

**PART III:**

**NEW DYNAMICS THROUGH STRUCTURAL  
CHANGES AND PROGRESS IN THE INTE-  
GRATION PROCESSES**

# From Stability Pact to the Regional Co-operation Council

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The Stability Pact for Southeast Europe was called into existence in 1999 as a German initiative aiming to support the reconstruction of political and civil structures as well as to provide aid for the recovery of the economies in the region and to reduce the distrust between the ethnicities within the respective countries as well as between the countries in Southeast Europe themselves. It was meant as the first comprehensive conflict-prevention strategy of the international community, aimed at strengthening the efforts of the countries of Southeast Europe in fostering peace, democracy, respect for human rights, economic prosperity and security. The concept was supplemented by the perspective of later inclusion into the European process of integration in order to facilitate the difficult political, economic and social adjustment. From the very beginning the pact has made clear that regional co-operation represents an indispensable component and a precondition for the much-desired integration into EU and EU-Atlantic structures.

Regional co-operation is a necessity in South Eastern Europe in itself – many issues as for example fighting organised crime, intensifying trade or strengthening disaster preparedness and prevention, can only be addressed on a regional basis. Foreign investors will not be interested in investing into a country with a market of only 2 million consumers, but a market of 55 million consumers, which is currently being established with the amendment and enlargement of CEFTA, also makes investments in SEE much more attractive. Furthermore International Financial Institutions (IFI) are taking a regional approach to their programming, in addition to their individual country programmes.

Secondly, regional co-operation is both a prerequisite and a tool for the European and Euro-Atlantic integration of SEE. Namely, it is one of the

criteria of EU and NATO membership, as the two organisations want to take in only those countries that show maturity in relations with their neighbours – regardless of how painful memories of recent events might be. It is understandable that both organisations cannot be interested in offering membership to countries that import unresolved disputes or even serious conflicts with their neighbours.

However, regional co-operation should not be mistaken for a substitute for EU and Euro-Atlantic integration. Since regional co-operation is the basis the EU itself is built upon, it is also a condition for the further integration of South Eastern Europe into the EU. Regional co-operation should thus be seen as an important preparation for future EU and NATO membership.

There is no doubt that today the region is much more mature in many respects than eight years ago. Many projects and initiatives of the Stability Pact have been completed, companies are taking full advantage of regional free trade with the result of intra-regional trade doubling over the past few years. There is now a common approach to addressing difficult issues such as the fight against organised crime and corruption. Best practices in the area of migration are being exchanged. The Energy Community Treaty is creating a regional electricity market consistent with EU standards. Four countries have formed the Sava River Commission to manage the economic and environmental issues of this important basin. There exists in fact ever closer co-operation among the local authorities along the borders of SEE countries which are today being protected almost exclusively by police and not military units any more. Therefore it is time that the region can – and must – take greater ownership of its own affairs.

Bearing this in mind, a transformation and streamlining process was launched in 2005 with the final aim of having a new framework for regional co-operation in South Eastern Europe in place by 2008. In order to have an impartial assessment of the contributions of the Stability Pact so far and to receive various proposals on how the future regional co-operation framework should look, a Senior Review Group (SRG) was established by the Special Coordinator for the Stability Pact, Erhard

Busek, in close co-ordination with Enlargement Commissioner Olli Rehn.<sup>1</sup> At that time it was also clear that the Stability Pact – which anyhow was foreseen to remain active only for a limited period from the very beginning – should terminate its activities in a foreseeable time. Some of the major donors indicated clearly that they would end their engagement completely if not a feasible new format for a subsequent institution would be found that entailed a much more pronounced ownership content of the region itself in particular.

The final report of the SRG outlined certain preconditions for a sustainable regional co-operation framework in SEE which have to be kept in mind: a strong involvement of both the South East European countries and the EU; full political commitment by the countries of the region; and involvement of the non-EU donor community during the transition process towards regional ownership. It must be stressed that during the preparation of the Final Report the EU Commission provided the Senior Review Group with substantial support insofar as it not only advised the SRG with practical recommendations but in particular with making clear that the Commission's engagement will remain strong also under the new framework. This was important for the accompanying talks with representatives from non-EU donor countries like the USA, Switzerland or Norway, because the SRG could thus refer to the EU's promise of further commitment.

Following a wide consultation process with countries of South Eastern Europe in 2005 and 2006, the Stability Pact's highest decision-making body – the Regional Table in Belgrade – took in May 2006 far reaching decisions on the transformation of the Stability Pact into a more regionally-owned, streamlined and effective regional co-operation framework in South Eastern Europe. The main task of such a framework is to be a facilitator of regional co-operation and support the European and Euro-

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<sup>1</sup> The Senior Review Group comprised Ambassador Alpo Rusi of Finland as the Chairman, former Deputy Special Co-ordinator in 1999-2000, Goran Svilanović, former Foreign Minister of Serbia and Montenegro, Vladimir Drobnyak, Chief EU-Negotiator for Croatia, and Franz-Lothar Altmann of the German Institute for International and Security Affairs (SWP).

Atlantic integration, while ensuring continued involvement of the donor community, thus preserving the legacy of the Pact.

A number of options were analysed when discussing the future framework for co-operation, ranging from a fully-fledged regional organisation to a more decentralised network of tailor-made sectoral co-operation arrangements.

While none of the existing frameworks for co-operation in SEE can at present stage adequately meet all the principles and address all the tasks mentioned above in their current set-up, their ability to adapt to these challenges was assessed. Considering their geographical scope and political aims, the Southeast European Co-operation Process (SEEC) as well as the EU-Western Balkans Forum were of particular interest in this context and were extensively discussed in the course of the consultation process. While it is always preferable to work with existing institutions and adapt them to changing environments, institutional restraints have to be kept in mind. Based on the current needs and required tasks careful consideration thus also had to be given to establishing a new co-operation framework, such as a Regional Co-operation Council (RCC). Finally, a more “substance-oriented” approach was considered focusing on tailor-made sectoral arrangements to address current needs.

In the course of the consultations, the EU has shown reluctance to enhance the EU-Western Balkans forum in order to enable it to meet the above principles and tasks to make this option feasible. Furthermore, the “substance-oriented” approach of tailor-made sectoral arrangements without a political forum to provide overall guidance has been dismissed as not ambitious enough by most interlocutors. Therefore the range of feasible options for a future regional framework for co-operation was reduced in the consultations, and in the very end the SRG recommended the SEEC as the only possible framework partner for the RCC. The SEEC is the principle political forum established by the region itself bringing together most of the countries of the SP target region. The fact that the countries of the region regularly come together on the highest political level shows the importance the countries themselves place in this forum.

After careful consideration the SRG thus recommended the establishment of a Regional Co-operation Council (RCC), which at a later stage can develop into the operational component of a reformed SEECP. Establishment of such a Regional Co-operation Council will be based on a phased evolution of the current Stability Pact structure into a more focused and streamlined regional set-up, increasingly owned politically, personnel-wise and financially by the countries of the region. It should be able to support the whole region on its path towards EU integration, with the option of providing a framework for co-operation even after all or most countries are EU members.

Based on decisions taken by the Stability Pact Regional Table in Belgrade (May 2006) and Bucharest (November 2006), the Summit of the South East European Co-operation Process (SEECP) and the Regional Table in Zagreb (May 2007) thus jointly decided to transform the Stability Pact for SEE into a Regional Co-operation Council (RCC). The final meeting of the Regional Table of the Stability Pact shall take place back-to-back with the first meeting of the RCC no later than February 2008.

The tasks of the RCC are defined as follows: to sustain focused regional co-operation in SEE through a regionally-owned and -led framework; to provide political guidance to and receive substantive input from relevant task forces and initiatives active in specific thematic areas of regional co-operation; to promote European and Euro-Atlantic integration; and to provide guidance to the Secretariat of the RCC and its Secretary General.

The RCC should provide the SEECP with operational capacities through its Secretariat and task forces as well as act as a forum for the continued involvement of those members of the international donor community engaged in SEE.

The membership of the RCC consists of the participating states of the SEECP,<sup>2</sup> the United Nations Interim Administration Mission in Kosovo

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<sup>2</sup> Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Hellenic Republic, FYR Macedonia, Moldova, Montenegro, Romania, Serbia, Turkey.

(UNMIK) on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244, the European Union, represented by the Troika, consisting of the EU Presidency, the European Commission and the Council Secretariat, as well as those donor countries, international organisations and international financial institutions *actively and substantially engaged* in support of regional co-operation in SEE. Requests for membership of the RCC require the consent of the existing members.<sup>3</sup> The host of the secretariat will be Sarajevo, and as first Secretary General Mr. Hido Bisčević, currently State Secretary at the Ministry of Foreign Affairs and European Integration of Croatia, was appointed. The RCC Secretariat will establish a Liaison Office in Brussels with European and Euro-Atlantic institutions, providing support to the SEECF. Altogether the Secretariat will have some 30 staff members.

It was agreed that the streamlined Regional Co-operation Council (RCC) and its Secretariat should focus its activities on six areas which the countries of the region have already identified as those where regional co-operation will be beneficial to all. These areas are:

- Economic and social development;
- Infrastructure;
- Justice and Home Affairs;
- Security Co-operation;
- Building Human Capital.

Parliamentary Co-operation is an overarching theme that is linked with each of the above five areas.

The financing scheme of the new RCC and its Secretariat was determined after the regional governments had agreed on their financial contribution to the future RCC Secretariat which will be a cost-share of € 1 million, the agreed annual contribution by the region to the RCC Secretariat. The European Commission and bilateral donors have now started to work together on their contributions and have agreed to establish a Donors' Working Group to this effect. The Group will work to-

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<sup>3</sup> Statute of the Regional Co-operation Council (RCC) <http://www.stabilitypact.org/rt/ZAGREBAnnextoConclusionsRCC.pdf>

wards defining the size of contribution by individual donors (bringing the total needed for the daily operation of the Regional Co-operation Council Secretariat to € 2.5-3 million) and at developing a mechanism that will allow donors to pool their funds in support of the Regional Co-operation Council.

The formal hand-over from the Stability Pact to the RCC will take place in February 2008.

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