



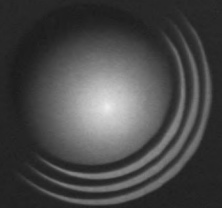
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Assessment of the Stability Pact Project for South Caucasus in Light of the Stability Pact South-East Europe Experience

PIERRE JOLICOEUR

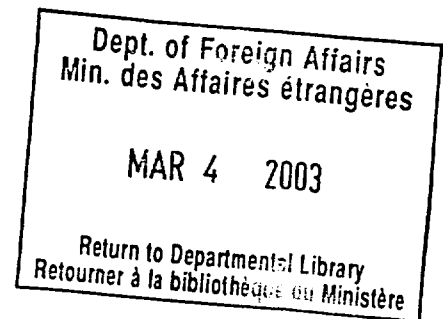
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Assessment of the Stability Pact Project for the South Caucasus in Light of the Stability Pact for South- East Europe Experience

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PREFACE

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SOMMAIRE

En mai 2000, le Centre for European Policy Studies (CEPS) a publié un rapport portant sur un projet de « Pacte de stabilité pour le Caucase du Sud (PSCS) ». De multiples façons, ce projet de pacte régional caucasien est inspiré du modèle du Pacte de stabilité de l'Europe du Sud-Est (PSESE). Une lecture attentive des deux pactes démontre, cependant, que les moyens prônés pour remédier à des problèmes similaires divergent considérablement. Dans le cas de l'Europe de Sud-Est, une structure complexe a été mise en place pour régler les questions pratiques, mais l'élément qui semble avoir le mieux contribué à développer une coopération régionale est la perspective d'une intégration à l'Union européenne. Inversement, la coopération régionale au Caucase devrait se développer par la création de toutes pièces d'un organe régional, la Communauté du Caucase du Sud (CCS), qui serait une réplique locale de l'UE. Il n'est pas certain que cette CCS constitue à elle seule un incitatif assez puissant pour forcer les diverses parties à collaborer pour édifier ce projet d'avenir commun. Le potentiel stabilisateur des réserves pétrolières peut quant à lui augmenter la valeur de cette CCS, mais il reste difficile à évaluer. Les leçons apprises du PSESE indiquent que le PSCS devrait 1) être mis en place en l'absence de conflits non réglés; 2) impliquer tous les acteurs de la région; 3) comporter un incitatif puissant qui intéresse toutes les parties de la région; et 4) rendre cet incitatif atteignable seulement par une collaboration régionale.

EXECUTIVE SUMMARY

In May 2000, the Centre for European Policy Studies (CEPS) published a working paper entitled "A Stability Pact for the Caucasus." In many ways, this proposal for a stability pact in the Caucasus Region is modelled on the Stability Pact for South-East Europe. A careful analysis of these two pacts, however, reveals that the means proposed for resolving similar problems differ considerably. In the case of South-East Europe, a complex structure has been created to settle practical issues, but the key factor that seems to have contributed the most to regional cooperation is the prospect of joining the European Union. Conversely, regional cooperation in the Caucasus was to develop by creating a regional body, the South Caucasus Community, which would reproduce the EU model at the local level. However, it is unclear that this South Caucasus Community will constitute in and of itself an incentive strong enough to make the parties cooperate on this future common project. Petroleum resources may have a potentially stabilizing effect, but this is hard to tell. Lessons learned from the Stability Pact for South-East Europe indicate that in order to succeed, the Caucasus Stability Pact should 1) be introduced only when there are no unresolved conflicts; 2) involve all the actors in the region; 3) include a strong incentive that will interest all parties in the region; and 4) make the incentive achievable only through regional cooperation.

INTRODUCTION

In May 2000, the Centre for European Policy Studies (CEPS) published a report on a projected "Stability Pact for the Caucasus (CSP)."¹ Following a tour of the Caucasus region and extensive consultations with representatives of governments and secessionist groups in the region, an addendum to this pact was issued in the fall of 2000.² This initiative is one of the most serious proposals for stabilizing the Caucasus region and represents one of the few peacebuilding efforts for the Caucasus to be viewed positively by virtually all of the regional players: the Caucasian states themselves, the neighbouring powers and the secessionist republics.

In many ways, this regional pact project for the Caucasus is linked to the Stability Pact for South-East Europe (SPSEE). Given their similar historical, political and economic situations, the two regions covered by these pacts are often treated as comparable entities. In addition, there are many similarities between the Balkans and the Caucasus: they are both complex, multi-ethnic regions in transition to market economies after undergoing numerous and violent conflicts. Both regions are located on the fringe of the European Union (EU) and most of the newly independent states (NIS) in both regions are politically committed to eventual integration with the EU.

In both cases too, the same agency – the CEPS, a Brussels think tank – contributed to thinking about stabilization. The two pacts are comparable in other respects: both of them take an integrated, multilateral and multi-sectoral regional approach; they both set out to achieve lasting political, economic and social stability in the region, and both attempt to maximize the results of initiatives by local and outside players and joint initiatives.³

Despite these similarities, however, the two pacts reveal significant differences.⁴ The reality of the SPSEE, in effect since June 10, 1999, is its most obvious difference from the CSP, which exists only on paper. Generally speaking, the CSP is much more ambitious. This is seen in the fact that the supranational structure for overseeing the stabilization process is not the same in both pacts. Once minimal regional stability has been achieved, the SPSEE aims to bring the countries of South-East Europe into the EU, the guarantor of regional stability. The CSP, however, moves first to resolve the Caucasian conflicts by encompassing the regional players in a Caucasian superstructure or South Caucasus Community (SCC). This community, which would be a local replica of the EU model, remains to be created from scratch. Here, the EU is not the guarantor of stability but the model to imitate. Then there are other differences

¹ Michael Emerson, Nathalie Tocci, *A Stability Pact for the Caucasus*, Brussels: CEPS, Working Document No. 145, May 2000. <<http://www.ceps.be/Pubs/2000/Caucasus/ndc/Newdeal.htm>>.

² Michael Emerson, Nathalie Tocci and Elena Prokhorova, *A Stability Pact for the Caucasus in Theory and Practice – A Supplementary Note*, Brussels: CEPS, Working Document No. 152, November 2000. <<http://www.ceps.be/Pubs/2000/wd/152/supnote.htm>>.

³ Michael Emerson, chief promoter of the CSP, lists these features in "On the Forming and Reforming of Stability Pacts: from the Balkans to the Caucasus," *Europa South-East Monitor*, May 23, 2001. <<http://www.ceps.be/Pubs/SEEMonitor/Monitor23.htm>>.

⁴ Some writers even claim that the two pacts have nothing in common with each other: "[The use of the concept of 'pact'] was a confusing misnomer anyway, since the CSP [Caucasus Stability Pact] proposal has nothing in common

stemming from contextual and geopolitical factors that are specific to the two regions, condition the final forms of the two stability pacts and limit the possibilities of comparing the SPSEE and CSP. All these reasons account for the paucity of comparative research on these two pacts.

As the architects of the CSP drew partly on the SPSEE, an evaluation of the latter experiment makes an excellent benchmark for gauging the chances of success of an eventual CSP, especially since the Caucasian players refer explicitly to the SPSEE.⁵ Beyond a mere comparison of the two pacts, necessarily limited by their basic differences, the aim of this report is to draw lessons from the SPSEE that are relevant for an eventual CSP.

This report is divided into three parts. Chapter 1 describes the main similarities and differences between the regions affected by the two pacts that their authors have to take into account. Chapter 2 deals with the CSP, analysing the project to see whether it forms an effective response to the specific problems of the Caucasus region. In Chapter 3, the CSP project will be assessed in light of the experience of the SPSEE. A concise summary of the activities, successes and failures of the latter pact will enable us to draw lessons for the development and potential implementation of a Caucasian security pact.

with the Balkan Stability Pact.” See Robert Cutler, “The Key West Conference on Nagorno-Karabakh: Preparing Peace in the South Caucasus?” *Foreign Policy in Focus*, April 2001. <<http://www.foreignpolicy-infocus.org>>.

⁵ Nathalie Tocci, a co-author of the CSP, mentions hesitating over the choice of a title for the project. In the end, the term “stability pact” was retained since the Caucasus leaders consulted used this term and compared it to the SEESP despite the obvious differences. See Nathalie Tocci, “The Stability Pact Initiatives: Reactions and Perspectives,” *Conférence: L’Europe et le Caucase du Sud / Europe and the South Caucasus*, Baku, June 11, 2001.

I – The Balkans and the South Caucasus: Similarities and Differences

When we discuss the details of a possible stability arrangement for the Caucasus, it might be tempting to take the existing SPSEE format and adjust it to the current needs of the Caucasus region on the other side of the Black Sea. Political commentators often use the same terms to describe the two regions, and general, though superficial, comparisons of their complexity and instability are quite common. However, the experts on these regions, including the authors of the CSP, make much of their distinctness.

1.1 Geopolitical context

1.1.1 Interests of outside powers

The political boundaries do not reflect ethnic, linguistic or cultural boundaries: the NIS formed from the former Yugoslavia and the former USSR often border on countries whose people include ethnicities present in one or another NIS. It may be pointed out, however, that the phenomenon of “opportunistic nationalism” trying to bend borders to suit one ethnicity, common in NIS, is rarely found in their neighbours. Instead of trying to use this instability to extend their own boundaries, the neighbouring countries are mainly seeking to stabilize their boundaries with NIS, concerned about their own destabilization. All states bordering on NIS have thus far called for borders to be maintained with no change other than the “first level dismemberment” of the federations.

Apart from this common point, the attitudes of the countries neighbouring the two regions being studied and the interests of the international community in the Balkans and the Caucasus are not the same. Former Yugoslavia is ringed by countries that share a determination to resolve conflicts and seek a “regional détente.” By contrast to the countries of SEE, the South Caucasus is surrounded by neighbours – Iran, Turkey and Russia – that have historical links with the region and are competing to maintain or expand their influence there. This struggle for regional influence is seen mainly in the growth of cultural, economic and military ties.

Though the South Caucasus is no longer part of the Soviet Union, the North Caucasus is on Russian Federation territory. That country has repeatedly demonstrated its opposition to Western involvements in the South Caucasus, viewed as a part of its “near abroad.” It worries to watch the Caucasian states develop partnerships with NATO and the US penetrate the region through the development of Caspian Sea oil.

Apart from immediate neighbours, the international community is also much more interested in SEE than the Caucasus. This is largely explained by the fact that Balkan crises affect the EU countries more quickly and more massively than those of the Caucasus (e.g., the wholesale influx of refugees). The existence of a large number of processes and initiatives to stabilize the Balkans is a good indication of the international community’s more substantial commitment to this region.

Apart from what the Russians have done, the international community’s involvement in the Caucasus peace process has remained fairly tentative. The internationalization of the region’s problems has, however, sometimes complicated rather than facilitated negotiations between belligerents. Indeed, the

increase in multilateral (OSCE, UN) and unilateral (Russia, Iran, US, etc.) peace initiatives is prejudicial to effective action by the international community as offering belligerents a chance to “shop for the negotiating framework” they feel most appropriate to their needs. Combined with the protagonists’ lack of political will, this is one of the main factors explaining the freeze in peace processes.

1.1.2 Nature of the conflicts

The many conflicts that have sprung up over the past decade undoubtedly represent the major destabilizing factor in both regions. However, it is important to define the nature of the conflicts in the regions being studied since this is the point on which differences between the two are most noteworthy. The armed conflicts in the South Caucasus are so many wars of independence being waged by political formations that existed in the Soviet era. Despite the differences in their relations with the FSRs, they all share the objective of opening up, ending their isolation and earning international recognition.⁶ When the Caucasian states were declaring their independence, all of the sub-regions with self-governing structures under the previous regime came into conflict with their central governments over the division of powers. For the other independent structures, conflicts were expressed by arms and were all caused by unilateral declarations of change in constitutional status – sometimes by the original state revoking an entity’s independence, sometimes by the entity declaring that independence.

In the Balkans, Kosovo came the closest to this pattern. The only other region that enjoyed a form of autonomy under the previous regime was Vojvodina, where tensions seem to be contained for the moment. The other Balkan conflicts were more results of the refusal by the federal authorities, dominated by Serb nationalists, to accept the first-level dismemberment of Yugoslavia (chronologically, in Slovenia, Croatia and Bosnia). For the minorities in ex-Yugoslav NIS, there was never any clear issue of fighting for independence. These national minorities went to war either to conquer territory to be merged with “the neighbouring state that was the main home of their ethnic group” (Croatian Serbs, Bosnian Serbs, Bosnian Croats), a kind of irredentism, or to protect themselves against real or apprehended attack by another group.

1.1.3 Status of peace processes

We can say simplistically that the Balkan conflicts are finished or are contained by agreements, whereas the Caucasian conflicts are frozen. Indeed, without necessarily achieving harmony, the warring parties in SEE have stopped fighting and negotiated peace accords. However, the Caucasian conflicts are still going on. Ceasefires were signed in the mid-1990s but negotiations have been stalled ever since and the conflicts may flare up again at any time.

The conflicts over Abkhazia, South Ossetia and Nagorno-Karabakh, just to mention the biggest ones, form a complex interactive network. A new turn in military operations or progress at the negotiating table by one side will necessarily have repercussions on the others. With the three secessionist republics in the same legal limbo, each one seems to be waiting to see what kind of agreement the others can reach with

⁶ Edmund Herzig, *The New Caucasus, Armenia, Azerbaijan and Georgia*, London: Royal Institute of International Affairs, 1999, pp. 6-15.

their original states. Though certain problems are specific to each conflict and call for a specific response, the Caucasus region as a whole cannot regain stability and security unless the solutions proposed take each of these conflicts into account.

1.1.4 Oil resources of the South Caucasus

The presence of natural resources, especially oil, is a factor that can offset a certain lack of interest in this region on the part of the international community. From this standpoint, the South Caucasus enjoys a considerable advantage over the SEE region. Oil development calls for money from international investors, which opens up prospects of major subsidies and a continuous flow of hard currency into the region.

The growth of Caspian Sea oil development and its transmission to Western markets⁷ affects, not only Azerbaijan, but the entire Caucasus, due partly to the choice of transmission routes, which has become a highly politicized issue in the region. These considerations sometimes fly in the face of economic logic, which would choose the routes cheapest to operate.

Corporations prefer to finance the construction of oil and gas pipelines that bypass unstable areas or are obliged by US legislation to finance regions felt to be unacceptable in the eye of the US government. As well, the development of the oil and gas resources of the Caspian Sea gives rise to a legal debate about the status of that body of water – is it a lake or a sea? – which is dividing the coastal states into two camps with major implications for regional stability.⁸ If it is a lake, the coastal states have to share the product of its development equitably. Russia and Iran, which would have the poorest shares, prefer this position. On the other hand, if it is a sea, the law of the sea would apply and the oilfield would be carved up into sectors. This is the position taken by Azerbaijan, Kazakhstan and Turkmenistan, being the best endowed.

1.2 Problems with stability

1.2.1 Problems with representation of all groups

Since the seventeenth century, the dominant form of social organization has been a system of states. In this system, ethnic and other types of groups that stress the protection of collective rights aspire to some kind of share of national power. After the independence movements of 1991, the “titular groups”⁹ monopolized power in their respective capitals and refused access by minority groups to the structures of government. Some of them even developed overtly xenophobic policies toward other groups. The abrupt accession to independence of certain titular nationalities was perceived by the other groups as an injustice, or an uncompleted process to free the peoples of these regions.

⁷ See Netherlands Economic Institute, *Evaluation of the Tacis Interstates Programme in Environment*, Evaluation Unit of the Joint Service for External Relations of the European Commission, September 30, 2000. <<http://europa.eu.int/comm/europeaid/evaluation/reports/tacis/951553.pdf>>.

⁸ Lester W. Grau, “Hydrocarbons and a New Strategic Region: The Caspian Sea and Central Asia,” *Military Review*, Vol. 81, No. 3, May-June 2001, pp. 17-26. <<http://www-cgsc.army.mil/milrev/English/MayJun01/PDF/grau.pdf>>.

⁹ By “titular groups,” we mean ethnic groups that have been nominally assigned a territory which bears their name and where they generally formed the majority during the administrative organization of the USSR and former Yugoslavia.

A number of arrangements can enable different groups to cohabit in one state, whether by power sharing, or the development of regional and cultural independence, or the development of confidence-building measures that help to enhance the sense of security of the various groups involved. Each in its own way, these approaches are attempting to establish a democratic way of handling differences and introducing measures for access to power by all significant groups in a society. To avoid such a democratic arrangement being changed into a dictatorship of the majority, the regime has to operate on the basis of the rule of law with equal protection to all citizens. In this context, where individual rights are protected, collective rights should naturally be protected too. Rarely is separation seen as a solution, as a given area will always have other minorities, especially in the Balkans or the Caucasus. Underlying each of these approaches is a general principle by which all significant groups should have a voice in decisions, i.e. have access to power while maintaining some kind of autonomy. All of them advocate some decentralization of state structures, often through a federal type of arrangement.

1.2.2 Demographic problems, displaced persons and refugees

The refugee phenomenon affects such a large percentage of the population that it represents a new instability factor. At the present time, there are still nearly 1.3 million refugees and displaced persons in the Balkans.¹⁰ The South Caucasus has nearly 1.4 million refugees and displaced persons.¹¹ If we compare these figures with 1999 (see Table 1), we can see a significant homeward movement of refugees in SEE but not in the Caucasus, where forced migrants are just trickling back.

¹⁰ UN High Commissioner for Refugees (UNHCR), "The Balkans - What next?" *Refuge*, No. 124 (October 2001). See also UNHCR, *South-East Europe*, 2001, 4 pp. <<http://www.unhcr.ch/french/fdrs/ga2001/overseeu.pdf>>.

¹¹ This figure rises to two million if we add the North Caucasus. See Chap. 8 of UNHCR, *The State of the World's Refugees 2000*, Oxford: Oxford University Press, 2001. <<http://www.unhcr.ch/pubs/sowr2000/sowr2000toc.htm>>.

Table 1: Refugee and Displaced Populations in South-East Europe and the South Caucasus in Late 1999¹²

COUNTRY	REFUGEES	RETURNED REFUGEES	DISPLACED PERSONS	RETURNED DISPLACED PERSONS	TOTAL
Armenia	296,200	10	-	-	296,210
Azerbaijan	221,600	-	569,600	-	791,200
Georgia	5,200	1,800	278,500	590	284,090
Total South Caucasus	522,000	1,010	848,100	590	1,371,500
Albania	3,900	-	-	-	3,900
FYROM*	21,200	-	-	-	21,200
Bosnia and Herzegovina	65,600	161,000	809,500	73,000	1,109,100
Croatia	28,400	35,500	52,400	63,600	179,900
Slovenia	4,400	-	-	-	4,400
Yugoslavia	500,700	755,500	234,900	168,900	1,660,000
Total SEE	624,200	952,000	1,096,800	305,500	2,978,500

Source of statistics: *Refugees and Others of Concern to UNHCR; 1999 Statistical Overview*, Geneva: UNHCR, July 2000, 132 pp., or at: <http://www.unhcr.ch>. * The fighting in FYROM during 2001 is estimated to have forced 81,000 Albanians to flee to Kosovo. These figures should be added to the data in the table. See "Demand grows for follow-on proposals," *Economist Intelligence Unit; Viewswire*, September 11, 2001: <http://www.viewswire.com>.

In both regions, the problems attending the return of these people to their homeland are similar and stem in part from matters of logistics and protection for the groups concerned. These problems are further increased by a delicate ethnic balance that changes quickly, given the numbers involved, and the risk of mass returns arousing or reviving tensions. Though these problems with returning refugees and displaced persons are similar from region to region, one notes a significant difference in proportions returning up to now. This is essentially due to the fact the conflicts in the Caucasus are unresolved.

1.2.3 Problems with democratization

In the countries of SEE, some kind of democracy seems to be emerging in the region with the relatively peaceful renewal of the traditional elites. In areas under international supervision – Bosnia (November 2000) and Kosovo (November 2001) – elections are being held without undue irregularities. Even the more authoritarian regimes have seen their leaders change peacefully. Croatia and Yugoslavia are now cooperating (to some extent) with the investigations of the International Criminal Tribunal for the Former Yugoslavia and have begun transferring presumed criminals to its custody, even though this

¹² However these statistics are incomplete, since they do not take the refugee's origins into account, only their states of asylum. Though it is true that virtually all refugees enumerated come from a neighbouring country, which is an indicator of regional instability, those who have left the region are not included in this table. For example, in 1999 Germany had nearly one million refugees (975,500), many of them from SEE.

“cooperation” is not easy in view of the many reservations aired about that institution. These changes in Yugoslavia and Croatia are more spectacular than the ones seen in Kosovo or Bosnia since they are sovereign states, less influenced by the international community.

Meanwhile, all the countries of the Caucasus are grappling with more or less widespread electoral wrongdoing. According to various reports by international commissions, all elections held in Azerbaijan have been marred by major irregularities. Moreover, the OSCE reports that the October and November 1999 Georgian legislative campaigns seem to be acceptable in spite of voting irregularities and a lack of transparency in the electoral legislation.

The Caucasian states have not allowed independent media to develop, and their people lack information about environmental, social and political issues. Beyond political censorship, this situation conceals the emergence of new problems like trafficking in human beings.¹³ Though the democratization process seems to be well launched in the SEE countries, the Caucasus still has a long way to go in this respect.

All the Caucasian countries suffer from major internal political instability that jeopardizes both relations with their neighbours and negotiations in the peace process. For example, the Armenian political situation remained relatively stable until 1998, but the latest legislative elections, held in May 1999, returned a minority government. On October 27, 1999, the political instability came to a head when a gunman got into the Legislative Assembly, killing the Prime Minister and other political figures. This slaughter happened just when, for the first time, there seemed to be real progress in the peace negotiations over Karabakh. The peace process was thus stopped and the government considerably weakened.

As for Azerbaijan, its brief period of independence has seen three presidents and several actual or attempted coups d'état. Georgia saw total instability in the early 1990s but relative stability in the second half of the decade, when President Shevardnadze survived several attempted coups d'état.

1.2.4 Economic obstacles to reconstruction

The return to a degree of stability in SEE and the Caucasus also has to deal with many economic problems. Many people see an interdependence between inter-ethnic conflict and the failure of economic reform in these states. As long as the economies of these regions are this unstable, tensions will remain high and borders will be challenged. Admittedly, the economies of the Caucasus differ significantly, but in the end they are all facing similar problems that stem from the weakness of their governments and institutions, trade imbalances, a shortage of foreign capital and the growth of a big informal economy that deprives states of substantial revenue.

¹³ “Joint study on trafficking in human beings published in Armenia,” *OSCE press release*, November 14, 2001. <http://www.osce.org/news/generate.php3?news_id=2143>; “Trafficking in human beings: Stability Pact Task Force steps up its efforts,” *OSCE Media Advisory*, April 23, 2001; “Trafficking in Kosovo - some case studies,” *OSCE*. <http://www.osce.org/odhr/features/trafficking_kosovo_2/>.

In SEE, trade between NIS remains small, but channels of communication are opening gradually, by contrast to the Caucasus, where the channels of communications and trade are still badly blocked.¹⁴ Of the 3,000 kilometres of international borders in the Caucasus, only the 9-km stretch between Turkey and Nakhichevan, an Azerbaijani enclave, is “truly friendly.”¹⁵ All other boundaries are more tension lines than links between states. Armenia and Azerbaijan are still technically at war: Turkey, out of solidarity with Azerbaijan, has blockaded Armenia, and from time to time Russia closes its borders with Georgia and Azerbaijan. There are appreciable tensions as well between Georgia and Armenia, Iran and Azerbaijan. Even when states have developed political ties, as Georgia and Azerbaijan have, land connections are not thereby facilitated.

1.2.5 Environmental problems

In both the Caucasus and the Balkans, politics is very often dominated by groups that have other priorities than the environment. The still weak private sector is made up of business people from former state companies that prospered by developing natural resources with no thought for the environment. Civil society and environmental NGOs are not yet fully established in these regions and have very little influence on governments.

In both regions, the Communist system left an environment devastated by careless development of natural resources and ineffective or non-existent environmental protection systems. Moreover, the Caucasus is facing other, specific environmental challenges. For example, Armenia is being pressured to close its nuclear power plants, seen as obsolete and hazardous, when shutting down these facilities would exacerbate the energy crisis and the insecurity of the local population.

1.3 Partial conclusion: Similar stability problems in different geopolitical settings

The above list of problems with stability affecting the states of the Caucasus and SEE is not exhaustive. We could add such other factors as the extent of corruption and organized crime, or the absence of a system of education that promotes a culture of peace, etc. However, we note that the problems with stability are essentially the same in both regions and largely correspond to the priorities of the Working Tables in the SEE Pact. In the South Caucasus as in SEE, problems with stability are so interwoven that it is impossible to imagine fixing one without fixing the others. Accordingly, the regional stability pact formula, which attempts to correct all of these problems from an overall standpoint, is a logical approach attuned to the Balkan and Caucasian contexts.

Though the main problems the two stability pacts have to deal with are the same type, their magnitude is not necessarily the same in both regions. In SEE, initial steps have been taken to develop the economy, liberalize trade, open the borders and democratize political institutions, whereas in the Caucasus the solutions to these problems are still at the embryo stage.

¹⁴ “Big benefits if road and rail blockade lifted,” *Economist Intelligence Unit: Viewswire*, June 12, 2001. <<http://www.viewswire.com>>.

¹⁵ *Economist*, “The Caucasus – Where Worlds Collide,” *EIU Viewswire*, Aug. 23, 2000. <<http://www.viewswire.com>>.

The differences noted between the two regions, mainly in terms of their geopolitical contexts, are substantial. These involve mainly the nature of the conflicts and the status of the peace processes. The Caucasian conflicts, having taken shape in an extremely complicated ethnic, linguistic, religious and territorial mosaic, are still not over and their peace processes are frozen. From this standpoint, the challenge to be met by a CSP greatly exceeds that of the SPSEE.

II - Stability Pact Project for the South Caucasus

2.1 Project introduction

The CEPS project has six chapters, three of which focus directly on the South Caucasian countries and three on the broader regions of the Black Sea and Southern Russia. The central thrust of this pact is conflict resolution. In the supplement written in September 2000, the authors set out the principles that should lead to the settlement of the Nagorno-Karabakh, Abkhazia and South Ossetia disputes under the aegis of a South Caucasus Community (SCC). Negotiations in each of these conflicts are stalled due to positions deemed irreconcilable, with the principle of self-determination locked in opposition to the preservation of border integrity. The original states from which the secessionist republics come are in agreement on a way of sharing power by federalizing their territories and introducing a division of powers between a centre and regions. The secessionist republics have rejected any proposal of the sort, arguing that without full sovereignty they would face major security problems. Their bargaining position is to call for total independence or at least a confederation of equal partners that includes the original states.

Given these rigid models, negotiations are bogged down. Using a vague “common state” concept suggested by the Russian Federation as a solution to the Abkhazia and Nagorno-Karabakh conflicts, the CEPS has attempted to get beyond the traditional notions of *federation* and *confederation*. The main point of this new interpretation relies on the distinction between *de jure* and *de facto* status. Both Abkhazia and Nagorno-Karabakh would be parts of their original state *de jure* while being *de facto* independent. This is a somewhat vague constitutional arrangement that is closer to confederation than federation, though excluding the secessionist option for secessionist entities. The power structures would be essentially horizontal with very limited central features. As well, refugees and displaced persons would be granted the right to return to regions like southern Abkhazia and the Azerbaijani provinces occupied by Armenian troops.

To make this solution palatable for secessionist groups who have already won their independence and see this solution as a symbolic loss of a sovereignty won by arms, the model has to be rounded out by introducing a regional superstructure, the SCC, which remains to be created from scratch. An SCC could serve the interests of both the secessionist republics and the original states. Through an SCC, the outward appearance of sovereignty could be maintained for the secessionist republics and give them direct access to a supranational forum. Meanwhile, the original states would not see the secessionist entities in this forum as a threat since they would be forum members themselves.

In their supplement, the CSP authors changed the structure they want to give this entity, shifting from an original 3 + 3 + 2 formula (the 3 South Caucasian states, the 3 neighbouring states – Iran, Turkey and Russia – and 2 outside powers – the European Union and the US) to 3 + 3 + 3 + 2 to include the three secessionist republics. These republics could participate in the regional component of the SCC, which would be institutionalized by a government Council and possibly a parliamentary Assembly. By and large, the idea of this SCC is to form a local copy of the European Union (EU) model. The SCC countries would

also have ties with the EU through stabilization and association agreements as in the case of the SEE countries.

The SCC would launch a process of regional cooperation and integration in the South Caucasus. The supranational level of the SCC should handle issues around trade (first by opening up all borders, setting up an effective administration and then working on the arrangements leading to free trade), infrastructure and security. The main concern of the SCC, however, must be the latter. With all conflicts resolved, a security system would be overseen by the OSCE. This organization would also be asked to provide a peacekeeping force for the three main disputed regions, provide various patrols to stop infiltration by armed combatants along permeable borders like the Pankisi Gorge and coordinate negotiations on arms reduction and the demilitarization of specific areas.

The CSP authors also plan to transform the Black Sea Economic Cooperation (BSEC) organization into a "*Caucasian* Black Sea Economic Cooperation Organization" that would accept the EU as a full member. This body could thus concentrate more on transportation, energy and environmental protection programs and include new political and security initiatives.

To take this geographic dimension of the Caucasus into account,¹⁶ the CSP introduces a "southern dimension" to the EU-Russia cooperation concept, based on the "northern dimension" model being developed for the Baltic region. This "southern dimension" could be the pivot for coordinating Western humanitarian or emergency assistance to the North Caucasus in the short term and, in the longer term, technical assistance and financial support to economic development.

Last, the pact affects oil and gas development. The new climate emerging after the conflicts are resolved and the stability pact is ratified would open the way for developing the region's full economic potential, especially in the energy sector. This would provide economic justification for numerous oil pipeline projects that may bring many economic benefits and help to improve the political climate in the region.

2.2 Resolution of the Nagorno-Karabakh conflict as a model and driving force for giving the pact effect

Resolution of the Caucasian conflicts has to be the first stage of CSP implementation. Indeed there can be no stability in the Caucasus so long as the peace processes fail to find solutions acceptable to the parties. According to the promoters of this project, the initial conflict-resolution objective should be Nagorno-Karabakh, which would then become an example for other secessionist conflicts and could help to remove major barriers to regional cooperation.

There are numerous reasons for focussing mediation efforts on this hot spot. For one thing, it is the only one in the region with a major international element. Although this is a war of secession like the other

¹⁶ Dividing the Caucasus in two to exclude the northern portion within Russia is not the ideal solution when looking for a regional stability pact. Many interests are common to the entire region and instability in one place will inevitably impact on the stability of the others.

Caucasian conflicts, Azerbaijan has always considered itself to be at war with Armenia even if it has not managed to make Armenia the theatre of war. This is why Armenia has seen economic blockades by Azerbaijan and Turkey since 1993. The resolution of this conflict would have the effect of lifting these blockades. It might even lead to “a new trading system in the [Caucasian] region”: Karabakh, which has a customs union with Armenia, would surely want to keep this special connection, and a free-trade system can thus readily be foreseen between Armenia and Azerbaijan and, possibly, Georgia.¹⁷ This would bring about numerous road and rail re-openings, especially between Azerbaijan and Armenia and between the two parts of Azerbaijan – since Nakhichevan is cut off from the rest of Azerbaijan by southern Armenia.

The resolution of this conflict would also have a ripple effect on the other stalled conflicts in the region. Resolution of the Karabakh conflict would actually motivate the protagonists of the Abkhazia and South Ossetia conflicts to explore other potential solutions, while its economic implications and benefits might also encourage northern belligerents to more actively seek a negotiated peace.

2.3 Summary project assessment

The CSP project is innovative in attempting to introduce a regional dynamic into the resolution of Caucasian conflicts, make the regional players accountable by putting them in charge of their own destinies and coordinate the international community’s involvements in the Caucasus. In addition to aiming at improved cooperation among regional players, this is the first genuine attempt to harmonize the Russian approach with those of the US and EU. This is actually a major effort to conceptualize the main Caucasian problems and potential solutions.

Most of the problems with stability identified in Chapter 1 find a response in this proposal. And the geopolitical issues are facts the CEPS promoters tried to accommodate by attuning their project to actual conditions. For example, ceasing to see the major oil and gas resources of the Caspian Sea as problems that aggravate conflicts and looking at them instead as tools for peace is an idea the CSP puts to good use. To date, due to the unresolved Caucasian conflicts and for political reasons, the various plans to move these resources are not designed for optimal performance. A better pattern of routes could bring economic diversity to less well-off regions, enabling them to reap economic benefits while avoiding the environmental hazards generated by increased oil traffic across the Turkish Bosphorus. Admittedly, this is not a new idea in the region,¹⁸ but its regional application along with other CSP proposals, for example an association of all the governments in the region, make this option more credible.

A certain number of problems remain, especially as regards the need of local groups for recognition, the Western bias of the project, the “southern dimension,” the role of the OSCE and, last, the idea of making the resolution of the Karabakh conflict a driving force for regional cooperation.

¹⁷ Nathalie Tocci, *op. cit.*, p. 6.

Need for recognition of all the groups involved

An initial problem with promoting this proposal lies in the need of local groups for recognition. In fact, it was only recently, after several centuries embedded in larger imperial entities, that the Caucasian nations really became aware of their ethnic identities. Small nations that just recently paid a high price for their sovereignty will find it extremely difficult to abandon a portion of this sovereignty to merge once more with a regional unit. From this standpoint, the region may not yet be ready to launch a EU-type integration process and acknowledge interdependence as a major factor in the quest for security.¹⁹

Another difficulty lies in the need to recognize sub-regions. We may applaud the change in the second version of the CSP that makes room in the regional structure for secessionist entities. However, the three secessionist entities are not the region's only sub-units. Other minority and potentially secessionist groups (including the Lezgins and Talysh in Azerbaijan or the Armenians and Mingrelians in Georgia) are also looking for more independence. Why would Nakhichevan or Ajaria not be in this group as well? This question is more serious than might initially appear. The regional structure foreseen by the CSP ("3 + 3 + 3 + 2"), which includes only independent states and secessionist republics, might actually encourage other sub-units to declare their independence in order to become part of the SCC, the regional body acting as the "contact group for regional stability." This is certainly not the intention of the CSP promoters. Since the thrust of this pact is to get beyond conventional ideas of sovereignty and have federated states participate in the regional structure, the authors of the CSP should take their reasoning to the limit and include all self-governing units and sub-units in this structure, not just the ones that have already won their independence by legitimate or other means. This approach would avoid the appearance of "situational secessionisms" and instead encourage human groups seeking representation to ask for a territorial self-governing autonomy that would afford them *de facto* access to the regional multilateral forum and provide an alternative to the call for full sovereignty as the only way of being heard.

If we turn to more theoretical terms, we can imagine other formulas for representing SCC members that would help to recognize solely territorial entities. In this region studded with ethnic, linguistic and religious camps, it might be more appropriate to think about a South Caucasian Peoples' Community (SCPC) with oversight of security and collective rights. Formulas for membership in the "People's SCC" could vary from an ethnic federalism (or non-territorial autonomy) to consociative democracy. Often depicted as academic solutions designed in Western think tanks, these two forms of representation actually have local roots. One of the most successful applications of the principle of non-territorial autonomy, in both duration and operation, was the *millet* system of the Ottoman Empire. Consociative democracy is a power-sharing formula used at various levels in Russian Dagestan, in itself as diverse an ethnic mosaic as the rest of the Caucasus.

¹⁸ Francis Gutmann, "Russie, hydrocarbures et politique," *Géopolitique*, no. 54, pp. 70-73; Pierre Lorrain, "La manne du pétrole et la guerre de Tchétchénie," *Géopolitique*, no. 54, pp. 74-76.

¹⁹ See Giulsheh Pashaeva, "Myths and Realities of the South Caucasian System of Regional Security," *Central Asia and the Caucasus*, Vol. 2, No. 1 (7), p. 26.

Western bias

The CSP contains some proposals about ways to achieve regional stability that express a Western viewpoint or European bias. For example, if a peacekeeping force is felt to be necessary to help with peacebuilding in the region, it would be deployed under the aegis of the OSCE. This provision is intended to spare the feelings of the Russians, already irritated by NATO's post-Cold War military role in Eastern Europe. At the same time, the roles assigned to Russia and Iran in the proposed framework are hard to reconcile with some local notions about how regional cooperation should be shaped. A number of local players firmly believe that regional cooperation will be impossible without reducing Russia's influence or feel that only the US and NATO are able to move decisively in emergencies.

The "southern dimension"

The "southern dimension" is a concept designed to eliminate a major problem in the first draft of the CSP. It was actually no easy matter to argue for a stability pact in the Caucasus, and a regional focus to boot, that relegated Russia to the second rank with Turkey and Iran. Quite obviously, Russia belongs in the front rank with the other three Caucasian states. Any organization that restricted its activities to the South Caucasus when there were obvious connections between the problems of the South and North Caucasus must be doomed to failure.²⁰ Moreover, and this explains why the authors of the CSP chose to put Russia in the second rank, it is impossible to organize a regional pact where Russia and the other three Caucasian states are on an equal footing without Russia emerging as totally dominant – for obvious reasons of disproportionate political and military weight compared to the other partners.

Choice of the OSCE as coordinator

Since the break-up of the USSR, the OSCE has played a pivotal role in the South Caucasus. Though its achievements thus far have been fairly modest, the OSCE has helped to establish contacts and cooperation at all levels between the protagonists in the South Ossetia conflict. It has also contributed to regional stability through its observation missions along the Russo-Georgian border next to Chechnya. In addition, it is the sponsoring agency for the Minsk Group overseeing the Nagorno-Karabakh peace process. With its numerous members, political institutions, field missions, overall approach to building security and extensive network of partners in all areas, the OSCE is well equipped to become the coordinating body for efforts at regional stabilization.

However, two shadows loom over this promising picture. To begin with, the OSCE, like the UN and other international organizations present in the region, is limited to countries. This makes it a forum for promoting the official positions of regional states but with no voice for the secessionist republics or other sub-regional entities. To be accepted by these entities as a neutral body, the OSCE has to make room for them in the working groups on Caucasian issues.

²⁰ This comment on the "southern dimension" is based on a remark by Jean Radvanyi, a geographer specializing in Russia and the Caucasus, in an interview with the author, October 2001.

The choice of the OSCE also raises questions about the CSP partners' representativeness. This problem might become more obvious when peacekeeping forces are deployed in the region (along with observer or election supervision missions). The OSCE would have to find a way of allowing the Iranian Republic to take part in planning its various operations by inviting it to join an operation under the OSCE banner, just as Russia participates in NATO peacebuilding operations.

Key role of the Nagorno-Karabakh conflict

There is general agreement that the conflict in Nagorno-Karabakh is the main obstacle to cooperation in the Caucasus region. Making the resolution of this conflict a priority for the international community's regional involvement is a wise move indeed. If the belligerents manage to negotiate an agreement that is given effect without too much friction, it might actually revive the interest of the other regional belligerents in ending their various disagreements.

Unfortunately, optimism can go no farther. It seems somewhat simplistic to imagine that the parties to other regional conflicts would be content to borrow a solution tailored to this specific one. The solutions to the various Caucasian conflicts, although they have similar causes, have to be attuned to the specific circumstances of each case. The Karabakh conflict has its own specificities, and merely transposing the solution for this conflict to other regional conflicts with their own specificities might do more harm than good.

The SCC – conflict-resolution prerequisite or outcome?

Everyone agrees that the prerequisite for regional cooperation lies in conflict resolution. The authors of the CSP, however, assumed that the protagonists, and especially the secessionist entities, could agree to settle their various differences through the SCC. Yet, this SCC cannot be created without the regional players' cooperation.

The option of prior conflict resolution runs up against the mistrust of the secessionist entities. Why would they agree to rejoin their original states without a functioning SCC to guarantee their security? Even if the negotiated agreement was conditional on the imminent implementation of this SCC, they would probably not want to risk seeing the home states take advantage of the situation to reimpose their hegemonies and disregard their part of the contract.

At the same time, the option of prior creation of the SCC might cast doubt on the need to find political settlements for the conflicts. For one thing, unless a way was found to get the secessionist entities to participate in the SCC without a prior political agreement, the SCC would have to be created by the sovereign Caucasian states. The SCC would then have to face charges by the secessionist republics of not representing their interests and having the same bias in favour of the sovereign states as international organizations like the OSCE and UN. For another thing, if the secessionist republics could participate in the work of the SCC without first making peace with their original states, they might then fail to see the need to make agreements and would probably try to maintain the status quo. The project sheds no light on how the

SCC could possibly be the prerequisite, the means and the outcome of the resolution of the Caucasian conflicts all at the same time.

2.4 Partial conclusion

Generally speaking, we should underscore the inventive and original character of this search for a regional solution to get the protagonists out of the dead end they are currently in. The plan is well crafted and deserves our attention. At the same time, however, some aspects of this proposal may be felt to be over-optimistic and even Utopian. Even so, the inherent problems of the CSP project do not seem to be insurmountable.

III- Assessing the CSP in Light of the SPSEE Experience

3.1 The SPSEE

Created in the wake of the 1999 Kosovo crisis, the Stability Pact SEE is a Brussels-based organization of over forty states, international organizations and financial agencies for promoting Balkan reconstruction. It is intended to restore stability to SEE and foster development, prosperity and regional cooperation there.

The pact is a new initiative in a series of attempts at regional stabilization and development. These initiatives fall into two categories: the ones intended for European countries in transition to the market economy and the ones specifically intended for SEE. The first category includes the Central European Initiative (CEI)²¹, the Central Europe Free Trade Agreement (CEFTA)²² and Black Sea Economic Cooperation (BSEC)²³. The second category, which includes the SPSEE, appears after the Dayton Accords that ended civil war in Bosnia and Herzegovina in 1995 and encompasses the South-East European Cooperative Process (SEECP)²⁴, the Royaumont Process (RP)²⁵, the EU Regional Approach (EURA) and the South-East Europe Cooperation Initiative (SECI).²⁶

Table 2: Participation by SEE Countries in Multilateral Regional Cooperation Initiatives²⁷

Country	CEI (1989)	CEFTA (1992)	BSEC (1992)	SEECP (1996)	RP (1995)	EURA (1996)	SECI (1996)	SPSEE (1999)	TOTAL
Albania	+	-	+	+	+	+	+	+	7
Bosnia	+	-	-	Ob	+	+	+	+	5+1 Ob
Bulgaria	+	+	+	+	+	-	+	+	7
Croatia	+	-	-	Ob	+	+	Ob	+	4+2 Ob
FYROM	+	-	-	+	+	+	+	+	6
Romania	+	+	+	+	+	-	+	+	7
Yugoslavia	-	-	-	+	+	+	-	+	4
TOTAL	6	2	3	5+2 Ob	7	5	5 + 1 Ob	7	

Legend: +: participants

-: non-participants

Ob: observers

*: only after November 2000

²¹ See <<http://www.ceinet.org/>>.

²² See <<http://www.cefta.org/>>.

²³ See <http://www.bsec.gov.tr/index_tablef.htm>.

²⁴ The SEECP does not have its own Web site. See the sites developed by FYROM and Romania.

²⁵ See <<http://www.royaumont.org/>>.

²⁶ See <<http://www.unece.org/seci/>>.

²⁷ From Milica Uvalic, *op. cit.*, p. 62, adapted for the purposes of this paper.

It was after these various attempts to stabilize the region in the 1990s that the European Union launched the Stability Pact project. However, this pact is more ambitious than the earlier processes, which used various means of fostering regional cooperation and different formulas for participation. The SPSEE is intended to be as inclusive as possible and thus represents a bigger political effort, at least in terms of participation, as it encompasses all of the SEE states, even, since fall 2000, Yugoslavia.

The general principle of this pact is to generate stability by strengthening economic cooperation among states. Restored stability should lead to economic growth and EU membership for SEE states, the ultimate aim of the process. Other objectives include peace, democracy, entrenching the market economy, strengthening civil society and consolidating multicultural societies.

Until 1999, the reactions of Western countries to the various Balkan conflicts had spawned a plethora of bilateral agreements and various initiatives. Despite their various rationales, these projects were poorly coordinated and competitive. Major resources were wasted in duplication and loss of time due to all the meetings of the various commissions and all manner of research conducted by the agencies. This lack of coordination is precisely what the SPSEE wants to reduce through its regional focus.²⁸

The SPSEE defines an original and ambitious cooperation framework distinguished by a determination to effectively coordinate the activities of various players whose resources and skills are to be optimally employed. By implementing this pact, the international community was actually attempting to devise a long-term action strategy for the region. This approach is based on the conclusion of bilateral and multilateral good-neighbour agreements among regional states that commit themselves to following OSCE rules and principles. The objectives of this new operating framework include crisis prevention and the introduction of democratic political processes founded on the rule of law and respect for human rights, including the rights of national minorities and the right of access to free and independent media.

3.1.1 Division into tables

Although the final UE statement from the Sarajevo Summit emphasized the priority of regional cooperation, the SPSEE's operations and work program were left vague. The pact's numerous participants and lofty objectives prompted the organization to build a highly complex structure. In all, four tables were set up including a coordinating table, known as the South-East Europe Regional Table, and three Working Tables (see Table 3).

²⁸ See Daniela Heimerl, "Construire la paix; le Pacte de stabilité pour l'Europe du Sud-Est," *Les Balkans: paysage après la bataille*, Paris: La documentation française, no. 1008 (September 2000), p. 5.

Table 3: Action Priorities of SEE Stability Pact Working Tables

Table 1: Democratization and human rights	Table 2: Economic reconstruction	Table 3: Security issues
<ul style="list-style-type: none"> • Human rights and national minorities; • Good governance; • Returning refugees; • Gender issues; • Media; • Education and youth; • Parliamentary exchanges. 	<ul style="list-style-type: none"> • Rebuilding infrastructures; • Private-sector development; • Trade; • Investment; • Vocational training; • Environmental issues. 	<p>Sub-table on Defence and Security Issues:</p> <ul style="list-style-type: none"> • Defence and demobilization economy; • Arms control and non-proliferation; • Military contacts and cooperation; • Combatting illegal transfers of small arms and light weapons; • Mine clearance. <p>Sub-table on Justice and Home Affairs:</p> <ul style="list-style-type: none"> • Legislative reform; • Rebuilding institutions in internal security sectors; • Combatting corruption and organized crime; • Managing borders, migration and customs

Source: Pierre Jolicoeur, "Le Pacte de stabilité de l'Europe du Sud-Est," *Points de mire*, vol. 2, no. 10, November 13, 2001, p. 2. <<http://www.er.uqam.ca/nobel/cepes>>.

3.1.2 Quick Start Package

For quick results, each Working Table listed a number of projects that could yield short-term outcomes. These projects were collected in a Quick Start Package and circulated to the international donor community.²⁹ They warmly welcomed the initiative, since the regional donors' conference at Brussels in March 2000 yielded 2.4 billion Euros when all that was needed was 1.8 billion. A second collection yielded 3 billion Euros at the second regional conference at Budapest in October 2001.³⁰ Other funds were made available to the pact on an ad hoc basis or through donor lobbying by the pact. Bodo Hombach, the Stability Pact's special coordinator, estimates that his team has been handling over 6 billion Euros a year since it was created.³¹

3.1.3 Stabilization and association process

The SPSEE is not, however, the latest European initiative in SEE. Two weeks after approval by the Cologne Summit, the EU launched its initiative for a Stabilization and Association Process (SAP) intended to afford Balkan countries a chance to join European security institutions on condition of signing a Stabilization and Association Agreement (SAA). Through these SAAs, the EU is offering to turn the western Balkans into a free trade zone. At the Zagreb Summit of November 24, 2000, EU members set out

²⁹ Mabel Wisse Smit, "The Jury is Still out on the Stability Pact for South Eastern Europe," *Helsinki Monitor*, available on the Soros site: <<http://www.soros.org/osn/stability-pact.html>>.

³⁰ Bodo Hombach, *Report of the Special Coordinator on the Implementation of the Quick Start Package*, May 9, 2001. <http://www.stabilitypact.org/qsp_info.shtml>; Pierre Jolicoeur, "Le Pacte de stabilité de l'Europe du Sud-Est; La conférence régionale sur l'Europe du Sud-Est, plus qu'une opération de financement?" *Points de mire*, vol. 2, no. 10, November 13, 2001, <<http://www.er.uqam.ca/nobel/cepes>>.

the contents for SAAs. The main innovation here is the “regional cooperation agreement”: every country signing an SAA with the EU has to conclude a regional cooperation agreement with every other country in the region that has also signed an SAA.

These agreements also contain a “change clause” meaning that, beyond the general conditions applying to the five states involved, special conditions apply on a case-by-case basis. The general conditions have to do with democratization, respect for human and minority rights, returning refugees, economic reform and regional cooperation.

These two initiatives, the SPSEE and SAP, are now inseparable and complementary. However, it is increasingly obvious that the SAP has emerged as the key element in EU policy for the western Balkans. To date, five countries have signed SAAs: Albania, Bosnia, FYROM, Croatia and Serbia.

3.2 SPSEE implementation: a modest performance

It is hard to form a clear idea of the impact on evolving regional stability of the priorities introduced by the pact. For example, the democratic transitions in Serbia and Croatia have more to do with endogenous regional factors than the workings of the pact. Even on the “democratic transition” in Yugoslavia, the SPSEE seems to have had little impact, the new system being the product more of developments in Yugoslav civil society than of outside intervention. In both cases, the transition to democracy cannot be ascribed directly to the pact. Without the SPSEE, would we have seen the same democratic developments?

3.2.1 Successes and relative successes

The SPSEE has unquestionably scored successes, but it has some shortcomings as well. Numerous projects have been implemented: the list would exceed the scope of this study. We will look at just a few aspects of the pact at work in terms of the stability problems identified in Chapter 1.

Better cooperation among regional players

The SPSEE’s biggest success has been arousing a determination in SEE states to foster better regional cooperation. To this end, the SPSEE has also received strong support from the EU, which has clearly identified regional cooperation as an essential prerequisite for European integration. The EU introduced the SAP as a way to avoid letting the quest for EU membership turn into a race for SEE countries. In any case, the prospect of EU membership has been a powerful incentive for SEE states to make the necessary compromises and reforms. This system was so effective that we may now wonder whether the SAP and SAAs were the main force strengthening regional cooperation.

³¹ Bodo Hombach, “Letter From Brussels,” *Newsletter, Special edition – Regional Conference, Bucharest*, No. 11, November 8, 2001. <<http://www.stabilitypact.org>>.

Agreements attributable to the pact

In the summer of 2001, the pact's regional approach helped to develop a Regional Action Agenda for refugees and displaced persons that includes a series of agreements (issues around ownership, shelter, pensions, etc.) involving the main countries affected: Croatia, Bosnia and Yugoslavia. A Media Freedom Charter was also approved at Salonika in June 2000 and accepted by all states in the region.

As regards security, the pact has maintained programs for military demobilization and return to civilian life in Bulgaria and Romania. With the success of these programs, the pact is studying the possibility of extending them to other regional states. The pact has also promoted a Regional Arms Control Verification Assistance Centre (RACVIAC) in Zagreb.³²

Quick Start Package: efficient funding approach?

This package has acted mainly as a catalyst for rebuilding infrastructures, since this area generally offers the fastest and most spectacular results, including restored roads and bridges. However, the SPSEE features most often criticized include lack of transparency in its selection processes for Quick Start Package projects. This approach apparently produced lists of specific projects more than it developed an overall strategy. Working Tables 1 and 3 have particularly been singled out in this regard.

The pact's real challenge is to maintain donor interest when these reconstruction projects have run out and the time comes to fund less spectacular undertakings. For the moment, the SPSEE seems to be lobbying successfully to encourage investments in the region.

SPSEE's role in preventing new emerging conflicts

Although the Stability Pact failed to prevent inter-ethnic confrontations in FYROM over the spring and summer of 2001, some aspects of the international community's crisis management can be seen as successful. The regional and international players coordinated their efforts and moved fast, militarily and diplomatically, to promote a political solution, which had been impossible in earlier conflicts in the region. As well, if the negotiations among the various factions in the Macedonian government were able to reap results, this was partly through the work of the SPSEE that helped get dialogue going.

3.2.2 Structural problems

An overly complex structure

The quest for stability calls for involvements in a host of areas, but this does not mean that the organization of these involvements has to be as complex as the problems themselves. The operating structure of the SPSEE is so complex as it may discourage its donor countries and possibly even participating states. The division of labour among the pact's structures is sometimes seen as too fragmented to be efficient, since solutions have to be found for some problems that are affecting several working groups at the same time. To meet this need for coordination, the Working Tables have formed liaison groups that add more new structures on top of the old ones. With the red tape generated by all this, some

observers are campaigning to dismantle the Working Tables and keep only the Regional Table to support the players' field work.

Although it is true that the SPSEE seems to produce bureaucratic problems, this type of exercise remains a necessity. In fact, no country would agree to allocate major amounts to rebuild the region without retaining a right to review or exercise minimal control over the use of the funds.

The challenge of absorbing all the local players

If a regional stability pact is to be effective, it has to take into account the need for all local communities to be represented. The SPSEE lost effectiveness in its first year of operation because of the absence of the Federal Republic of Yugoslavia (FRY). The fact that all regional states are now participating in the organization might encourage the belief that regional cooperation would have no more problems. Nevertheless, people keep criticizing the SPSEE for not adequately reflecting local interests, given the lack of involvement in the process by regional partners. The rare contributions from SEE partners generally come from governments, since local NGOs and experts are not properly represented in this process.

3.2.3 Operational problems

The size of the amounts handled by the pact should not hide its actual shortage of resources. In view of the large numbers of other organizations working in the Balkans, very often funded by the same donors, the pact ends up competing, which prevents it from achieving its coordination objectives. The pact's structure gives its "coordinator" no real authority or capacity to decide about projects being piloted by the pact. Coordination is all the more difficult when a number of contributing states refuse to make necessary compromises about their prerogative to fund only projects they like. This problem of coordination stems in part from the pact's lack of political independence: like many international organizations, the pact finds it difficult to be more than its participants allow it to be.

3.3 Useful lessons for the CSP

Absolute condition: conflict resolution

The experience of conflict resolution in SEE is rich in lessons for the Caucasus. However, Kosovo may point to a solution for the Caucasus protagonists. Even though the break has been achieved and seems final between Serbia and Kosovo, the fact that the FRY is formally in charge of both territories still makes it possible to establish an administrative link between these two entities. This solution, halfway between independence and the absence of it, makes Kosovo's status *de facto* that of a federated state of the FRY. The existence of a state superstructure in the FRY, even though it seems increasingly to be but an empty shell,³³ makes maintaining the status quo seem possible. Although the parties are far from pleased with this arrangement, it still provides a solution everyone can live with, at least for the moment.

³² *Stability Pact – Its major Achievements*: <<http://www.stabilitypact.org>>.

³³ On March 14, 2002, the Yugoslav Republic dissolved itself to create the Republic of Serbia and Montenegro. In this new arrangement to give Montenegro more visibility, Kosovo's position remains just as ambiguous.

A number of lessons can be drawn from the management of the FYROM crisis. To begin with, the speed with which the international community acted in FYROM helped to avoid a physical separation, which today makes the cohabitation of Albanian Macedonians and Slavic Macedonians more acceptable to both communities.

The FYROM example also shows that if two conditions are met, 1) that minority groups have access to power in a democratic setting and 2) enjoy a form of autonomy, they find ways other than armed violence to voice their grievances, and extremism has less appeal.

Importance of getting all regional players to participate

The participation of Yugoslavia and all the other countries of the region has been a necessary condition for the effective operation of the regional stability pact. In the Caucasus, the task of including all of the territorial entities in a common pact will be more difficult than for the SPSEE because of the secessionist republics that lack international recognition. A pact for the South Caucasus has to find a way of getting all the players to participate and thus avoid gaping holes in the map of the pact while placating the sensitivities of the original states.

Beyond mere representation for the various regional players, it is essential that they have a real grasp of the process involved and that pact activities take place in the region itself. Indeed, SPSEE's activities show that the greater the involvement of regional countries – for example, when they organize their own activities under the SPSEE or initiate projects that express their own concerns – the more meaningful the outcomes will be.

Need for a strong incentive

Without trying to minimize the real impact many SPSEE projects have had, it does seem that the prospect of EU membership and the necessity of regional cooperation as a prerequisite for this membership are the main factors explaining the new relationships between SEE states.

With the CSP project, this key factor is the creation of an SCC that involves a promise of major economic benefits from oil development. The promise of a fairer division of this resource may give additional leverage for encouraging groups to stabilize their relations and agree on a common future.

There is no certainty, however, that a future SCC is an attractive enough incentive to “force” the protagonists to set their disagreements aside. In the case that interests us here, the CSP is recommending something that was immediately rejected for SEE on political grounds. Since the future SCC is the cornerstone of the project developed by the CEPS, the CSP's chances of success in its current form seem fairly poor.

CONCLUSION

Chapter 1 shows that the problems with stability found in the South Caucasus and SEE, stemming mainly from the post-Communist transition process and multitudinous regional conflicts, are by and large quite similar. Despite the large number of similar stability problems, however, these two regions have many differing specificities, mostly geopolitical.

A careful reading of the two pacts reveals considerable variation in recommended ways of solving similar problems. In SEE, a complex structure was set up to deal with practical questions, but the factor that seems to have done the most to foster regional cooperation was the prospect of EU membership, generally perceived as guaranteeing a better future. By contrast, regional cooperation in the Caucasus was to develop by creating a regional body, the SCC, as a local replica of the EU, though without the same prospect of joining Europe. Nor is there any certainty that this SCC on its own, desirable though it may be, will be a powerful enough incentive to force today's opponents to cooperate in building a common future. The stabilizing potential of the oil reserves may enhance the value of this SCC for Caucasian leaders, but it is hard to tell.

Despite the basic differences between the two stability pacts being studied here, we have managed to elicit a number of lessons from the SPSEE that may be useful for a future CSP. The most important lessons suggest that the pact should:

- 1) be introduced only when there are no unresolved conflicts;
- 2) involve all the actors in the region;
- 3) include a strong incentive that will interest all parties in the region;
- 4) make the incentive achievable only through regional cooperation.

The authors of the CSP have managed to promote their proposal through presentations in a host of forums, so this proposal is actually being discussed in many government gatherings and bodies. A conference in Turkey, organized by TESEV, brought together government representatives from all of the states involved in the project to discuss the CSP proposal – the “3 + 3 + 2” without the secessionist entities in this initial meeting. The mere fact that the conference was held is cited as a success by the authors of the CSP.

Even though little actual progress has been seen on this project or, in more general terms, in the stability of the Caucasus since the CSP was tabled, official reactions from the Caucasian players are fairly positive. The secessionist groups too have reacted positively to the pact project and agree with the thrust of the documents – including the leaders of Karabakh, South Ossetia and Ajaria. Only Abkhazia has not supported the CSP.

Another encouraging sign is that the proposal is being taken seriously and presented by some EU members as their own organization's strategy. In spring 2002, given the sustained involvement of Sweden, the European Parliament's Foreign Affairs Committee approved a final report offering complete support to

the CSP process with recommendations suggesting a much more active role for the EU.³⁴ Last, the aftermath of the events of September 11 and the revival of interest in containing pockets of instability around Afghanistan could give the CSP proposal its second wind.

³⁴ Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, *Report on the communication from the Commission to the Council and the European Parliament on the European Union's relations with the South Caucasus, under the partnership and cooperation agreements (COM(1999) 272 – C5 -0116/1999 – 1999/2119(COS))*, European Parliament, Rapporteur Per Gahrton, November 22, 2001.
<<http://www.europarl.eu.int/meetdocs/committees/afet/20020122/433916fr.pdf>>.

ABBREVIATIONS AND ACRONYMS

BSEC	Black Sea Economic Cooperation
CEFTA	Central European Free Trade Agreement
CEI	Central European Initiative
CEPS	Centre for European Policy Studies
CSP	Caucasus Stability Pact
EU	European Union
EURA	European Union Regional Approach
FSR	Federative socialist republic(s)
FYROM	Former Yugoslav Republic of Macedonia
FYR	Federal Republic of Yugoslavia
NATO	North Atlantic Treaty Organization
NGO	Non-governmental Organization
NIS	Newly Independent State
OSCE	Organization for Security and Cooperation in Europe
RACVIAC	Regional Arms Control and Verification Assistance Centre
RP	Royaumont Process
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SCC	South Caucasus Community
SCPC	South Caucasian People's Community
SECI	South-East Europe Cooperation Initiative
SEE	South-East Europe
SEECF	South-East European Cooperative Process
SPSEE	Stability Pact for South-East Europe
UNCHR	United Nations High Commissioner for Refugees
UNO	United Nations Organization
USSR	Union of Soviet Socialist Republics
YF	Yugoslav Federation

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