

UNFINISHED BUSINESS IN EUROPE

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THE BALKANS

The Balkans remain part of the unfinished business on the transatlantic security agenda in Europe. While the political situation in the Balkans has considerably improved in the last decade, the Balkans remain plagued by a number of negative trends – virulent nationalism, high levels of crime, deep-seated corruption, pervasive economic underdevelopment and weak political institutions – which threaten regional stability and their integration into the EU. Unless these problems are addressed more systematically and coherently, the potential for violence and regional instability is likely to increase. Both the United States and Europe have a strong interest in securing lasting stability in the region and have invested significant political and financial capital in pursuit of that goal over the course of the last two decades. It is essential that they make a consolidated effort to bring the Balkan’s era of instability to a close once and for all.

Several general points deserve to be stressed in thinking about future stability and security in the Balkans.

First, Central Europe’s transition to democracy and market economies does not provide a useful model that can be transposed lock-stock-and barrel to the Balkans. The conditions that contributed to the successful integration of Central Europe into Euro-Atlantic institutions largely do not obtain in the Balkans.

Second, while it is unrealistic to expect progress to occur overnight, time is not on the side of political reform and stability. If greater regional stability and security are to be achieved, the pace of reform needs to be accelerated.

Third, US interest in the Balkans has significantly declined in the last decade. US policy attention is increasingly focused on threats and challenges *outside Europe*. However, U.S. engagement in enhancing security and stability in the Balkans remains essential. It is important therefore that the United States remains actively engaged in the effort to achieve greater regional stability and security in the Balkans.

Fourth, US-EU cooperation is critical for solving the region’s problems and needs to be strengthened. The United States and Europe should coordinate their policies more closely in the future.

Finally, more attention needs to be paid to strengthening the role of civil society in the Balkans. The EU should provide the means but NGOs should decide for themselves how the money should be spent.

BOSNIA

More than 15 years after the signing of the Dayton Accords, Bosnia continues to face significant economic, social and political problems. Dayton stopped the war – no mean achievement – but it failed to create a viable, self-sustaining democratic state in Bosnia. In the first decade after the signing of the Dayton Accords, Bosnia made modest progress toward stability and reform, particularly during Paddy Ashdown's tenure as High Representative (2002-2006). However, the last four years have witnessed a serious deterioration in Bosnia's capacity to function as a viable independent state. Relations between ethnic groups have become increasingly polarised and have resulted in increasing political paralysis. The country's three main ethnic groups – Bosniaks, Serbs and Croats – remain segregated and political relations between them are too often virulent and potentially destabilising. The cultural and political divide, moreover, is growing. Politically, leaders have proven willing to engage in ethnic politics that undermines confidence in Bosnia's future. Culturally, the continued segregation of the educational systems is particularly worrisome: The three different ethnic groups use different textbooks, syllabi and course material which provide different views of Bosnian history and reinforce ethnic intolerance. Bosnia's chances of joining the EU in the next decade –if not longer – have significantly dimmed.

One of the main lessons of the last two decades is that both a European and transatlantic consensus is crucial to the implementation of a successful policy toward Bosnia – and the Balkans more generally. Without such a consensus, the various parties on the ground are able to play the United States off against Europe or Europe off against itself, undermining the international effort. Thus close US-EU cooperation is an important prerequisite for breaking the current deadlock in Bosnia and enhancing stability there.

To date, achieving a clear US-European consensus has been difficult. Prospects appeared to improve in the aftermath of Vice President Biden's speech in Sarajevo in May 2009. However, the 'Butmir process' that emerged in the wake of Biden's speech failed to achieve the hoped-for results. This was in part a result of the intractability of Bosnia's problems, but it was also due to a lack of agreement between Washington and European capitals over the nature of Bosnia's problems and how to resolve them. While Washington focused on the issue of constitutional reform, Europe's prime concern was accelerating the closure of the Office of the High Representative (OHR) and handing responsibility over to the EU Special Representative for the Balkans. The United States and Europe also disagreed on what pressure they were willing to apply to obstructionists on the ground, especially those in the Republika Srpska. As a result, the Butmir process did little to resolve the major outstanding issues.

The elections in Bosnia on 3 October 2010 did not provide the hoped-for political breakthrough. Rather, they reinforced the ethnic divisions that existed before the

elections. However, there were some bright spots. The victory of Bakir Izetbegovic, son of wartime President Alija Izetbegovic, in the race for the Bosniak seat in the Presidency is a positive development. Izetbegovic is more willing to work with other ethnic groups than the incumbent Haris Silajdzic, Bosnia's wartime Foreign and Prime Minister. The deep-seated animosity between Silajdzic and Milorad Dodik, leader of the Bosnian Serbs, delayed important reforms needed for EU and NATO integration. Izetbegovic's victory thus could make it easier to find a compromise on some of the outstanding issues that have been an obstacle to progress to date. However, given the deep divisions and lack of consensus between the three ethnic groups, it may take several months before a new Bosnian government is finally formed. The United States and the EU should use this interval to step up efforts to devise a joint strategy toward Bosnia. In particular:

- A US Special Envoy to the Balkans should be appointed. This would give the Balkans higher visibility in US policy and help to ensure that the United States remained strongly engaged in the Balkans – an important concern given all the other pressing international problems on the US foreign policy agenda. It would be important that the Special Envoy have sufficient stature and political weight that he/she is perceived as having the strong political support of the key US officials concerned – above all President Obama.
- Some Europeans are very wary of the idea of appointing a Special US Envoy, fearing that this could marginalise the influence of the EU. Such concerns, while understandable, appear exaggerated. The real danger is not that the United States will again dominate the diplomatic process as it did at Dayton. Rather it is just the opposite: that Washington will become distracted by the plethora of important international issues on its plate and not pay sufficient attention to the Balkans, especially Bosnia. Appointing a capable Special Envoy could mitigate that danger and help to ensure that the United States remained sufficiently engaged.
- Europe should take the lead, working closely with Washington. Not only is this preferred politically by both Europe and the United States, but it is also likely to be more effective. Brussels can offer the main things Bosnians need and want most: visa liberalisation, candidate country status, negotiations over each of the *acquis* chapters, pre-accession funds, and, most of all, eventual EU membership. Each of these is a potential carrot to elicit reform-minded behavior from the parties on the ground.
- NATO accession is also important. The prospect of membership can help promote internal reform, especially in the security sector. It also provides an important means of linking Bosnia to the Euro-Atlantic community, especially since EU membership is a very distant goal. The decision at the NATO Foreign Ministers meeting in Tallinn this past April to award Bosnia Membership Action Plan (MAP) status, which would open the possibility of Bosnia's eventual admission into NATO if and when Bosnia fulfills the requirements for membership, is a useful step in this regard and could provide an incentive for Bosnia to undertake more significant political and economic reforms. However, Bosnia has a long way to go before it can be seriously considered for membership in NATO. Strong US engagement – and, at times,

pressure – will be necessary if Bosnia is to make progress towards achieving this goal.

- The OHR has become increasingly dysfunctional and should be closed down. However, before it is mothballed, the United States and EU need to agree on the mandate and authority of the institution which will replace the OHR. Here the onus is on the EU to present a clear and convincing plan for a transition. Otherwise the problems that have hindered progress to date will not only be perpetuated but reinforced, leading to increased ethnic rivalries and political tensions.
- The EU needs to speak with one voice. This ability would be enhanced if the bilateral embassies were closed.
- Finally, Bosnia badly needs constitutional reform. To aid this process and enhance its chances of success, the US and EU need to define what is needed to create a functioning Bosnian state. What would a capable Bosnian state look like? What needs to be done for such a state to emerge? This would provide a framework for the Bosnians to devise a Constitution. Without such a framework, there is a danger that the process of constitutional reform may result in endless internal bickering and paralysis – or simply break down altogether.

KOSOVO

Kosovo presents a second major challenge. Kosovo declared its independence in 2008, backed by the United States and a majority of EU members. However, its declaration was opposed not only by Serbia but a number of other important UN members, including Russia and China.

The decision by the International Court of Justice (ICJ) in July that Kosovo's declaration of independence did not violate international law was a significant victory for Kosovo's struggle to be recognised as a full and legitimate state and a blow to Belgrade's efforts to delegitimise Kosovo's independence. Unfortunately, rather than choosing to turn the page on the issue and reset its relations with Europe and the United States, Serbia immediately tabled a UNGA draft resolution on the issue, in an effort to keep the debate over Kosovo's status alive.

Several factors will be important in breaking the current deadlock and preventing a resurgence of ethnic tensions that could threaten peace and stability in the Western Balkans.

First, close collaboration between the United States and the EU. While the EU should take the lead, strong US engagement and support will be essential. As noted earlier, the appointment of a US Special Envoy could be helpful in ensuring that the US remains strongly engaged.

Second, unity and cohesion within the EU. The EU's effectiveness and ability to contribute to a viable solution to the Kosovo issue is severely hampered by the lack of internal unity. The majority of EU members support Kosovo's independence.

However, five EU members – Spain, Romania, Cyprus, Slovakia and Greece – are opposed to independence. To address the difficult challenges ahead, the EU needs to speak with one voice.

The EU's inability to forge a common policy towards Kosovo will have an impact on other issues, particularly Bosnia, and could undermine confidence in the EU's ability to act as an effective manager on other important regional and international issues. This is all the more reason why it is important that the US and EU closely coordinate their policies.

In the wake of the ICJ decision the US and EU need to work closely together and coordinate their policies. In particular, they should:

- Incrementally increase EULEX control of the territory north of the Mitrovica, and thereby ensure Kosovo's future unity. This requires regularising border controls at Gates 1 and 31.
- Work to erode the political value of the Kosovo issue in Serbia itself by speaking directly to the Serb people about the direct financial and longer-term political costs that Serbia's reticence incurs, including pressing Serbia to publicise the cost of sustaining parallel Serbian public services and other operations in Kosovo itself and linking progress on EU accession to Serb acquiescence of the *status quo* (if not recognition) on the Kosovo issue.
- Continue to push for progress on democracy and the rule of law in Pristina.
- (In the view of some) take a much tougher line with the Tadic government on the Kosovo issue, although others are concerned that if pressure on Tadic resulted in his loss of power, the situation could actually get worse.
- Encourage Belgrade to participate in technical discussions with Pristina.
- Intensify pressure on Serbia to bring Ratko Mladic to the Hague. This is important symbolically and is an essential step for reform of the Serbian security services.
- Strengthen measures to reduce corruption in Kosovo by creating an Anti-Corruption Agency. Corruption is the biggest obstacle to state-building in Kosovo.

Some Serbs have suggested partitioning Kosovo as a means of resolving the Kosovo problem. However, this is not a viable solution, as it would encourage irredentism. Indeed, even public discussions of territorial swaps would be liable to create great insecurity from the Republika Srpska through the Sandzak and Presevo Valley into Northern Macedonia and would thus be extremely risky.

MACEDONIA

The internal situation in Macedonia is still fragile, though better than the situation in Bosnia or Kosovo. The moderates in the Albanian community in Macedonia are

reportedly becoming weaker, while the radicals are gaining in strength. Diplomatic inertia and neglect could prove costly, especially as long as the Kosovo issue remains on the table.

Papandreu would like to see the name issue resolved and removed from his foreign policy agenda. This would help him to concentrate on Greece's economic problems – the most serious challenge he faces. However, Papandreu must move cautiously. As Foreign Minister in the early 1990s, Antonis Samaras, the leader of the opposition New Democracy party, adopted a strongly nationalistic stance towards the Macedonian issue, much to the dismay of his EU partners. Samaras could try to play the nationalist card again and use the Macedonian issue as a means of portraying Papandreu as ready to 'sell out' important Greek national interests.

- Here as elsewhere in the Balkans close US-EU policy coordination is needed. Top priority should be given to resolving the name issue. Resolution of the name would allow Macedonia to enter NATO and could give new impetus to the search for peace and stability in the Western Balkans. Any solution, however, needs to be one that both George Papandreu and FYROM Prime Minister Gruevski can sell at home. The name issue is highly emotive and polemical and can easily be manipulated by nationalist forces in both countries.

THE EASTERN PERIPHERY OF THE POST-SOVIET SPACE

The second area that remains unfinished business is the eastern periphery of the post-Soviet space. As a result of the fall of the Berlin Wall, the former communist states of Eastern Europe have been integrated into Euro-Atlantic institutions and today enjoy a degree of economic prosperity, political stability and external security that exceeds anything most of them have experienced in their history. While many still face important economic and political challenges, their future is reasonably secure.

However, the process of integration and political transformation unleashed by the collapse of the Berlin Wall has been incomplete and has left a band of states on Russia's Western periphery without a clear political future or clear foreign policy attachment. This band of states includes Ukraine, Georgia, Azerbaijan, Armenia, Moldova and Belarus. These states exist in a kind of geopolitical limbo. Their political future and foreign policy orientation is uncertain.

Along with the states of the Western Balkans, these states are part of the unfinished business of the Cold War. As in the Western Balkans, the United States and the European Union need to work closely together to coordinate their policies towards the region. However, bringing stability and democracy to the states on Europe's Eastern periphery is likely to be more difficult than in the Balkans for several reasons.

First, the countries in the eastern periphery of the post-Soviet space lack a strong sense of regional identity. The only recent unifying factor for most of the countries in the region in modern times has been Russian – and later Soviet – rule. However, the legacy of Soviet autocratic rule and economic centralisation left the countries of the

region poorly prepared for the transition to democracy and the development of a market economy.

Second, the region is plagued by a number of deep-seated historical animosities, border disputes and ‘frozen conflicts.’ These include the conflict between Azerbaijan and Armenia over Nagorno-Karabakh, the Transnistria dispute in Moldova, and the separatist movements in Abkhazia and South Ossetia in Georgia. These conflicts are a major source of instability and an important obstacle to regional cooperation.

Third, the region lacks strong regional institutions that can promote regional cooperation and mitigate conflict. Efforts have been made to promote closer regional cooperation, such as the establishment of the Black Sea Economic Cooperation (BSEC) organisation. Launched by the late Turkish President Turgut Ozal in 1989, BSEC is designed to promote private sector activity and stimulate the free movement of goods and services among member states. However, the organisation lacks strong mechanisms for policy coordination and strong and effective leadership. It is also not equipped to address security issues.

Finally, many European states have reservations about whether countries like Georgia and Ukraine – not to mention Azerbaijan, with its Muslim population and historical and cultural ties to Iran – are really part of Europe and European culture. This Western ambivalence about the ‘Europeaness’ of the countries in the region – is an important obstacle to promoting closer cooperation and ties to Western institutions.

The United States and the EU: similar objectives, different priorities

The United States and the EU broadly share similar objectives in the eastern periphery. Both want to project stability eastward. But their priorities differ. The US is focused on ‘resetting’ relations with Russia, while the EU is primarily concerned with using soft power to promote the stabilisation of the eastern periphery. The Obama administration’s effort to ‘reset’ relations with Russia, however, has created concerns that the reset with Russia may result in a weakening of the US commitment to human rights and democracy in the eastern periphery and lead to America’s increasing political disengagement from the region.

Vice President Biden’s visit to Kyiv and Tbilisi in the summer of 2009 helped to defuse some of this anxiety. During his visit, Biden emphasised that the United States did not accept the idea of ‘spheres of influence’ and that the door to Ukrainian and Georgian membership in NATO remained open. Nevertheless, the underlying concerns remain. Given all the urgent international problems on President Obama’s plate, the countries in the region worry that the eastern periphery of the Soviet Union will not receive sufficient high-level attention in Washington.

The strong performance of the Republicans in the mid-term elections in the United States is likely to reinforce these concerns and make the pursuit of a coherent foreign policy more difficult. With the House of Representatives now in Republican hands and the position of the Democrats weakened in the Senate, President Obama will have a difficult time getting Congressional support for his domestic and foreign policy agenda. The dangers of political paralysis and stalemate have increased.

At the same time, it is not clear that the EU has the cohesion and strength to be an effective regional actor in the eastern periphery of the post-Soviet space. The EU is going through a complicated transition. Much will depend on how the process of internal reforms set forth in the Lisbon Treaty functions in practice. It may take time before the new institutional arrangements begin to function effectively. Leadership in the coming period will be in the hands of Hungary and Poland. Neither is likely to be able to provide the type of strong leadership needed to drive the policy process.

In addition, the EU faces a number of major challenges which could deflect its attention and sap its strength. The global economic recession and financial crisis has forced many EU Member States to impose austerity measures that have caused widespread social unrest. If this social unrest intensifies, EU national governments may have little time or energy to focus on stabilising the post-Soviet space. They may be too preoccupied with providing stability at home.

The end of the enlargement paradigm

Indeed, we are entering a new historical period, one which requires new approaches and new policy tools. For the past two decades, enlargement has been the main vehicle for promoting stability and security eastward in both NATO and the EU. But as Bruce Jackson has noted, this ‘go-go period of NATO expansion’ has ended. NATO enlargement has run its course. Further expansion of the Alliance has essentially been put on hold. While the door to Ukrainian and Georgian membership remains open, NATO enlargement as an active instrument of Western policy is dead – or at least put on the backburner for the foreseeable future.

This is part because of strong Russian opposition to further enlargement by NATO. But also because the regional dynamics have changed. Since the election of Victor Yanukovych as Ukraine’s president in February 2010, Ukraine has embarked on a visible effort to develop closer ties to Russia and withdrawn its application for NATO membership. At the same time, the five day war between Russia and Georgia in August 2008 has highlighted the dangers of pushing NATO enlargement too actively in the former Soviet space and diminished support for Georgian membership anytime in the near future.

In short, while the door to further enlargement remains open in principle, for the near future NATO enlargement is unlikely to serve as a major policy instrument for stabilising the eastern periphery. The main emphasis is likely to be on promoting closer cooperation between Russia and NATO, particularly in missile defence and counter-terrorism.

Within the EU as well, public opposition to enlargement has grown visibly since 2005. The growing opposition to enlargement has deprived the EU of one of its most effective policy tools for fostering greater stability and prosperity in the East. The Eastern Partnership – the main policy instrument for dealing with countries on the Eastern periphery – has emphasised trade and soft power as instruments for fostering closer ties to the countries in the eastern periphery of the post-Soviet space. However, unlike the association agreements with the states of the Western Balkans, the Eastern Partnership does not offer a prospect of membership. The prospect of membership has acted as the ‘golden carrot’ that has provided the incentive for leaders to undertake

controversial internal reforms. Without the prospect of membership as a carrot, many leaders on the EU's Eastern periphery are likely to be reluctant to undertake difficult and unpopular reforms needed to enhance political stability and economic prosperity in the region.

In sum, it is not really clear what the EU is offering the states on the Eastern periphery or what it is demanding of the states in return. What is the alternative to enlargement? Thus the EU's offer needs to be clarified. If not enlargement, what can the states in the Eastern periphery expect from the EU?

The Russian factor

Russia has strong historical and political interests in the Eastern periphery of the post-Soviet space, which it regards as an area of 'privileged interests.' Moscow has shown great sensitivity to the expansion of Western influence and values into the post-Soviet space, which it regards as falling within its *de facto* sphere of interest. While Russia has strongly opposed NATO's expansion into the post-Soviet space, Moscow recently has also shown increased sensitivity to the EU's efforts to expand its influence in the region through its Eastern Neighborhood policy (ENP) and Eastern Partnership (EP).

The five day war with Georgia in August 2008 should be seen against this background. The Russian invasion underscored the limits of American power. In the face of determined action by Russia to defend its interests, the United States proved powerless to do anything more than make loud political protestations. The invasion was thus a sharp reminder – to the countries in the West as well as those in the East – that Russia was still a power to be reckoned with and that any attempt to establish security in the post-Soviet space would need to take Russian security interests into consideration.

Moreover, since then Russia's influence in the former Soviet space, especially in Ukraine, has been strengthened. Yanukovych's election as President of Ukraine has led to a major shift in the balance of power on the EU's Eastern periphery. Since his election, Yanukovych has sought to strengthen ties to Russia. This has been reflected in the extension of the base agreement with Russia for an additional 25 years as well as an intensification of energy ties. Defence relations with Armenia have also been strengthened.

In short, in the last several years Moscow's position in the Eastern periphery of the post-Soviet space has been strengthened. Thus the West will need to find a way to engage Russia in any effort to stabilise the region. This does not mean that the West should accept a Russian sphere in the Eastern periphery of the post-Soviet space. But Russian security interests will need to be taken into consideration in formulating Western policy toward the region.

Some observers suggest there should be a 'division of labor' between the EU and the US, with Washington focusing on resetting relations with Russia and Brussels focusing on the countries on the Eastern periphery. Such a policy, however, is flawed. There is an important difference between the Eastern periphery of the post-Soviet space and the Balkans. In the Balkans the EU can – and should – take the lead because it has the experience and policy tools to do so. The situation in the Eastern

periphery of the post-Soviet space is quite different. Given Russia's strong involvement and historical interests in the region, the active involvement of the US as a geopolitical balancer and counterweight is important.

Engaging Turkey

Finally, Turkey's role needs to be considered in developing a coherent and effective Western policy toward the eastern periphery of the post-Soviet space. Like Russia, Turkey has strong political, economic and cultural interests in the region. In the last few years, moreover, it has begun to play an increasingly active role in the region, particularly in the South Caucasus. On the bilateral level Turkey has sought to mend fences with Armenia, while on the multilateral level it has launched a regional initiative – the Caucasus Cooperation and Stability Platform – designed to promote greater regional cooperation. Therefore, recognising Turkey's growing regional role and finding ways to coordinate policy more closely with Turkey will be important in the future.

Policy recommendations

- The active engagement of the United States in promoting a stable security order in the region is essential.
- The EU's Eastern Partnership needs to be revised. The EU needs to clarify what it is really offering the countries on the Eastern periphery and what it expects from the countries in return. If the EU is unwilling to offer these countries membership, what is the alternative to membership?
- A stronger effort needs to be made to engage Russia in creating a stable security order in the Eastern periphery. However the United States and EU should reject the notion of a security order based upon spheres of influence.
- The right of sovereign nations to choose their security alliances and security orientation should remain a fundamental principle of US and EU policy.
- The emergence of a stable, independent and democratic Ukraine remains an important precondition for the establishment of a stable security order in Europe. The United States and the EU should continue to support Ukraine's closer ties to Euro-Atlantic institutions.
- Given Turkey's increasingly active economic and diplomatic role in the Caucasus, the United States and EU should work closely with Turkey to develop a coordinated approach to enhancing security in the South Caucasus.
- Strengthening the role of civil society and an independent media in the states on the Eastern periphery of the post-Soviet space should be an important policy goal of both the US and the EU.