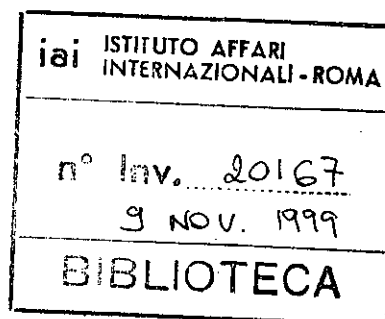


**REGIONAL COOPERATION AND RECONSTRUCTION  
IN SOUTH-EAST EUROPE**

Istituto affari internazionali (IAI)  
Centro studi di politica internazionale (CeSPI)  
Roma, 29-30/X/1999

- a. Programme
- b. List of participants
- 1. "Security challenges in South-East Europe"/ Jane O. Sharp
- 2. "In search of stability and cooperation in South-Eastern Europe: a Turkish perspective"/  
Mustafa Kibaroglu
- 3. "Regional cooperation as a conflict prevention tool"/ Thanos Veremis
- 4. "Economic aspects of regional cooperation: prospects for development and reconstruction"/  
Loukas Tsoukalis
- 5. "Economic reconstruction in South East Europe"/ Daniel Daianu
- 6. "Organized crime and regional cooperation in South-East Europe"/ Alessandro Politi
- 7. "Balkan regional cooperation and the return of refugees"/ Dennis McNamara
- 8. "The role of the international organizations in South-East Europe"/ Ettore Greco



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*Conference on*  
**Regional Cooperation and Reconstruction in South-East Europe**

Rome, 29-30 October 1999



***Istituto Affari Internazionali***

with  
**Centro Studi di Politica Internazionale**

and  
Embassy of the United States in Rome - Public Affairs Section  
German Marshall Fund of the United States  
Friedrich Ebert Foundation - Rome Office  
NATO Office of Information and Press  
UN Association of the United States  
WEU Institute for Security Studies  
British Council - Rome Office

**Provisional programme**

***Friday, 29 October***

**Venue:** Palazzo Rondinini, Via del Corso 518

**15:00 Opening address**

Cesare Merlini, President, IAI, Rome

**15:10 Keynote speech**

Umberto Ranieri, Undersecretary, Italian Ministry of Foreign Affairs

**15:30 First Session**

**Security Challenges in South-East Europe**

**Chair:** Radoslava Stefanova, Research Fellow, IAI, Rome

**Speaker:** Jane O. Sharp, Senior Research Fellow, Centre for Defence Studies, King's College, London

**Respondents:**

**15:50** Mustafa Kibaroglu, Assistant Professor, Bilkent University, Ankara

**16:00** Dimitrios Triantaphyllou, Research Fellow, WEU-ISS, Paris

**16:20 Discussion**

**16:50 Coffee break**

17:00 *Second Session*

**Regional Cooperation As a Conflict Prevention Tool**

*Chair:* Roberto Menotti, Research Fellow, CeSPI, Rome

*Speaker:* Thanos Veremis, Director, ELIAMEP, Athens

*Respondents:*

17:20 Anton Bebler, Professor of Social Sciences, University of Ljubljana

17:30 Cristopher Cviic, Associate Fellow, Royal Institute of International Relations, London

17:40 *Discussion*

18:30 *Keynote Speech*

Fabrizio Saccomanni, Chairman, Working Table on Economic Reconstruction, Stability Pact for South-Eastern Europe, Rome

19:00 *Conference adjourns*

20:00 *Dinner*

**Saturday, 30 October**

**Venue:** Palazzo Salviati, P.zza della Rovere 83

9.00 *Welcome address*

Domenico Tria, President, Center for High Defence Studies (CASD), Rome

9:15 *Third Session*

**Economic Aspects of Regional Cooperation:  
Prospects for Development and Reconstruction**

*Chair:* Gianni Bonvicini, Director, IAI, Rome

*Speaker:* Loukas Tsoukalis, European Institute, London School of Economics and Political Science, London

*Respondents:*

9:35 Daniel Daianu, Romanian Centre for Economic Policy, Bucharest

9:45 Pier Carlo Padoan, Economic Advisor, Economic Advisor, Office of the Italian Prime Minister, Rome

10.00 *Discussion*

10:40 *Fourth Session*

**Organized Crime and Regional Cooperation in South-East Europe**

*Chair:* Gianni Bonvicini, Director, IAI, Rome

*Speaker:* Alessandro Politi, Advisor to the Italian Defence Minister, Rome

*Respondents:*

10:50 Ognian Shentov, President, Centre for the Study of Democracy, Sofia

11:00 Susan Woodward, Centre for Defence Studies, London

11:15 *Coffee break*

11:30 *Session resumes: Discussion*

- 12:00 *Fifth Session*  
**Balkan Regional Cooperation and the Return of Refugees**  
*Chair:* Jeffrey Laurenti, Executive Director, United Nations Association of the United States, New York  
*Speaker:* Dennis McNamara, Special Envoy to the former Yugoslavia and Albania, UNHCR, Pristina  
*Respondents:*  
12:20 Fred Abrahams, Senior Researcher, Human Rights Watch, New York  
12:30 Ferruccio Pastore, Research Fellow, Centro Studi di Politica Internazionale, Rome
- 12:40 *Discussion*
- 13:30 *Lunch*
- 15:30 *Sixth Session*  
**Assessing Regional Cooperation Initiatives**  
*Chair:* Stefano Silvestri, Vice President, IAI, Rome  
*Speaker:* Fred C. Parker, Partnership and Cooperation Section, Political Affairs Division, NATO Headquarters, Brussels  
*Respondents:*  
15:40 Piro Misha, Programme Director, Open Society Foundation for Albania, Tirana  
15:50 Franz-Lothar Altmann, Director, Südost-Institut, München
- 16:00 *Discussion*
- 16:40 *Coffee break*
- 17:00 *Seventh Session*  
**The Role of the International Organizations in South-East Europe**  
*Speaker:* Ettore Greco, Deputy Director, IAI, Rome, Italy  
*Chair:* Christopher Cviic, Associate Fellow, European Programme, Royal Institute of International Relations, London  
*Respondents:*  
17:20 Jeffrey Laurenti, Executive Director, United Nations Association of the United States, New York  
17:30 Pande Lazarevski, Director, Institute for Sociological Research, Skopje
- 17:40 *Discussion*
- 18:30 *Keynote Speech*  
Richard Sklar, Special Representative of the US President and the Secretary of State for the Southeast Europe Initiative, Rome
- 19:00 **Concluding remarks**  
Radoslava Stefanova, Research Fellow, IAI, Rome
- 19:15 **Conference ends**
- 20:30 *Dinner*

**The IAI wishes to thank the Banca Nazionale dell'Agricoltura and the Centro Alti Studi della Difesa (CASD) for their hospitality**

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BIBLIOTECA	

## **LIST OF PARTICIPANTS**

*Conference on:*

**"Regional Cooperation and Reconstruction in South-East Europe"**

**Rome, 29-30 October 1999**

### **LIST OF PARTICIPANTS**

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BIBLIOTECA



*Istituto Affari Internazionali*

*Conference on:*

***"Regional Cooperation and Reconstruction in South-East Europe"***

*Rome, 29-30 October 1999*

*Paper on*

***Security Challenges  
in South-East Europe***

by Jane O. Sharp,  
Centre for Defence Studies,  
King's College, London

**DRAFT- NOT FOR QUOTATION**

Security Challenges in SEE:

A. Trouble from Milosevic in Kosovo and /or Montenegro

1. NATO's bombing campaign shattered the economy of Serbia but western policy makers should not assume they inflicted an unambiguous defeat on Slobodan Milosevic. He obviously sees himself only in tactical retreat.<sup>1</sup> Theories abound as to why he agreed on 3 June to withdraw forces from Kosovo and accept an international military presence, but the most plausible reason seems to be that the Russians promised military assistance to partition the northern part of the province. This plan, apparently promoted by Russian military intelligence (GRU) and supported by President Yeltsin, was only thwarted by the refusal of Hungary, Romania and Bulgaria to allow Russian over-flights to reinforce the 200 Russian SFOR troops who dashed to Pristina on 11 June.<sup>2</sup>

2. NATO bomb damage assessments show little damage to the Serb Army (Vojska Jugoslavie-VJ) in Kosovo by NATO's March - June bombing campaign, nor is there any evidence that the Serb special police (MUP) and para-militaries, together responsible for most of the ethnic cleansing in Kosovo, suffered any loss of power in the aftermath of the war. During the summer KFOR officers reported a co-ordinated effort by Serb police and para-militaries to infiltrate and destabilise Kosovo, especially in the region of Mitrovica. As for the army, in Belgrade several VJ generals have declared an interest in retaking Kosovo by force, for example General Radoan Lazarevic, commander of the Pristina Corps, and General Nebojsa Pavkovic of the 3rd Army Corps.<sup>3</sup> Military analysts dismiss these claims as unrealistic, but manifestly there is a faction in the army that would support further attempts by Milosevic to make mischief in Kosovo.

3. The past decade has shown that Milosevic thrives on crises. The most likely place for Milosevic to foment a new crisis is in Montenegro, where President Djukanovic makes no secret of his desire for autonomy within, if not outright independence from, the FRY.<sup>4</sup> The VJ has been reinforced in the Sandzak region since the June agreements to the point where in a total population of (largely Muslim) of 150,000, the Serb military presence in the region is about 15,000. Should Milosevic start a conflict there he could also call on the VJ 2nd Army currently stationed in Montenegro headed by the openly pro-Milosevic General Milorad Obradovic. President Djukanovic wants to move further away from Belgrade, but cannot go all the way without more firm support from west, which so far has not been forthcoming.

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<sup>1</sup>William Drodziak, "Serbs fear Milosevic will again turn adversity to his advantage", International Herald Tribune, 25 October 1999

<sup>2</sup>Zbigniew Brzezinski, "Why Milosevic cracked?" Prospect November 1999, page 10-11

<sup>3</sup>Milenko Vasovic, "Belgrade generals threaten a battle with an empty rifle", Balkan Crisis Report # 77, 21 September 1999; Srdan Staletovic, "Is the Army going back to Kosovo?" Balkan Crisis Report #78, 24 September 1999.

<sup>4</sup>Zoran Kusovac, "Milosevic prepares to play out Montenegro", Jane's Intelligence Review, September 1999, pp 14-17.

4. Some analysts believe that western governments might even want Djukanovic to replace Milosevic as new leader of the FRY. That way western governments could bolster their case to keep Montenegro and Kosovo in the FRY, perhaps as three co-equal republics in the federation.

#### B. Other dangers in Kosovo

1. Revenge killings of Serbs by Albanians have diminished, but remain a serious problem in the province though, it is not clear to what extent the Albanian culprits are Kosovo Albanians or Albanian gangsters from Albania. Thaci and the KLA have lost support to Rugova recently, probably because most of the Albanian population blames the KLA for at least some of the murders.

2. Another danger to the Kosovars (and to KFOR, UNMIK and NGO personnel) comes from Serb mines and unexploded NATO ordnance. Several soldiers and children have been injured, some killed, from explosions.<sup>5</sup>

#### C. Trouble from the Russians

1. Russia options debated during the NATO bombing ran the gamut from full scale war against NATO to full co-operation with NATO in a Kosovo peace keeping operation.<sup>6</sup> After the Russian dash to Pristina in June, NATO officers cannot be certain that Russian troops will remain co-operative in the current KFOR arrangements. Much depends on the balance of power between the military and the civilian authorities in Moscow and within the different military factions. The impact of the Russian war in Chechnya could also influence how the Russian military behave in Kosovo, as well as how they are regarded by their KFOR partners.

2. The Russian military feel a deep sense of humiliation from their loss of empire in central and eastern Europe, from the subsequent enlargement of NATO, and from having little influence in the Balkans. This humiliation is exacerbated by a United States with no clear sense of priority in foreign affairs and apparently little interest in nuclear arms control beyond cutting the risk to the continental United States of loose Russian nukes.

3. Senior Russian officers were especially unhappy to be thwarted (in their plans to partition Kosovo) by NATO and its SEE partners Romania and Hungary in June, and might welcome an operation in which they supported Serb military action against NATO. If they so choose, Russian and Serb forces could make life very difficult for the Alliance this coming winter.

#### D. Trouble in Albania

1. The poor state of Albania's economy makes it vulnerable. Resentment is growing there and in other front line states that western promises of financial support for cooperation during the war have not been forthcoming.

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<sup>5</sup> See, for example, ChrisBird, "Children injured by NATO bomb", Guardian, 23 October 1999

<sup>6</sup> refs from JIR in office

2. Organised crime is still a huge problem and much of its spills over into Kosovo and further afield.

#### E. Trouble in Macedonia

1. Macedonian Slavs are not happy to have 7000 NATO troops in Macedonia, even though the NATO strength is only about 1/4 to 1/5 its strength before KFOR moved into Kosovo. One problem exacerbating relations with NATO has been a fatal road accident blamed on a Norwegian captain, Vesli Adun Kristijan.

2. Macedonia wants to join western institutions like NATO and the EU, but feels the current NATO Presence is more like an occupation force than a friendly presence. All six registered candidates in the current election campaign complain about the NATO presence.<sup>7</sup> Should the election results be unacceptable to the Albanian minority and violence ensue, there is some question whether the reduced NATO presence could serve a preventive mission.

#### F. Trouble in Bosnia and Herzegovina

1. Tensions are on the rise in Republika Srpska where hard line Serbs recently car-bombed Zeljko Kopanja, editor of the independent newspaper Nezavisne Novine, which since August has run a series of reports on Serb atrocities in Bosnia during 1992.<sup>8</sup> These articles have been generally supportive of the International Criminal Tribunal for Former Yugoslavia (ICTY) in the Hague and the bringing to trial of all those indicted for war crimes.<sup>9</sup>

2. Dayton implementation is deeply unsatisfactory, especially acceptance by local communities of returning minority refugees. Yet, because of overstretched NATO forces, SFOR is being cut by about 1/3, and will thus be less able to provide for public safety and freedom of movement for returnees.

3. The three different B-H armies are still far apart: Bosnians and Croats remain separate in the Federation and the Serb army in RS. No-one doubts that if SFOR pulled out altogether conflict would erupt between the still unreformed national armies.

#### G. Trouble in NATO

1. Alliance cohesion was fragile during the NATO bombing, Will alliance cohesion hold if things heat up in Kosovo?

2. Will Europeans be able to act without the US if necessary?

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<sup>7</sup>Iso Rusi, "Election campaigners ask if NATO has overstayed its welcome", Balkan Crisis Report # 76, 17 September 1999

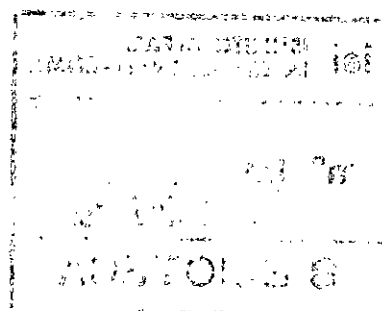
<sup>8</sup>Jadranka Slatina, "An editor pays the price in Republika Srpska", Balkan Crisis Report # 86, 23 October 1999

<sup>9</sup>Jadranka Slatina, "Boanian Serb daily breaks taboos", Balkan Crisis Report # 74, 10 September 1999.

3. Is there enough political will to upgrade military capabilities as called for in the Blair defence initiative?

H. Problems in the wider region:

1. Disappointed expectations (especially in Romania) after Stability Pact fanfare in late July.
2. Status of relations between Greece and Turkey still a cause of concern?



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**BİLKENT UNIVERSITY**  
FACULTY OF ECONOMICS, ADMINISTRATIVE AND SOCIAL SCIENCES  
Department of International Relations

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***IN SEARCH OF STABILITY AND COOPERATION  
IN SOUTH-EASTERN EUROPE:  
A TURKISH PERSPECTIVE***

by

**Asst. Prof. MUSTAFA KİBAROĞLU**  
**International Relations Department**  
**Bilkent University, Ankara**

Paper presented at the conference on  
"Regional Cooperation and Reconstruction in South-East Europe"  
by Istituto Affari Internazionali, Rome, Italy, 29 - 30 October 1999

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Turkey pays utmost attention to achieving a lasting peace and stability all over the South-Eastern Europe with the belief that another spark in the future can set the whole region to fire. With a view to achieving this goal, Turkey puts forward a series of concrete proposals that calls the countries in the region into cooperation. Some of these proposals are set at bilateral level with Turkey's immediate neighbors, while some others require multilateral action of the countries in the region. Before elaborating further on these bilateral and multilateral schemes, I would like to discuss the security challenges in the South-East Europe as perceived by the Turkish security elite.

The most serious security challenge in the South-Eastern Europe from the perspective of Turkish security elite is the return of Russia, in one way or another, to its former sphere of influence. As Turkey was a frontline NATO country during the Cold War period, it had to sacrifice a lot, in many respects, in order to stand firm against a potential Soviet invasion. With the abolishing of the Warsaw Treaty Organization and the demise of the Soviet Union, the minimum time required to launch a surprise attack to Turkey from the Warsaw Pact countries has increased considerably. This meant a very significant relaxation for the Turkish military who could then focus on other immediate security challenges that emerged in the Middle East.

Hence, the ongoing process of consolidation of democratic transformations as well as transition to liberal market economies in its neighbors which were formerly members of the Warsaw Pact is considered by Turkey to be a guarantee of the irreversibility of the structural changes that have taken place in the Eurasian landscape at large. Withstanding these positive developments, Turkey desires the process of transformation to be coupled with the inclusion of the former Warsaw Pact countries in its immediate neighborhood such as Bulgaria and Romania into the Atlantic Alliance as fullfledge members at the earliest date possible. In this manner, it is believed that the remaining geographical passage for a potential Russian intervention in the former Yugoslav territory in the future will be blocked by the NATO member states.

As the pace of the developments during the Kosovo crisis has revealed, Russia does not want to loose its influence in the Balkans. Although Russia could not prevent NATO countries from taking military coercive action against its staunch ally Serbia, it nevertheless threatened NATO with redeploying nuclear missiles to Belarus. Other concomitant declarations by the Russian authorities thus confirmed the fears of the Turkish security elite that, unless cooperative schemes among the countries in the Eurasian landscape are initiated and then strengthen, serious conflicts and hot confrontations may be inevitable in not too distant future. Accordingly, Turkey has devised a policy to initiate or to participate in bilateral and multilateral cooperation schemes with particular emphasis assigned to the military-strategic issues.

As an exemplary case, I may mention the cooperation between Bulgaria and Turkey in almost all areas possible, with a special reference to far-reaching steps taken in the military sphere. Turkish-Bulgarian relations were marred, towards the end of the 1980s, because of the mistreatment of the Turkish minority in Bulgaria by the communist administration. Both sides have then suffered the unhappy consequences, economically and politically, of the significant influx of Turks fleeing Bulgaria and coming to Turkey. With the dramatic changes that took place in the former communist regimes, Turkish and Bulgarian authorities have then exploited every opportunities in order to improve bilateral relations. Beyond a drastic increase in political, economic and cultural exchanges at all levels, significant improvements have been achieved in the military issues as well. For instance, following a series of high level talks, the Turkish and the Bulgarian General Staff have agreed to relax the security measures towards each other by way of withdrawing troops for some 50 kilometers from the border as well as keeping the common borders and adjacent areas free of anti-personal mines. By the way, I would like to add that Turkey intends to conclude a similar agreement with its north-eastern neighbor Georgia.

Turkey has also undertaken an active role in initiating and/or supporting a number of multilateral cooperation schemes including the South-East European countries. The one that deserves a special mention is the creation of the South-Eastern Europe Multinational Peace Force. Although the structure and the composition of the Multinational Peace Force is not yet crystal clear to the outsiders, the objective envisaged by the military authorities is said to establish an effective peace-keeping capability in the volatile South-East Europe where small-scale atrocities which have the potential to escalate to large-scale confrontation can be subdued at their initial stages when they can be controlled.

Similarly, Turkey has played a leading role in the creation of a Black Sea Force with the contribution of the naval forces of the six countries littoral to the Black Sea, namely Bulgaria, Romania, Ukraine, Russia, Georgia and Turkey. The aim is said to increase cooperation among the Black Sea fleets of the littoral countries by carrying out search

and rescue exercises regularly, and then expand into other areas of cooperation. In this manner, Turkey hopes to increase the level of mutual understanding and build confidence among its neighbors in the Black Sea region which comprises a highly strategic landscape extending from the Balkans to Caucasia.

Needless to say, peace and stability in the South-East Europe heavily depends on good neighborly relations between Greece and Turkey. Nevertheless, the history of Greek-Turkish relations is very much colored with animosity, conflict and war whose net result is today's lack of confidence on both sides. Therefore, building confidence between the two countries should be assigned the highest priority not only by Greek and Turkish authorities, but also by all relevant bodies and organizations in the South-East Europe and in the West. In this regard, initiatives taken by a number of NGOs and the representatives of the media of both countries, as well as the recent rapprochement between the Greek and the Turkish officials especially at the Foreign Ministerial level seem to be highly promising, for the time being.

While I do certainly praise such initiatives that should be taken in every domain possible and at all levels, I'm, however, rather sceptical about the net result, so long as achieving substantial improvement in the Greek-Turkish relations are made dependent, by the Greek authorities, upon the condition of reaching a "solution" to the Cyprus problem. Cyprus is just one of the issues of contention between Turkey and Greece and probably the most difficult one to solve due to a variety of reasons. Of these, however, the military-strategic significance of Cyprus for Turkey makes the problem all the more difficult to solve. Let me tell you why.

Because of the existence of a significant number of military aircraft on several Greek islands on the Aegean Sea just a few miles off the Turkish coast, the Turkish security elite fears the potential gained by the Greek air force to stage a surprise attack on Turkey, should the Greek politicians decide to do so. Turkish military aircraft would be unable to respond to a surprise attack in an adequate time frame. For Turks, such an

attack would cause unacceptable damage to Turkish military bases, industrial complexes and a wide range of military and civilian installations in western Turkey.

Whereas Greece has the strategic advantage of staging a surprise attack on the Turkish mainland, Turkey does not have the same advantage (i.e., staging a surprise attack on the Greek mainland) because of the strategic depth of Greece. Moreover, Turks cannot cause substantial damage to Greece with a surprise attack on the Aegean islands only. Besides, such an operation would not be feasible as the political costs involved would far outweigh the military benefits.

The Turkish security elite also takes into consideration the very high likelihood of third party intervention, especially by the United States, and thus not being able to retaliate in kind, should Greece resort to a surprise attack. Consequently, they argue that the assured US intervention in a Greek-Turkish dispute which may result in preventing the Turkish military units from retaliating in kind will provide the Greek decision-makers with a strong incentive to consider resorting to a surprise attack as a viable option. Hence, due to its geostrategic advantage, Greece may be better-off by striking first given the high probability that Turkey will not be able to respond with a second strike onto Greece. Sensible or not, this is a "*low risk high consequence*" scenario for most Turkish security elite.

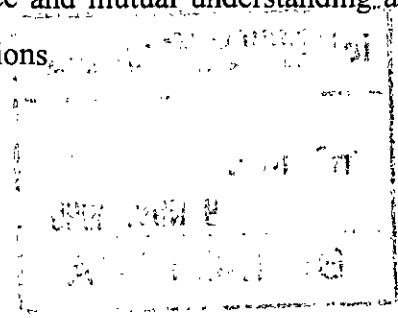
One may ask at this point why Greek politicians do not resort to their strategic advantage and cause enormous damage to their historic rival if they know that Turkey would not be able to retaliate in kind? The answer is that Turkey indeed has a comparable strategic advantage over Greece that is capable of off-setting the Greek strategic advantage. Turkey has the advantage of having deployed sufficient number of troops in the Turkish sectors of Cyprus which are capable of retaliating to a Greek surprise attack on Turkey by way of making a military operation on the island. Although the political, economic and military costs associated with keeping this strategic advantage is extremely high for Turkey, it is nonetheless believed to be highly effective in prohibiting Greece from making miscalculation.

Hence, should Greek politicians decide to take advantage of the geographical proximity of their military bases in the Aegean to strategic installations in western Turkey by resorting to a surprise attack, Turkey would retaliate by invading the Greek sectors of Cyprus. In this manner, Greece's expected gains from striking first, would be off-set by severe losses that would be incurred in Cyprus by Turkey's second-strike capability, if need be. Thus, Turkey's military supremacy in the Mediterranean and its ability to control Cyprus is strongly believed to deter Greece from acting first. Such a situation is also believed to help maintain a stable strategic balance with Greece.

In this light, Turkey's stubborn opposition to plans including the demilitarization of Cyprus or the imposition of a no-fly-zone over the island which are the *sine qua non* conditions for Greece should be considered along with suggestions for the demilitarization of the Greek islands in the Aegean. Otherwise, expecting Turkey to agree to such plans as withdrawing a considerable number of troops from Cyprus without asking Greece to make a comparable move to demilitarize the Aegean islands will not lead to a fair and lasting solution to the Cyprus problem.

Against this rather realistic, not necessarily pessimistic, perspective, I would like to conclude by hoping that the future of Greek-Turkish relations can be bright. I therefore suggest that the current favorable climate emerged in the aftermath of the earthquakes in Turkey and in Greece should be exploited to the most in all areas possible with a view to establishing a strong basis for building confidence and mutual understanding at all levels among the decision-makers of the next generations.

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*Conference on:*

***"Regional Cooperation and Reconstruction in South-East Europe"***

*Rome, 29-30 October 1999*

*Paper on*

***Regional Cooperation  
As a  
Conflict Prevention Tool***

**by Thanos Veremis,  
ELIAMEP, Athens**

**DRAFT - NOT FOR QUOTATION**



## REGIONAL COOPERATION IN THE AFTERMATH OF THE NATO INTERVENTION IN KOSOVO

By Thanos Veremis

### The Impact of the NATO Bombing Campaign

Events in Southeastern Europe sometimes move in circles and generate vivid sensations of déjà vu. Seven years ago this author had an opportunity to express his worries over Balkan developments in a conference cosponsored by the Woodrow Wilson Centre in Washington DC and the Suedosteuropa Gesellschaft, in Munich.

"The most ominous development in Yugoslavia is the proliferation of weak and mutually hostile entities in a region which does not at the present moment constitute a high priority of the West. In that sense the Balkans are not the powder keg of Europe but a decaying backwater cut off from the prospect of communication with the Western Community. The implosion of nationalist strife in Yugoslavia can still create a chain reaction of developments that would undermine the economies of adjacent states and determine the future of the Balkans as the third world of Europe."<sup>1</sup>

Since then catastrophes have struck the Federal Republic of Yugoslavia in quick succession, drawn by its present leadership like a magnet. The West was successful in establishing several protectorates (in name or substance) in which Serbs, Croats, Bosniacs and now Kosovar Albanians, lead a separate existence with few chances of restoring their multicultural past. NATO's recent war on FRY, regardless of the humanitarian principles that inspired it, has brought upon the wider region a devastation that may linger for the years to come.

The devastation of FRY was of course the natural outcome of fighting an air war that precluded the use of ground forces and therefore casualties, but it has in no way achieved all of its goals. Even if the Albanian refugees were finally restored to their ravaged homes, the war failed to rid FRY of its leader, to preserve the Serb community in Kosovo and ensure future democracy in FRY. What the bombing did achieve was to win the struggle of

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<sup>1</sup> T. Veremis, "Eine Neudefinition der Sicherheitsbeange in Suedosteuropa", *Suedosteuropa Mitteilungen*, 1993/ 2-33, Jahrgang, p.141

the Albanian Kosovars against the Serbs, which had commenced shortly after the province was ceded by Serbia in 1918.

Predictions of future developments do not promise stability. The Kosovo Liberation Army (UCK) and not the political elite of Pristina is now calling the shots and wields both the firepower and the resources to establish its authority and its pernicious influence in adjacent FYROM. Time will tell if this is the last irredentist episode in the Balkans or the beginning of a new round of troubles.

Be that as it may, the most formidable problems ahead have to do with FRY's inability to support its population, the proliferation of criminal networks and illegal immigration. Countries such as Italy, Austria and Greece will be directly affected by such phenomena.

Eleven weeks of NATO bombing (24 March – 9 June 1999) have wreaked devastation on FRY that will have a long-term effect on the entire region. FRY is certainly in a state of emergency. In terms of GDP per capita, and destruction of fixed assets as well as national wealth, the country has reverted to its pre-World War II condition. Before the bombings the level of GDP was about 50% of what it was in 1989 and that of industrial production, at about 40%. Only agricultural production and energy remained in the 1989 level. Public and private services declined in adverse proportion to black economy services. The "outer wall of sanctions" still in force, exclude the normalisation of relations with the World Bank and the IMF. Additional sanctions by the USA and the EU bar most government related investments. Income transfers and investments from abroad, such as the 1997 purchase of 49% of the Serb Telecom by the Italian STET and the Greek OTE, had dried up by the end of 1998. The external balances of the country, therefore, depended on services in transit and transportation and on aid.

Kosovo, an underdeveloped province of Yugoslavia and with a significant outward migration, concentrated on agriculture and mining (coal, non-ferrous metals and minerals). The income generated by these sources did not exceed \$100 million per year. The absence of investment, given the anomalous circumstances prevailing among Serb and Albanians, condemned the local economy to stagnation.

According to *Group 17*, a Belgrade-based group of independent Yugoslav economists, some of whom work for the IMF and the World Bank, the total damage incurred by the NATO bombing is estimated at around \$29.6

billion.<sup>2</sup> The estimate does not include 1) human capital loss concerning the Albanian Kosovars, 2) material damages in Kosovo, 3) destruction of natural wealth or ecological damage. Of the total estimate, \$4.1 billion is the price attached to destroyed infrastructure and loss of capital in economic areas. Human capital loss adds \$2.3 billion to the account and the remaining \$23.2 billion, are opportunity costs for the whole economy, in the current value of the lost GDP.

The more detailed but earlier account of the Economist Intelligence Unit,<sup>3</sup> gives a dim view of the country's future. The targets of the NATO campaign were mostly civilian and included, roads, railways, communication networks, and television stations with their relays in towns and cities across Serbia. Industrial targets were the most conspicuous: oil, chemical, car, cigarette, fertiliser, construction machinery and home appliances industries were decimated. NATO bombers also hit civilian airports, power stations, bridges, fuel production and storage facilities, communication systems and mining areas. The Zastava car factory in Kragujevac made cars and trucks as well as munitions. The strikes against it have put more than 15,000 employees out of work, along with an additional 40,000 who worked as 120 subcontractors. In Krusevac, the 14 Octobar factory of bulldozers, excavators and construction equipment, was the largest heavy machinery plant in the Balkans. Its destruction put 7,000 people out of work.

The oil industry, a candidate for privatization before the imposition of an investment ban last year, is now out of business. Both of Yugoslavia's oil refineries, in Pancevo and Novi Sad, were badly damaged. Bombs also struck a key oil storage facility in Smederevo, as well as regional distribution centres. Yugoslavia's largest oil supplier was the Athens-based, Moil – Coal Trading Company of the Mamidakis group, which provided two cargoes a month, dispatched by pipeline from Croatia's port of Omisalj. Both Russia and China who would come to the rescue of FRY, are both owed large sums for previous sales. Russian crude was pumped down the Druzhba pipeline via Hungary and Slovakia and was processed at the refineries of Novi Sad and Pancevo before they were destroyed.

Before the war started, Yugoslavia's foreign trade had diminished dramatically. Exports fell by 50% in Jan.-Feb. 1999 compared with the previous year, while imports fell by 30%. The trade deficit was \$ 224 million

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<sup>2</sup> The estimate was presented in *Economic Consequences of NATO Bombing: Estimates of Damage and Finances Required for Economic Reconstruction of Yugoslavia* in the 8-10 July 1999 conference in Vrsalje, on *Reconstruction and Regional Co-operation in the Balkans* organised jointly by the Hellenic Observatory (LSE), The European Institute and The Vienna Institute for International Economic Studies (WIIW).

<sup>3</sup> *The Economist Intelligence Unit, Yugoslavia (Serbia – Montenegro) 2<sup>nd</sup> quarter 1999*, pp. 33 – 39.

for this period.<sup>4</sup> The Danube, a waterway, 2,400 km in length, linking central Europe with the Black Sea, was closed to traffic since early April when the Varadinski Most bridge in Novi Sad, was bombed. More than 40 m tons of goods were transported through the Danube in 1998. The other four bridges over the river that have been destroyed, incapacitated not only the river trade of FRY, but that of Romania and Bulgaria as well.

"The Costs of the Kosovo Crisis" by Vladimir Gligorov and Niclas Sundström, includes a wider regional estimate of the war's impact. The two authors attempt a forecast of the spill-over effect of the bombings on the entire Southeast European peninsula and point out that "they come as an unexpected external shock to economies that are already having grave and in some cases unmanageable macroeconomic problems."<sup>5</sup> The crisis is treated by the authors as an "external shock" that shifts the demand curve for the GDP of a particular country, either through adverse developments in foreign trade, or through lower investment and higher public expenditures. The cost of the Kosovo crisis has been transmitted to trade for states that use Yugoslavia as a transit country and may result in an increase of investment risks that will expand public spending at the expense of private consumption. This may also have a long-term effect on the growth and development of the entire region.

The states that will continue to bear the brunt of the war, besides the FRY, are the Former Yugoslav Republic of Macedonia (FYROM), Albania and Bosnia. The closure of the Danube will affect Romania and Bulgaria, while Hungary, Croatia and Greece will continue to be the recipients of refugees. Krajina refugees are already making their way to Croatia and more Serbs are expected to leave their country when marshal law is lifted in the FRY.

#### Initiatives for Regional Cooperation in the Balkans

So far the answer of the West to the ongoing crisis has been a host of institutions (governmental and non-governmental), pacts, initiatives and processes, that aspire to bring order to the unfortunate region. Despite their *raison d'être*, competition, rather than cooperation has prevailed between them and the resources that they consume would have produced better results if they had been planed into regional projects.

The "Stability Pact for South Eastern Europe" was the product of a meeting in Cologne, on 10 June 1999, between Foreign Ministers of the EU,

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<sup>4</sup> The EIU, *Ibid.* p. 35 - 36.

<sup>5</sup> The report was completed before the culmination of the conflict (ATS 600, No. 12, April 1999). p.1.

the Balkans (minus FRY), NATO members and Japan and a number of representatives from international and regional organizations. No statement of intent and no invocation of principles and norms enshrined in international institutions, charters and declarations, could have been more inclusive. The mechanisms of the Pact include a South Eastern Europe Regional Table, which will coordinate three working tables: a) on democratization and human rights, B) on economic reconstruction, development and cooperation and c) on security issues. A Special Coordinator will chair the entire operation.

Of all the goals of the Stability Pact the most difficult to achieve is democratization. It will take a protracted peace and economic development to establish the process in those states that had experienced democratic rule in the past. States with no such experience, underdeveloped institutions and fragmented societies, will take much longer. Evocations of the free market are often synonymous with to a mafia laissez faire, rather than free enterprise. Soft (private armies, contraband and traffic of drugs, arms and illegal immigrants), rather than hard, security considerations, will therefore be the most daunting task of the reconstruction process.

The leaders of the forty states that joined the Stability Pact summit in Sarajevo on 30 July 1999, were aware that the span of international attention was running out and would soon be diverted toward other trouble spots in the globe. The President of the EU Commission, Romano Prodi, had already expressed his concern that the West's capacity to destroy was greater than its ability to rebuild. The outcome of the summit was full of declarations of good will and little determination to put up the several tens of billions of dollars required for rebuilding FRY.<sup>6</sup>

Based on a similar plan of incorporating the Southeastern European states into the EU, was the Working Document (No. 131) of the Centre for European Policy Studies in Brussels "A System for Post-War South-East Europe (3 May 1999, Revision 4). Its basic credo is that the only realistic solution entailed integrating the whole region into the EU once and for all, including post-Milosevic Yugoslavia. (p.3) Of its Nine EU policy innovations, the proposals on Market regime and Money are the most controversial. Michael Emerson, as the chief architect of this innovative proposal, suggests a multilateral, pan-European, zero-tariff free trade; budget compensation for loss of customs revenues for New Associate Members. Concerning monetary measures, he proposes to "exploit new potential for wider euro, both for

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<sup>6</sup> "For Balkan Stability", *International Herald Tribune*, 4 August 1999.

economic value and symbol for inclusion in modern Europe. Euro-based currency board regimes already possible" (p. 3).

The liberal optimism of Emerson is countered by former Finance Minister of Romania, Daniel Daianu. The latter believes that Balkan economies cannot profit from a shock therapy but require treatment commensurate to their stage of development. Daianu emphasizes the need for infrastructure projects of regional importance which would link Southeastern Europe with the EU. "The European Investment Bank has a major role to play in this process".<sup>7</sup> His blueprint of regional assistance includes: 1) humanitarian aid which will be badly needed for the return of refugees, 2) macroeconomic support in order to deal with balance of payments gaps, budget deficits, the impact of labor dislocations, trade disruptions and the loss of markets, 3) infrastructure projects such as building pontoon bridges over the Danube and water supplies facilities in Albania, 4) the strengthening of local banks.<sup>8</sup>

#### Attempts at Regional Cooperation

Regional cooperation frameworks such as the Balkan Pact of 1934, constituted an attempt to preserve the status quo in view of great power revisionism. The statutes of the Pact provided for regular meetings of a Permanent Council consisting of the members' foreign ministers and aspired to a federation in which legislative activities would be integrated. The weakness of this first ambiguous attempt at Balkan cooperation foundered on its involvement in great power disputes. Since the Pact possessed no security arrangement to protect it from external threats, its members left the fold and sought to secure themselves through bilateral treaties with Germany and Italy.<sup>9</sup>

The post-war division of Europe into military camps militated against multilateralism. A Romanian Nuclear-Weapons-Free Zone initiative in the Balkans, appeared in the 1950s but was rejected by the two regional NATO members. When détente began to blossom a new careful multilateralism began to peer its head, in the 1970s and 1980s. These initiatives functioned as forums for regional consultation and cooperation on low rather than high politics. They produced a series of conferences in Balkan capitals throughout the late seventies and eighties.

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<sup>7</sup> Daniel Daianu, "Reconstruction in Southeastern Europe", *The Southeast European Yearbook 1998-99*, Athens, ELIAMEP, 1999. This issue includes papers delivered at the June 20-26, 1999 Halki International Seminars.

<sup>8</sup> *Ibid*

<sup>9</sup> T. Veremis, *Greece's Balkan Entanglement*, Athens, ELIAMEP, 1995, pp 33-34.

The March 1988 conference of Balkan Foreign Ministers in Belgrade could not have occurred in a more timely occasion for a multilateral breakthrough. The Reagan-Gorbachev agreement on nuclear arms limitation improved East-West relations and the February meeting between the Prime Ministers of Greece and Turkey in Davos, held promise for the resolution of an old regional problem. The year 1988 would have become a watershed in Balkan multilateralism if the protagonists of the Belgrade meeting could have foreseen the impending developments in Eastern Europe. Instead low politics prevailed once again with progress made in questions of education, communications, environment, commerce and culture. Although the two subsequent meetings made some progress the implosion of Yugoslavia cancelled all further attempts at multilateralism.

The collapse of communism transformed the orientation of the former Warsaw Pact members. The EU, NATO and the WEU became the coveted goals for membership and regional initiatives appeared as attempts to divert them from their major pursuit and condemn them to a state of regional isolation from the rest of Europe – "Fearing any subregional framework that might be considered a substitute for integration (a 'waiting room') and thereby impede or delay integration with the West, South Eastern European countries have opposed anything more than bilateral and loose multilateral ties".<sup>10</sup>

Post-Cold War attempts at inter Balkan cooperation were initially inhibited by the collapse of Yugoslavia and the conflicts it unleashed. A Bulgarian initiative to regenerate Balkan multilateralism produced a joint declaration on regional stability, security and cooperation. The Sofia declaration of July 1996 re-established the conference of Foreign Affairs Ministers and such meetings were hosted by Greece in 1997 and then Turkey and Bulgaria. Inter-Balkan Cooperation was thus institutionalised in order to promote regional stability through democratization, economic cooperation, trade liberalization, infrastructure projects and cooperation in preventing terrorism as well as drug and arms trafficking.<sup>11</sup>

## Conclusions

Before the recent war in FRY the structural problems of Southeastern Europe required a remedy consisting of long-term measures for democratization and

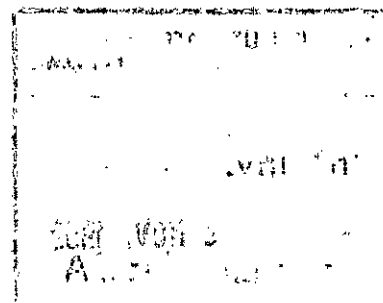
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<sup>10</sup> Ian Bremner, Sophia Clement, Andrew Cottey and Thanos Dokos, "Emerging Subregional Cooperation Processes: South-Eastern Europe, etc." in Andrew Cottey (ed), *Subregional Cooperation in the New Europe*, London: Macmillan, 1999, p.220

<sup>11</sup> Y. Valinakis, *Me orama ke programma* (With a vision and a Programme), Thessaloniki, Paratiritis, 1997, pp.238-241.

institution restructuring and immediate economic incentives to stimulate investment and growth. After the bombings economic reconstruction has become a top priority.

Preventing the Second World former communist states from sliding into a Third World chronic inertia, is now a foremost concern. Whereas in the past regional cooperation was viewed by the natives as a possible diversion from EU membership, it is now becoming increasingly clear that without concerted efforts the prospects of engaging the entire region in the EU constellation will fail to materialise.





# The Friedrich Ebert Foundation in the republics of the former Yugoslavia

## Croatia

Zagreb office with local staff since 1.5.1996

### ■ Political system

Strengthening the weak democratic institutions and opposition parties; establishing structures of civil society; democracy and dialogue with the citizen; parliamentarianism and opposition

### ■ Policy on minorities

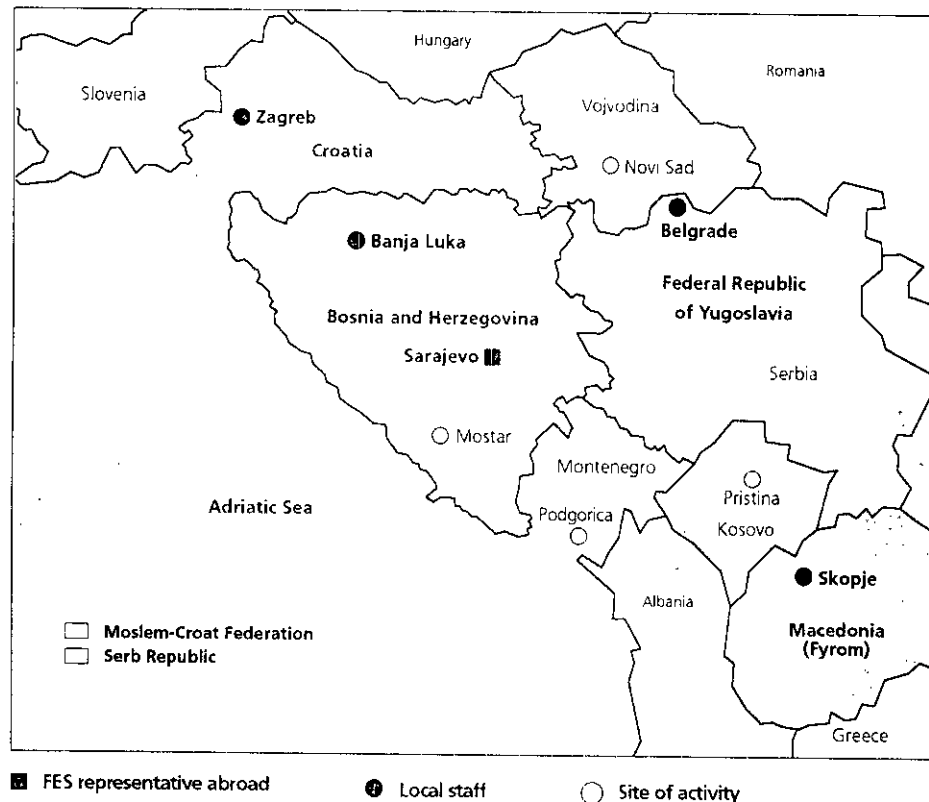
Inter-ethnic dialogue with the Serb minority; return of refugees

### ■ Economic and social transition

Establishment of market structures and social security; reforms and greater proximity to the EU

### ■ Trade unions

Establishment of system of works councils; trade union educational work; training in communication techniques (negotiation tactics, image presentation, etc.)



## Fed. Rep. of Yugoslavia (Serbia and Montenegro)

Belgrade office with local staff since 1.1.1996

### ■ Economic transition

Privatisation models; rebuilding of industry; economic relations with the EU

### ■ Social-policy dialogue

Strengthening of human rights (especially Kosovo); models of peaceful conflict resolution in the areas of ethnic tension (Kosovo, Vojvodina, Zandjak)

### ■ Democratisation

Multi-party democracies and systems of political rules in Europe; electoral systems; local self-administration

### ■ Trade unions

Promotion of NEZAVISNOST, the independent Serb association, and of the unions in Montenegro; role of trade unions in building democracy

## Bosnia and Herzegovina

Sarajevo office since 1.5.1996 (German staff member since 1.3.1998)

Banja Luka office with local staff since 1.1.1998

### ■ Political system

Support for democratic non-ethnic opposition parties; preparation of elections; promotion of local self-administration

### ■ Civil society

Cooperation with NGOs on political education, human rights, inter-ethnic dialogue and independent media

### ■ Economic and social rebuilding

Privatisation and investment; public housing; social security reform; integration of refugees and displaced persons

### ■ Trade unions

Rebuilding and reform of the Bosnian trade union association; role of trade unions in the process of transition

## Macedonia

Skopje office with local staff since 1.1.1996

(covered by the FES Sofia office)

### ■ Economic and social reforms

Development of individual sectors of the economy; establishment of chambers; social security in the market economy

### ■ Democracy and the civil society

Reform of electoral law; minority rights and civil rights; journalism in multicultural societies

### ■ Foreign policy

Possibilities to move closer to the EU; reviving foreign trade; preventive peace diplomacy (example: UNPREDEP)

### ■ Trade unions

Training for the sectoral associations; law on collective bargaining

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# The Friedrich Ebert Foundation in the Balkan countries

## Albania Bulgaria Romania

### Romania

#### ■ Social-policy dialogue

Advice on stabilising democratic institutions.  
Responsibilities of political parties in a parliamentary democracy.  
Law on political parties.  
Management of political parties.  
Mechanisms to deal with the legacy of the past.

#### ■ Establishment of local self-administration

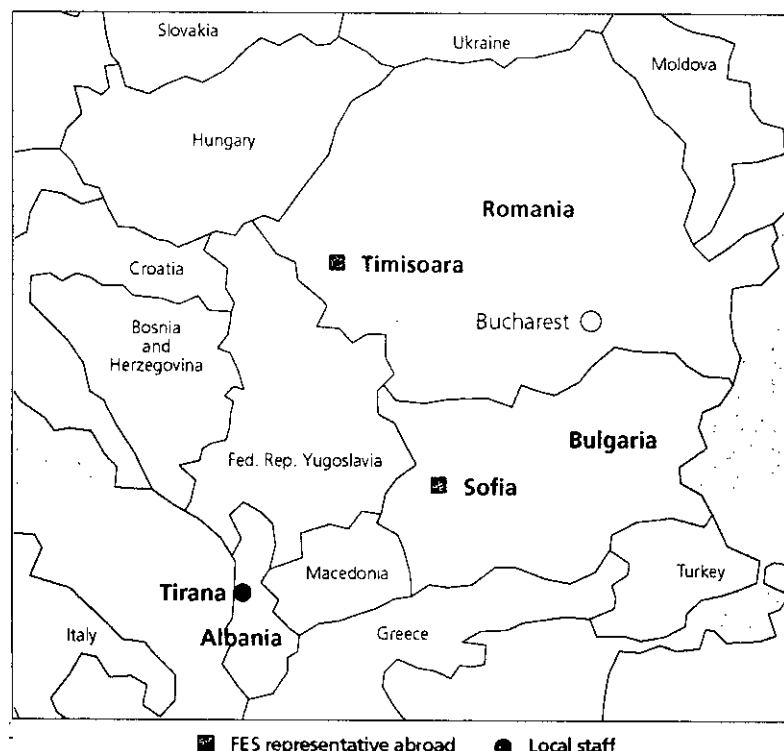
Discussion of draft laws.  
Knowledge needed for local administration.  
Democratic functioning of decentralised self-administration.  
Municipalities and the environment.  
Financial resources at local level.

#### ■ Development of a civil society

Training and ethics for journalists.  
Young people and the role of political education.  
Strengthening women's associations via adult education.

#### ■ Strengthening independent trade unions

Discussion of a works constitution act.  
Trade union educational work.  
Social security.  
Privatisation and workers' interests.



### Albania

#### ■ Political dialogue and social integration

Management of social conflicts and promotion of dialogue.  
Electoral law and municipal self-administration.  
International crime.

#### ■ Transition to civil society

Anchoring the role of NGOs in law (e.g. media).  
The legal status of women in the family.  
Environment and urban structures.

#### ■ A changing economy

Reforms of economic legislation and the welfare state.  
Economic development and human capital.  
The role of trade union interest groups.

### Bulgaria

#### ■ Social transition

Restructuring of the economy.  
The role of chambers and business associations.  
The EU and the Bulgarian economy.  
Reform of social security and labour law.  
Job-creation programmes.  
The social status of women.

#### ■ Strengthening democratic institutions

Parliamentarianism and democracy.  
Training of political leaders.  
Cross-party cooperation and dialogue.  
Establishment of democratic structures as part of local self-administration.

#### ■ The media and the civil society

Reform of media law.  
Training and professionalisation of journalists.  
Consequences of political and economic pressures on independent media.

#### ■ Trade union interest groups

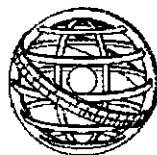
Development of modern concepts for structural reforms.  
Reform of labour law.  
Works council activities.  
Collective bargaining and negotiation tactics.  
Promotion of international contacts.

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*Rome, 29-30 October 1999*

Paper on

***Economic Aspects of Regional  
Cooperation:  
Prospects for Development and  
Reconstruction***

by Loukas Tsoukalis,  
London School of Economics  
and Political Science, London

**DRAFT - NOT FOR QUOTATION**

Presented at a conference organized by the *Istituto Affari Internazionali* on 'Regional Cooperation and Reconstruction in South-East Europe', Rome, 29-30 October 1999. This draft draws heavily on V. Gligorov, M. Kaldor and L. Tsoukalis, *Balkan Reconstruction and European Integration*, London, The Hellenic Observatory (LSE), October 1999. The assistance of Daphne Papahatzopoulos is gratefully acknowledged.

improved trade access to EU markets, financial aid, and the deepening of institutional relations with the EU. An important element of this conditionality is their readiness to engage in cross-border cooperation with each other.

There are already concrete signs indicating that the EU may be now be ready to undertake a central role in the reconstruction of the Balkans. They include the initiative which led to the adoption of the Stability Pact for Southeastern Europe as well as the proposals on the Stabilisation and Association Process for the countries of the Western Balkans. The new Commission should be expected to act as a driving force. Yet, there is still a big gap between general declarations of intent and hard commitments, both in terms of financial resources and institutional perspectives. As the sight of wretched refugees and bombed sites fades away from our television screens, there is indeed a danger that politicians in the prosperous countries of Europe will shift their attention to other domestic priorities, thus leaving the Balkans trapped once again in the vicious circle of economic misery, crippled democracy and insecurity, which has been repeatedly made worse in the past by destabilising foreign interventions.

For the EU to play an effective stabilisation and modernisation role in the region, it will require:

- political will
- financial resources
- innovative ideas.

It will have to offer a clear prospect for the progressive integration of all countries concerned into the European system, even though it will have to make clear that full membership of the EU is not likely to happen before long. The Union needs to enlarge its membership in stages, eventually incorporating all European countries which may wish to join, without sacrificing the goal of ever deepening integration. Generosity and flexibility will need to be combined with conditionality and continuous monitoring. This in turn means that a regional approach is not incompatible with differential treatment of individual countries as a means of rewarding success, as long as it is based on some generally applicable rules. Thus, an EU regional approach to the post-communist Balkans should in no way be interpreted as a means of delaying the accession to the EU of countries such as Bulgaria and Romania, which are in this respect far ahead of any other country in the region, although still quite a long distance from becoming full members.

One important general question concerns the relationship between increasing participation of the Balkan countries in European integration on the one hand and co-operation/integration at the regional level on the other. There is certainly no incompatibility between the two

processes. On the contrary, they should be viewed as closely linked to each other and mutually reinforcing, and the EU should ensure that they remain so.

Regional co-operation/integration is desirable for economic, political and security reasons. But given the history of the region, it may have to proceed at a modest pace, at least initially, and even more so, as long as final political settlements accepted by all parties concerned are pending, especially as regards parts of former Yugoslavia. Past experience seems to suggest that the emphasis, at least in the early stages, should be on low politics, thus offering large scope for the old Monnet method. One thing should, however, be made clear: regional co-operation/integration can never be a substitute for integration in the wider European system. The region is too small in economic terms and peripheral in geopolitical terms, and none of the countries concerned would accept such an alternative. Table 1 shows the relative importance of trade of individual countries of the Balkans with the EU (Germany and Italy being singled out as major trading partners) and Russia. Table 2 contains figures on intra-regional trade. The contrast is very sharp indeed: intra-regional trade will have to start from a very low basis.

*Trade liberalisation* should be a key component of the new EU policy towards the Balkans. Improved access to trade can be more important than economic aid. Some immediate steps should include:

- As a minimum, the EU should offer tariff-free access for industrial exports from all countries in the region. This is in fact very close to what already applies. This measure could therefore be decided very soon (applicable from 1/1/2000?).
- Free access for agricultural exports from the countries of the region will be more difficult to obtain, given the highly protectionist character of the CAP. Liberalisation of agricultural trade is very important, since farming represents a large share of total production in many countries of the region. Liberalisation will, of course, depend on the pace of internal reform of the CAP. As a first step, there should be a generous increase in agricultural export quotas offered to the countries in the Balkans.
- There is now a big asymmetry in trade relations between the EU and individual countries in the Balkans, as expressed by the large deficits incurred by the latter. There is also, arguably, an asymmetry in terms of trade liberalisation between the two sides, working again at the expense of the Balkan countries, because of the restrictions imposed by the CAP in agricultural trade. If anything, this asymmetry needs to be reversed, in order to take into account the different levels of economic development of the two sides. Thus, the timetable for trade liberalisation should allow some breathing space for restructuring on the side of the partners of the EU. Admittedly, transition periods for adjustment are not usually profitably used. Instead, they often provide a convenient excuse for delaying

painful decisions. However, immediate liberalisation of external trade in the Balkan countries would further exacerbate the already huge problem of unemployment, while also leading to the permanent closure of many inefficient firms, some of which could survive with proper and timely restructuring. A clear timetable of tariff liberalisation extending to five (?) years should be adopted.

- Liberalisation of intra-regional trade should be applied more easily, thus leading to the creation of a free trade area in the Balkans, which should become part of the wider European free trade area. This could start from the year 2000. However, given the structure and size of individual countries in the Balkans, the immediate prospects for growth in intra-regional trade should be relatively modest (see Table 2). In the context of intra-regional trade, improved relations among the successor republics of former Yugoslavia should allow for at least some part of the old intra-Yugoslav economic exchange to start again. On the other hand, the growth of intra-regional trade, as well as trade with the rest of Europe, very much depends on the improvement of transport networks.

In the world of mixed economies, and especially in the context of the EU and the preparation for accession, trade liberalisation should be intimately linked with regulatory alignment. A great deal of the effort in preparing the 11 candidate countries for full membership has been spent on the progressive alignment of national rules to the internal market *acquis* on the basis of the White Paper of 1995. Thus, the candidate countries have been required to undertake most of the regulatory adjustment prior to their accession; and sometimes, at a not insignificant cost for them (e.g., environmental rules). The wisdom of this policy is under some doubt.

Although the harmonisation of rules is an essential part of the preparation for EU membership – and this should be clearly the long-term goal for all the countries of the Balkans – too much emphasis on it at an early stage would be counter-productive, given the much lower level of economic and institutional development of the Balkan countries. There is much basic institution building that will need to be done first.

*Euroisation* could have great symbolic significance as a way of linking the Balkans with EMU and the euro. The replacement of national currencies by the euro should, however, be a gradual process extending over a period of ten years and allowing for different speeds to cater for the special characteristics of individual countries. The progressive euroisation of the Balkan economies needs to be accompanied by technical assistance, financial aid and a whole range of internal reforms, especially as regards the financial sector.



*Economic aid* should be an integral part of the overall package to be offered by the EU to all the countries of the region. The launching of the Stability Pact needs to be followed by sizeable financial commitments on behalf of the EU and the other potential donors. The amounts committed until now are almost exclusively directed at physical reconstruction in Kosovo. *The European Agency for Reconstruction* (EAfR) should therefore take responsibility for the Balkan region as a whole, while also adopting a wide definition of the term reconstruction.

The political decision to proceed with a comprehensive plan for reconstruction and regional co-operation in the Balkans will need to involve substantial sums of money over a period of years. The EU will have to operate within the budgetary ceiling of 1.27% of GNP until the year 2006. On the basis of present projections of expenditure, this ceiling does, however, leave considerable margin for manoeuvre. Given the small economic size of the region, even modest sums of money by EU standards would represent very substantial transfers for the recipient countries; and there is, of course, a limit to their absorptive capacity. At current market prices and exchange rates, the combined GDP of Albania, Bulgaria, Romania and the successor republics of Yugoslavia (excepting Slovenia and Croatia) is smaller than the GDP of Greece. In other words, it represents approximately 1% of the GDP of EU-15. Thus, annual transfers of the order of 3-5 billion euros to the whole area of post-communist Balkans should be within the limits of the budgetary ceiling of 1.27% for the period 2000-2006; and wisely used, this sum could make a great deal of difference in the region. On the other hand, there is considerable scope for additional funds to be made available in the form of grants from individual donors and loans through the EIB and international financial institutions.

The efficient use of funds will require strict conditionality and continuous monitoring. This in turn implies flexible management structures and a kind of operation which is human resource intensive on behalf of the donors. Thus, money will not be the only constraint. Lessons will have to be learned from the experience of aid to Bosnia-Herzegovina: the large sums of money spent until now, when they have not gone down the corruption drain, may have produced new bridges and schools. But they have hardly succeeded in creating the conditions for sustainable economic development. The Commission will also need to learn from its own experience in providing structural aid. The experience with aid giving through the PHARE and TACIS programmes for the countries of Central and Eastern Europe and the former Soviet Union leaves something to be desired.

What follows below is an indicative list of priorities for EU economic aid:

Top priority should be given to the improvement of *public infrastructure*, and especially transport and telecommunications networks. Trade liberalisation both within the region and with the EU depends on it. The plans for the pan-European corridors, as an extension of trans-European networks (TENs), are already there. All the countries of the region now need to be involved in the process. The financing should combine official grants, loans as well as other schemes relying more heavily on the private sector. Today in the Balkans, infrastructural investment should be a powerful integrating factor, arguably the equivalent of coal and steel in Western Europe in the 1950s.

Balance of payments aid should be primarily the responsibility of international financial institutions. On the other hand, transfers through the EU budget should be directly linked to progressive euroisation and the *restructuring of the financial sector*, which will be absolutely crucial for economic development. Consideration could also be given to the EU undertaking part of the *social security* burden, especially if this is linked to further restructuring and the laying off of workers. Furthermore, special attention should be given to *private investment and the generation of new employment*, with particular emphasis on new technologies and SMEs. EU grants in this area should be primarily aimed at reducing the high-risk premium of new investment in the Balkans.

A major priority of EU aid should be the whole area of *institution building*. We have now learned from bitter experience that weak institutions and non-transparent rules explain much of the painful and largely unsuccessful transition of post-communist countries in the Balkans. Institution building should involve a great deal of technical assistance from other European countries. Basic groundwork should be followed by progressive harmonisation of rules in anticipation of EU membership.

Given the special characteristics of the Balkans, a good deal of EU aid should bypass central governments aiming at the strengthening of the private economy as well as *civil society and NGOs*. We need to strengthen pro-democracy forces in Balkan societies, which may act as counterbalance to the centralising and authoritarian tendencies of the state, and also forces which may help to build bridges across frontiers.

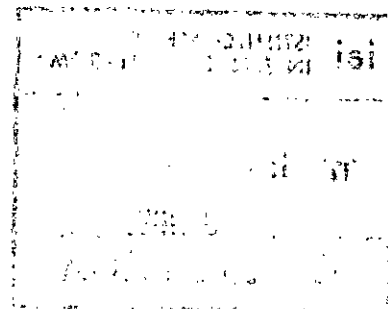
High consideration should be given to projects which extend beyond the frontiers of a single country, thus helping to lay the foundations of *Balkan co-operation* and starting mainly in areas of low politics. Transport, energy, telecommunications, water resources as well as visas, frontier control, drugs and organised crime are some examples of the kind of areas in which there is rich scope for Balkan co-operation, with the EU acting, when necessary, as a catalyst. Cross-regional training efforts and corporate support programmes should also be given

priority. Regional co-operation should go hand-in-hand with closer integration of the Balkan countries in the EU.

*Justice and home affairs* already represent a significant part of EU legislation. The gradual lifting of restrictions on the free movement of people between the EU and the countries of the Balkans will have to be directly linked to an ever closer co-operation between the two sides, which should also include the fight against organised crime and drug trafficking.

This finally brings us to *institutional relations*, which should aim at reconciling the new regional approach of the EU with the traditional hub-and-spoke relation between the Union and individual associate members. The new agreements to be signed with those countries of the Balkans, which do not have as yet the status of associate and/or candidate member, should bring with them the institutional and other benefits of association with the EU, including institutionalised dialogue at different levels and gradual access/participation in different EU policies. The speed of integration of each associate member will, of course, vary depending on the ability to meet clearly defined economic and political criteria. At the same time, the new associate members, together with the old ones, will be invited to participate actively in different manifestations of regional co-operation, in which the EU as such will also play a part. The regional dimension of institutional relations should not be limited purely to low politics. It should also include periodic meetings at the ministerial level as well as annual meetings of the heads of state or government.

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# Economic reconstruction in South East Europe

by

Daniel Daianu<sup>1</sup>

South East Europe is marked, in this decade, by several major military conflicts which involved the constituents parts of the former Yugoslavia. The wars in the region caused enormous pain, suffering, and entailed the deaths of hundreds of thousands of people; there has been also enormous destruction, with the latest war causing immense damage to the civilian infrastructure of Kosovo and Serbia. These conflicts are inextricably linked with the dissolution of the former Yugoslavia (the formation of new sovereign states), against the background of the collapse of communism in Europe and resurgent nationalism, religious and ethnic identity.

In the aftermath of the last major conflict, in Kosovo (Yugoslavia), the state of affairs in the Balkans is not less unclear at all. On the contrary, one could claim that major uncertainties about future dynamics persist; that the political map of the region is "still in motion", the state of economies has worsened, reform policies may stumble, and societies are less stable.

## **Analogies with the end of the second world war can be misleading**

Some pundits are tempted to make an analogy with the end of the second world war in evaluating the prospects of the region. Even proposing a new Marshall Plan sources part of its justification in such an analogy. But, arguably, one should rather be cautious in making such a comparison, in over-stretching the relevance of history. Firstly, at that time there was no process of state-formation (state dissolution) and, thence, no ensuing conflicts; this fact favored, in a few years time, the start of the process of economic integration by the setting up of the Coal and Steel European Communities. Secondly, there was a clear distinction between victor and loser in the war, which did not involve revision of borders.<sup>2</sup> This is not the case in the Balkans nowadays, where borders are still questioned, more or less loudly. Thirdly, the Marshall Plan meant, primarily, an infusion of funds for energizing economic reconstruction in an area which did possess the institutional ingredients of a market economy. Fourthly, there was, at that time, a big common enemy: communism, external and internal (with the latter represented by the strength of the communist parties in Italy and France). Who is the big common enemy of the peoples in the Balkans, at the end of this century? A candidate would be poverty, underdevelopment in a prosperous Europe. But this is an imprecise enemy and

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<sup>2</sup> Certainly, the division of Germany could be mentioned as a counterexample, but it does not change the thrust of the assertion.

not easy to deal with by looking at worldwide experience. The observations made above are not meant to downsize the importance of aid for the Balkans. On the contrary, this author believes that assistance is badly needed, but it should be wisely calibrated and provided. This aid needs to take into account the complexity of intra-regional relations, the still murky political geography of the area, the existence of latent conflicts, etc.

This extremely complex situation links inextricably national economic objectives (including economic security) with other goals, such as peace and security. At the same time, the stability of the region as a whole can be viewed as a collective good, a public good for Europe. From such a perspective Europeans have a stake in helping the people in the Balkans ridding themselves of the demons of the past and the present. The Stability Pact seems to be an embodiment of this *prise de conscience* which needs to be followed by concrete deeds.

Nonetheless, whereas goals can be easy to define in abstract terms (peace and security, social cohesion, economic progress, "market-oriented reforms", etc) they are much harder to formulate and pursue practically –particularly when they imply hardly reconcilable objectives of non-cooperating governments, or have to be pursued under very adverse circumstances. In the Balkans this situation is ubiquitous and explains the heavy presence of outsiders, the existence of protectorates. But foreign presence does not simplify the solution to problems automatically.

### A new policy

Tackling the problems of South East Europe requires a vision which should frame the policies of both domestic (local governments) and external actors. This new vision and policy needs to consider: **A.** the consequences of the years of immense destruction brought about by military conflicts; **B.** the failures of reform efforts; **C.** and the still very complicated nature of relations inside the region –all these in conjunction with a development challenge. In this respect policy-makers need to take into account lessons of development experience such as:

- the importance of economic stability for growth;
- growth trickles down too slowly, so development efforts must address human needs directly;
- development needs a comprehensive approach;
- sustained development must be socially inclusive.<sup>3</sup>

The new policy needs to consider what is realistic to achieve without shunning bold action; it also needs to put the whole endeavor into a longer term timeframe, keeping in mind the intricacies of the situation on the ground. I would say that policy-makers should cast their endeavors under three major headings:

- crisis-management;
- economic reconstruction;

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<sup>3</sup> 1998 World Bank Development Report. See also Shahid Yussuf, "Development challenge: think globally but act locally", International Herald Tribune, 17 September, 1999

- and the change of the regime of functioning of economies (institutional change).

In this respect it can be said that dealing with South East Europe needs to be judged from two inter-related perspectives. One is the exercise in dual (short- and long-term) crisis-management, which aims, *inter alia*, at arresting (reversing where it is possible) bad path-dependencies. The second perspective concerns reconstruction, which would have to be a two-pronged strategic endeavor: physical reconstruction (after the years of military ravages); and development (modernization), that includes institutional change (market-oriented reforms) and the political process.

### **The need for crisis-management**

The termination of the last military conflict does not rid South East Europe (the Balkans) of its deep-seated, latent animosities and other sources of conflict (of future conflicts) Therefore it makes sense to talk about crisis-management in a dual temporary perspective *cum* economic assistance.

Crisis-management has to be seen over the short-term and the longer term. Over the short term it refers to mitigating the losses and the pains related to the recent military conflict, or avoiding new bloody clashes.

However, it can be submitted that *crisis-management* in this region is of a different sort, in the sense of having to be projected long-term as well; it has to be an exercise linked with the nature of conflicts among the local players. It may take years and years, if not decades for injuries to heal. It may require the presence of "outsiders" for a long period of time. Crisis-management over the longer term should be in the service of achieving peace and security in the Balkans.

### **Working assumptions for crisis management**

Several assumptions can be submitted with regard to crisis management:

- unless the region gains a certain amount of stability and mutual tolerance among the local players, it would be hard to embark on region-wide reconstruction;
- mutual tolerance would involve changes in collective psychology; This is why the talk of introducing a single currency and of creating a free trade area in the region (the CEPS study) may sound attractive but may be divorced from reality as an immediate prospect for policy action;
- crisis-management needs to be more prevention- than reaction-oriented; to this end there is need for a better understanding of the roots of collective psychology in the region;
- crisis-management and conflict resolution involves a tremendous effort for confidence-building (injury-healing), which would be well addressed by restoring economic ties among the local players; this means strenuous efforts at developing economic cooperation in the region, among the former components of the old Yugoslavia;
- crisis-management does not exclude starting economic reconstruction;

- crisis-management has to consider the extreme institutional frailty of the countries in the region and their heightened vulnerability to both domestic and external shocks; In this respect much attention needs to be paid to the state of the banking systems.
- Crisis management should consider both common features and diversity in South East Europe

### **Economic reconstruction**

Several assumptions regarding economic reconstruction are submitted below. Thus:

- clear prospects of economic reconstruction (in both physical and institutional sense) would give the people in the region hopes and, particularly, incentives to think less about the past and more about a better future;
- there is need for considerable and creative aid (from outside), in the vein of a Grand Plan, on the basis of close policy coordination among the donors.
- the Plan should include major infrastructure projects, of regional importance, which would hook up South East Europe with the European Union; the positive spillover effects would be enormous. The European Investment Bank and the World Bank have a major role to play in this field.

Public works would help deal with the plight of enormous unemployment in some of the countries; it will provide lots of people jobs in the official economy and help combat crime. In the same vein should be judged the stimulus given to construction industry in the areas which suffered big destruction due to the wars.

- South East Europe needs soft loans, both for major infrastructure projects as well as for helping small and medium sized enterprises (the private sector);
- outside financial assistance should be linked with positive discrimination in favor of local companies –this would help deal with sizeable unemployment;
- because of the way the region is perceived by investors official creditors will play a major role for years to come;
- it is essential that Serbia be part of the process of reconstruction; it is a key country in the region, with a strategic location, and its infrastructure needs to be rebuilt; isolating Serbia would not necessarily enhance democracy in that country, it may even prove counter-productive<sup>4</sup>. The venues for not isolating Serbia would be two:
  - a/ defining humanitarian aid in a broad sense, which should involve restoration of power generation and heating facilities;
  - b/ considering bridges and Danube, the river, as collective goods), which fall under the jurisdiction and the use of several countries.
- Bulgaria and Romania should be covered by such a plan. Both countries can operate as in-built political stabilizers, but are themselves in need of economic support.
- the Plan should consider more forceful measures for dealing with various social and institutional evils which plague the region ( drug-trafficking, arms-smuggling, etc). This would be also part of the long-term exercise in crisis-management (confidence-building).

### **Providing assistance**

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<sup>4</sup> Carl Bild, International Herald Tribune, 29 August 1999. See also Quentin Peel's article "Perilous Policy", Financial Times, 12 August, 1999, p.10



The assistance to the region can be conceived from several angles which are sketched underneath

A/ the nature of aid, which can be seen as:

- immediate humanitarian aid;
- macroeconomic support for the sake of dealing with balance of payments gaps, budget deficits, labor dislocation impact, trade disruption and loss of markets (the kind of effects identified by the IMF/WB study);
- infrastructure projects for the short term such as pontoon bridges to be built over the Danube, and water supplies facilities in Albania;
- advancing market-oriented reforms (privatization and corporate governance, build up of legal and enforcement frameworks, etc)
- the strengthening of local banks;

B/ Time horizon. Over the longer term aid needs to cover infrastructure development, institutional build-up (including governance capabilities).

C/ policy coordination involving region-wide and country specific programs. This policy coordination needs to be effective; to this end it needs to be done by someone, presumably by the EU, which is called upon to devise a strategy for South East Europe. The Agency for Reconstruction (with the siege in Thessaloniki) would have to become instrumental to this end.

- policy coordination has to translate into actions which empower the policy-making and governance capabilities of the national governments;
- economic assistance should not be devoid of conditionality, but it should be part of national economic programs. Policy coordination needs to consider the various tasks which can be fulfilled by the IFIs.

### **Economic regime change (market-oriented reforms)**

It could be argued that when "being with the back against the wall" and, consequently, not having presumably any other choice, the way forward is clearly cut. But, in real life, there are always options and, often, it is not so clear which the best means for advancing market reforms are. The bottom line, however, is that policy-makers, presumably, have a vested interest in making their economies perform better; this would imply imposing harder budget constraints (financial discipline), fiscal rectitude, restructuring of enterprises, strengthening the banking systems, enforcing legality, etc. The biggest hurdles for governments are the adverse conditions represented by the size of unemployment in most of the economies, the negative growth rates, and the way institutions do function –which impinges on the formulation and implementation of economic policy.

There are two tracks for considering the enhancement of market reforms in the region. One regards the national policies of governments which are supposed to carry out reforms. Assistance from outside (from the IFIs and the EU) is also geared towards enhancing reforms. There is another track, which is linked with the institutions of cooperation that can foster reforms. Such can be agreements (new rules) which enhance trade in the region, or contractual arrangements with the EU. The intention of the latter to establish *stabilization and association arrangements* (SAA) with several countries of the region is a step in that direction.

But institutional change can be conceived in the framework of grandiose schemes, which would, arguably, uplift all economies. A grandiose scheme is propounded, for instance, by the Center for Economic Policy Studies (CEPS) of Brussels.<sup>5</sup> This master plan projects a "way out of the woods" for the region within the overall framework of European integration. Actually, this is, probably, the biggest attraction of this master plan, in the sense of stating unequivocally the ultimate objective of admission of the region into the EU. And for that purpose a campaign is propounded which involves more than substantial aid (about 5 billion EURO per year). A main feature and novelty of the Plan is that, though not so explicitly said in plain words, it demands a de facto and de jure institutional rapprochement (coalescence) of the economies of the Balkans; common institutions in the region are seen as instruments for integration into the EU. There is thus talk about generalizing currency boards and introducing a single currency (the EURO) in a few years time, the creation of a free trade area in the region and its linkage with the EU via a similar mechanism, the management of border customs by officials from the EU, etc. One could even say that this plan envisages the creation of a quasi-union of South East Europe. Strikingly, the dynamics suggested by the CEPS plan would have to occur in a region which is still subject to intense fragmentation and major conflicts –whether latent or open. There are merits in the CEPS plan, primarily the projection of integration into the EU as the ultimate goal and the promotion of cooperation in the region. Nonetheless, there seems to be also a heavy dose of overshooting the reality on the ground. This excessive optimism should be judged as against the low propensity of countries to cooperate region-wide; with the considerable lack of complementarity of economies (which have, more or less, similar structures of exports and need to import capital goods from the West), although intra-regionally trade can obviously expand; with the danger of being exposed to soon to competition from EU exporters, etc.

The Stability Pact, itself, implies a vision and a master plan for dealing with the whole region. The three baskets (security, economy, democratization) convey the image of a bold and comprehensive regional approach. But this plan still needs to be fleshed out and the economic component needs to be supplemented by an elaborate agenda of action and actual financial support for the whole region, over an adequate period of time. This plan would have to embrace the operations of the official creditors (donors), with a view of securing effective coordination of assistance and maximum performance.

### **Hindrances for and threats to reconstruction**

Reforms and reconstruction in the South East Europe have to cope with hindrances of domestic nature and developments outside the area.

Among the main domestic barriers I would reiterate:

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<sup>5</sup> See also Daniel Gros, "Euro statt Rubel" (The Euro instead the Ruble), Die Zeit, 22 May, 1999

- weak institutions, weak states, which have a very low capacity to formulate and carry out reforms. This institutional poverty should be judged in relation with the capacity of the state to mobilize resources for development.<sup>6</sup>
- meager resources and very strained budgets;
- aid-addiction;
- the size of informal sectors and the extent of criminalization of economy;
- absorption of resources by non-economic goals;
- low propensity for regional cooperation when the political geography of the area is still to be defined<sup>7</sup>, and when there is genuine fear that neighbors may "export" their networks of organized crime.

External threats to reconstruction need to be judged in conjunction with the current Zeitgeist vis-à-vis South East Europe, that there is need for serious, long-term commitment to help the region get out of its doldrums. Would the current mood persist in view of the proliferation of crises, whether in Europe or elsewhere. Would the span of attention turn into a long-lasting commitment? These are justified questions considering some signs such as:

- the unambiguous indication by Washington that it wishes the EU to foot the bill of the reconstruction of the region;
- the World Bank's message that it wants to keep a low profile by assuming that the EU will be the main actor and coordinator;<sup>8</sup>
- Brussels has not yet formulated a plan for dealing with South East Europe, aside from the ideas emanating out of the Stability Plan which was put forward by the German government. In order to see how unprepared the EU is in this respect it pays to remind that the Agenda 2000 did not have one single paragraph on the Balkans.
- since the EU does not yet have a long term plan it is fair to assume that there is not yet any solid financial commitment to this purpose.
- western European governments have serious budgetary problems of their own;
- the front-runners for joining the EU have expressed concerns that the current focus on the Balkans may slow down their process of admission; they are also worried that more resources for South East Europe would automatically mean less aid for them.

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<sup>6</sup> Weak states can also be seen as states with low legitimacy. It is noteworthy that the latter can be detected in both states with high ethnic homogeneity (Albania) and where there is, supposedly, "multi-ethnicity" (Bosnia-Herzegovina).

<sup>7</sup> At a recent Halki (Greece) symposium (September 1999) Susan Woodward remarked that, in the aftermath of the war, border controls are likely to be strengthened, which would not foster regional cooperation. Likewise, Veton Surroi, a leading journalist in Pristina and a leader of the Albanian Kosovars, forecasts a dynamic of links in the region which would favor "bilateral and trilateral ties" – following the consequences of the latest war.

<sup>8</sup> Spyros Voyadzis stated clearly that the sums assigned by the IMF and WB to the region came from other uses, which means that those were diverted. One can hardly escape the feeling that potential recipients in the rest of the world will put increasing pressure on the IFOs to do the same.

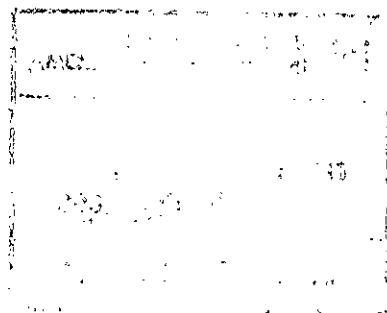
### **Final remarks**

Challenges for economic reconstruction in South East Europe are enormous and stem from the interplay between the effects of physical destruction and fatigue of millions of people involved in inter-ethnic and military conflicts, and failures of efforts to advance market reforms.

The economies of the region are in a very precarious state; there are important differences among them, but, in the end they all face common difficulties linked with growing macroeconomic imbalances, feeble capital inflows and inability to create prerequisites for growth resumption on a sustained basis. Some of these economies have developed a worrying aid-addiction and are heading toward a dead-end. The institutional set ups are very fragile and, in certain cases, public governance is basically non-existent. In addition, the political geography of South East Europe is still unclear and, in spite of heavy external presence, tensions remain high and borders are still questioned. This means that future conflicts cannot be and should not be discounted.

A piece of good news is that the EU seems to have realized that neglect of the region and its economic sinking means Europe "playing with fire". The Stability Pact and the pledges of financial assistance, of support in order to develop institutions that foster economic development and democracy, may provide the critical edge to start distancing the region from abyss.

High hopes should be, nonetheless, kept in check; for actual and sustained progress to take roots there is need of vision, stamina, patience, on the side of both local leaders and external actors. One needs to take into account the collective psychology of the peoples in the region, their suffering, pride, and time needed for healing of injuries. The "road to light" is long and arduous but worthwhile trying.



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Paper on

***Organized Crime and Regional  
Cooperation in South-East Europe***

by Alessandro Politi,  
Advisor to the Italian Defense Minister, Rome

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## **Organized Crime and Regional Cooperation in South-East Europe**

Paper prepared for the Conference on

### **Regional Cooperation and Reconstruction in South-East Europe**

IAI et al.

Rome, 29-30 October 1999

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#### ***1. Introduction***

The paper will analyse what it considers the two major threats among the transnational security challenges, transnational organised crime and drug trafficking, in South East Europe (SEE). Both have to be considered together since the drug production and smuggling chain requires criminal organisations. While organised crime can exist without drug trafficking, the reverse is not true, but drugs can be considered a force and a crime multiplier not only for criminal groups, but also for guerrilla and terrorist groups.

The paper will conclude with a short review of the existing co-operation and some suggestions on how to improve the existing ones.

Transnational organised crime, and especially its association to drug trafficking, is an outright threat for the governments and societies in SEE for the following reasons:

- The lives killed or maimed during criminal confrontations are for some countries additional casualties, beyond those suffered during successive wars. In all countries one can consider that drug addicts may be still relatively small number, but experience shows that

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transit countries become in most cases also consumer countries, with all the attendant consequences.

▪ The economic resources generated by organised crime and drug trafficking are directly and deliberately used for destabilising the society, the political system, the administration and the economy of the country. Even if in a number of countries the political regimes are far from convincingly democratic, the undermining effects of parallel power structures should not be underestimated. The case of the Soviet Union shows that organised criminal structures were never fully integrated in the system and that, even then, they produced marked inefficiencies, injustices and illegal power struggles even within the laws and the logic of the regime.<sup>1</sup> These circumstances could have dangerous effects in the transitions that some regimes in the SEE face at the end of this century.

▪ The transnational networks, created and sustained by this combination, attack the territorial integrity both at the borders and within a given country. Whenever organised crime controls an area, transnational organised crime has free access and law enforcement finds a no-go area or is anyhow ineffective. These areas, called also grey zones, are practically out of state sovereignty. Grey zones are unfortunately present in many SEE countries.

▪ Several countries in SEE risk becoming less than reliable potential partners of NATO and EU because organised crime and drug trafficking undermine them, even if they could sometimes consider themselves only drug transit countries. In this context, the stability of Russia and Ukraine, may be put significantly into question with evident repercussions at political and economic level, in the whole of SEE and, last but not least, in the G8 forum, where important political co-ordination takes place concerning the future of SEE and against these risks.<sup>2</sup>

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<sup>1</sup> See Alessandro Politi, Russian organised crime and European security, in European Commission, Reinhardt Rummel and Sabine Weyand (eds.), *Illicit trade and organised crime - New threats to economic security?*, European Union External Relations (DG-1) - SWP, Luxembourg, 1998, pp. 39-46.

<sup>2</sup> See also VV AA, Transnational Crime: A New Security Threat? In IISS, *Strategic Survey 1994/95*, Oxford Press, London 1995, pp. 25-33.

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## 2. The strategic picture

It may be easily overlooked that SEE is, in various degrees, affected by the dealings of several major transnational organised criminal constellations, concentrated in three countries:

- Russian organised criminal groups;<sup>3</sup>
- Italian groups (Camorra, Cosa Nostra, 'Ndrangheta, and Nuova Sacra Corona Unita- SCU);<sup>4</sup>
- Turkish and Kurdish maffya clans.<sup>5</sup>

These groups find correspondents and allies in relatively smaller, but not less dangerous and virulent organised criminal groups who are particularly active in Albania, Bulgaria, Romania and in all the countries of former Yugoslavia. In this context one should consider Malta, Monaco and Cyprus as centres providing offshore banking facilities and fiscal incentives, a natural magnet for money laundering schemes. This listing of countries is just an indicator and one should not concentrate hastily on them, because one would miss the

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<sup>3</sup>The Russian groups should be some 12.000, 300 among which have an international dimension (including Georgian ones). See F. Rizzi, L'oro, ultima frontiera del crimine, *Il Messaggero*, 24/9/1998. According to other sources in Russia are active more than 6.000 criminal groups and more than 150 criminal societies, while in Ukraine are present some 400 criminal groups. See Paul B. Stares (ed.), *The new security agenda, A global Survey*, JCIE, Tokyo-New York, 1998, Sergei Medvedev, Former Soviet Union, p. 89. See also the subchapter Western Europe (Politi) for the connections with Western Europe. Russian Interior Ministry sources speak about "230 criminal groupings with international contacts; 163 that committed serious crimes in Russia and in CIS as well as the Baltic countries and 67 in states outside the CIS." The analytical services of the Ministry esteem that there exist in Russia 11 major criminal organizations that regroup some 243 organized groups with over 5,000 members; see Interfax 27/9/1999. In June 1999, the power of Ukrainian criminal syndicates is emerging. Interior Minister Ladislav Pittner informed that the so-called Ukrainian syndicate should have over 20,000 members all around the world and that it is active in: banking and insurance, some large engineering works, in a part of the network of foreign hotels and casinos, as well as in some foreign sports clubs; Slovakia 1 Radio, 7/6/1999.

<sup>4</sup>According to recent estimates, the Camorra is made up by 132 'families', Cosa Nostra by some 130-186 *cosche*, the 'Ndrangheta by 150 *'ndrine*, the Nuova SCU by 51 families, see Rizzi, *op. cit.*

<sup>5</sup>The Turkish-Kurdish clans should be 12-10. Rizzi, *op. cit.*

formidable interconnections between SEE and the whole of the Mediterranean Region, Europe and the world.

The geography of criminal groups is bound to modify inevitably current geopolitical maps, because in some cases transnational organised crime is capable to modify the nature of the government. According to the Observatoire Geopolitique des Drogues (OGD), Russia, the FSU republics (Georgia, Moldova, Ukraine, as the nearest to SEE) and Turkey are the countries where the dangers of connivance between state organs and criminal groups are biggest.<sup>6</sup> Prudent policy making should not overlook that the potential exists also in countries affected by the Yugoslav wars of dissolution.

## 2.1 Russia and adjoining areas

The following circumstances have important repercussions on the stability of SEE: the existence of criminal regimes in Crimea and Transdnestria; the rise of criminal terrorism in Russia and Ukraine; drug production and trafficking in Black Sea ports, Ukraine, Moscow; major smuggling operations in Ukraine; massive bank frauds and money laundering in the major Russian cities; substantial economic penetration in the CEEC countries and sizeable investments in the legal economy of West European countries. According to UNDCP's director general, Pino Arlacchi, and to the IMF, organised criminal business generates between 3% and 5% approximately of the Russian GNP.<sup>7</sup>

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<sup>6</sup>See *Mafias y Estados son cómplices, según el Observatorio de la Droga, El Pais* (on AFP source), 16/10/1998. Serious organised criminal infiltrations should also be considered in the mentioned offshore centres. See IASOC, Criminal Organizations, *Organised crime: the international report, Cyprus*, (on Reuters source), [www.acsp.uic.edu/iasoc/crim\\_org/vol10\\_4/art\\_0g.htm](http://www.acsp.uic.edu/iasoc/crim_org/vol10_4/art_0g.htm) (23/9/1998); Peter Scherer, *Russen-Mafia unterstützt Moskauer Spione, Die Welt*, 29/5/1999, [www.diewelt.de/990529/0529de32358.htm](http://www.diewelt.de/990529/0529de32358.htm) (same date). The last article, citing sources of the German BfV (Bundesamt für Verfassungsschutz - Federal bureau for the Protection of the Constitution), underlines that both civil and military Russian intelligence services avail themselves of organised crime rings for financial aid and covert arms deliveries to warring countries in exchange of protection against police forces, forged documents, protection of smuggling routes.

<sup>7</sup>See Paul B. Stares, op. cit., Sergei Medvedev, Former Soviet Union, table 1., pp. 84-85; Phil Reeves, *Russian spies running protection rackets, The Independent*, 18/11/1998; Meurtre à Saint-Petersbourg, *Le Monde*, 24/11/1998; Massimo Calabresi, *The East mafia, Time*, dr. Alessandro Politi

Main illegal businesses of Russian criminal groups are: racketeering, smuggling of Western wares and East European antiquities, drug trafficking (often financed by the counterfeiting of music and software CDs), arms smuggling, money laundering, prostitution and gambling.<sup>8</sup> The Russian organised criminal groups have targeted in Southern Europe countries adjacent to SEE like Italy and Austria.

The recent scandal if the massive alleged money laundering operations in Russia does only reinforce concerns that date back since 1991. Whatever the final results of the investigations will be, it appears on the record that:<sup>9</sup>

- investigations by the FBI have produced documents connected to a company (Benex), that is, according to the investigators, allegedly connected with Mr. Semyon Yukovich Mogilevitch, considered a major Russian organised criminal, owning another US company YBM, allegedly used to launder money via the Bank of New York;<sup>10</sup>
- the amount of money involved is evaluated between \$4,2bn and \$10bn (in the worst case 1/30th of the estimated whole amount of money yearly laundered world-wide);
- testimony to the Congress yielded that since 1993 the CIA was monitoring an elaborate Russian money laundering scheme engineered by a KGB-successor agency through

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30/11/1998; Alain Lallemand, Mafia russe : l'Europe du crime, *Le Point*, 19-26/12/1998; Nicolas Bannister, Terror threat to business, *The Guardian*, 29/12/1998; Eva Maria Kallinger, Nicht die übelsten Banden mästen, *Focus*, 28/9/99.

<sup>8</sup>See James Meikle, Buying pirate CDs finances drug traffic, *The Guardian*, 11/6/1999, [www.newsunlimited.co.uk/uk\\_news/story/0,3606,57325,00.htm](http://www.newsunlimited.co.uk/uk_news/story/0,3606,57325,00.htm) (same date). SEE and adjoining CEEC countries where CD counterfeiting is widely practised are Bulgaria and Ukraine.

<sup>9</sup>See Raymond Bonner with Timothy L. O'Brien, Activity at bank raises suspicion of Russian Mob tie, *New York Times* (further NYT), 19/8/99; Washing the cash, *Financial Times* (thereafter FT), 23/8/99; James Bone and David Lister, Mole wrecked Yeltsin inquiry, *The Times*, 23/9/99;

<sup>10</sup>See Swiss Turn an Unblinded Eye on Russian Funds in Their Banks, *NYT*, 19/9/1999. Swiss authorities started investigating on their money laundering problems since 1996, when they established links between the arrested Russian Sergei Mikhailov, who is reputed to be the boss of the largest and most powerful criminal gang in Russia, and Semyon Y. Mogilevich, a reputed boss also of the Budapest underworld. The Ukrainian-born Mogilevich is now also suspected by the FBI of having moved illicit funds through the Bank of New York, although he denies the allegations.

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a business bank (Menatep), that carried out transactions with the Bank of New York. This laundering scheme had apparently strong connections with the Russian Presidency;

- the Bank of New York, via the accounts of the companies Benex, Torfinex and BECS Intl., according to Italian judicial authorities, has allegedly served as money laundering conduit for alleged organised criminals like the Ukrainian Mr. Boris Rizner, Ukrainian (US naturalised) Mr. Yossif Roizis and the Russian Mr. Vladimir Zabolotsky (both wanted under international arrest warrants). Roizis is connected through Mr. Monya Elson to Mr. Mogilevich, his business partner;
- a number of powerful, but potentially bankrupt banks, was powerful enough to extract the \$1bn in cheap loans from the Primakov government, that were previously denied by the Kiriyenko one and that cost him the post.

## 2.2 Italy

Italy has long been a country synonymous with organised crime. Cosa Nostra has been severely hit, indeed, by the skilful use of “repentants” (or supergrass), combined with aggressive investigation techniques, but, if the importance of the Corleonesi ‘cosca’ has been reduced, other families have reduced their profile in order to continue their business. Especially for what concerns racketeering, the hold of Cosa Nostra appears to be undiminished and money laundering provides further relevant profits.<sup>11</sup> Concerning the judicial and political aspects, the last two acquittals of Sen. Giulio Andreotti in two trials (Perugia and Palermo), have fuelled further controversies on the effectiveness of repentants and on the increased chances Italian mafias have to survive. From a political point of view it appears increasingly difficult to establish beyond controversy a link between past ruling coalitions and Cosa Nostra, which in turn might lead to an underestimation of the current phenomenon.

Much less penetrable continues to appear the Calabrian 'Ndrangheta, whose control on the region is particularly strong and whose influence in the shady world of professional

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<sup>11</sup> The case of the Graviano family of Cosa Nostra, whose accountant Giorgio Puma turned repentant, reveals that this family, beyond money laundering, invested on Italian blue-chip

kidnapping is remarkable. Only a string of arrests by mid-February in connection with the Sgarella kidnapping has opened a chink in the criminal power, which is extending its tentacles in Germany. On the other hand the 'Ndrangheta is being strongly concurred by the Albanian and Kosovar clans in a number of criminal businesses.<sup>12</sup> Finally the Nuova SCU (New SCU) has lost the bosses of the first generation, but has received further impulse by the connections across the Adriatic with Albanian and Kosovar organised criminal groups.

The most visible event is the irruption of Albanian, Kosovar, former Yugoslav, Turkish and Russian organised criminal groups in the Italian criminal market. The stream of illegal immigrants and prostitutes (both would have been called before more correctly slaves) from Albania, CEEC, Kurdish areas, Turkey and their social effects have, also during this year, generated heated political controversy. In the last eight years the criminal geography of a big city like Milan changed from the coexistence of the old Apulian, Calabrian, Neapolitan and Sicilian organised criminal groups to the forced entry of six main gangs, five Kosovar and a Croat one.<sup>13</sup>

### 2.3 Turkey

The problem of the deep infiltration of local organised crime within the government and the economy of Turkey is not a new one (already in the 'Sixties the US government had to pressure energetically Ankara to destroy opium poppy cultivations), but it has acquired a

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companies on the Milan stock market; Philip Willan, Informer puts mafia sister behind bars, *The Guardian*, 23/7/99.

<sup>12</sup> Mrs. Alessandra Sgarella was a Milanese entrepreneur whose captivity, ended last year, passed the 200 days. It is still unclear if the ransom of more than 2 million Euro (\$2,4 million) was paid or not. See AFP, Razzia gegen Mafiosi in Hessen und Bayern, *Süddeutsche Zeitung*, 27/5/1999.

<sup>13</sup> See Dominique Dunglas, Italie, les negriers de l'Adriatique, *Le Point*, 14/12/1998; Alberto Berticelli & Marco Dal Flor, Ancora sangue a Milano, altri due morti, *Il Corriere della Sera* (further Corsera), 10/1/1999; Rose-Marie Borngässer, Albaner haben die Mafia längst verdrängt, *Die Welt*, 11/1/1999; Richard Owen, Immigrants take blame for crime wave in Milan, *The Times*, 12/1/1999; Kerstin Becker, Gangster führen einen Seekrieg in der Adria, *Die Welt*, 12/1/1999; Paul Betts, Murder now the fashion in Italy's fashion capital, *FT*, 12/1/1999; Hans-Jürgen Schlamp, Operation Schwarzer Mann, *Der Spiegel*, 4/1999, 25/1/1999; Eva M. Kallinger, Konkurrenz für die Mafia, 4/1999, *Focus*, 25/1/1999; Peter Münch, Unglücke ohne Zeugen, *Süddeutsche Zeitung*, 15/1/1999.

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newer international dimension with the fall of the government guided by the premier Mesut Yilmaz and with the Öcalan case.

The fall of that political coalition has highlighted the danger that organised crime poses to the stability of important allies. The warning signals go back to the November 1996 when a car accident in the village of Süsürlük revealed to the public that a maffya boss, working for the Turkish intelligence service, a Kurdish politician and high official of the police were travelling together on a car full of arms and drugs. A further investigation ordered by the then new premier, Mesut Yilmaz, concluded that organised criminal groups, trafficking in drugs and connected with certain sectors of the government, were responsible for some 2.000 killings.

Revelations that the sale of a major state-owned Turkish bank and of two dailies were tainted by organised crime infiltration and that both the premier and the minister for Economy were aware of the circumstance and that they nevertheless encouraged the deal, were the direct cause of the government's fall last November 1998.

This discomforting state of affairs was confirmed a month later by the explosive declarations of a successful top anti-drug police official that detailed how the chief of the Istanbul police, his deputy and the chief of the Turkish police had been corrupted. Five months later the Telekulak (Phone-ear) wiretapping scandal revealed that one of the most wanted criminals, Mahmud Yildirim "Yesil", had regular phone contacts with the secretariats of the premier, the president of the republic, the secretary general of the National Security Council, the general command of the Jandarma, the military academy and the police intelligence service. In the follow up of the investigations it appeared also that key figures of the Telekulak group of wiretappers were connected to Yesil, himself heavily involved in the Süsürlük scandal.<sup>14</sup>

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<sup>14</sup> Nicole Pope, La multiplication des scandales politico-mafieux menace le premier ministre turc, *Le Monde*, 12/11/1998; Marc Semo, Le pouvoir turc gangrené par la mafia, *Libération*, 19/11/1998; BC, Ministerpräsident Yilmaz durch Mißtrauensvotum gestürzt, *FAZ*, 26/11/1998; Wolfgang Koydl, Der Mann der Zuviel wußte, *Süddeutsche Zeitung*, 17/12/1998; Alexandrine Bouilhet, L'étrange mal du pays d'un caïd turc, *Le Figaro*,  
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In addition to the traditional arms smuggling and drug trafficking businesses, Turkish-Kurdish groups are very active in human trafficking. Ironically Albanian-Kosovar organised criminal groups have replaced the Turkish ones in the street distribution segment of the drug trafficking market, whereas the Turks have kept the wholesale distribution (representing 47,6% of 1.736 arrested people along the Balkan Route ).<sup>15</sup>

#### 2.4 The strategic connections

To recapitulate the strategic picture drawn until now in terms of major organised criminal constellations, SEE is characterised by three centres of gravity, located in Italy, Russia and Turkey.

All three centres of gravity have remarkable transnational reach: Cosa Nostra since 70 years at least, Turkish-Kurdish groups at least since 30. The Russian-Georgian groups are younger on the international scene, but displayed *Blitzkrieg* quality in their diffusion, thanks to the active co-operation of other local organised criminal groups or gangs. The patterns of drug trafficking will show how complex is the web of opportunistic alliances and collaborations. In the meantime is useful to recall briefly some of the major international connections among major transnational organised criminal organisations.

The Colombian Cartels are using CEEC as transit countries towards Western Europe. All Italian major organised criminal groups have relationships with the Cartels.

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13/9/1999. On the Telekulak affair see the three articles on 8-9-11/6/1999, published by the *Süddeutsche Zeitung* under the bylines of Wolfgang Kodyl and KY; TDN, 18/5/1999.

<sup>15</sup> See Alexandra de Montbrial, L'empire des mafias, *Le Nouvel Observateur*, 11/11/1998; Jason Bennetto, Gangs smuggle 4.000 migrants in a month to UK, *The Independent*, 29/12/1998; MWE, Die Meisten Opfer kommen aus Polen, *FAZ*, 8/1/1999; Peter Scherer, Türken kontrollieren Drogenrollbahn durch Europa, *Die Welt*, 1/3/1999, [www.welt.de/daten/1999/03/01/0301vm61980.htx](http://www.welt.de/daten/1999/03/01/0301vm61980.htx) (26/9/99).

The Chinese Triads, after having elected the Netherlands as their first bridgehead, have expanded towards Italy, but are also specialised in human trafficking of Chinese nationals via Slovenia, Bulgaria and Rumania.<sup>16</sup>

Looking from the side of Italian criminal organisations, we can find that groups from former Yugoslavia are in contact with Cosa Nostra, Camorra and 'Ndrangheta, the latter finding support from allies in Czech Republic, Rumania, Slovakia and Turkey.<sup>17</sup>

The end of the Cold War worked differently on these three centres of gravity. In Russia and Georgia it gave more or less free rein. In Italy it helped to break old connivances and to weaken significantly older dominant groups and families. In Turkey apparently it did not modify pre-existent situations, although the increase in publicity and in pressure from allied countries might help in time to change things.

While these three centres concentrate a significant amount of criminal power, one should avoid to paint a black-and-white picture jumping to the conclusion that the Eastern and Central Mediterranean basins are Mafia-ridden, while the rest is relatively clean. Whenever there is drug trafficking and money laundering one can be assured that organised crime is at work and that its social and political nefarious effects are present, even if not mediatised.

### 3. A closer look at SEE

A more careful consideration of other relatively minor situations can be instructive. A first indicator are states that failed at different degrees within the past decade like former

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<sup>16</sup> One of their specialisations is human trafficking of Chinese nationals towards Germany as main entry point via Moscow, Czech Republic, Slovakia, Hungary, Poland, Slovenia, Bulgaria and Rumania.

<sup>17</sup> See Camera dei Deputati, *Rapporto sulla criminalità organizzata (anno 1996)*, presentato dal Ministro dell'Interno (Napolitano), Atti Parlamentari XIII Legislatura, doc. XXXVIII-bis, n. 2, Stab. Tipografici Carlo Colombo, Roma, 1/9/1997, pp. 375-440.

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Yugoslavia and Albania,. These countries have experienced or continue to experience government that can be corrupted and whose law enforcement is questionable at least.

The whole war in former Yugoslavia cannot be understood if one does not consider the level of deep corruption of most regimes in place, no matter if some of them are supported by Western countries. In many cases their most bloody militias had been recruited directly from the underworld of organised crime, often disguised as football clubs or hooligan groups, as the career of Zeljko Raznjatovic "Arkan" shows. The financial muscle of these militias and of main war operations is often moved to bank accounts in Russia, Switzerland, Cyprus and, more recently, Lebanon, according to CIA and US Treasury officials.<sup>18</sup>

Moreover, the general rehearsal of the projected Euro mass forgery was represented by the widespread forgeries of the Deutschmark, the reference currency in the area, in order to finance the costs of the wars of Yugoslavia's dissolution

The Neretva Valley was and remains a place where cannabis is grown and the whole region is known since a decade to law enforcement agencies as the Balkan Corridor or Route (by 1995 80% of all heroin seized in West Europe had passed through that corridor). Due to the war in former Yugoslavia, the tracing of this corridor has changed, but not its importance. Recent news show that traffickers avoided Albania and Kosovo, in order to pass through Hungary (80% of the heroin traffic is owned by Kosovars, according to Hungarian police sources). Since 1988 Interpol warned about the importance of this route, stretching from South West Asia has been through Turkey (via Istanbul and Ankara) through Bulgaria and Yugoslavia to Italy and Austria. The tracing modified by the wars in Bosnia was: Turkey, Greece, FYROM, Albania (ports of Dürres, Vlōres, Särānde).

According to German BKA (Bundeskriminalamt, Federal Criminal Office) statements the impounding of 8.112 kilos of heroin (+17,3% compared to 1997, street value of Euro12,5

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<sup>18</sup> See, Marlise Simons, Indicted Serb looks to Belgium for refuge, *International Herald Tribune* (further IHT), 14/7/1999 (in addition to war crimes charges, Arkan is also wanted for

million) on the Balkan Route represented a record in 1998. The focal point for wholesale heroin consignments has become Istanbul, where the transport is coordinated to a chain of intermediate depots. From the Turkish city two routes are available: the land (via Bulgaria and Rumania) and the sea one (principally through the Black Sea ports of Istanbul, Samsun Trabzon and Constanta). Main intermediate stations before final destination are the Czech Republic and Slovakia. The more classic route via former Yugoslavia and Austria is still used. The end of the conflict and the hazy situation in Kosovo may have intensified the trafficking on the older routes. <sup>19</sup>

It should be absolutely clear that the presence of the SFOR has mostly blocked open war and has forced some militias to take a relatively lower profile, but its presence has been for many years negligible in severing the criminal liaisons between political elites, armed militias and organised crime. Only recently SFOR units raided four office buildings, seizing explosives, cash, computers and credit card-making equipment in the the Croat-controlled part of Mostar, showing a first strong reversal of the "mission creep" taboo.

One may even fear that a substantial part of the reconstruction is controlled and masterminded by local mafias, protected at political. Recent reports of the Antifraud Unit of the Office of the High Representative in Bosnia signal that \$1 billion might have been stolen by Muslim, Croat and Serbian nationalist leaders, on a total of international funds amounting to \$5,1 billion since 1995. Two of the most sensitive cases involve the BiH Bank in Sarajevo, who went bankrupt after lending tens of millions of dollars to fictitious businesses or to well connected individuals, and the non application of tax laws on oil and gas imported from Croatia. Some UN and EU initiatives have started to tackle very prudently the problem, but

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bank robbery and other crimes in several other countries); James Risen, Covert plan said to take aim at Milosevic's hold on power, *IHT*, 18/6/1999.

<sup>19</sup> See Alison Jamieson, *Background and characteristics of the world illicit drug traffic*, Alison Jamieson (ed.), *Terrorism and Drug Trafficking in the 1990s* (Aldershot: Dartmouth Publishing Co., 1994), pp. 69-109; Vladimiro Odinzov, Droga e prostituzione nel dopoguerra bosniaco, in *La Repubblica*, 29/1/1996, p. 10; Alessandro Politi, *European security: the new transnational risks*, Chaillot Paper nr. 29, WEU-ISS, October 1997, Paris p. 22 (also Internet available); Nicololas Mikletic, *Trafics et crimes dans les Balkans*, PUF, Paris, 1998; Camera

they are severely hampered by the diplomatic constraints placed upon them and by a general lack of co-operation among different entities.<sup>20</sup>

Albania since 1997, when the Italians, leading a European coalition of 'able and willing', intervened to help the local government restoring law and order with the operation Alba, is the classic example of how transnational organised crime is a real security threat.

Firstly, through the bankruptcy of the "financial pyramids" it has generated the fear for the nightmare of a criminal republic just across the Adriatic Sea and of aid packages diverted by criminal rings. Secondly, it has continued to exploit the despair of clandestine emigrants, using many of them in female and juvenile prostitution rings.

Thirdly it has created and maintained in the North and in the South of the country grey zones which were respectively responsible for nourishing the past war in Kosovo and for keeping up a stream of drugs, slaves, war weapons (50% of all Italian confiscations are in Apulia, the region facing Albania) and cigarettes across the Adriatic. The cigarettes are further sent to Milan and then to Spain, Portugal, Germany and UK (a particularly prized illegal market since tobacco taxes are high). Beyond heroin, coming through the Balkan Route, cocaine arrives from Latin America through the airport of Tirana. Yet the drugs, once imported, are starting to be produced locally in villages near Vlōre. Mostly it is cannabis, whose quality and lower prices are beginning to replace Lebanese hashish, but, under the supervision of members of Cosa Nostra and of the Colombian Cartels, experimental coca

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dei Deputati, *op. cit.*, p. 436; La drogue détournée vers la Hongrie, *Liberation*, 25/5/1999, [www.liberation.fr/quotidien/semaine/990525marg.html](http://www.liberation.fr/quotidien/semaine/990525marg.html); Peter Scherer, *op. cit.*

<sup>20</sup> The UN International Police Task Force (IPTF) has the task to assist local police forces in fighting against crime, but it has no enforcing powers, with obvious consequences. The EU sponsored Customs and Fiscal Assistance Office (CAFAO) has succeeded in starting a co-operation between the Republika Srpska and the Croat-Moslem Federation in order to stop smuggling orchestrated by organised crime, exploiting the loopholes between the two Bosnian entities. It remains to be seen how long it will resist to political pressures. See Kevin Done, Former Bosnian foes unite to crack down on customs fraud, *FT*, 15/10/1998; NATO Raids Bosnia Gangs, *NYT*, 16/10/1999 (the raids were carried out on 14/10); Chris Hedges, Leaders in Bosnia are said to steal up to \$1 bn, *NYT*, 17/8/1999.

cultivations have been started on the local, rugged mountains. Moreover, there are several indications that the local groups have started operating morphine refineries.<sup>21</sup>

The same country, together with Montenegro (through the port of Bar), is the starting point for money laundering operations carried out by the NSCU with ramifications towards Russia and Rumania, supported by traditional and well established smuggling activities. Other ramifications involve the Camorra and the 'Ndrangheta. Local officials say that smuggling totals no more than \$40 million/year approximately, but it remains a fact that is an important source of income and helps cover the budget deficit.<sup>22</sup>

The recently terminated air campaign in Kosovo (June 1999) provided further impetus mainly to human trafficking, often associated with drug and arms trafficking, the latter belonging to the logistics loop of the UKC (Kosovo Liberation Army). The Albanian mafia has expanded to France in order to try to infiltrate some 250-500 Kosovars a week in UK, while prices for the passage to Italy vary from \$500 to \$1200 each person for an average of 2.750 arrivals/month. Germany, France and UK have all witnessed the quick rise of Albanian and Kosovar criminal groups. Despite strong denials by the UCK, sources from US, UK and Italian intelligence services, NATO, Europol, BKA, French, Swiss, Swedish and Czech police converge on the evaluation that drug money has financed its activities. Actually the criminal gangs in Kosovo are of three types: Russian, Albania and UCK-linked.<sup>23</sup>

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<sup>21</sup><sup>21</sup> See Christophe Cornevin, Réfugiées et prostituées, *Le Figaro*, 2/3/1999; En Albanie, la mafia fait main basse sur l'aide étrangère, *Liberation*, 19/4/1999, idem/990419lunc.html (same date); Gerold Büchner, Albanische Mafiosi - "gefährlicher als der Krieg", *Süddeutsche Zeitung*, 29/4/1999; Christophe Châtelot, Les "scafistes" d'Albanie contrôlent le "trafic de marchandise humaine", *Le Monde*, 12/6/1999; Dominique Dunglas, Albanie Vlore, le port de tous les trafics, *Le Point*, 19/7/1999; Rose-Marie Borngässer, Schmuggelkrieg in der Adria, *Die Welt*, 7/9/1999 (most high-ranking organisers of cigarette smuggling operate now from Poland, Switzerland and Cyprus).

<sup>22</sup><sup>22</sup> Au Monténégro, les trafiquants se préparent, *Liberation*, 27/4/1999, idem/990427marg.html (same date); Christiane Kohl, Verfolgungsjagd zu Wasser und Land, *Süddeutsche Zeitung*, 1/9/1999; Peter Scherer, Zigarettenmafia unterwandert bereits Teile der Wirtschaft, *Die Welt*, 10/9/1999. Other Adriatic starting ports are Zelenika and Kotor (Cattaro). Steven Erlanger, Montenegrins See Split With Serbia, *NYT*, 18/10/1999.

<sup>23</sup><sup>23</sup> See concerning slave trafficking Adam Sage, British lorries used to smuggle refugees, *The Sunday Times*, 2/4/1999, www.sunday-

Drug production in or around SEE regards until now cannabis among the following geographic areas: Albania very recently and former Yugoslavia, as a minor producing area; while Russia is a major producing one.<sup>24</sup>

Drug trafficking, instead, reveals the following patterns:

- **Heroin**, Afghanistan<sup>25</sup> has replaced the Golden Triangle as major producer, 40% of global heroin seizures were made in Europe (Western and Eastern alike). The drug follows three possible routes: 1. Central Asia, Russia; 2. Central Asia, Caucasus, Turkey, Balkan Corridor; 3. Iran, Turkey (much less used due to harsh Iranian anti-drug policies). It must be underlined that, also concerning SEE, Russia helped significantly to make the global connection between two producing areas that were before much more separated: Golden Crescent and Golden Triangle.<sup>26</sup>
- **Cocaine**, largely produced by Colombia (Bolivia and Peru have a lesser role), Europe (Eastern and Western) is a market with an upwards trend (actually 10% of all world seizures happen here). While major trafficking routes pass obviously across the Atlantic Ocean, another possible route, according to Interpol, would be directly to Russia in order to reach European markets.

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times.co.uk:80/news/pa...tim.99/04/02/tmfgnkos01007.html?2051816 (same date); Stefan Wagstyl, Immigrant smugglers cash in on turmoil, *FT*, 17/4/1999; Julia Ferguson, For smugglers, refugees are preferred clients, *Italy Daily*, 27/4/1999; Richard Heuzé, Les nouveaux damnés de la mer, *Le Figaro*, 17/5/1999; Carol J. Williams, Desperate Kosovo refugees are preyed on by smugglers - and worse, *IHT*, 25/5/1999; Patrick Saint-Paul, Le traficks se multiplient, *Le Figaro*, 26/5/1999, p. 1; Isabelle Lasserre, Le sale travail des "rabatteurs", *Le Figaro*, 26/5/1999, p. 1. On Kossovar and Albanian criminal organisations, Ian Hamel, UCK: l'argent de la drogue, *Le Point*, 19/7/1999; Ariane Barth et. 4 al., Sprache der Morde, *Der Spiegel*, 2/8/1999; N.N, In the bars of Kosovo the KLA is holding the great weapons bazaar, *The Independent*, 16/8/1999; Nick Hopkins, Alabanian mafia targets Britain, *The Guardian*, 7/9/1999; Tom Walker, KLA's mafia links alarm West, *The Times*, 26/7/1999; Laura Rozen, Organised crime gangs rule in Kosovo, *The Independent*, 2/8/1999. 24<sup>24</sup> See UNDCP, Information Sheet nr. 2, [www.undcp.org/undcp/gass/info2.htm](http://www.undcp.org/undcp/gass/info2.htm) (23/9/1998).

25<sup>25</sup> With the contribution of Pakistan and, on a minor level, of the neighbouring Central Asiatic countries, i.e. Turkmenistan, Uzbekistan, Kazakhstan, Kyrgyzstan, Tadjikistan.

26<sup>26</sup> Respectively Afghanistan, Iran, Pakistan, and Burma; Laos and Thailand.

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Summarising, we can say that the organised criminal and drug trafficking geography of SEE is marked by:

- three centres of gravity, concerning major transnational organised criminal organisations, namely Italy, Russia and Turkey;
- 10 regional gravitating support areas, like Albania, Croatia, Bulgaria, FRY, FYROM, Greece, Rumania, Slovenia, Transdnestria, Ukraine;
- two states risking to become failed (FRY and Russia), six having experienced at various degrees such a failure (Albania, Bosnia-Herzegovina, Croatia, FYROM, Montenegro, Slovenia);
- two islands which have relevant grey zones and different degrees of organised crime control/connection (Cyprus and Sicily);
- two major (Morocco and Russia) and three minor drug producers (Albania, Lebanon and former Yugoslavia);
- two major drug trafficking routes Balkan Corridor and Russia;
- two major drug trafficking entry points, such as Russia and Turkey;
- one major people-smuggling sea-route (Montenegro/Albania-Italy) and four land-routes (Sarajevo-Croatia-Slovenia-Italy or Austria; Istanbul-Ukraine-Poland-Germany; Istanbul-Romania-Hungary-Slovakia-Czech Rep.; Istanbul-Greece-FYROM-Italy/Austria);<sup>27</sup>
- one major regional financial offshore centre, namely Cyprus;
- dominant drugs are cannabis, heroin and ATS, with cocaine on the increase.

#### 4. Co-operation

Contrary to the appearances, there is a remarkable net of co-operation between Western and SEE countries. One might mention the following examples:

- ✓ BKA liaison officers in Turkey and ten other CEEC countries, plus training to local polices;

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<sup>27</sup> See Europe's smuggling masses, *The Economist*, 22/2/1999.

- ✓ US and European Customs administrations negotiating the supply to Bulgarian Customs of patrol boats and helicopters
- ✓ the European Commission impending programme (Euro 4.5 million) to assist the countries of Central and Eastern Europe in tackling drug trafficking, money laundering, car theft and other crimes. The Commission will join forces with the Association of European Police Colleges (AEPC) in Budapest;
- ✓ the back channels between Western and local intelligence agencies in order to fight organised crime, pioneered by the CIA-KGB liaisons;
- ✓ the co-operation between Colombian, Italian, Austrian, Dutch, Greek, Macedonian and Slovak polices;
- ✓ the UN arms buy back initiative in Albania;
- ✓ the UN International Police Task Force (IPTF) and the SFOR Italian-led MSU (Multinational Specialised Unit) that, differently from IPTF has criminal intelligence capabilities and enforcing powers, both active in Bosnia;
- ✓ the EU sponsored Customs and Fiscal Assistance Office (CAFAO), equally active in Bosnia;
- ✓ the Italian police assistance missions in Albania and liaison missions in Montenegro, which have achieved some notable success;
- ✓ the UK initiative to set up at UN disposal or to the benefit of requesting foreign governments, a standby police 'flying squad', and the training activity in favour of polices of Slovenia, Bulgaria, Romania, Russia, Ukraine, Slovakia, Hungary and Czech Republic;
- ✓ the French initiative of the SCTIP (Service de Cooperation Technique Internationale de Police) to increase awareness on cybercrime among Central and SE European police agencies.<sup>28</sup>

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<sup>28</sup> Peter Scherer, *op. cit.*; 20 Years of Back Channels Between Intelligence Agencies, *Washington Post*, 21/9/1999; Gerhard Hofer, Drogenfahnder fingen 1,4 tonnen Kokain auf dem Weg nach Wien ab, *Die Presse*, 4/9/1999; EU to help Eastern neighbours crack down on crime, *European Commission News Release IP/99/719*, 4/10/1999; Bulgarian Customs To Use Helicopter, New Patrol Boats On Danube Border, *BTA news agency*, Sofia, in English 10.20 gmt 11/10/1999; Gerhard Henze, Practical disarmament measures, in VVAA, *Stopping the spread of small arms: international initiatives*, BASIC, London, 25/9/1998, p. 52; Stewart Tandler, Flying squad to support foreign police, *The Times*, 16/8/1999; Christophe Doré, L'internationale policière contre la cybercriminalité, *Le Figaro*, 28/9/1999

Nevertheless it appears that there is still a lot to be done. The European Union and its third pillar are the main actors in this respect. The EU summit in Tampere (15-16/10/1999) has highlighted again the importance for an increased co-ordination and joint action of the different European police organisations in order to defend the security of EU citizens. The Italian government presented forcefully the case that the smuggling across the Adriatic should be a matter for a specific EU-wide effort, since the Adriatic Sea is a common border.<sup>29</sup>

But while the dynamics of JHA (Justice and Home Affairs), together with increased political attention to the dangerous interactions between EU and SEE organised criminal groups, will further draw together policemen and judges across Europe, the problem of assisting local governments remains fairly difficult.

One should keep in mind that only progress in political transparency and accountability in each country can provide the best basis for international assistance and co-operation. Despite the strong political commitment to open EU's membership to several CEEC and the slowly emerging to do the same with some SEE countries, the unfortunate precedents of Turkey and Russia could provoke some serious repercussion and delay in the enlarging process, if some serious progress cannot be presented by local governments to foreign government, investors and publics.

In the meantime some reasonable proposal could be:

1. use Europol as a clearing house to co-ordinate bilateral and multilateral police assistance to SEE countries;
2. enforce effectively at JHA level the guidelines that regulate the exchange of sensitive information between Schengen polices and SEE partners;<sup>30</sup>

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<sup>29</sup><sup>29</sup> Crisis caused by Adriatic smugglers, immigrants to hit EU agenda, AFP, 14/10/1999.

<sup>30</sup><sup>30</sup> One should possibly avoid the kind of political pressures that lead the BKA to share informations with the Russian FSB, despite serious and founded misgivings about the risk of connections between sectors of the Russian agency and local organised crime, and that allow US agencies not to respect the European data and privacy protection laws, see Andrej Batrak et 2 al., *Daten für die Mafia?*, Der Spiegel, 12/7/1999.

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3. strengthen the informal intelligence co-operation framework in order to produce joint evaluation on the threats of organised crime and drug trafficking, in addition to what is already done for the risk of international terrorism;
4. set up standing agreements at CFSP and JHA level in order to better protect from criminal infiltrations refugee and humanitarian camps, possibly applying the rules existing for diplomatic embassies;
5. encourage in the EU/WEU/WEAG/EDIG fora the development of non-lethal weapons, including those for naval use.

## Appendix A.

### The problem of definitions

Academics, jurists and police forces continue to disagree on the definition of transnational organised crime<sup>31</sup>. There are, however, four elements defining organised crime on which a large majority of authors agree: the existence of an organised and stable hierarchy; the acquisition of profits through crime; the use of force and intimidation; and recourse to corruption in order to maintain impunity.

This paper will use the definition adopted in 1993 by the European Union's Ad Hoc Group on Organised Crime, then presented to the EU Council: 'Organised crime is present whenever two or more persons are involved in a common criminal project, for a prolonged or unspecified period of time, in order to obtain power and profits and where to the single associate are assigned tasks to carry out within the organisation: (1) through business or connected business activities; (2) using violence or intimidation; (3) influencing politics, media, economy, government or the judiciary, through the control of a determined territory, if necessary, in order to commit the planned crimes that, from a collective or individual point of view, must be considered serious crimes'<sup>32</sup>.

Appended to this definition, which is not a common EU definition but represents an important progress, was a table of eleven characteristics for use during the preparation of EU

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<sup>31</sup> For an overview of a sample the different definitions proposed see: W. Hagan, *Organized crime continuum: a further specification of a new conceptual model*, in *Criminal Justice Review*, 1983, p. 8, in which he lists 13 different conditions for organised crime, defined by 15 different authors, and finds 11 elements that could be included in the concept of organised crime; Didier Bigo, *Pertinence et limites de la notion de crime organisé*, in *Relations internationales et stratégiques*, 20, Hiver 1995, pp. 134-8; Peter Kopp, *Analyse économique des organisations criminelles*, op. cit., pp. 139-43; Marcelle Padovani, *Le modèle Cosa Nostra*, op. cit., pp. 113-15; Gianluca Fiorentini and Sam Peltzman (eds.), *The economics of organized crime* (Cambridge: Cambridge University Press, 1995), pp. 1-30; Pierre Tremblay et Maurice Cusson, *Marchés criminels transnationaux et analyse stratégique*, in Marcel Leclerc (ed.), *La criminalité organisée*, La Documentation Française, 1996, Paris, pp. 19-42; Ernesto U. Savona, *La régulation du marché criminel*, op. cit., pp. 263-264. In general the paper will try to avoid, unless indispensable, the terms mafia or mafiosi.

<sup>32</sup> Ad Hoc Group on Organised Crime, *Report on the situation of organised crime in EU, 1993*. This definition could gradually replace the older definition adopted by the OIPC-Interpol since 1988.

reports on organised crime and in pinpointing more easily this phenomenon at international level. They are: (1) collaboration among more than two people; (2) among whom there is a distribution of tasks; (3) who operate for a long or unspecified time; (4) operate under a certain discipline and control; (5) are suspected of serious crimes; (6) operate at international level; (7) use violence and other means of intimidation; (8) use commercial or pseudo-commercial structures; (9) launder money; (10) exercise their influence on politics, media, public administration or in the economic field; (11) seek profit and power. If a criminal group displays at least six of these characteristics, among which necessarily (1), (5) and (11), it can be considered to be involved in organised crime.<sup>33</sup>

Concerning illegal drug trafficking, for the purposes of the paper it will be called simply drug trafficking. It will not dwell upon the debate on what should be illegal drugs or not or on what should be the best strategy to combat this flea. It will consider illegal those drugs considered as such by the majority of EU governments, knowing that some notable exceptions in legal practice or in actual law enforcement priorities in some countries might create political problems and difficulties of implementation, as the Dutch case shows.<sup>34</sup>

<sup>33</sup><sup>33</sup> For a more thorough discussion on the definitions of transnational security risks see also Alessandro Politi, *Nouveau risques et sécurité européenne*, Cahier de Chaillot nr. 29, IES-UEO, Octobre 1997, Paris, pp. 4- 11. The paper has also an English version.

<sup>34</sup><sup>34</sup> According to Dutch Justice minister Winnie Sordrager, however, 50% of the hashish seized in the Netherlands arrives from France and Belgium, while 80% of the seized heroin from Germany and Balkan countries. See Associated Press, Rotterdam, 22/4/1997. On the other hand Dutch authorities are under strong pressure to curtail the massive ecstasy production that apparently had been *de facto* tolerated for some time, see Marco Evers, Laboranten der Underwelt, in *Der Spiegel*, 24/1999, 14/6/1999, pp. 212-214. According to BKA (Bundeskriminalamt - Federal Criminal Bureau) estimates 90-99% of the impounded ecstasy pills in Germany are of Dutch origin.

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***"Regional Cooperation and Reconstruction in South-East Europe"***

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*Paper on*

***Balkan Regional Cooperation and the  
Return of Refugees***

by Dennis McNamara,  
Special Envoy to the Former Yugoslavia and Albania,  
UNCHCR, Pristina

**DRAFT - NOT FOR QUOTATION**

**Institute of International Affairs  
Conference on Regional Cooperation and Reconstruction  
in South-East Europe**

**Talking Points for Mr. Dennis McNamara, UNHCR Special Envoy /  
DSRSG for Humanitarian Affairs, UNMIK**

**"Balkan Regional Cooperation and the Return of Refugees"**

*Rome, Saturday 30 October, 1999*

**Introduction**

Since early 1991, South-Eastern Europe has been the scene of some of the largest and most brutal forced displacement anywhere in the world. During this period, five million people have been forced to flee for their lives. Only in Kosovo have we witnessed the almost instant reversal of ethnic cleansing, with the swift return of over 800,000 refugees and displaced persons. In stark contrast, return has been painfully slow in other parts of the region. In all, close to 1.5 million people remain displaced away from their homes of origin.

Will open this session focussing on Kosovo, given that it represents the most recent and most dramatic repatriation in the Balkans, and given my brief in Pristina. Will then turn to the broader question of refugee return in the Balkans region.

Complexity of Kosovo Crisis: Kosovo was NATO's first war in Europe, whose main objective was the return of refugees. The Kosovo refugee crisis was one of the most complex emergencies in UNHCR's history. Noone was prepared for such a large-scale and rapid exodus: only days before the international community was banking on peace and preparing for the early implementation of the Rambouillet accords. Managing the crisis in a highly politicised context was extremely difficult. There were serious problems in providing adequate assistance and equally serious problems of protection. Among these were admission to safety; the logistical problems in setting up camps rapidly in Albania and FYROM; and security problems in Montenegro, where the government was ready to provide asylum but the Yugoslav security forces were a real threat.

Dramatic Repatriation to Kosovo: Perhaps the most remarkable aspect of the Kosovo crisis after the Croatian and Bosnian experience, was that this time international revulsion and determination not only halted, but reversed, ethnic cleansing. Forceful intervention enabled more than 800,000 refugees and other victims to return home, almost as swiftly as they had been driven out. The first 2,000 refugees from Macedonia returned 3 days after the arrival of KFOR and humanitarian agencies in Pristina. Within 3 weeks, half a million people returned; at its peak, nearly 50,000 people a day were returning, even before landmines were cleared or supply lines could bring in shelter materials. People voted with their feet, despite the risks.

**Overview of current situation in Kosovo**

Improvements in Kosovo do not mean that all is well: Although the Kosovo refugee crisis is over, the challenges of its aftermath are still daunting. Many visitors to Pristina today comment on how "normal" the city seems, with bustling cafes, markets, streets congested with traffic, and trucks bringing in commercial goods. But these images of normality mask the reality that Kosovo remains very precarious and politically fragile. Pending a political solution, it must start from scratch. Under UNMIK's umbrella, the international community is making unprecedented efforts to restore normalcy, and progress is being achieved. The two immediate humanitarian challenges are the race against winter and the struggle for tolerance.

**Race against winter:** The immediate humanitarian priority is to help nearly a million people who returned to destroyed or damaged homes through the winter. The war in Kosovo was vicious, systematic and very personalised, targeting families and their homes, rather than infrastructure or military installations. Some 50,000 homes are destroyed, with another 50,000 damaged. Large quantities of basic shelter materials, stoves and fuel, as well as food and other relief items, continue to flood into Kosovo to meet these needs.

No reconstruction before winter: Expectations among the local population and the media are often unrealistically high about the speed of the reconstruction process, and the capacity of international agencies to respond. Time and resources will not permit a major house rebuilding programme before winter sets in. The solidarity of host families in taking in relatives, friends and neighbours will once again play a crucial role, with collective accommodation being a last resort option.

Reconnection of basic utilities, especially electricity, will also be crucial to get people through the winter. Recent assessments indicate that urgent repairs to the present system are necessary. Major investment to rebuild the infrastructure for essential utilities is essential to avoid new humanitarian consequences.

**Struggle for tolerance:** The basis for rebuilding Kosovo is the reestablishment of law and order. While KFOR has done an extraordinary job in this area, the security situation in Kosovo remains volatile and precarious. Intimidation and attacks against the remaining Serbs, Roma, and other minority populations occur on a daily basis. The fury of returning refugees, understandable at a personal level – (between one and three alleged mass grave sites were being found every day in Kosovo in June and July) – has tragically created a new refugee exodus (especially in the immediate aftermath of the Yugoslav forces' withdrawal). The number of Serbs and Roma now remaining in Kosovo is less than half of the original population.

Attacks against minorities: Many Serbs and Roma live in constant fear, some physically protected by KFOR on a 24-hour basis, in groups around the province. In mid-July, between four to six Serbs were being killed every day. Some three months later, there has been some reduction in crime rates, but the violence and attacks continue. Houses of minorities continue to be forcibly

occupied or burned, even as we push to bring in temporary shelter and house-building materials to these same areas. Until this violence ceases, it is too early to talk of reconciliation and large-scale return of Serbs and other minorities to Kosovo.

Cycle of violence and revenge must be stemmed, if any longer-term rebuilding and reconstruction process in Kosovo is to be effective. Some Serbs and Roma who have fled Kosovo took part in the atrocities, for which they should be held accountable. But others – even those who were silent witnesses – should not become the new refugees of the Balkans and a new burden on the region and the international community. International action is part of the necessary response to this problem – but also need to engage the responsibility of local leaders to stop the violence. They must be persuaded to understand that the suffering of the Albanian people is no justification for renewed ethnic cleansing, that the key to a stable society is tolerance and non-discrimination, and that failure to speak out and to act will lessen international sympathy and support in future.

### **Regional aspects of Kosovo crisis:**

Displaced and Refugees in FRY: Another priority in the Kosovo context is to ensure adequate protection and assistance to the displaced and refugees in Serbia and Montenegro. Their number, over 700,000, is the largest in Europe. Coming from Croatia, Bosnia and now Kosovo, their plight is dire, in a country crippled by war, economic decline and isolation. In the initial stages of the establishment of the NATO and international presence in Kosovo, the large number of Serbs who left were encouraged to return, despite the absence of adequate conditions for return, and their basic rights in Serbia, such as to education, were not fully recognised. While the authorities now seem resigned to the fact that the vast majority cannot yet go home, and are preparing for their stay through the winter, pressure for their return to Kosovo continues.

Return of minorities to Kosovo: Until the current violence against minorities ceases, and a climate of tolerance and non-discrimination is established, the prospects for return of those Serbs and Roma who have left remains remote. The question of minority return to Bosnia-Herzegovina, to Croatia, and now to Kosovo is one of the key challenges in the Balkans today.

Minority return in the Balkans: Minority return throughout the Balkans involves reversal of the objectives of conflict or campaigns of terror where forced displacement was the central objective. In Kosovo, the hatred and violence is so fresh, that it is not realistic to talk of return and reconciliation of most minority populations at this stage. In Bosnia and Herzegovina, the challenge of minority return is complicated by the fact that those responsible for the war are those who negotiated the peace and remain in positions of power today. This is exacerbated by the inherent contradiction in the constitutional and legal arrangements under the Dayton agreement which in fact consolidate ethnic partition, rather than provide a vehicle for ethnic integration. Similarly in Kosovo, SCR 1244 has a built-in tension and



considerable ambiguity; on the one-hand it requires the UN to administer Kosovo as a part of FRY, while on the other those who are being administered are clamouring for independence (which would effectively stifle the possibility of minority return). In Croatia, the lack of political will and the erection of administrative barriers hamper the return of minorities from Serbia and elsewhere.

Regional Roma return problem: The situation of the displaced Roma in the Balkans is a pressing challenge. While return may promote stability, it should not go ahead of the political/security environment or problems and insecurity may be exacerbated. For the majority of Roma who have been displaced from Kosovo and elsewhere, the conditions for their return do not exist, either nationally or regionally. This is a pressing regional problem which requires regional cooperation in order for it to be resolved.

Link between refugee return and regional stability: Unless population stability can be achieved, there is little chance of overall political stability in the Balkans. Today, some 1.5 million people remain displaced in the Balkans. Unless a concerted effort is made to "stabilise" this large population through a variety of approaches, including return, it will be extremely difficult to achieve sustainable overall political stability in South-Eastern Europe. The Stability Pact provides an international political and economic framework which recognises the links between economic development, respect for human rights, peace and political stability. The region's displaced must become beneficiaries of the international community's efforts to foster a climate of peace and stability. The Stability Pact should provide a context within which feasible and long-term resolution of the problem of uprooted populations in the Balkans can be pursued.

Resolving displacement: For this to happen, all States in the region must first allow minority returns to occur. An enforceable mechanism is needed to overcome one of the major obstacles standing in the way of return: lack of political will. Second, states in the region must make progress to resolve property issues, since issues of ownership or tenancy are often invoked to block return. Finally, the displaced must benefit from non-discriminatory access to education, employment and other pursuits which are essential to building lives and restoring confidence in the future.

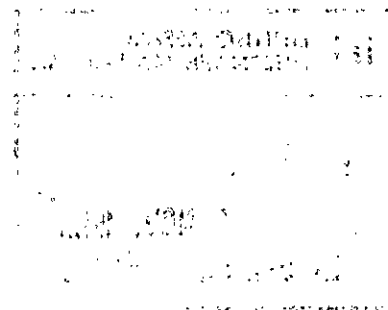
UNHCR is also advocating new approaches to resolve refugee problems in the region. Since the end of 1995, UNHCR's emphasis has been on trying to support minority returns, with only limited success. While the peace agreements have confirmed the right of return, there has been an absence of international commitment to actively enforce this. Four years down the road, many refugees cannot or do not wish to return to their place of origin. While still pressing for minority return, UNHCR has reviewed its overall approach, in order to "break the deadlock". While still pressing for minority returns, other solutions, such as local integration and relocation, are now being pursued in parallel, based on an assessment of the wishes of the people themselves. This strategy will be pursued through the Stability Pact process.

**Concluding thoughts about regional cooperation and the return of refugees:**

The need for sustained political determination and leadership for return to be successful: in the case of Kosovo, political leadership, fed by collective revulsion, made it possible for the first time in the region, to effectively reverse ethnic cleansing. Humanitarian action alone, without adequate security and political support, cannot create the conditions for return, as in Bosnia and Croatia.

The importance of asylum and burden-sharing: Asylum, at least on a temporary basis, has proved to be vital in the Kosovo crisis, as has burden sharing in the form of the humanitarian evacuation programme to keep admission to safety in Macedonia a reality. Temporary protection in the Kosovo context worked better than in Bosnia because it was accompanied by early international action to create the conditions for refugee return.

Nonetheless, return is a long-term process: Return is linked to stability and tolerance. Ending the conflict is only the first step if return is to be sustainable – hence the wider economic, political and security framework provided for under the Stability Pact is crucial if return to the Balkans is going to work. This involves regional cooperation, international support and, perhaps most importantly, positive national action.



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***The Role of the International  
Organizations in South-East Europe***

by Ettore Greco,  
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**DRAFT - NOT FOR QUOTATION**

## THE ROLE OF INTERNATIONAL ORGANIZATIONS IN SOUTHEASTERN EUROPE

by Ettore Greco

### EU/WEU

*EU* - It is generally recognized that the common foreign and security policy (CFSP) of the EU suffers from a serious "credibility gap" since the Union has often been unable to substantiate its ambitions and declarations of intent in this field with effective policies. There is also a widespread awareness that on no other occasion has this fundamental deficiency been more evident than in the EU involvement in international crisis management in the former Yugoslavia.

It is worth noting, in particular, that the introduction of the new CFSP procedures following the ratification of the Maastricht Treaty did not result in more consistent or robust EU action in the Yugoslav context, although the latter was chosen in October 1993 as one of the areas for joint actions. On the contrary, the most active phase of the involvement of the EU in the management of the conflict took place in 1991-1993 before the introduction of the new CFSP procedures established by the Maastricht Treaty. Once the EU lost the initiative, it was unable to regain it for the reasons outlined above. The mechanisms activated by the EU in the 1991-1993 phase--such as the Peace Conference, the Badinter Commission and the European Community Monitoring Mission (ECMM)--were mostly *ad hoc* and as such quite far from the institutional ambitions of the Maastricht Treaty. They were the immediate response to a conflict for the management of which the EU clearly lacked the necessary experience and institutional basis.

On the other hand, the Yugoslav case highlighted the inadequacy of some mechanisms that the EU has continued to use for the conduct of its foreign policy. In particular, the Troika system, given its rotating and merely inter-governmental nature, did not allow the EU to speak with a single authoritative voice. Nor was it able to ensure the consistency and continuity required for EU action to be effective. More generally, the EU's bureaucratic mechanisms for the coordination of foreign policy initiatives proved largely insufficient.

It must, however, be noted that the EU countries made a constant effort to reach common positions and avoid unilateral moves even in the presence of significant divergencies of views. Even in the case of the recognition of the secessionist republics, it was above all the member countries' desire to avert a major crisis within the organization that eventually led to the adoption of a common decision. Although this attitude toward compromise very often has resulted in little more than a lowest-common-denominator strategy in the former Yugoslavia as well as in other areas, it still demonstrates that resorting to EU/WEU

direction and conduct of joint actions, especially in the military field, to one or more member countries, while ensuring, at the same time, collective political solidarity. In order to avoid the systematic resort to ad hoc coalitions of the willing, which is hardly compatible with collective management of European security, mechanisms should be established to ensure the prompt use of available resources and, at the same time, a common political responsibility of the Union.

The experience of crisis management in Southeastern Europe has also underlined the key importance of effective co-ordination between the civilian and military component of the peace missions. As an organization with both political and economic capacities, the EU has the potential to make an important contribution in this field. This would be facilitated by a greater involvement of the European Commission in the development of the CFSP as well as by the establishment of closer institutional links between the EU and the WEU.

The crucial test case for the EU's role in Southeastern Europe will certainly continue to be its contribution to the international action in Bosnia and Herzegovina and Kosovo. The IFOR/SFOR arrangement has proved an effective model for cooperation between the US and the European allies for the implementation of the military aspects of the Dayton agreement. Its flexibility has also facilitated the accommodation of different US and European interests. There seems to be no similarly effective mechanism in place in Kosovo. In general, the US is expected to gradually reduce its ground troops deployed in the hot spots of South-East Europe, which will result in a progressive Europeanization of the peace operations. In the longer run, therefore, the Europeans will probably be confronted with the challenge of taking the lead in the military arena in South-East Europe. This could require the establishment of a new European-led CJTF mission under the aegis of NATO or the WEU.

Structural elements will continue to prevent a rapid integration of Southeastern Europe into the EU institutional framework in the foreseeable future. It is against this background that the EU's general policy aimed at fostering regional cooperation in Southeastern Europe appear particularly important as a way for facilitating the integration process as well as for promoting the stabilization of the area. The initiatives so far undertaken by the EU in this field have achieved very limited results. These initiatives have, however, introduced some innovative elements whose importance should not be underestimated. First, the effort to create geographically more circumscribed spheres of cooperation can be particularly useful for dealing with the border and minority problems of Southeastern Europe. Second, the effort to combine the pre-accession strategy of the EU with the norm-setting and monitoring activity of the OSCE is also worth pursuing. The cooperation between the two institutions can contribute to ensuring a truly comprehensive approach to the security issues of Southeastern Europe. The EU enlargement process and the OSCE's action in support of fundamental norms in the human rights and security dimensions should increasingly become mutually reinforcing processes. Third, the use of EU resources for the support of security-related agreements can be an effective policy, provided that additional funds are actually made available.

*WEU* - In the last few years, the activation of the WEU for the conduct of major operations in Southeastern Europe and elsewhere has been considered several times. Political differences among the member states have prevented the realization of these options. But the still uncertain relationship between the WEU and other Euro-Atlantic institutions and the persistent structural weaknesses of the WEU itself have also represented important obstacles to the WEU assuming greater responsibility for peace support operations. The incorporation of the so-called Petersberg tasks in the Amsterdam Treaty was certainly a major step forward. This should, however, be coupled with a more precise identification of the primary tasks to be assigned to the WEU - which is doomed to become an integral part of the EU - in the field of peace-keeping and, more generally, crisis management.

The WEU - even after its absorption in the EU - is unlikely to acquire soon the capabilities in the field of intelligence, logistics, transportation of troops etc. that are necessary to undertake large-scale interventions in non-permissive environments. The WEU seems instead much more suited to operations of a smaller scale in situations where there is a solid consent of the conflicting parties or the hosting state. A good example is provided by Operation Alba in Albania in 1997, which was carried out by an ad hoc coalition of states, but could well have been directed by the WEU, as requested by some member states. This is not to say that the WEU should have the exclusive competence for such operations. In some cases, even for operations of smaller scale, the presence of US troops and the activation of NATO can be preferable, especially if the deployment of the troops is designed to have a deterrent effect. When there are significant risks of escalation or of a spillover of the conflict to critical neighboring areas, US involvement is advisable. A certain division of labor between the WEU and NATO could be realized by assigning the WEU primary responsibility for more limited conflicts and NATO primary responsibility for those which have the greatest potential for escalation and spillover.

Given its institutional link with the EU, the WEU appears the most suitable instrument for the conduct of military or police interventions in the context of a wider international action entailing a robust civilian component. The WEU involvement seems quite natural, in particular, in situations where the EU coordinates the international activities in the civilian field. In general, a more efficient institutional link between the EU and the WEU would allow a greater consistency of the Union's crisis management action.

The WEU has gained considerable experience, especially in the conduct of civilian police missions. This may represent a major field of specialization for the WEU. It is essential, however, that improvements be made in such crucial aspects as the recruitment of personnel, the integration between the various national contingents and the coordination with other civilian and military missions on the ground.

consultation and cooperation structures is key to avoiding a return to the old logic of balance of powers in such unstable regions as Southeastern Europe.

The experience of the EU's involvement in Southeastern Europe demonstrates that for the Union to become an effective crisis management actor in the region, it is essential that it acquire instruments capable of ensuring regular and timely monitoring of the crisis situations as well as effective mechanisms for policy planning and the collective elaboration of the possible strategies of intervention. This appears to be a key pre-requisite for enabling the Union to develop pro-active policies and to avoid limiting itself, as has often happened, to reacting to events.

The various perceptions and interests of the member states with regard to the security problems in the Balkans should be a matter of constant collective consultation in view of the definition of common approaches. By the same token, the elaboration of the strategies for the joint actions require more continuous work and a larger amount of human and material resources. Once it is activated, the Early Warning and Policy Planning Unit (EWPPU) established by the Amsterdam Treaty could contribute significantly to the achievement of those objectives. To this end, however, the EWPPU should be allowed to involve independent advisers and to have access to confidential information. It is also important that its activity be integrated with that of the European Commission and the operational bodies of the WEU.

The High Representative for the CFSP, also created by the Amsterdam Treaty, could also help ensure a greater consistency of EU actions in Southeastern Europe. The fact that the EU, when faced with major crises erupting in the area was often unable to speak with a single voice has greatly undermined its credibility as a crisis manager. This fundamental deficiency has also complicated cooperation with the US and with other international actors. Furthermore, one cannot rule out that a deepening of the contradictions between the Western countries and Russia will result, sooner or later, in the paralysis or even the dissolution of the Contact Group as the central decision-making body for crisis management in the former Yugoslav area. In that case, the ability of the EU to play an even stronger and more effective diplomatic role would become even more essential.

As the Albanian case in particular demonstrates, the diversity of the national interests involved in the various crisis situations tends to prevent the EU from undertaking joint actions. What was missing was the EU's ability to arrive at a joint assessment of the situation and define common strategic objectives. In the light of national interests that were not convergent, but not diametrically opposed either, the EU countries were not able to put into action mechanisms which would have permitted the delegation of responsibility to a limited group of member states but within the institutional framework of the Union. It was not an exaggeration, when some European leaders defined the Albanian crisis as a "missed opportunity" for the EU/WEU. This suggests the need for the Union to quickly develop greater flexibility in the conduct of the CFSP. In this respect, the Amsterdam Treaty contains relevant innovations such as "constructive abstention" for CFSP decisions. The EU should be able to delegate the responsibility for the



## OSCE

The OSCE's involvement in crisis management in the Balkan region, which has been constantly growing since 1991, provides some important lessons concerning its competitive advantages but also some basic shortcomings in the organization's instruments of intervention.

Since the outbreak of the Yugoslav wars in 1991 the OSCE has played a relatively prominent role in practically all areas of Southeastern Europe where conflict prevention or crisis management efforts have been undertaken. Each of the OSCE's major instruments and bodies created at the beginning of 1990s--in particular at the 1992 Helsinki II Summit--has been repeatedly used in the region, albeit with mixed and sometimes controversial results.

The OSCE has established several missions of long duration or sent ad-hoc missions to critical countries with varying mandates, ranging from early warning to the use of its good offices and mediation, to the monitoring and promotion of the respect for human rights. Security-related ethnic issues in the Balkans have been also extensively addressed by the OSCE especially through the action of the High Commissioner on National Minorities (HCNM), whose role within the organization has gained increasing importance. Finally, the OSCE has been the central actor involved in the international supervision of the elections which took place in Southeast European countries in the last few years.

In performing these tasks, the OSCE has had to interact, often very closely, with a variety of other international actors. Although its involvement has been a crucial part of the international response to the crisis situations which have erupted in the region, in no case has it been assigned the actual leading institutional role in decision-making or in the direction of the international efforts. This is hardly surprising since by the mid-1990s even the most ardent advocates of the idea of transforming the OSCE into the central pillar of the institutional system of European security had dismissed such an idea as impractical.

It is also worth noting, that, contrary to the expectations of some experts, in Southeastern Europe, as in other areas, the OSCE has played mostly, if not exclusively, an operational rather than a legitimizing role. A typical example is the Multinational Protection Force (MPF) in Albania whose establishment was formally requested by the Tirana government. The MPF was endorsed by the OSCE Permanent Council but actually received its ultimate legitimization from the UN Security Council. The same applies to the OSCE Kosovo Verification Mission (KVM)

In the last few years the OSCE has undergone a promising evolution, with some of its bodies acquiring an increasing capacity for greater action. This is, in particular, the case for the OSCE Chairman-in-Office (CiO) whose authority and capacity for initiative have grown considerably in the last few years. The OSCE missions themselves have been able to act with a remarkable degree of autonomy, at least for an organization such as the OSCE, which is strongly consensus-based. Both the CiO and the heads of

missions are permitted to take important decisions and have sometimes had considerable influence on decisions taken by the Permanent Council, the highest decision-making body of the organization. For instance, such a crucial decision as the certification of the conditions for holding the first post-conflict general elections in Bosnia and Herzegovina was left to the CiO upon the advice of the head of the local mission. The long-term missions are today usually given a longer mandate than previously--one year instead of six months--which has further enlarged their room for action.

These improvements notwithstanding, the consensus rule remains a major obstacle to the development of a greater security role for the OSCE. After all, any one of the 54 member states may prevent the dispatch of a long-term mission by using its veto power. For the same reason, on some crucial occasions the OSCE has not been able to develop an effective declaratory policy. At the 1994 Budapest Summit, for example, the member states failed to agree on a firm position on the conflict in Bosnia and Herzegovina, which was a serious blow to the OSCE's prestige.

Generally speaking, the OSCE is likely to focus mainly on operational tasks because its role as a legitimizing institution has proved difficult to develop. As a matter of fact, the international actors that undertake major crisis management initiatives tend to seek endorsement above all from the UN Security Council. In any case, the OSCE could hardly provide an alternative source of legitimization if the Security Council should again become paralyzed by the veto power. First, the OSCE cannot legitimize enforcement action. Second, a veto by a permanent member of the Security Council would block the action by the OSCE as well as the UN.

The primary competence of the OSCE in certain operational areas--especially supervision of the electoral processes--is now widely recognized. In others, however, such as early warning and the monitoring of human rights, its action continues to be complementary and partly overlaps with that of other international organizations, sometimes causing undue duplication or inter-institutional rivalries. A case in point is the somewhat unclear division of responsibilities between the OSCE Spillover Mission and UNPREDEP in Macedonia. The idea, which gained some currency in the early 1990s, to assign the OSCE the primary responsibility for crisis management interventions in Europe not entailing enforcement action has proved unworkable, but there remains the need to better define the respective roles of the various organizations that undertake such types of interventions, clarifying in particular the division of labour between the OSCE and the UN. In any case, at the operational level the OSCE is likely to continue to concentrate mostly on fact-finding, monitoring activities, early warning and preventive diplomacy where it has proved most successful. It has become increasingly evident that the OSCE has significant difficulties in developing its own peace-keeping role. This was demonstrated, for example, by the fact that the possibility of sending an OSCE-led military mission to Albania during the 1997 crisis was never seriously considered, largely due to the structural deficiencies of the organization. Indeed, the overambitious program unveiled

at the Helsinki II Summit, which mandated the organization to deal with all aspects of crisis management, except for enforcement, has remained largely on paper.

In its involvement in Southeastern Europe, however, the OSCE has shown a remarkable flexibility, by taking over a wide range of tasks related to security and human rights issues. Its missions, especially the long term ones, have been assigned increasingly large mandates. In many critical areas they are today a crucial component of the international action. The OSCE's involvement was often essential to ensure the necessary comprehensiveness of the international action. Moreover, even in places, like Macedonia, where the OSCE missions have a rather marginal role, they at least contribute to providing timely information on the evolution of the security and human rights situation and to keeping international attention focused on it.

Practice also shows that OSCE missions can be dispatched and have some positive impact even in situations of armed conflict, as illustrated by the first OSCE mission to Sarajevo and, to use an example from another region, by the OSCE mission to Chechnya. More recently, the OSCE was assigned a demanding verification role in Kosovo at the time when a stable cease-fire was absent and when there was a serious risk of a resumption of the hostilities on a large scale.

Monitoring activities such as those assigned to the OSCE's Verification Mission in Kosovo requires that the organization become involved extensively in the military dimension of a crisis and may also imply that it should act in close coordination with military organizations such as NATO. The OSCE does not appear to be particularly well equipped to do this relatively new job, although, at this point, it is still too early to draw any definitive conclusions from the Kosovo experience.

As noted above, some long-term missions have found it hard to accomplish the many tasks assigned to them in an equally effective way. As demonstrated by the case of the OSCE mission in Bosnia and Herzegovina mentioned above, these missions are sometimes required to achieve objectives which are not easily reconcilable. In other cases, when they are also entrusted with various functions, it is their small size that, above all, prevents them from achieving substantial results. Another evident weakness of the OSCE missions lies in the fact that they are composed of seconded officials whose professional skills do not match the tasks they are supposed to carry out on the ground.

The OSCE has also proved a valuable conflict prevention instrument through the initiatives undertaken by the High Commissioner on National Minorities (HCNM) in situations where ethnic disputes might give rise to violent conflicts. In some countries, the HCNM has been able to promote a substantial improvement in legislation concerning the rights of ethnic minorities and to regularly follow its implementation. On the basis of a wide interpretation of the mandate conferred to it at the Helsinki II summit, the HCNM has also been involved in mediation activities. More consistently than other actors, it has tried to have a moderating influence on minorities by encouraging them to focus on requests such as acquisition of citizenship, access to state Administration or parliamentary representation. These claims, unlike more radical ones, such as territorial autonomy, can hardly be seen as a first step toward secession

and are compatible with a long-term strategy aimed at integrating minority groups while granting them basic individual and collective rights. Furthermore, given their particularly confidential and impartial character, the HCNM's preventive diplomacy initiatives are most likely to be accepted by the concerned parties even in the very early stages of the development of a conflict. For the same reason, the HCNM is generally able to interact more easily than other international bodies with NGOs and opposition groups. Finally, unlike the establishment of the OSCE missions, the interventions of the HCNM do not require a formal decision by the OSCE Permanent Council nor the consent of the host country. This has also enabled the HCNM to intervene in countries where an OSCE mission is not present as well as to deal with some crisis situations in a particularly timely fashion. The fact remains, however, that the HCNM can only marginally deal with security issues. It may intervene only in situations involving minorities and that have not yet escalated to the point of an armed conflict.

Practice also shows that the OSCE provides a valuable instrument for allowing or facilitating the involvement of key international actors in crisis management efforts undertaken in Southeastern Europe. In the case of the 1997 Albania crisis, for example, it was the U.S. in particular that insisted that the OSCE should play a prominent role, since it was seen by Washington--which had refused to participate in the military mission--as an instrument for maintaining some influence over developments on the ground. In a similar way, the Russian participation in the OSCE structure ensures Moscow's involvement in the implementation of the civilian aspects of the Dayton agreement. On the other hand, the interest of the US in promoting the role of the OSCE has also been evident in situations--such as Bosnia and Herzegovina and Kosovo--where the US is also widely involved in the military field. In this respect, it is worth noting that the heads of the OSCE missions in Albania, Bosnia and Herzegovina and Kosovo are all high-level US officials.

Finally, in the future the OSCE could play an important role as a facilitator of the democratization of the Federal Republic of Yugoslavia (FRY), which could become possible in the wake of another crisis or following the collapse of the Milosevic regime. This would be an important task for the OSCE, which, as a result especially of its action during the internal crisis in the FRY in 1996, has gained considerable prestige in the FRY. Indeed, recent developments in the Balkans have further demonstrated that the stabilization of the region will be extremely difficult without a democratization of the Yugoslav state.

### **The United Nations**

The UN central role in the international efforts undertaken in the first half of 1990s to manage the Yugoslav wars can be seen as a result of the EU failure. Yet, it was also prompted, to a substantial degree, by the comparative advantage enjoyed by the UN as an organization that was - and still continues to be -

widely perceived as ensuring a relatively greater level of impartiality. However, the UN inability to put the Bosnian war to an end, coupled with similar negative experiences outside the European context, dashed the hope that the UN can offer effective operational instruments for conflict resolution when a coercive action is required. This reflected in the activation of NATO in Bosnia-Herzegovina, which progressively reduced the UN military role in the area – but also its ability to exercise a real political control on the military action authorized by the Security Council.

The case of the international action in Albania in 1997 came to confirm the marginalization of the UN in the management of Balkan affairs. The possibility of a UN-directed intervention never came under serious consideration and the UN Secretary-General bluntly characterized it as unrealistic due to the UN inability to mount a military response in a timely fashion. The gradual disengagement of the UN from the Balkan area seemed to receive a further confirmation following the termination of the UNPREDEP mission in Macedonia which took place in parallel to a growing role of NATO in the country and, more generally, in the southern Balkans. Moreover, as a matter of fact, the UN was almost absent from the peace-making action undertaken to solve the Kosovo conflict before the NATO air campaign. The decision of the Western allies to engage in a forceful military action without authorization from the Security Council has set a highly controversial precedent that has made even more problematic the UN role in a region where other bloody ethnic conflicts may occur in the future.

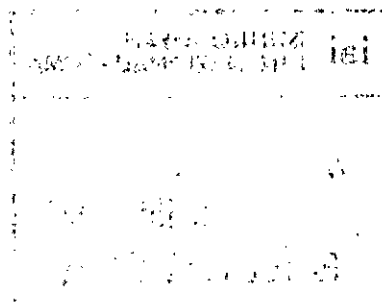
The outcome of the Kosovo conflict has, however, resulted in a renewed involvement of the UN. The UN Security Council's backing was indeed a key component of the process that led to the cessation of hostilities. Practically all major international actors actively sought a wayout that made it possible to restore a pattern of cooperation within the Security Council. As noted above there seems to be substantial obstacles to establish a source of legitimation of international intervention other than the UN Security Council that can receive a wide support among the governments and public opinions even of the Western countries. For a variety of reasons, undermining the UN role in the Balkans through unilateralism can have substantial adverse effects on the peace-making efforts in the region. The thorny dilemma between recourse to unilateral action and the passivity that may result from the inability of the UN Security Council to take decisions is most likely to continue to trouble the Western decision-makers.

The UN was also assigned the overall guidance and coordination of the civilian international missions in Kosovo, while the same task is performed in Bosnia-Herzegovina by a High Representative who only acts under a UN mandate. No doubt, the UN overarching role in Kosovo is quite loose and so are the coordination mechanisms among the various civilian missions. Once more, the relative importance of the UN role is coupled with a lack of a clear blueprint for the resolution of fundamental institutional questions - which, in turn, are closely connected with the still unsolved problem of the final status of the region - as happened in the first phases of the international intervention in Bosnia-Herzegovina (before the signing of the Dayton agreement). A pattern seems to be emerging by which the resort to the UN takes

place especially in crisis situations where there is the need to concentrate on the impelling needs of the local population while an agreement on how to address the root causes of the conflict is still lacking. In the case of Kosovo, however, the main political rationale of assigning the UN an overarching role was clearly to provide the Belgrade governments and the Serbs with some more reassurance about the impartiality of the international missions. Generally speaking, however, the UN is ill-equipped to ensure an effective integration between the various civilian aspects of an international intervention in a post-conflict situation. Apart from the political considerations just mentioned, the EU appears more suitable for that role given its economic power.

A much more evident trend is the decreasing role of the UN in the mediation activity in the Balkans. Even in the most acute phase of the recent Kosovo conflict the peace-making activity remains in other hands, i.e. the countries of the Contact Group and of the G-8 and the EU. These bodies appear capable of conducting diplomatic efforts in a more flexible and hence effective way. More important, they often have more direct and substantial leverage on the conflicting parties.

While the specialized agencies of the UN system continue to perform essential tasks especially in post-conflict situations, the operational role of the UN in the Balkan area is likely to continue to lose importance. This is particularly clear not only for peacekeeping but also for all activities related to the respect of human rights and the promotion of democracy, which, as outlined above, has increasingly become a OSCE realm. The UN blessing will instead continue to be crucial for the legitimization of the initiatives aimed at ensuring international justice that have assumed a growing importance in the Balkan area.



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