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**ON THE FORMING AND REFORMING
OF STABILITY PACTS:
FROM THE BALKANS TO THE CAUCASUS**

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The term Stability Pact has entered into the lexicon of European international relations over the last decade. It seems to mean an initiative with the following characteristics:

- it covers a region of the EU's borderlands, which call for conflict prevention or resolution;
- a region fragmented into nationalities and ethnic groupings which overlap state borders;
- the technique is comprehensive, being both multi-sectoral (economic, human, political, security dimensions) and multilateral (all major international actors and institutions);
- the objective is stabilisation, either as a preliminary to EU membership or as an extension of the European zone of stability;
- the initiative might come from either the external powers or the region itself or from both together.

The Stability Pact approach overlaps with other forms of regional organisation and cooperation in the EU's borderlands. In fact the whole of the EU's periphery is now covered by regional initiatives which see the overlapping of EU member states, candidates and non-candidates (for the Barents and Baltic Seas, Arctic, Northern Dimension, Mediterranean, Central European Initiative, etc.). Stability Pacts are a sub-set of these regional actions, which critically involve conflict resolution or prevention.

The focus here is on the Balkans and Caucasus as two target regions with much in common, except they are in different 'near abroads' geo-politically.

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The Balkan Stability Pact has at best been a temporary expedient, awaiting the maturing of events, in particular the passing of the Tudjman and Milosevic regimes, and thence the confirmation of EU integration perspectives for the whole of the region. It was ambiguously conceived from the beginning, however, as to what its real role might be, and has had insufficient substance in practice to become credible. It is now due for reform, or at least down-sizing. Some observers even suggest that the real pact was between the competing international actors and agencies, a concordat for them all to be involved.

For the Caucasus a real Stability Pact is needed, and there could soon be an opportunity to implement a strategic set of actions in the region. Whatever now does happen in the Caucasus, it will not be called a Stability Pact, for the EU and the West would not want to hint at money on the scale of what the Balkans have received. Nevertheless, the Caucasus invites an initiative which could deserve such a name. An official proposal is, to follow Shevardnadze, a 'Peaceful Caucasus Process'. But here I stick to a Caucasus Stability Pact in the sense already defined.

Restructuring the Stability Pact for South East Europe

The Stability Pact for South East Europe is almost two years old, having been initiated at the Sarajevo Summit of July 1999 after the end of the Kosovo war. There is widespread agreement, at least unofficially, that the Stability Pact is not working well. This is heard in the region, in the EU and among other international actors.

The poor performance of the Stability Pact is not surprising, given its ambiguity as a political and bureaucratic mechanism. Who owns the Stability Pact? Everybody and yet finally nobody. That is one way of explaining the problem. More precisely the problems are two-fold:

- a) the states of the region do not want a serious regional political structure (neither a neo-Yugoslavia, nor a distraction from the priority task of joining Europe); and
- b) the major financiers and international powers do not want some other body to coordinate their aid or strategies for them.

There is a role for an international forum for all interested parties, but that does not have to mean a huge number of unproductive committee meetings of 200 or so officials on almost every subject conceivable. A public debate on the future of the Stability Pact has recently

been initiated in a report by the EastWest Institute (EWI) and partners² (Financial Times, 6 April). This report recommends discontinuing much of the bureaucracy of committees and task forces. A single forum for high-level officials might be retained (the 'Regional Table'), but the three sectoral Working Tables would be discontinued. The numerous specialised task forces and expert groups would be left to decide themselves whether to continue a more decentralised and autonomous existence. Some of the most useful groups existed before the Stability Pact adopted them, and will no doubt continue without it. Their value is not to be underestimated. It is desirable for any well identified region to develop a profusion of official, private sector and civil society networks. But they do not all need central coordination.

It is also argued in the EWI report that the Stability Pact should retain strategic ambitions in a limited number of domains, such as energy markets and the movement of persons, referring to the Monnet method of the European Coal and Steel Community. However the extension of this model to South East Europe looks problematic, since the big guns (EU, World Bank, etc.) will not hand over their powers and resources or merge them with the Stability Pact even for a few key policy sectors. Yet without real powers and resources there can be little expectation of strategic action. Pragmatic regional cooperation is of course desirable in many domains, even in the absence of heavy political structures. But here the leadership should pass to the region itself.

Alternative options should therefore be considered to restructure the Stability Pact. A proposal might be as follows.

The successor to the present Special Coordinator of the Stability Pact, Mr Bodo Hombach, would be unambiguously the EU's Special Representative and Ambassador-at-large in the region. Mr Hombach is the EU's nominee, but he is answerable to everybody. He cannot really represent the EU, yet the EU needs a Special Representative for the region. This post, once internalised into the EU, would help both Chris Patten and Javier Solana deploy all the EU's powers and resources in the region, rather than threaten to take these powers away from them. The EU Special Representative would have the important task of ensuring the coherence of EU policies vis-à-vis the accession candidates and other states of the region. This involves key issues, such as trade and monetary (euro-isation) policies, infrastructures

² EastWest Institute and European Stability Initiative, *Democracy, Security and the Future of the Stability Pact for South Eastern Europe*, 4 April 2001.

and visas and policing for the movement of persons, for which the region is a natural whole. At present EU policies for accession candidates and other countries are treated as being in different boxes. An early view of how EU policies should be attempting to integrate the whole of South East Europe as full or virtual member states was set out in the *CEPS Plan for the Balkans*, [Emerson, Gros and Whyte, 1999].

The EU's future Special Representative would also have the task of thinking through how the whole of the region should best integrate into Europe in the medium to long term, which is the only strategic option really available. This task will include some fundamental issues which are not yet being sufficiently addressed. One is how the international protectorate regimes of Bosnia and Kosovo should migrate in due course more fully into the EU's domain, which would need a huge strengthening of the EU's capacities for external action. A related question is how the EU's emerging security (military and civilian) capabilities can best be used in the region.

The EU's staffing in the region needs serious reinforcement. One just has to observe the powerful US embassies in the region alongside the tiny EU delegations and the crowd of EU bilateral embassies, all busy duplicating each others' political reporting. Strengthened EU delegations should be at the service of all the EU institutions, Commission and Council, which would be easier to coordinate with the Special Representative to oversee them. Chris Patten is already decentralising much of the administration of EU aid to these delegations in the field. This is excellent. But the EU will next have to work out how to organise its diplomatic presence in the increasingly operational sectors of security policies.

A major rationale of the present Stability Pact has been, with good reason, to retain the continuing and substantial engagement in the region of the other G8 powers – Canada, Japan, Russia, and the US. This might be done better with a lighter Stability Pact structure. The Special Representatives of these non-EU powers could deal directly with a full-time and fully legitimised EU counterpart. The present secretariat of the Stability Pact would be disbanded, giving way to arrangements in Brussels whereby the several Special Representatives (or their staff) would work together. The ministries of finance of G8 already have their High Level Steering Group for the region, co-chaired by the Commission and the World Bank. This also meets at senior official level, and is supported by technical work of a joint Commission-World Bank unit in Brussels. This part of the system functions satisfactorily. Foreign ministers might perhaps structure their work in a more consistent and transparent way,

building on the informally called Quint group (a G5, with the big 4 EU and US) and Contact Group for the former Yugoslavia (a G6, the 5 plus Russia). The Stability Pact at present cannot orchestrate these coordination activities on the Western side, and proposals to reform it in this direction are bound to fail.

In the region itself there is already the South East European Cooperative Process (SEECP), which meets regularly at summit and foreign minister level. This includes all those states willing to try to work together (Albania, Bosnia, Bulgaria, Macedonia, Romania, Serbia/FRY and Turkey together with Greece; Croatia also participates as an observer). This group has a rotating presidency, which can concert with the EU and other Special Representatives. Javier Solana, Chris Patten and Bodo Hombach already attend some of their meetings. Under an innovation crafted at the Zagreb summit of November 2000, a meeting of all the leaders of the EU and Stability Pact states, a form of meeting can be convened, which may be usefully if sparingly repeated when political circumstances demand it. SEECP states could also designate their own Special Representative, if they so wished, to support the role of their rotating presidency. But that might be going too far for the states of the region, and should not be a pre-condition for restructuring the Stability Pact. SEECP should receive every encouragement to take the lead politically to develop cooperative initiatives, wholly owned or initiated in the region.

This restructuring of the Stability Pact would thus have the following key points:

- the EU's leading role would be more clearly and legitimately organised;
- the continued engagement of other international actors would be encouraged;
- regional leadership for inherently regional business would be enhanced; and
- present excesses of bureaucratic committee meetings would be cut out.

Shaping a Caucasus Stability Pact

The South Caucasus is a land of frozen conflicts – of Nagorno Karabakh, Abkhazia and South Ossetia – which have resulted in the proliferation of blockaded frontiers almost everywhere. The frozen conflicts have left huge numbers of refugees or displaced persons stranded, or held political hostages in camps. Voluntary emigration has also been on a huge scale. Overall the region is in a desperately impoverished and demoralised condition. Of

course this is not Chechnya in the North Caucasus, where an entire province is being physically destroyed. We concentrate here on the South Caucasus.

At the end of 1999, at an OSCE summit in Istanbul, the leaders of the region began to call for some kind of Stability or Security Pact for the Caucasus. This included all three South Caucasus leaders – Aliev, Kocharian, Shevardnadze – as well as Demirel of Turkey. None of them spelt out what this might mean in operational terms, however, except that the 3+3+2 formula gained prominence: 3 for the South Caucasus states; 3 for the big neighbours Russia, Turkey and Iran; and 2 for the big outsiders EU and US.

At CEPS we therefore tried to fill this gap, offering a general blueprint as free staff work for the interested parties, whose policy planning departments were inhibited by political or bureaucratic limitations. We formed a CEPS Task Force and published two reports in May and October 2000 (see Emerson, Celac and Tocci, 2000, and Emerson, Tocci and Prokhorova, 2000). The second report was a substantial refinement of the first, benefiting from a summer of consulting the leaders of the secessionist regions. This incidentally suggested expanding the game into a 3+3+3+2 formation, adding the three secessionist entities.

The proposal was structured as follows:

Three chapter headings devoted to the South Caucasus:

- *Conflict resolution*, with fuzzy constitutional settlements for Nagorno Karabakh and Abkhazia. Both cases would see political solutions closer to confederalism than federalism for Azerbaijan and Georgia in relation to the secessionist entities. The option of secession would however be excluded. Power structures would be essentially horizontal rather than vertical with only very thin union structures. Asymmetric relations would be provided, notably in the case of Nagorno-Karabakh with co-ethnic Armenia. Refugees (or IDPs) would be able to return to such areas as the Azeri provinces occupied by Armenian forces and the southern region of Abkhazia.
- *A new regional security order*, in which the settlements of the conflicts would see monitoring and enforcement for a while by military units from OSCE member states, under an OSCE umbrella.

- A *South Caucasus Community (SCC)* would be initiated, concentrating initially on scrapping of course the present blockades, then a free trade area and general trade facilitation, and on regional transport and energy infrastructures and networks.
- The SCC would also offer a distinct role to the autonomous entities (Nagorno Karabakh, Abkhazia and South Ossetia) in their fields of competence alongside the three states of the region.

Three chapters dedicated to wider regional cooperation:

- *Enhanced cooperation in the Black Sea-Caucasus-Caspian region*, strengthening existing organisations such as BSEC;
- *Development of an EU-Russia 'Southern Dimension' cooperative concept*, following the useful launch of the Northern Dimension;
- *Completion of missing elements in the international legal environment for the energy sector*, such as for the Caspian seabed and the Energy Charter Treaty (Russian ratification awaited) and its transit protocol for pipelines.

Altogether this would amount to a paradigm shift for the region. All parties were interested to discuss these ideas, but in our consultations the response frequently was 'it would be fine, but can it really happen?' More precisely it was questioned whether various vested interests really wanted resolution of the conflicts, both at the level of the secessionist regions, and geo-politically as regards Russia. It was questioned whether either the EU or US were seriously interested in the region. The EU was preoccupied with the Balkans. The US was seemingly interested mostly in the Baku-Tbilisi-Ceyhan pipeline as a geo-political move to strengthen Western orientations. In essence, many people judged that the *status quo* of frozen conflicts and blockaded borders had the properties of a (nasty) political economy equilibrium, with the external powers too divided or disinterested to change that.

Against this sceptical view, there was the compelling logic that a settlement of the conflicts and a new cooperative system could improve the welfare of the people of the region, or at least open the way for positive developments and hope for the future.

Around the end of 2000, there were some developments of importance that gave some hope to Stability Pact advocates, but some worries as well.

- The EU shifted its position from ignoring the Caucasus under the French Presidency to organising in February 2001 a Swedish-led Troika visit, including Chris Patten and Javier Solana as well as the Swedish Foreign Minister, signalling an upgrading of the region in the EU's priorities, and a specific interest in conflict resolution.
- At the same time Turkey succeeded in organising a semi-official seminar in Istanbul bringing together for the first time all the 3+3+2 at senior official level along with independent experts to discuss stabilisation and regional cooperation in the Caucasus.
- Meanwhile, however, Russia's diplomacy towards the region had gone on the offensive, most sharply by punishing Georgia for its alleged uncooperativeness over Chechen freedom fighters taking refuge in the Pankisi Gorge region. Russian measures included switching gas supplies off and on during the winter, and introducing discriminatory visa requirements for Georgians to enter Russia, except for residents of secessionist Abkhazia and South Ossetia.
- Meetings between Aliev and Kocharian continued throughout the last year at frequent intervals in pursuit of agreement over Nagorno Karabakh. In April 2001, there was a special summit in Florida for the two leaders with the three Minsk Group co-chairs (US, Russia and France). This signalled some activism in this affair by President Bush, and produced a near-breakthrough. The Minsk Group is now mandated to submit a full peace proposal for a June meeting in Geneva, and it is even being suggested that an historic signing ceremony be arranged in the margins of the G8 summit in Genoa in July.

This is a new situation. Let us suppose that Nagorno Karabakh is settled, the indications being that the solution would be rather along the lines suggested in the second CEPS document, with a fuzzy, horizontal constitutional arrangement for Nagorno Karabakh, the return of the occupied territories, and assurances of strategic passages for road transport both over Lachin corridor for Armenia and through the Megri district connecting Azerbaijan and its exclave province Nakhichevan. Then there would surely be a programme of reconstruction and assistance for refugee return, and financial support for restoring the East-West transport axes for road and rail. This would probably extend also to new oil and gas pipelines on the East-West axis.

The next question would then be whether or how a peace settlement and deblockading of Abkhazia might be agreed, so as to transform the whole South Caucasus region into a zone of peace, reconciliation and reconstruction. The problem is that the situation in Abkhazia and

the current status of Georgian-Abkhaz and Georgian-Russian relations are all very bad. The Abkhaz leadership feels no incentive to negotiate with Georgia, since 'Russia is bigger and protects us', to use the wording of the Abkhaz leadership. Russia itself seems divided over its South Caucasus policy. Working cooperatively in the Minsk Group now over Nagorno Karabakh, the message seems to be that Russia wants a settlement there. The message for Abkhazia seems to be that Russia is happy with a situation of creeping unstated annexation of the territory (already in the rouble area, with Russian military presence, Russian citizenship available, visa regime discrimination against other Georgians, etc.). This Abkhazia policy follows old-style geo-political thinking, where the priority is to maximise influence to the point of domination, if not annexation. For Russian policy-makers, however, there are also arguments going the other way. One is that the miserable, de-populated and blockaded economic condition of Abkhazia is itself a policy with no respectable future. Secondly Russia has itself a clear interest in attaching a North-South axis to the East-West Silk Road, with the latter likely to be reconstructed and modernised following a Nagorno Karabakh settlement. Russia has an interest in establishing connections by efficient land routes with an improving South Caucasus economy and with the major Turkish and Iranian markets. The tourist economy of Abkhazia, especially if opened up alongside the Ajarian coastline linking through to Turkey, is also of interest for Russian consumers. Finally Russia could envisage a more successful South Caucasus generating positive economic and political spillover benefits for the Northern Caucasus.

The key therefore is whether Russia can be persuaded to shift its view of its own national interest away from old-style geo-political conceptions towards modern economic, social and political objectives. It is a question of what is to be maximised. Geo-political and military occupation and control of (miserably poor) peripheral territories *versus* joining in international development programmes, which would yield benefits for the welfare of the citizens of Abkhazia, including returning refugees, as well as for the Russian business sector in its trade beyond its Southern frontier, and for Russia citizens who would have a renewed Black Sea tourist facility to enjoy. If Russia saw the advantage of making this paradigm shift in its policy, then the way would open to complete the assembly of a comprehensive programme of recovery for the South Caucasus as sketched in the CEPS Stability Pact document. The pay-off for the rest of Europe would be important also for other reasons. If Russia made this paradigm shift, it would amount to a new learning experience for Russia, the EU and the wider Europe about the value of cooperation *versus* competition.

EU Strategies for Its Near Abroad

There are implications for strategic re-thinking of policies not only on the Russian side, however, but also for the EU. The proliferation of regional initiatives for overlapping border regions of the EU, including Stability Pacts, calls for a clarification of the paradigm governing EU policy towards the wider Europe beyond EU enlargement. These regional initiatives in fact contrast with and challenge the prime paradigm of EU policy towards its neighbours, which stresses:

- the distinction between being in or out as full member states, and
- EU multilateralism for the ins, and bilateral relations for the outs.

The disadvantage of this model is that it renews the divisions of Europe, and risks that disappointment on the part of the excluded will feed the processes of divergence dynamics. In its starkest form, the transition process for the excluded is not sustained, and leads the small and weak states into ethnic-cleansing conflicts, kleptocracies and virtual chaos. For the big excluded state, Russia, the tendency is towards xenophobic nationalism and the drive to reconsolidate its near abroad according to its own *realpolitik* rules.

An alternative paradigm would:

- de-emphasise the differences between the ins and outs, and
- emphasise multilateralism in the border regions.

These alternative strategies are of fundamental importance for the future of Europe. The first set pushes the EU increasingly towards a state with clearly delimited territory, citizenship and powers. The second set sees a Europe with fuzzy frontiers, the EU voluntarily offering to export its policies for application to the neighbours, reducing perceptions of exclusion, although still limiting participation in key political bodies. Some call this alternative the neo-medieval empire (although the model would surely include the Greek and Roman empires),³ i.e. one with a fuzzy set of peripheral associates, rather than an EU that becomes a clear-cut European neo-Westphalian state. Which of these alternative paradigms is to dominate, since the outcome is surely going to be a blend rather than a pure case? This is a major aspect of the emerging ‘on the future of Europe’, debate but one that has not yet been brought out sufficiently clearly. What is clear is that the member states at the periphery – be it Finland to

³ J. Zielonka, *Enlargement and the Finality of European Integration*, Jean Monnet Working Paper 7/00, Harvard Law School.

the North or Greece to the South-East – look for substantial regional dimensions to the EU's periphery policies, whereas the institutional *status quo* of ideas, legal regulations and administrative structures prefer the neo-Westphalian model, leaving the regional initiatives with more symbolism than substance. This mindset may need to change if the stability of the European periphery is to be achieved.

Above all, what we can observe now is an increasing tendency for the EU and Russian near abroads to come closer together, and even overlap. Will they embrace in cooperation or collide in competition? Some Russia commentators stress the model of symmetry and equal partners between the two big European entities. Such is the precise argument of Dmitri Danilov,⁴ who discusses the Stability Pact propositions in terms of the EU setting the rules for the Balkans, and Russia for the Caucasus. At issue here is the fact that the two big European entities are not really symmetrical, with the EU being bigger, richer and representing a more attractive political model, whereas Russia is able to deploy energy plus military strengths. Given these asymmetries, the EU clearly dominates in the Balkans. But could the EU and Russia (and indeed the US which sustains a leading role in the Minsk Group) find common cause in a cooperative action in the South Caucasus? If so, that would be a pact of substance.

Conclusions

In summary there are four conclusions:

1. The Stability Pact, as a generic type of international action, has a serious rationale.
2. The Balkan Stability Pact served a certain purpose while Milosevic was still there. But now that EU integration has become the clear destination for the whole of the region, the Stability Pact should be restructured, downsized and integrated better with the EU.
3. A substantial Caucasus Stability Pact is looking increasingly relevant, although if enacted its name will be different.
4. There is a case for EU policies for its near abroad to be shifted in balance, with less bilateralism and discrimination between the ins and outs, and more emphasis on regional multilateralism for all classes of neighbour.

⁴ See Michael Emerson, "A Russian View of a Stability Pact for the Caucasus", CEPS Commentary – Borderland Europe No. 5, February 2001, on www.ceps.be.

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See also www.ceps.be for further notes on the Balkans and the Caucasus.