



Balkans: Stability pact goes into history

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After 8 years of operation, the Stability Pact—often referred to as the Marshall Plan for the Balkans — is phasing out.

With the final preparations for the setup of the Regional Cooperation Council, a new body of regional cooperation, due to come to life beginning of 2008, the Stability Pact for southeastern Europe is getting ready to go into history. It was created as a „comprehensive conflict prevention initiative” that aimed to put an end to the largely reactive and piecemeal measures of the international community to the trouble in former Yugoslavia. It built on the premise that the region shares a set of common problems and that country-by-country intervention was not good enough. The issues could only be effectively addressed through a regional approach.

The Stability Pact was not the first endeavor of this kind. The S.E.E.C.P. (South East Europe Cooperation Process), the United States-promoted S.E.C.I. (Southeast Europe Cooperative Initiative), the Royamont process launched by the European Union, which was later transformed into the regional approach for the Balkans, had all preceded it. But the Stability Pact was an attempt to bring this to a higher level. It was called by some „the most complex political venture of the 20th century.” Over 40 countries and international organizations signed the founding document. The Stability Pact’s beneficiaries comprised the wider Balkans: former Yugoslavia (minus Slovenia, plus Albania), Romania, Bulgaria, and Moldova (joined later). Serbia entered only after the fall of Slobodan Milosevic. Inaugurated only days after the end of the war in Kosovo, it received an unprecedented response in terms of the number of actors that supported it. All the Balkan neighbors, as well as the European Union countries; the non-European Union Group of 8 countries, the United States, Russia, Canada, and Japan; all the major international organizations.

With so many actors, delicate balances need to be struck. NATO wanted and was expected to get an important role in the area of security (Working Table 3 of the Stability Pact) but, according to analysts, because of „the reservation of some EU governments and Russia, which took part in the final drafting of the Stability Pact, the role of NATO was minimized in a way that does not correspond with its actual significance in the region.” It was originally a German project and a lot of the credit went to Joschka Fischer. According to some analysts it came in handy to offset the criticism of his support to the NATO bombing campaign. In reality, Germany was pushing for the project even before the NATO intervention was decided. The legacy of the Stability Pact tends to be seen favorably today. But this was not the case several years ago.

Everybody agrees that the Stability Pact didn’t manage to achieve some of the early expectations, such as living up

to the myth of the Marshall Plan. „There was great hope that the international community would be able to generate immediate and massive transfers of assistance that would transform the region overnight. However, when the bulldozers and other heavy construction equipment did not appear, there was a significant letdown and a broad sentiment emerged in the region that the Stability Pact had failed to deliver on its promises,” reads a review of the pact from that period, done by Stewart Henderson, a NATO diplomat. Nevertheless, quite a consensus emerged that the Stability Pact was felt as a failure in the early years after its creation precisely because the initial expectations were too high.

A report of the British House of Lords from that period, assessing aid to the Balkans, concludes that the „Stability Pact was launched in a manner which raised exaggerated expectations of what it might achieve.” In the words of Claire Short, former British Secretary of International Development, the „grandiose promises made at its inception were a cause for concern because they were seen by many as too ambitious.” Along the same line goes Chris Patten’s testimony for the same report that „it is unfair to blame those who run the pact for the gap between the initial rhetoric and what the pact has usefully been able to do.”

The same assessment still holds today.

„When it was launched in 1999,” says Erhard Busek, the Stability Pact’s special coordinator, „some did think it would be a Marshall Plan. It became obvious very soon that neither the international community had the billions to inject in the Balkans, nor did the region have the capacity to effectively absorb such amounts. The line-up of world leaders and rhetoric at the 1999 Sarajevo conference that launched the pact had raised expectations that the Pact was never able to meet. The result was almost immediate disappointment in the region,” says Gerald Knaus, director of the influential European Stability Initiative. „The Stability Pact did not distribute money but was able to convince the actors in the region that what matters is the political will to reform and to engage in regional cooperation. When there is such a will, the investments arrive. This is precisely what is happening now,” said Busek. „We made a thorough evaluation of the Pact in 2001 and our recommendation was that it refocuses on specific issues, including in particular energy cooperation. Some people running the pact at the time were not happy about our criticism. However, focusing on concrete projects turned out to be a better strategy than promising the moon,” said Knaus. According to him, this shift has turned the pact into a success story. „It has produced tangible benefits and deepened regional coop-

eration, something very visible when one compares the Balkans with other post-conflict regions, from the Southern Caucasus to the Middle East," adds Knaus.

A couple of years after the pact's formation, when it was very clear that it would not do for the Balkans what the Marshall Plan did for Europe, many no longer saw the reason for its further existence. It nevertheless endured. The role of a foreign aid supreme failed. However, the pact reinvented itself, in the words of its coordinator, as an „honest broker." After eight years of streamlining regional cooperation, the Stability Pact goes into history. The new secretary general of the Regional Cooperation Council was appointed, Hido Biscevic, state secretary at the Croatian Foreign Ministry. An S.E.E.C.P. summit earlier this year in Zagreb approved the appointment. The head office of the Regional Cooperation Council will be in Sarajevo (which was already called „small Brussels" for the occasion), and the financial contributions of the beneficiary countries to the council's budget were set. They are fairly modest and make up to €1 million total per year. The West is expected to top that. „The bonds of regional cooperation are tightened and the process of integration into Euro-Atlantic structures has advanced considerably. Now it is important to ensure that these achievements are firmly rooted in the region. With the transformation of the Stability Pact into regional ownership this is now taking place," German Chancellor Angela Merkel told the Zagreb summit in May. The succession of the pact into the Regional Cooperation Council is widely seen as happening because the region is finally ready to take things into its own hands.

According to European Union Enlargement Commissioner Olli Rehn, who also attended the summit, it is a sign of maturity that „a region that is moving away from the tragedies of the 90's increasingly pursues cooperation among its countries and follows a European course." Busek told the summit, „Now the reins of regional cooperation are firmly in your hands." The most often pointed out successes of the Stability Pact are the signing of the C.E.F.T.A. (Central European Free Trade Agreement) by the southeastern Europe countries in December 2006, and the creation of a regional energy market, with the signing of the Energy Community Treaty in October 2005, with strong support by the European Union. The list of achievements, however, is much longer according to pact officials. It includes a common approach in fighting organized crime and corruption, exchange of good practices in the area of migration, the forming of the Sava River Commission to manage the economic and environmental issues among four countries of the region, improved cross-border cooperation, and so forth. Achievement in and of itself is the fact of—cooperation, say officials from the pact. „Such a high degree of cooperation between the countries of the region was not even thinkable only a few years ago," Busek told the May summit in Zagreb.

It is always tempting when doing evaluations, to be able to quantify. However, likely the Stability Pact's greatest achievement should be defined not in terms of outputs but of process. In the words of one of its officials, „If you look at [the list of achievements], you may not be able to see finished road projects of a grand scale, but you will certainly see cooperation and coordination of a large

number of states." It is difficult to say how much in funding the pact actually disbursed over the years. Different estimates range anywhere between €6 and €20 billion. However, the pact never had big budgets to give away; it only had „some" possibility of coordinating and prioritizing goals. So whatever financial amount mentioned, it was essentially „channeled" through the pact. But as much as it was a challenge, the pact's specific institutional character, in the sense that it was „a pact," a network, worked also to its advantage. It allowed it to find its way through some of the Balkan entanglements. For example, it managed to involve Kosovo, with its unresolved status. But it also managed to mediate between entities that do not have much contact with one another, such as the World Bank and NATO.

As of the present, the Stability Pact's greatest achievements remain the C.E.F.T.A. and the Energy Community Treaty. The first one links the Balkans to a huge market of 80 million people; the second, strongly supported by the European Union, strives to create a common, liberalized energy market. The C.E.F.T.A. was signed in April 2006 in Bucharest by the prime ministers of the Balkan countries. It is to replace the numerous bilateral free trade agreements between the countries of the region, which analysts say, have not been implemented too well, and will boost intra-regional trade as well trade with the European Union. The Energy Community Treaty was signed in October 2005 in Athens. It is a big step toward creating a common energy market. The energy markets (gas and electricity) should be liberalized for the big consumers starting next year, and for individual consumers in 2015. Addressing the signing ceremony in Athens, Busek said, „Implementation of the treaty will have far-reaching political, economic, and social consequences, among them the development of a stable and efficient energy supply in southeastern Europe, the introduction of market-based regulatory systems, and the geopolitical importance of securing different supply routes for energy in Europe."

Nevertheless, both treaties are in their infancy; they are yet to be fully ratified and implemented. Some countries did have objections to the C.E.F.T.A., and there are some concerns that liberalized energy markets can have serious consequences on the poor countries' economies. Some big energy consumers already said they would be forced to shut down if forced to buy electric power on the market. Even though not universally accepted, the C.E.F.T.A. and the regional energy market remain amongst the Stability Pact's most visible legacies. Finally, there are also those who fear that the phase out of the pact means withdrawal of the international community. This is not so, say Western officials. The Regional Cooperation Council steps in, they say, because the region is more ready to take a hold of the wheel. In the words of Busek from an older speech, „Regional ownership is a nice phrase, but for the last 200 years it didn't exist [in the Balkans]. Every decision made [concerning the region] ever since the 20's of the 19th century was done from outside."

The Regional Cooperation Council is a big step in changing that, pact people say. The new phase in regional cooperation opens in February. As the Stability Pact closes, those commemorative stamps issued on the occasion of its launch, might end up being worthwhile.