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SUB-COMMITTEE ON NATO PARTNERSHIPS

SOUTH EAST EUROPEAN SECURITY AND THE ROLE OF THE NATO-EU PARTNERSHIP

DRAFT REPORT

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* Until this document has been approved by the Political Committee, it represents only the views of the Rapporteur.

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I. INTRODUCTION

1. In terms of security, the past decade has seen the region of South Eastern Europe¹ being promoted from Europe's fringes to centre stage. Following the end of the Cold War, the region has seen several conflicts, prompting the first ever out-of-area NATO action in Bosnia and later in Kosovo. With NATO and the European Union's dual enlargement, the region's stability and prosperity are becoming even more important. This also holds true for the region of the Southern Caucasus², which, along with Central Asia, has significantly gained in strategic importance after the September 2001 terrorist attacks. A renewed recognition of the security risks that emanate from failed states, the proximity to Afghanistan, Chechnya, and Iran, and the rich energy resources, have attracted the interest of regional and international powers. Unresolved security issues, primarily in the breakaway regions, pose serious risks to both the region and the security of NATO member states. This is why, since the break-up of the former Republic of Yugoslavia, NATO and the EU have played a significant role in stabilising the situation in the region.

II. CHALLENGES

2. In the absence of an overarching external threat, security challenges to the Western Balkans largely originate from domestic issues. As noted in the Sub-Committee's 2003 report, the countries of South Eastern Europe are faced with numerous challenges, including organised crime, corruption, poverty and ethnic strife.

3. The domestic political situation of the states in the region has improved in recent years. All Western Balkan countries have held largely free and fair elections and have undertaken efforts to redraw their constitutions along more democratic lines. Nonetheless, to varying degrees, countries of the region suffer from a weak rule of law, understaffed police and insufficient border controls. The future of the fragile states in the Balkans depends primarily on inter-ethnic relations within the countries themselves. Ethnic problems are only slowly being addressed through laws and offices of national minorities and through representation in multi-ethnic governments. The return of refugees and their re-integration into society remains an open question. In order to foster democracy and stability, the rule of law and respect for human rights are essential. Without further reforms of the judiciary, democratic control of the executive remains an issue, as does the fight against organised crime and corruption. Countries in the region depend heavily on foreign aid. Stagnant economies undermine even the most determined international peace-building efforts and have been contributing to a revival in the fortunes of some of the nationalist political parties.

4. In the Southern Caucasus a decade of economic crisis rooted in the legacy of Soviet central planning has clearly exacerbated the fundamental strategic problem. Insecurity, physical isolation, pervasive and deeply rooted corruption, conflict and violence have gravely complicated the transition towards market-oriented structures in the region. Internal domestic problems - the weakness of civil society, endemic corruption, political alienation and economic crises - are closely linked to the frozen conflicts. The 'frozen conflicts' over Nagorno-Karabakh, South Ossetia and Abkhazia all involve core issues of national sovereignty, which provide a breeding ground for political instability and terrorism.

¹ This report focuses on the countries of the Western Balkans, namely Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia (Turkey recognises the Republic of Macedonia with its constitutional name), and Serbia and Montenegro

² The report addresses Armenia, Azerbaijan, and Georgia.

5. Political stability remains fragile in the region. With the notable exception of the elections in Georgia in January this year, all polls so far in the South Caucasian republics fell far from established international democratic standards. In Azerbaijan, although the country has rich oil resources, poverty is rampant. Armenia's governmental coalition is experiencing serious internal dissensions and coming in for stiff criticism over its ineffective anti-corruption measures and its far from transparent privatisation policy. Lacking opportunities, the younger generation is emigrating from the country. Thus, Armenia, which had 3.5 million inhabitants in 1989 now counts only approximately 2 million.

III. NATO ASPIRANTS: ALBANIA, CROATIA, THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA*

6. Of the countries in the region, the three NATO applicant countries namely Albania, Croatia and the former Yugoslav Republic of Macedonia have made the most progress in transforming their societies and militaries in line with Western standards.

7. **Albania** has made significant progress in the political, economic and social spheres, particularly in Tirana and the major central and southern towns. However, the North remains unaffected, due to the lack of infrastructure and investment. Despite a 4-6% real GDP growth in 2002 and 2003, about a third of the population lives below the poverty line. The government, with active cooperation and support provided by the Italian authorities, has succeeded in drastically reducing illegal migration towards Italy via the Adriatic Sea since the end of 2002. It has been less successful in combating crime and reforming its electoral process. The EU said that Albania must do more in these areas if it intends to pursue an EU Stabilization and Association Agreement (SAA).

8. In the medium term, the sustainability of economic growth and the country's ability to alleviate poverty must become priorities, as well as privatisation and restructuring the financial sector. The fragile political stability achieved in 2002 has been weakened by tensions between the main political parties and within the ruling Socialist Party (SP) itself. A large part of the economy remains informal and the business environment offers little to encourage investment.

9. The police and the judiciary are ill-equipped, understaffed and underpaid, creating a situation conducive to corruption and bribery. Undue prolongation of court proceedings leads to unnecessary delays in the judiciary. With assistance from the Italian government, a new centre for data-processing on various categories of crime has been established and will soon be operational. The European Council in June welcomed the Commission Recommendation that accession negotiations should be opened with Croatia, and decided that Croatia is a candidate country for membership and that accession negotiations will start early in 2005.

10. The results of the technical assistance offered by the Allies to Tirana in the framework of the Membership Action Plan (MAP) can be viewed as good. In addition, during the analysis of the report on Albania's progress under the MAP, it was acknowledged that the country had made considerable efforts over the last few months in order to meet NATO standards in the areas identified by the MAP.

11. **Croatia** has made significant progress since it adopted a plan for the harmonisation of its legislation with the EU's *Acquis communautaire* and was accepted as a candidate country for EU membership in mid-June this year. The new government, headed by Prime Minister Sanader, has adopted a very positive attitude and its first steps were welcomed by NATO and the international community. According to the European Commission, Croatia, the largest regional economy, has

* Turkey recognises the Republic of Macedonia with its constitutional name.

achieved a considerable degree of macro-economic stability with low inflation while it has successfully continued to implement structural reforms. Recognising its political and economic stability and its willingness to meet international obligations in April 2004, the International Criminal Tribunal for the former Yugoslavia (ICTY) prosecutor stated that Croatia is now co-operating fully with the ICTY. This progress was recently reflected in the assessment made by the Allies in the context of the report on Zagreb's progress under MAP. The European Council in June welcomed the Commission Recommendation that accession negotiations should be opened with Croatia, and decided that Croatia is a candidate country for membership and that accession negotiations will start early in 2005.

12. The question of political representation of minorities is gradually being addressed in Croatia. A Constitutional Law on the Rights of National Minorities was adopted, but is being implemented only slowly. Further steps towards an improvement in the protection of minorities would be welcomed. The Croatian government officially announced a programme to facilitate the return of refugees, especially those from Serbia, and legislative modifications were introduced to facilitate these returns. However, the implementation itself is lagging and limited progress has been achieved on the de facto integration of the Serb minority.

13. In the former Yugoslav Republic of Macedonia, a National Strategy for fighting corruption is in preparation. However, ineffective courts remain a stumbling block for the country's development, according to the head of the EU Proxima police mission. The multi-ethnic government coalition remains dedicated to the implementation of the Ohrid Agreement. But the fact that a referendum on the Law on Territorial Organisation has been scheduled for November this year, demonstrates that the society remains divided into a Slavic and an Albanian part particularly after the presentation of the request to enter the EU. The referendum has been initiated by the nationalistic World Macedonian Congress and is supported by all-ethnic Macedonian opposition parties. The Law on Territorial Organisation cuts the number of administrative districts, thus giving the ethnic Albanian minority greater power. The danger persists of a return to ethnic violence if the population should lose its confidence in the Ohrid Agreement. Small arms remain widespread in the former Yugoslav Republic of Macedonia, reflecting low confidence in sustainable peace and security. On the other hand, the uneventful election of Prime Minister Branko Crvenkovski to succeed President Boris Trajkovski, who was killed in a plane crash in February 2004 and the fact that there was no spillover of the March Kosovo crisis are signs of relative stability. The former Yugoslav Republic of Macedonia was recently also given a positive assessment by the Allies on its efforts as part of the current MAP cycle. Macedonian soldiers are serving alongside NATO forces in the International Security Assistance Force (ISAF) mission in Afghanistan as well as in Operation *Iraqi Freedom*.

14. The former Yugoslav Republic of Macedonia's GDP grew by only 0.3% in 2002, which is far less than in the neighbouring countries. Fears of renewed fighting, lack of investment opportunities, and corruption have reduced Foreign and Direct Investment (FDI). Unemployment remains on average above 30%, with very high unemployment among the Albanian community. The country remains an important transit centre for smuggling arms, drugs, and trafficking human beings.

IV. NON-PFP COUNTRIES: SERBIA AND MONTENEGRO, BOSNIA AND HERZEGOVINA

15. **Serbia and Montenegro:** During the years of the Milosevic government Serbia's economy was weakened and large parts of the society impoverished. The situation has improved on a macro-economic level, but the challenge to try to implement an internal market and a single trade policy remains. There is very little FDI in Serbia and Montenegro.

16. NATO relations with Serbia and Montenegro have significantly improved since 1999, which is most visibly demonstrated by Belgrade's intention to join Partnership for Peace (PfP). Although political and economic reforms in Serbia have significantly slowed down since the murder of Prime Minister Zoran Djindjic, Serbia and Montenegro has made progress in the field of defence by, among others, reducing the size of its army, allowing conscientious objectors and increasing civilian control. Belgrade also participates in a tailor-made Security Co-operation Programme with NATO, consisting largely of Alliance-sponsored workshops designed to inform Serbians and Montenegrins about Euro-Atlantic security structures and the PfP. In addition, the United Nations Department of Peacekeeping (UNDP) is assisting military reform efforts.

17. For NATO, the EU and other international organisations, the country's compliance with international obligations and especially collaboration with the ICTY remains a priority. In this context, senior NATO officials, including former NATO Secretary General Lord Robertson have repeatedly underlined that Belgrade must meet two crucial requirements before it can expect an invitation to join PfP: it must fully comply with the ICTY - and arrest Karadzic and Mladic - and it must drop its lawsuit against seven Allied countries and their leaders at the International Court of Justice. However, resistance to the ICTY remains strong in the region, especially in Serbia, and governments are unwilling to detain and extradite indicted criminals to The Hague. During their visit to Belgrade and Podgorica this April, Sub-Committee members learned that a great majority of Serbians was against co-operation with the ICTY. While Serbia and Montenegro has arrested a number of indicted war criminals, most notably former President Slobodan Milosevic, its co-operation with the ICTY has stalled after Djindjic's death. A setback for Serbia's relations with the international community, and NATO in particular, was the Serbian parliament's 30 March vote to provide comprehensive financial support to all Serbian indicted war criminals at the ICTY. Nonetheless, senior Serbia and Montenegro officials, including Kostunica and Djukanovic, unanimously stressed the desire for Serbian accession to Euro-Atlantic structures.

18. Serbia and Montenegro, as well as Bosnia and Herzegovina, consider the significance of PfP as much in its symbolic value as the first step towards integration into the Euro-Atlantic community as in the practical assistance it would provide. Serbia and Montenegro and Bosnia and Herzegovina's participation together in PfP will certainly rebuild long-term security and stability in the region. Moreover, by becoming a member of the Euro-Atlantic Partnership Council (EAPC), Belgrade would take the first step on the ladder of Euro-Atlantic integration and acquire a voice in a NATO forum. As the Sub-Committee learned, Serbian public opinion towards the Alliance is contradictory: according to polls, only 20% of the population hold a positive view of NATO, but between 50 and 70% favour joining PfP. While joining PfP appears unlikely unless significant improvements in Serbia and Montenegro's co-operation is achieved, NATO will continue to assist defence reforms short of PfP. NATO is also considering the establishment of a military liaison office in Belgrade.

19. Viability of the federal state is an important issue. The future of the union between Serbia and Montenegro, which was founded only after an EU-brokered agreement, remains uncertain. The March 2002 Belgrade Agreement transformed the former federal structure linking Serbia and Montenegro into a loose union, granting both member states wide political and fiscal autonomy. Serbian government officials, including Serbian Prime Minister Kostunica, told the Sub-Committee that keeping the "very loose federation" together is important to preserve peace and stability in the region. In contrast, senior Montenegrin government officials, among them Prime Minister Milo Djukanovic, maintained that the joint state has become dysfunctional and that the union was hampering Montenegro's path to Euro-Atlantic structures. Therefore, the Montenegrin leadership planned to hold a referendum on leaving the state union between the two countries, possibly as early as March 2005. Observers have expressed concerns that Montenegrin independence could fuel already strong calls from ethnic Albanians in Kosovo for independence from Serbia and from hard-line Bosnian Serbs, who desire unity with Serbia. At an informal meeting in early September, EU foreign ministers agreed that it might be necessary to use a two-track approach in negotiating

an SAA with Serbia and Montenegro because each of the two constituent republics has its own separate internal market and customs system. However, the ministers stressed that Brussels nonetheless supports the continuation of the joint state and insists on a single final Stabilisation and Association Agreement, albeit one with two separate additional protocols.

20. Kosovo remains a key issue for regional security and stability. There is obviously great expectation for the results of the renewal of the Assembly in October 2004. According to the new head of the United Nations Interim Administration Mission in Kosovo (UNMIK), Soren Jessen-Petersen, "there will be no normalisation, no stability in the western Balkans, unless the issue of Kosovo is resolved". NATO's mission in Kosovo dates back to 1999, when it intervened to prevent a humanitarian catastrophe. Since then, the number of troops of the Kosovo Force (KFOR) came down to 17,500 at the end of 2003 (as opposed to 19,500 in 2003 and 50,000 in June 1999). NATO, which closely co-operates with UNMIK, has a more comprehensive mandate in the province than in any other operation. The Alliance has, for instance, responsibility for supporting border security efforts and has developed expertise and become increasingly involved in post-conflict management. There has been some reconstruction after 1999, but the province remains one of the poorest parts of Europe. Economic growth is heavily dependent on generous but declining international assistance. Kosovo serves as a relay station for organised crime with possible spill over effects on neighbouring countries, particularly for the northern part of the former Yugoslav Republic of Macedonia.

21. Security in Kosovo remains fragile, as the unexpected outbreak of violence on 17-18 March 2004 has shown. Mobs orchestrated by ethnic Albanian extremists attacked minority enclaves mostly inhabited by Serbs, killing 19 people and injuring more than 900, including international police and NATO peacekeepers. Human Rights Watch and other international groups sharply criticised KFOR and UNMIK for having failed to protect ethnic minorities - a claim that both organisations have rejected. However, following an internal 'lessons learned' paper, NATO has undertaken a number of steps to improve security arrangements. For example, KFOR's has announced a new security system for settlements of Kosovo's Serbian minority. In addition, the German Armed Forces have concluded that the 3,200 German KFOR troops need better training, equipment, and rules of engagement. Under the rules in force in March, German troops were allowed to fire only if they were attacked. What is more, NATO has said that it will remove national caveats, which in the past have severely hampered its operations in the region. The international Contact Group on Kosovo - which consists of the United States, United Kingdom, Germany, France, Russia, and Italy - met on September 22nd during the session of the UN General Assembly and approved a statement supporting the intention of the Special Representative of the Secretary General (SRSG), Soren Jessen-Petersen, to put special emphasis on security, minority protection, return of refugees, decentralization, freedom of movement and the economy. The Group welcomed the intention of UNMIK to devote particular attention to the international cooperation on the economy in close cooperation with EU Commission.

22. The violence reflects a growing impatience among Kosovo's Albanian majority about the future of the province, especially following heightened rhetoric from Belgrade on their intentions over Kosovo earlier this year, as well as a lack of economic prospects and resentment of UNMIK. Many ethnic Serbs left the province and the remaining ones concentrated in about a dozen enclaves.

23. The question of Kosovo's future status is probably the most difficult issue in the region. Both NATO and the EU have repeatedly affirmed the standards before status principle, meaning that the province must first acquire internal stability and respect the criteria set out by UNSCR 1244 before its final status is decided. Implementation of the standards and the Standards Review policy was endorsed last December by the United Nations Security Council (UNSC), which

considers it as the best basis on which to build an inclusive, multi-ethnic democratic Kosovo, where all its citizens can live in peace and security.

24. The Kosovo Standards Implementation Plan (KSIP) on internationally agreed standards of law and order gives clear targets against which progress can be measured. Representatives of the Contact Group countries stressed the importance of implementing standards, especially those dealing with democracy, security, and the rule of law. In early August, UN Secretary-General Kofi Annan has expressed renewed concern about a lack of progress on reforms in Kosovo and appealed to ethnic Albanian leaders to improve conditions for minorities. Clearly, the Provisional Institutions of Self-Government (PISG) need to demonstrate genuine commitment to strengthening the rights and protection of Kosovo's minorities. Kosovo needs more responsive and effective government and local leaders are needed to take more responsibility at the central and local level.

25. While the UNSC continues to endorse the standards before status policy, others have questioned the efficacy of several aspects of current international policy in Kosovo. Critics like the International Crisis Group (ICG) argue that the standards before status policy should be modified. For example, outgoing NATO PA President Doug Bereuter has suggested in an August 25 2004 article in the Wall Street Journal Europe that the United Nations should hand over the governance of Kosovo to the European Union next year, under the authority of the UN trusteeship system. Similarly, Germany's opposition Free Democratic Party has called for transforming Kosovo into an EU protectorate.

26. In his capacity as special UN envoy, Norwegian diplomat Kai Eide recommended to "immediately replace the standards before status approach by a dynamic priority-based standards policy," Reuters reported in late August 2004. Preparations for talks on Kosovo's future status should begin within months, and power should be transferred more quickly to local administration. According to Reuters, the UN envoy suggests focusing on the most important standards - improving conditions for minorities - and seeking their rapid fulfilment.

27. **Bosnia and Herzegovina (BiH):** The 1995 Dayton peace agreement established complex state structures that recognise two political entities, the Bosnian Muslim/Croat Federation and the Bosnian Serb Republic (Republika Srpska - RS), as well as a central federal government with a rotating presidency. Dayton also established the Office of the High Representative (OHR), a position occupied by Paddy Ashdown since June 2002. Reflecting the progress that BiH has made towards full statehood and normalisation in recent years, Ashdown recently announced the downsizing of the mission by almost a quarter. The most serious threat to democratic governance still comes from nationalist hardliners seeking to undermine the efforts to stabilise and re-integrate the country and maybe even to partition it into three ethnical entities. Speakers at the NATO PA's March 2004 Rose-Roth seminar in Sarajevo viewed the development of a civic culture based on the respect for the rule of law as the keystone of Bosnia and Herzegovina's future. The absence of a strong central authority allows organised crime to flourish. For example, in 2002, RS officials, linked to business interests in Belgrade, were implicated in supplying arms to the regime of Saddam Hussein.

28. Although Bosnia and Herzegovina's economy is growing, its viability is far from guaranteed, as public spending is high and the country is heavily indebted and strongly dependent on foreign aid. Wages are still low and unemployment remains very high, though the vast grey economy makes it difficult to obtain reliable figures. Privatisation, proclaimed as a strategic goal, has only been a limited success at best; the lack of investment is due to a general perception of uncertainty regarding Bosnia's future stability.

29. NATO's presence in Bosnia and Herzegovina has led to improvements in the overall security situation, allowing it to reduce the number of troops deployed in the Stabilisation Force (SFOR) to approximately 7,000 (compared to an initial deployment of 60,000 in December 1995). At the

2004 Istanbul Summit, the Allies decided to transfer the BiH operation over to the EU. Transfer of authority from the NATO-led SFOR operation to the EU-led Operation Althea is foreseen for 2 December 2004. At the time of writing, it appears that approximately 10% of the 'Althea' personnel will be provided by third countries. In mid-September, EU Foreign Ministers approved the concept of operations (CONOPS) for Althea, which will be open-ended. NATO will continue its presence by establishing a small mission in Sarajevo, which will assist in defence reforms, apprehending war criminals and disrupting terrorist networks.

30. NATO and other international organisations have worked together with the various Bosnian authorities to reform the country's defence structures which consisted of three rival armed forces at the end of 1995. Ratification by the Bosnian parliament of a decision to create a single Defence Ministry last December was a major breakthrough as was the nomination of Nikola Radovanovic, a Bosnian Serb, as the first Minister of Defence.

V. THE COUNTRIES OF THE SOUTHERN CAUCASUS

31. In **Georgia**, much progress has been achieved by the Government in the area of defence reform, including army reorganisation and the consolidation of military and security structures. Moreover, the number of civilians in the Defence Ministry has increased, while training and equipment of Georgian soldiers, but also their social conditions, have been improved. Through a skilful mix of threatened force and imaginative diplomacy, President Mikhail Saakashvili manoeuvred Aslan Abashidze into peacefully ending his thirteen-year control of Georgia's Autonomous Republic of Ajara in May 2004. But that success, after two months when Georgia appeared on the verge of either a new civil war or a further dissolution of its territorial integrity was very much a product of the particular circumstances of the Ajara case and will not be easily repeatable in South Ossetia and Abkhazia. The new Georgian government's attempts to reign in its breakaway regions, which are heavily dependent on Russian support, have led to an intensified conflict in recent months. Georgia is however strongly engaged not to accept that its own territories could be out of its control and generally asks for a larger international commitment. The refugees are still a crucial issue, although some of them are coming back to their land.

32. The international community has largely ignored the consequences of the festering conflict between Georgia and Abkhazia. According to a recent European Commission background document, the region's population has fallen from 500,000 to between 100,000 and 150,000 people; the economy has shrunk by 80 to 90% in 15 years, and unemployment is around 90%. President Mikhail Saakashvili told the UN General Assembly this September that he is committed to resolving the conflicts solely by peaceful means. To end the conflicts with Abkhazia and South Ossetia he proposed a three-stage plan which calls for confidence-building measures, demilitarisation of the conflict zones; OSCE (Organisation for security and Co-operation in Europe) monitoring of the Roki tunnel linking South Ossetia and Russia, the deployment of UN observers along the border between Abkhazia and Russia; and the granting of "the fullest and broadest form of autonomy" to the two republics. This however, was immediately rejected by Abkhaz and South Ossetian leaders. At the time of writing there is no agreement in sight.

33. Georgian and South Ossetian forces clashed this summer, killing and wounding several people on both sides. Under an agreement reached on 19 August, Russia, Georgia and South Ossetia pledged to withdraw all forces except for 500 peacekeepers each. The ceasefire is supervised by the Joint Control Commission (comprised of Russia, Georgia, North Ossetia, and South Ossetia).

34. **Azerbaijan's** simmering ceasefire with Armenia over Nagorno-Karabakh is one of the most likely sources of conflict. A future conflict over the region could be much more destructive than that of 1992-1994 due to the development of more sophisticated weapons in the interim and the

role of foreign powers. Turkey and Russia could quickly become involved, as potentially could Iran, Pakistan and the United States. The conflict with Armenia over Nagorno-Karabakh continues to dominate the political landscapes of both countries. A cease-fire was signed in 1994, but no agreement has been reached on the territory's final status. Armenian-backed forces drove Azerbaijan's army out of the ethnic Armenian enclave in the early 1990s in a war that killed 30,000 people and left about 1 million homeless. In September this year, Azerbaijani President Ilham Aliyev stressed that it would be impossible to resolve the conflict if the principle of Azerbaijan's territorial integrity and the inviolability of its frontiers was not guaranteed. Defence Minister Safar Abiev warned that Azerbaijan will have no option but to liberate its territory by force if Armenia is not constrained to withdraw its forces unconditionally from occupied Azerbaijani territory. The political and economic situation in Azerbaijan represents another source of uncertainty and potential instability. The election of Ilham Aliyev, who campaigned on an agenda of job creation and the fight against corruption, raised hopes for political and economic reforms. It is still too early to assess the new president's success in these fields, but Azerbaijan's difficulties will not be easily overcome. State authority is undermined by poor political and institutional capacities, as well as by the unresolved conflict in the Karabakh region. The presidential election itself, which failed to meet international standards, demonstrated the fragility of the rule of law in Azerbaijan. The economy is highly dependent on the oil and gas industry, which receives 90% of all foreign investments and accounts for 90% of exports, whereas other sectors – including agriculture – suffer from serious crises. Two million Azeris (about 25% of the population) have already left the country to find work in Russia.

35. **Armenia** has traditionally maintained a strong relationship with Russia, opposing closer association with western institutions, based on its fear of Turkey. However, Armenia has begun to diversify its strategic alignment. Its foreign policy emphasises complementarity of closer relations with the East and the West, even though some critics maintain that it appears to play off one side against the other. President Robert Kocharian told the Sub-Committee on NATO Partnerships during their visit to Armenia this year that Armenia was interested in closer relations with NATO, but not membership in the Alliance. To improve interoperability with NATO forces, the Defence Ministry plans to cut the armed forces by half and to improve specialization. It is also worthwhile mentioning that civil service has been introduced as an alternative to military service. With regard to Nagorno-Karabakh, President Kocharyan, formerly President of this self-declared republic, was re-elected in March 2003 and insists that independence of Azerbaijan or annexation to Armenia remain bottom-lines. Armenia suffers from rampant corruption, which damages investment potential and undermines public support for the state. Despite this, the influx of foreign aid, of which Armenia is one of the world's biggest recipients, has offset the problem to some degree. Financial injections by the Armenian diaspora have also been a significant influence on economic stability. It has been estimated that the amount sent home each year from the migrant community may amount to \$1 billion. The rate of migration is also a serious problem. More than a million people are thought to have left since independence, out of a population of 3 million. The formation of the middle classes has really slowed. A national plan against corruption has been recently launched, but the low development of civil society and the lack of transparency are still crucial issues.

36. **Russia's role in the Southern Caucasus:** Russia maintains considerable political and economic influence in the Southern Caucasus, reflected also in a significant military presence in the region. Russia also participates in the different international initiatives and organizations involved in the settlement of regional conflicts. For example, Russia is a member of the Group of Friends of the UN Secretary General assisting in negotiations over Abkhazia and the only troop-provider of the Commonwealth of Independent States (CIS) peacekeeping force deployed in the province. It is also one of the co-chairs of the OSCE Minsk Group on the Karabakh conflict and a participant in the Joint Peacekeeping Force and Joint Control Commission (JCC) for the South Ossetian conflict. But while Russia has constantly and consistently favoured the

involvement of international structures where it is represented, it has not always followed up on its commitments as the pending issue of Russian troops in Georgia and Moldova illustrates.

37. Concerning its bi-lateral relations with the countries of the Southern Caucasus, Russia's relations with Georgia have been fluctuating since the change of power in this country. Russia played an overall constructive role in the resignation of the leader of the Ajara province in May 2004. Following the tragic hostage-taking in Beslan, Russia has also responded positively to Georgian calls for a renewed cooperation in the fight against terrorism in the region. Nonetheless, tensions remain about Russia's role in South Ossetia and Abkhazia, the withdrawal of Russian military bases, as well as the alleged presence of Chechen terrorists on Georgian territory (Pankisi Valley). As to Russia's relations with Armenia and Azerbaijan, relations with both countries have changed only on the margins. Political and military cooperation with Armenia remains strong, with Armenia seen as Russia's main support in the region, whereas a closer economic, political and military dialogue has recently been engaged with Azerbaijan in an effort to reach more balanced relations in the region. Nevertheless, more decisive steps are needed to create a favorable climate for regional stability and cooperation. Russia has legitimate security interests in the region. Your Rapporteur hopes that Russia can advance its own security by deepening co-operation with its southern neighbours in a constructive manner of partnership. No progress can be achieved without a clear Russian commitment to partnership rather than competition with EU and NATO countries.

VI. NATO'S PRESENCE IN THE BALKANS AND THE CAUCASUS

38. PfP, MAP and PARP (Planning and review Process) have been very successful in helping countries carry out necessary defence reforms. The perspective of PfP participation, and of NATO membership in particular, has been a very effective tool in transforming and stabilising the region. The political umbrella for NATO Partnership Programmes is the Euro-Atlantic Partnership Council (EAPC), which allows the inclusion of partners in the consultation and decision-making process of the Alliance. Introduced at the 2002 Prague Summit, Individual Partnership Action Plans (IPAPs) provide for greatly enhanced co-operation with NATO. IPAP modelled after MAP offers a comprehensive programme, which supports reforms beyond the merely military-to-military co-operation of PfP. IPAPs should set out clear co-operation priorities of the individual partner country. IPAPs could also help in co-ordinating national assistance to the recipient countries.

39. NATO action in the **Balkans** since the 1990s has reflected the changes of scopes and methods that the Organisation has undergone during the last decade. The Alliance has indeed been pivotal in halting violent ethnic conflicts in the region. To help the stabilisation efforts, NATO has been present since 1995. In addition to its ongoing peace-support operations and in response to the desire of countries in the region to join Euro-Atlantic structures, NATO has developed a comprehensive outreach programme designed to assist countries in their transformation processes towards democratic and market structures and to help in defence reform as a key part of the programme. Its strategy of inclusion includes the PfP, MAP and PARP as its main elements.

40. Albania, Croatia and the former Yugoslav Republic of Macedonia are already members of PfP and of the MAP, while Serbia and Montenegro and Bosnia and Herzegovina are aspirants for PfP membership. At the Istanbul Summit Bosnia and Herzegovina and Serbia and Montenegro were not invited to join PfP because of their failure to meet their international obligations towards the ICTY. In the case of Bosnia and Herzegovina, NATO singled out obstructionists in Republika Srpska in particular for that failure. At the end of June, High Representative Paddy Ashdown sacked 60 Bosnian Serb officials from government and party jobs for failing to arrest top war crimes indictee Radovan Karadzic.

41. In order to promote regional co-operation and long-term security and stability in the region, NATO, at its 1999 Washington Summit, launched the South East Europe Initiative (SEEI) comprising a series of programmes and initiatives designed to build on the Alliance's already extensive contribution to security and stability in the region and to take it to a new level with a special focus on Bosnia and Herzegovina, Croatia and the former Yugoslav Republic of Macedonia. In the context of the SEEI, the Southeast Europe Security Co-operation Steering Group (SEEGROUP), with rotating chairmanship among countries of the region, was established to coordinate regional projects. The PfP Trust Fund mechanism has been used to support several projects in the region.

42. The countries of the **Southern Caucasus** face most of the same shortcomings as those in the Western Balkans, but their defence establishments and government institutions are less developed than those of the Western Balkans. Defence reform is critical to the region's transition as militaries of the Southern Caucasus are in general poorly trained, led and equipped. Inefficient defence spending and corruption put an additional strain on already tight national budgets and their governments are weakened by the lack of democratic and market economic reforms. NATO has already helped in this area and in developing ideas regarding the appropriate role for the armed forces in Georgian society. Georgia and Azerbaijan have declared integration with the West in general, and with NATO in particular, as their foreign policy priorities. Armenia is also interested in further developing its ties with NATO, but the country retains its long-standing security relationship with Russia.

43. At the Istanbul Summit NATO declared that it plans to put special focus on developing ties with the strategically important regions of the Caucasus and Central Asia. In Istanbul, NATO agreed to create the position of Special Representative for the Caucasus and Central Asia based at NATO HQ. In addition, the Allies decided to establish a liaison officer for the Caucasus who will rotate between the capitals of Azerbaijan, Georgia and Armenia.

44. The three Southern Caucasus countries have submitted IPAPs for consideration and have joined the PARP of PfP. To enhance inter-operability and to contribute to international and regional stability, Armenia hosted seminars under the auspices of EAPC as well as its first PfP military exercise in June 2003 (Co-operative Best Effort 2003). NATO Cooperative Best Effort 2004 exercises scheduled to take place in Azerbaijan between 14 and 27 September were cancelled following a refusal to issue visas to five Armenian military officers invited to participate in the exercises. Armenia hosted similar exercises last year with the significant participation of Turkey but not of Azerbaijan.

45. The countries of the Southern Caucasus will remain net recipients of NATO assistance, but they have also begun to participate in NATO-led peacekeeping operations, including KFOR and ISAF. For example, Azerbaijan has sent peacekeeping troops to Kosovo and Afghanistan and Georgia has a 157-strong military contingent in Iraq, which will be increased to 300 by October, Armenia also sent troops to Kosovo in February 2004 and is preparing a contingent for Iraq.

VII. REGIONAL CO-OPERATION

46. Regional co-operation is a prerequisite for long-term stability in the region. Some progress has already been made in this area: The former Yugoslav Republic of Macedonia, Albania and Croatia agreed to a closer co-operation in the Ohrid-Adriatic Group to speed up the countries' integration process into NATO and the EU. In addition to the consolidation of democratic institutions, strengthening the rule of law and defence reform, NATO demands that applicant countries must particularly focus on improving good neighbourly relations before being admitted to the Alliance. The countries of the Ohrid-Adriatic Group also collaborate on border security, their

ultimate goal being to meet European standards. Regional co-operation is a key element of the EU's Stabilisation and Association process, and of NATO's PfP. Moreover, the Stability Pact for South Eastern Europe, created in 1999, complements the SAP by building new forms of co-operation and stimulating practical and financial support from the international community. The Stability Pact focuses on regional co-operation initiatives in the fields of business and the environment, the fight against corruption and organised crime, elimination of ethnic discrimination, security sector reform and the independence of the media. The Stability Pact includes more than 40 countries and international organisations. Its six core objectives are Local Democracy/Cross Border Cooperation (LODE/CBC), Media, Energy and other Regional Infrastructure, Trade and Investment, Fighting Organised Crime and Managing and Stabilising Population Movements as well as the overarching activity area of defence and security. Since 1 January 2004 the Stability Pact has been integrated within the Commission structures and, while maintaining its institutional structure including the role of the Regional Table, which remains the political governing body of the initiative, will be geared to assisting the achievement of European Community goals in the Balkans.

47. Other regional initiatives to promote peace, stability, and co-operation are the Central European Initiative (CEI) and the South-East European Co-operation Process (SEECP). The CEI was launched in 1989 as Quadrilateral co-operation, and its membership grew to 17 in 2000 (Albania, Austria, Belarus, Bulgaria, Bosnia and Herzegovina, Croatia, the Czech Republic, Hungary, Italy, the former Yugoslav Republic of Macedonia, Moldova, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia and Ukraine). The SEECP was created in 1997 and comprises nine countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania, Serbia and Montenegro, Greece, and Turkey). Both offer a comprehensive framework for regional co-operation, co-ordinating activities with international organisations and regional initiatives.

48. The parliamentary dimension of the Southern Caucasus Initiative is particularly remarkable, ruled by the 2003 Memorandum of Understanding. Parliaments of Armenia, Azerbaijan and Georgia have formed a joint assembly, chaired alternatively each six months. Parliamentary co-operation could try to overcome the stereotypes promulgated by media and to improve reciprocal knowledge among the new generations that no more know themselves after the collapse of the Soviet Union. Georgia is also very interested in increasing co-operation in the Black Sea and in the GUUAM framework, looking specially towards Ukraine.

VIII. THE ROLE OF THE EUROPEAN UNION

49. The EU has taken a strategic approach to conflict prevention in the **Western Balkans** since it established the Stability Pact in 1999. In its European Security Strategy (ESS), the EU stipulates that security is seen as a precondition of development and refers to organised crime, especially cross-border trafficking in drugs, women, illegal immigrants and weapons, as a threat to Europe's security. These security problems are rampant in the Balkans and are all the more worrisome because the criminal gangs involved in organised crime have potential links with terrorism.

50. NATO and the EU pursue similar goals in South Eastern Europe, namely stabilisation and democratisation. The EU generally focuses on a more comprehensive transformation of the governance of the region, not merely on military stabilisation. The key focus differs, with the EU taking a broader approach, while the Alliance concentrates primarily on defence reform and security. The EU is increasing its presence in the region and European Commission opened a liaison office in Pristina on 27 August, which will maintain closer contact with the United Nations Mission in Kosovo (UNMIK) and the Provisional Institutions of Self-Government on the ground. In late March, EU foreign and security-policy chief Javier Solana appointed Italy's Fernando Gentilini as his personal representative.

51. The EU and NATO have also long established an effective co-operation in crisis-management and conflict prevention in the region, which has brought concrete results beneficial to the region and to Europe. For example, in the valley of Presevo in southern Serbia, a team composed of senior NATO and EU officials mediated successfully to diffuse the tension between Serbs, Macedonians and Albanians backed by strong NATO support for the EU's facilitation efforts in reaching the Ohrid Agreement and numerous joint visits to the region by the NATO and EU Secretaries General Robertson and Solana. This strong cooperation has been perceived by the countries in the region as an element which enhances their security and integration prospects, paving the way for a smoother transition in the region.

52. The June 2003 Thessaloniki EU Council iterated that "the Western Balkans countries will become an integral part of the EU, once they meet the established criteria". Accession to the EU is the ultimate incentive the EU has to offer. Candidate countries must meet the Copenhagen criteria, which include the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities as well as the existence of a functioning market economy and the ability to cope with competitive pressures and market forces within the Union.

53. The framework for the EU's approach to South Eastern Europe – the so-called Stabilisation and Association process (SAP) – is designed to encourage and support the domestic reform processes of the countries in the region. SAP offers the five countries the prospect of eventual EU integration, based on progress achieved by each country. It is a step-by-step conditional approach based on aid, trade preferences, dialogue, technical advice and, ultimately, contractual relations. In the long term, the SAP acts both as a stimulus to EU integration and a lever for reform. SAP sets political and economic conditions necessary for stability and security (democracy, respect for human rights, market economy, regional cooperation). The political goals of the SAP are quite similar to those stated by NATO. Within the framework of the SAP, the EU is providing €5 billion in financial aid and technical assistance for the period of 2000-2006.

54. In addition, the European Commission approved the first ever European Partnerships for the Western Balkans on 30 March this year. Modelled on the Accession Partnerships developed to prepare past aspirants to EU membership, the European Partnerships represent a milestone in the relations between the EU and the Western Balkan countries. They are tailored to each country's specific needs, setting out priorities for the short term (12-24 months) and the medium term (3-4 years). The Partnerships will help governments concentrate reform effort and available resources where they are most needed.

55. Countries that have made sufficient progress in terms of political and economic reform, will be offered a formal contractual relationship with the EU. This takes the form of a tailor-made Stabilisation and Association Agreement (SAA). SAAs go beyond NATO goals in certain areas: A free-trade area between the EU and the partner countries is put into place and constant political dialogue with the EU is a prerequisite. The SAA also contains provisions on the movement of workers, freedom of establishment and the movement of capital. The legislation of the country should be harmonised with that of the EU, notably in key areas like the internal market. Co-operation in justice and home affairs is another important point. SAAs have been concluded with Croatia (which has since already applied for EU accession on February 23, 2003) and the former Yugoslav Republic of Macedonia (which applied formally on 22 March 2004). Negotiations on an SAA with Albania started in January 2003, while negotiations with Bosnia and Herzegovina have not yet begun, but a decision is expected at the end of this year. The European Commission decided in March to postpone a feasibility study on Serbia and Montenegro's readiness for SAA membership.

56. Several European actors are helping applicant countries in the process of stabilisation and association: the European Commission, the European Agency for Reconstruction, the European

Investment Bank. The European Agency for Reconstruction operates within the wider framework of the European Commission's CARDS (Community Assistance for Reconstruction, Development and Stabilisation) programme and intervenes in the following sectors: Public administration, Justice and Home affairs, energy, infrastructure and transport, health, enterprise, rural development, environment, education, civil society and media. CARDS, the main EU program assisting the countries in the Balkans was established in December 2000 and has financial resources totaling €4.65 billion for the period of 2000-2006. In June 2003 the Thessalonica European Council decided to increase this figure by €200 million for the three years between 2004-2006 (approximately €70 million a year in additional resources).

57. In the **Southern Caucasus**, the EU is involved in helping all three governments to develop their economies and promote regional co-operation. The EU Parliament on 26 February adopted a report saying that the EU should contribute more aid, take steps to establish free trade, better co-ordinate its involvement in the region, and extend the powers of its special representative to the Southern Caucasus. However, the countries must demonstrate a credible and a sustained commitment to reform, clearly reflected in concrete steps forward - for example, in fighting corruption.

58. Besides bilateral links, the EU has assisted Southern Caucasus states in dealing with 'soft' security issues, primarily through TACIS (Technical Assistance to the Commonwealth of Independent States), TRACECA (Transport Corridor Europe-Caucasus-Asia), and INOGATE (Interstate Oil and Gas Transport to Europe). But only recently has the EU enhanced its presence and involvement in Southern Caucasus. The appointment in July 2003 of a Special Representative for the region was a major step towards the definition of new policy initiatives. At its June 2004 Summit, the EU belatedly included Armenia, Azerbaijan, and Georgia in the "Wider Europe" programme (European Neighbourhood Policy – ENP). Each country will negotiate a national action plan on economic and political reforms, which will then determine the extent of their co-operation with the Union. However, the Special Representative also strongly insisted on the conditionality of these benefits, insisting that the three countries would have to demonstrate sustained commitment to and substantial progress towards political and economic reform, as well as conflict settlement.

59. The EU adopted a relatively high profile over the crisis in Adjara and South Ossetia in the spring and summer of 2004, with official declarations from prominent figures and some signs of a willingness to play a greater role in the resolution of the conflict. The EU has also begun to more actively support reforms in the countries of the region. Especially noteworthy in this context is the establishment of the first Rule of Law Mission in the European Security and Defense Policy (ESDP) framework - EUJUST-THEMIS - in July this year for an initial 12 month period. The mission will assist the Georgian government in its efforts to strengthen the rule of law.

IX. RELATIONS WITH OTHER INTERNATIONAL ACTORS

60. In addition to the EU and NATO as key players, a number of international actors are also assisting in regional stabilisation efforts, as does the UN especially in Kosovo with the 3,500-strong UN Mission in Kosovo (UNMIK). For example, the World Bank supports authorities in strengthening economic policy and planning capacities, improving the business environment to encourage growth and jobs, and restructuring critical industry sectors. The OSCE has an important role for early warning, conflict prevention, crisis management, and post-conflict rehabilitation in the region. NATO-OSCE relations are governed by the so-called Platform for Co-operative Security agreed at the OSCE's 1999 Istanbul Summit. In this, the Allies expressed their readiness to deploy NATO's institutional resources in support of the OSCE's work, particularly in the areas of conflict prevention and crisis management. The activities of the OSCE field missions aim to strengthen the rule of law and democratic principles and promote good

governance with regard to the media, among others. More specifically, the OSCE brings additional expertise and assets in the areas of police training, election monitoring, education and media development. Collaboration with other international actors will remain crucial.

61. The focus of NATO's relationship with the UN is on peacekeeping issues. The NATO Secretary General reports to his UN counterpart on progress in NATO-led operations, including KFOR and the International Security Assistance Force (ISAF). NATO-UN staff level co-operation and the flow of information have significantly increased since the appointment in 1999 of a NATO liaison officer to the UN Department for Peacekeeping Operations and the attachment of a liaison officer from the UN Office for Co-ordination of Humanitarian Affairs to NATO's Civil Emergency Planning Directorate. Based on the mandate by UNSCR 1244, the UNMIK performs the whole spectrum of essential administrative functions and services covering such areas as health and education, banking and finance, post and telecommunications, and law and order. UNMIK is headed by the Special Representative of the Secretary-General for Kosovo. As the most senior international civilian official in Kosovo, he presides over the work of the pillars and facilitates the political process designed to determine Kosovo's future status. However, UNMIK's effectiveness has been viewed critically after the outbreak of the March violence in the province and a recent document released by the office of Common Foreign and Security Policy (CFSP) High Representative Javier Solana commented that the current UNMIK presence no longer meets current demands and argues for a restructuring of UNMIK to give it a broader role and stronger political leadership. It also suggests that UNMIK has to move from executive functions to strategic follow-up projections and redefine the role of various international organisations involved in Kosovo.

X. NATO-EU COLLABORATION

62. The "Framework for an enhanced NATO-EU dialogue and a concerted approach on security and stability in the Western Balkans", agreed in July 2003 sets out the common vision of both organisations on the future of the region. It constitutes the roadmap for a new common approach to peacekeeping and stabilisation in the region. Enhanced collaboration will help establish democratic government structures and viable free market economies through the integration into Euro-Atlantic structures. NATO and the EU agreed to exchange relevant information and keep each other regularly informed at all levels, including possible military options. In addition to co-operation in the area of conflict prevention and crisis management, the Framework document lists the following areas where the two organisations plan to co-ordinate their assistance to the countries of the region: defence and security sector reform, strengthening the rule of law, combating terrorism, border security and management, and arms control and removal of small arms. The "Framework" also provides for consultation mechanisms between the two institutions, for example between the North Atlantic Council and the Political and Security Committee, between the Military Council and the EU Military Council and between the Policy Co-ordination Group and the Politico-Military Working Group.

63. Furthermore, as stated by General James L. Jones, Supreme Allied Commander Europe (SACEUR), during the NATO PA February meetings, the Berlin Plus arrangements are a good framework for the collaboration between the two organisations in the area of peacekeeping. The Berlin Plus arrangements include, among others, assured EU access to NATO operational planning, presumption of availability to the EU of NATO capabilities and common assets, NATO European command options for EU-led operations (including the European role of Deputy SACEUR), adaptation of the NATO defence planning system to incorporate the availability of forces for EU operations. Based on lessons learned NATO will plan to increase collaboration with the EU in the Balkans, including through the Berlin Plus arrangements.

64. The EU's experience and capabilities in 'soft power' can be valuable assets for regional stabilisation efforts. Noteworthy in this respect are the European Monitoring Missions (EUMM) which provide timely information from the ground to EU member states. EUMMs presently operate in Albania and the former Yugoslav Republic of Macedonia as well as Bosnia and Herzegovina, Serbia and Montenegro. Moreover, as agreed at the 2000 Feira European Council, the EU members can provide a minimum of 5,000 police officers (1,000 of whom can be deployed within 30 days); 200 rule of law experts, including international prosecutors, lawyers and judges (including a rapid response group capable of deployment within a month); civilian administrators, and civil protection consisting of 2 - 3 rapidly deployable assessment teams in case of natural and man-made disaster with a further 2,000 strong civilian protection intervention contingent. However, it should be added that these capabilities have not been fully tested and that they are not yet rapidly deployable. Full expansion of EU civilian capabilities has not yet been achieved, partly due to a lack of co-ordination between the EU Council and the EU Commission. Also, EU civilian capabilities could go even further with increased coordination and financing from the member states. It is currently in the process of extending its action to a new range of peacekeeping missions. This expertise is complemented by capacities in the field of civilian administration and reinforcement of the rule of law, which appear adequate for crisis management operations. These capacities allow the EU to assist effectively both in the crisis management phase and in the post-conflict stabilisation phase by engaging early in institution building in the affected regions or countries.

65. Since 1 January 2003, on the civilian side of European Security and Defence Policy (ESDP), the EU has been in charge of a police mission in Bosnia and Herzegovina, the EU Police Mission (EUPM), which is seeking to set up an accountable police force in Bosnia and Herzegovina as a fundamental requirement for the future of the country. EUPM has identified two key policy issues for itself, namely to ensure that Bosnia and Herzegovina police provide a secure environment for refugee return and to enable them to tackle organised crime and corruption. However, the mission has had considerable difficulties and has not fully met its objectives. Some of the problems are due to a lack of resources as the EUPM's financing, which has been ad-hoc and therefore untenable, is much smaller than that of the preceding UN police mission (€38 million for 2003-2005 for some 550 personnel compared to the UN's \$121 million per annum for 1,600 personnel). But the EUPM has also been criticised for interpreting its mandate too narrowly and for failing to be sufficiently proactive and interventionist when the situation demanded. For example, EUPM monitored the indicted war criminals in Foca (in the east of RS) without acting. Noting that there were 20 different police forces at various levels with divisions along ethnic lines and little exchange of information, the Head of the EUPM to Bosnia and Herzegovina informed participants of the Assembly's recent Rose-Roth seminar that organised crime was pervasive and public confidence sadly lacking.

66. In April 2003 the EU started its first military operation, Operation *Concordia*, in the former Yugoslav Republic of Macedonia (with the participation of 14 non-EU states). The mission ended on 15 December 2003 and was succeeded by a 200-strong police-monitoring and advisory mission named *Proxima*. The smooth transition from NATO's Operation *Allied Harmony* in the former Yugoslav Republic of Macedonia to Operation *Concordia*, which has recourse to NATO assets and capabilities, has demonstrated the effectiveness of the Berlin Plus arrangements for the collaboration of the two organisations. Nonetheless, the transition from NATO to the EU was not completely without problems, namely in the sharing of information and in the coordination phase. Some lessons learned have been retained and are currently being studied by the two organisations.

67. The lessons learned in the former Yugoslav Republic of Macedonia will be particularly helpful for the expected takeover by the EU in Bosnia and Herzegovina. The Bosnia and Herzegovina operation is much larger than any previous EU mission (about 400 troops in the former Yugoslav Republic of Macedonia, compared to 7,000 in Bosnia and Herzegovina). Close co-operation with

NATO will be necessary. All regional NATO operations have been directed by Allied Forces Southern Europe in Naples, which has also prepared a single reserve force, which could be deployed in case of an emergency. The force would be able to assist EU-led and NATO-led forces, if such support were needed.

68. The EU's action in the Balkans reflects a more general issue faced by the EU: the gradual and progressive fulfilment of the Helsinki goals. All ESDP missions in the Balkans were taken over from previous UN or NATO structures. They all had long lead-up periods that could be used for planning. Thus, the EU has not yet had to prove its capacity to react quickly.

69. The transfer of the mission in Bosnia and Herzegovina to the EU will reinforce NATO's strategic partnership with the EU. Closer NATO-EU co-operation in the Western Balkans would help in broadening NATO-EU co-operation in other areas, such as combating terrorism, coping with WMD proliferation, and improving military capabilities in a mutually reinforcing way.

70. A more active involvement of either NATO or the EU in conflict resolution in the Southern Caucasus appears unlikely. During his visit this September, European Commission President Prodi told the leaders of the three countries not to expect the EU to "act as mediator in the conflicts". However, outgoing EU Foreign Affairs Commissioner Chris Patten said that the Commission continued to provide full support to the OSCE's and UN's efforts to resolve the region's frozen conflicts.

XI. CONCLUSIONS

71. As your Rapporteur noted last year, 'NATO commands the necessary military and security expertise, and the EU already provides critical economic, financial and other assistance; closer co-operation appears desirable'. NATO, for example, provides "added value" in the areas of peacekeeping, defence reform, and civilian control of the military. In addition, NATO programmes such as PfP and MAP have political components that overlap with the EU's stabilisation agreements: democratisation, the fight against corruption and respect for human rights are clauses contained both in PfP as well as in the *Acquis communautaire*, whose implementation is the ultimate goal for all potential EU applicant countries. Moreover, in the Balkans, the EU hand has valuable assets for post-conflict management and has a whole set of political and economic tools to make the region meet international standards.

72. This does not mean that NATO would simply focus on 'hard' military issues, while the EU would use exclusively 'soft' political instruments. In the long run, the EU's added value in terms of crisis management should be its ability to deploy mixed missions with civilian and military components. Operations *Concordia* and *Althea* as well as the creation of the European Gendarmerie Force (EGF) as agreed by France, Italy, Portugal, Spain, and The Netherlands late September this year are a case in point. The EGF, initially 900 police officers strong and designed to be ready for deployment on 30 days notice, can significantly improve the EU's peacekeeping capabilities. Your Rapporteur hopes that other European nations will contribute to the EGF, and to eventually have several thousand EGF police qualified and ready for peacekeeping duty.

73. Nineteen of the 25 EU member states are members of the Alliance, and four are partner countries. Overlapping membership and similar security interests of both organisations make closer co-operation imperative. While NATO is shifting its focus out of its traditional area and is expanding its mission in Afghanistan and possibly Iraq, the EU has taken on tasks in South Eastern Europe, including crisis prevention and conflict management. To that end, it is developing its capabilities as well as its plans for further action. Your Rapporteur explicitly endorses the expansion of NATO and EU activities as long as this is done in a complementary, but not in a redundant manner. As both organisations increasingly take on global tasks, available (military) capabilities are already stretched to the limit. This makes it especially important to avoid

competition between the two organisations. Member countries have only one set of military units, some of which are not only 'double-hatted' (i.e. earmarked for NATO and EU operations) but even 'triple-hatted' (earmarked for NATO, EU, and UN operations). The Berlin Plus arrangements and the EU planning cell within SHAPE are a big step forward. The Framework can serve as a starting point for a more efficient allocation of tasks between NATO and the EU, possibly even beyond the Western Balkans.

74. NATO and the EU can be complementary institutions and mutually benefit from each other. By providing assets through the Berlin Plus arrangements, NATO also increases the range of possibilities for EU operations. On the other hand, increased cooperation with the EU may decrease the danger of overstressing for NATO. Lessons learned in the Balkans will be relevant as the Alliance takes on new challenges in Afghanistan, in Iraq and, possibly, in the Southern Caucasus.

75. While the risk of large-scale hostilities appear remote, security in parts of the region – and particularly in Kosovo – remains fragile. With regard to Kosovo, the immediate priority on the ground is to build tolerance and reassure the Kosovo Serbs. The March violence shows that there is a long way to go to build tolerance and that continued international involvement, particularly the presence of KFOR, is necessary. At the same time, your Rapporteur argues that the question of the province's final status cannot be postponed indefinitely. Your Rapporteur supports the Special Representative of the UN Secretary General in his plans for the PISG to take on further responsibility in areas such as the economy. The international community must try to revive the dialogue between Belgrade and Pristina at a time when local Serbs are threatening to boycott the parliamentary elections on 23 October.

76. NATO's presence in South Eastern Europe will remain crucial, not only because it provides the necessary military muscle but also because it includes the US and Canada and thus offers a truly transatlantic co-operation. NATO is now in a position to focus on security-sector reform and continue reducing its presence, which is the clearest sign that progress is being made. Post-conflict management is a long and arduous process. While respective roles and responsibilities may change, the European Union, NATO and other international actors must continue their effective partnership for as long as it takes to make reconstruction and stabilisation in the region self-sustaining and irreversible.

77. However, at this point, unlike in the Western Balkans, there is no institutional co-operation between the Alliance and the EU in the Caucasus region. Apart from PfP, both organisations have only lately begun to increase their activities in this region. Your Rapporteur proposes that NATO and the EU should reach an agreement on a concerted approach for the Southern Caucasus.

78. There is very little, if any, regional security dialogue in the Southern Caucasus. Your Rapporteur finds it desirable, if successful lessons of security co-operation in Central and South-Eastern Europe could be transferred to the region. For example, Balkan co-operation initiatives like the Southeast European Co-operative Initiative (SECI), South Eastern Europe Brigade (SEEBRIG) could serve as models for the Caucasus. NATO, through PfP, could help advance regional co-operation. Moreover, NATO should explore a special format for dialogue with the three nations of the Southern Caucasus, on the model of those set up for Ukraine and Russia³ as a recent report by the Central Asia-Caucasus Institute of The Johns Hopkins University³ proposes, among others, to explore the possibility of creating a NATO Defence College in the region, similar to that of the Baltic Defence College and building on its experiences; greatly enhance the number of officers receiving training through PfP.

79. Last, but not least, NATO should engage the EU and other international organisations in co-ordinating assistance more effectively in the areas of defence reform, rule of law, and other

³ Regional Security in the South Caucasus: The Role of NATO; Paul H. Nitze School of Advanced International Studies, Johns Hopkins University

capabilities that will enhance security and stability in both regions. With regard to the Southern Caucasus this refers particularly to Russia, which plays a pivotal role in the area. The co-operation in the NATO-Russia Council reflects a new spirit of partnership between Russia and the Alliance. NATO could contribute to alleviating tensions through a policy of close co-operation with both sides and by promoting joint actions targeting terrorism within the NATO partnerships context. Closer integration of Russia with the NATO Allies will help to build trust between Russia, the Allies and the NIS countries seeking NATO membership. A broader and deeper dialogue on the challenges in the Southern Caucasus, perhaps in the NRC or the EAPC, could help foster a climate of trust, which, in turn, could bolster regional stability. The Rapporteur finds it necessary for NATO to include the security issues regularly on the agenda of the NATO-Russia Council. In a similar vein, the EU should include Southern Caucasus on the agenda in its meetings with Russia. The EU might also consider creating a special representative for the relations with Russia.
