that the regional cooperation with the Stability Pact has made great leap forward for strengthening the regional cooperation in South East Europe. The Pact has already started to create convergent pressures across national boundaries and divides in SEE, a region less *institutionalised* in comparison with the western and northern part of Europe. In a way, the Pact has been source for 'push' and 'pull' effects in the SEE.

However, there is still way to go. Small countries do not have sufficient resources to sustain the reform. The strategy proposed in this study, therefore, argues that an approach focused on country-by-country reform and intraregional integration is necessary, but not sufficient, to achieve sound regional cooperation in SEE.

The future of the Stability Pact in its current format will depend on developments in Balkans. So far, the Pact has proved to be a useful tool to coordinate and lead the common efforts of the international community. Whether the Pact will have successor in other parts of the world will depend on its success in SEE. However, based on the work done so far, it is likely that at least European organisations and countries will consider the Pact frame as an option more often in the future.

⁴ 'Europe's Goal: the Balkans without Serbia', *Stratfor.com*, 30 March 2000.

⁵ 'Toppling Milosevic: The Carrot Instead of the Stick', *Stratfor.com*, 26 June 2000.

Caucasus is a region that is likely to be considered for any future comprehensive program of European organisations.

Further References

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