
COSTS AND BENEFITS OF NATO MEMBERSHIP
Albanian and Regional Challenges after the Bucharest Summit

This publication includes the proceedings of the regional conference "Cost and Benefit Perspectives of NATO membership: Albanian and Regional Challenges after the Bucharest Summit" organized by the Institute for Democracy and Mediation (May, 2008) with the support of the Public Division of NATO Diplomacy in Brussels. Positions expressed belong to authors and do not necessarily reflect donors' point of views.

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PREFACE

The regional conference “Cost and Benefit Perspectives of NATO Membership: Albanian and Regional Challenges after the Bucharest Summit”, was organized on 4-5 May 2008 (Tirana) by the Institute for Democracy and Mediation in cooperation with the Albanian Parliament and the Public Division of NATO Diplomacy in Brussels. The conference was characterized by vast participation of political representatives, experts on security issues from the region and further, representatives of the diplomatic corps, civil society, media, armed forces and others.

This publication comprises summaries of the speeches held during the regional conference as well as recommendations emerged in relation to Albanian and regional challenges. The overall aim of the conference was to offer an analysis on the costs and benefits that these countries encounter to successfully coordinate and reform their policies on regional security issues and to face the challenges of NATO membership.

Thus, experts from Albanian and regional think tanks, governmental representatives and academics have introduced their positions and discussed possible recommendations in this context.

The Institute for Democracy and Mediation would like to express its gratitude to the Public Division of NATO Diplomacy (Brussels), to the Albanian Parliament, to its partners of the Civil Alliance '08 in Croatia and Macedonia, as well as to all participants and heads of institutions for the contributions given during the conference.

INTRODUCTION

Without any doubt, NATO is the world's most successful and efficient organization dealing with security issues. The key of its success lays in common values shared by its members such as democracy, freedom, rule of law, free market economy etc. As a result, the membership of the Balkan countries in this organization will directly contribute to the enforcement of democracy, peace, stability, market economy and the rule of law in the region. NATO has undergone a fundamental transformation after the 1990-ies by being enlarged with new members and being transformed from a classical organization of collective defense, into an organization of security and peace adjusting to new challenges. Threats like terrorism, arms of mass destruction, humanitarian crises etc., with which the Alliance has to deal nowadays, are very different from those in the past. In order to address these challenges, new strategies and instruments are necessary not only for NATO as Alliance but also for each member state. Consequently, aspirant Balkan states should focus their military reforms regarding these new challenges. The entry into the Alliance not only requires reforming the military but furthermore political, institutional and economical reforms. These challenges are common for all countries in the region and regional cooperation is an indispensable process in order to face these challenges with success.

The Summit of NATO's Member States held on 2-4 April 2008 in Bucharest, signed one of the most important relations of Albania and the Western Balkan countries with the North Atlantic Alliance. Although this success was partial, because it could not be fully achieved during its work, this Summit underlined the progress made by the three regional members – Albania, Croatia, and Macedonia in the framework of the Adriatic Charter – offering the invitation for membership to the first two and leaving the possibility open for Macedonia, as soon as is resolved the issue of the name with Greece. On the other hand, the Heads of the Member States of the Alliance confirmed again the perspective of integration into NATO also for the other countries of the region and announces anew their support in order to achieve the standards and the fulfillment of the obligations in the framework of this process.

Yet, as in the case of the EU integration process, it seems that the NATO integration processes of Albania and other countries of the Adriatic Charter are taking place under settings which are not very understandable for the public and other important actors, such as the private sector, academia, the media etc. The public debate about the membership in Albania but also in other countries of the region seems to be mainly focused on the positive aspects and the affiliation with the Euro-Atlantic club. As NATO membership is one of the priorities of the majority of the regional governments, they all support pro NATO campaigns. This approach of the regional governments does not offer a balanced and realistic idea about what NATO membership really means. The absence of a broad and well informed debate, particularly in relations to the less discussed aspects of the NATO integration process – the costs of membership – has transformed it to an elite-driven process, little absorbed from the public and from the different actors of policy making in the country. Politicians barely talk

about the costs of NATO membership, and the media pays more attention to political issues and aspects related to the efforts of NATO integration. Therefore, the public at large is lacking full information not only about the costs but also with regard to the expected benefits of Albania's NATO membership.

This conference clearly showed that in addition to the benefits for the entire region in the field of security, politics and economy, costs ought to be considered too. Countries of the region should face the various costs necessary to meet the standards required from NATO, which will vary from country to country in accordance with their conditions.

Thus, this publication summarizes the main contributions and discussions of the conference organized by the Institute for Democracy and Mediation. Following the opening remarks of the Executive Director of IDM, Mr. Sotirag Hroni and the Speaker of the Albanian Parliament Her Excellency Mrs. Jozefina Topalli-Çoba, the Deputy Minister of Defense Mr. Petrit Karabina and the representative of the Public Division of NATO Diplomacy Mr. Duray Michel, the publication focuses on the challenges, costs and benefits of Albanian integration into NATO. Summaries of the main speakers' viewpoints will be followed by the conference's recommendations which intend to contribute towards an inclusive process, well informed public and promote efficient measures in order to successfully deal with membership reforms.

The national perspectives will be followed by regional challenges after the Bucharest Summit. In order to provide a thorough picture in this context, speakers from Croatia, Kosovo, Macedonia, Montenegro and Serbia shared their points of view at the conference. Recommendations and conclusions will be offered for a more fruitful regional cooperation, for successfully facing these reforms and moreover, for reducing the costs of membership.

The last part of the publication presents a study on "Costs of Albania's NATO membership" prepared by Prof. Dr. Shkelqim Cani and Mr. Merita Shehu (MBA) and further discussed at this regional conference.

I. OPENING REMARKS

Sotirag Hroni, Executive Director of IDM

In his opening speech at the Regional Conference “Costs and Benefits of NATO Membership: Albanian and Regional Challenges after the Bucharest Summit”, Sotirag Hroni, Executive Director of IDM, accented that almost a month after the Bucharest Summit, its decisions were of crucial importance for all countries in the region, as they were creating conditions which enable the regional integration approach being directed in a more realistic perspective for their integration in the Euro-Atlantic club.

Mr. Hroni emphasized three main directions announced in the Bucharest Summit, by paying particular attention to the Western Balkan region.

- “Firstly, by leaving open the invitation for one of the countries in the months to come, the Bucharest Summit accepted the three countries of the Adriatic Charter, transforming this initiative of regional cooperation for integration in success, regardless the individual performance evaluation. More precisely, invitation for Albania and Croatia was appraised as a new chapter of the Euro-Atlantic future to the whole Western Balkan, and a concrete calendar for membership was defined, with shortly signing the Protocol of Accession”.
- “Secondly, it welcomed the decision of Montenegro and Bosnia-Herzegovina for the outlining of the Individual Action Plan of Partnership, by starting an *Intense Dialog* in all issues in support of their aspiration for membership. In the Summit, these possibilities of cooperation for membership in the Alliance were offered to Serbia as well, immediately after this country would bring in the demand”.
- “Thirdly, it remains of a great importance for the region that the Bucharest Summit has evaluated the necessity to intensify the regional cooperation among all actors, including the civil society, for a concrete Euro-Atlantic integration perspective. Furthermore, the SUMMIT recognized the cooperation and partnership between NATO and EU in sharing the responsibilities for enhanced democratic stabilization and security in the region as “success stories”, particularly in the least stabilized countries such as Bosnia-Herzegovina and Kosovo.

The regional conference held under the inspiration of the last Summit, is further to the initiative of the Civil Alliance '08. IDM together with its partners from Skopje and Zagreb, have been inclined to expand this regional network of civil society in the Western Balkans. Mr. Hroni continued his speech by emphasizing that discussion and the drawing of a complementary policy document on regional challenges in the framework of the Euro-Atlantic perspective were central objectives of this activity.

With reference to the expectations of the conference, he stated that discussions between all participants, should offer ideas on “a new regional platform of civil

society, aimed to support new co-operations, encourage reforms in the security sector, strengthen public components, improve civil-military relations and consolidate the Euro-Atlantic perspective for the whole region”.

On the national level, this activity aims to encourage a well-informed discussion about benefits and costs of the membership process for the first time which helps citizens to objectively evaluate this process. The Executive Director of IDM said that “this is relevant for every society, for countries such as Albania, whose public support is up to 90%, but also in those which can hardly achieve 50% in a referendum for membership, as in the case of Croatia”.

After thanking the participants of this conference for their presence and contribution, Mr. Hroni expressed his gratitude for the support provided by NATO Public Diplomacy Division and the Albanian Parliament. The role of the latter has been determinant in the political and reforming processes towards full NATO membership of the country.

Her Excellency Jozefina Topalli-Çoba, Speaker of the Albanian Parliament

The Speaker of the Albanian Parliament, HE Jozefina Topalli-Coba said at the Regional Conference that “we are determined to continue transformation reforms in order to obtain full membership in NATO and European Union. Our objective was and continues to be political, economic, social and judiciary reforms. Exactly these courageous reforms undertaken and implemented by the government and the parliament, especially during the last two-three years, were determinant for receiving the invitation in the Bucharest Summit, making Albania a successful story, a European country”.

By appreciating this regional activity as an important forum for NATO integration process, not only for Albania but also for the region Mrs. Topalli-Çoba underlined the fact that “membership in the Alliance would offer more content to our societies’ efforts for security and stability, by projecting the common future in the Euro-Atlantic club”. She further stated that the membership in the Alliance is not simply considered as a benefit in the field of security and collective defense, but also as an obligation to actively contribute to its missions.

Another important aspect mentioned by the Speaker of the Parliament regards NATO and EU integration process of regional countries which “can not be achieved without establishing of regional security, peace and stability, by casting away the anachronism approach of hate, distrust, ethnic divisions, which more than ever appear to be relics of the past”. She stressed the necessity to increase regional cooperation and coordination of programs between the countries for achieving these goals, thus adjudicating that there are more things uniting rather than dividing. The most important fact that unites Western Balkan countries is the vision of a common integrated future. According to the Speaker of the Parliament, a good example for this kind of cooperation is the A3 initiative which has already been successful and transformed to an important co-operative mechanism since it was launched in May

2003, in Tirana. This experience taught all participating countries that being firm and co-operative makes the road become easier, shorter and support more tangible.

According to Mrs. Topalli-Çoba, Kosovo independence has been an important factor of stability, not only for the region but for Europe as a whole. "Integration of the newest state of the world in the Euro-Atlantic structures would represent success not only for Kosovo citizens but also for the entire region".

The speaker of the Parliament emphasized that the Albanian Parliament is further going to intensify the Parliamentary Diplomacy, especially in regional aspects "regarding the integration of the Balkans and their Euro-Atlantic perspective, and why not, by institutionalizing a parliamentary co-operation to incite a process of reforms in all Balkans countries aimed at NATO and EU integration".

EU and NATO integration remains one of Albania's main priorities which has a broad support from all political spectrum and also from the public at large. This support has been an aim and political will for the Albanian Parliament, but above all, there has been a greater responsibility of the political class to realize deep reforms, as emphasized by President Bush at the Summit: "Today Balkan, is a region which is growing in tolerance and peace. These changes are a result of NATO determined actions and courageous choices of Balkan leaders, who have been working for leaving behind the violence and past divisions. Due to the progress achieved from these countries, NATO took the historic decision on April 3rd".

In her conclusion, HE Topalli-Çoba emphasized that the Albanian political elite is not only aware of the benefits that NATO membership implies but also of the obligations and costs that have to be carried as a member of the Alliance and during the continuous and deep transformation process. After confirming the political will of all parliamentary political groups to continue transformation in all fields such as political, economic, military and social reforms, in order to become a trustworthy member of NATO, she further pointed out that the Albanian Parliament is continuing to lobby for a swift ratification of the NATO Agreement by all NATO members' parliaments.

Petrit Karabina, Albanian Deputy Minister of Defense

In his speech, Mr. Karabina, the Albanian Deputy Minister of Defense, highlighted the contribution of the Ministry of Defense for achieving the necessary standards in order to receive the invitation in Bucharest. The Ministry of Defense together with the Armed Forces has been actively involved in implementing the necessary reforms over the last years. It is worth mentioning that they have continuously contributed for the consolidation of the regional security. One of the most significant and successful initiatives in this aspect is the Adriatic Charter, whose results were largely recognized at the Bucharest Summit.

The Republic of Albania has to fulfill a number of standards, including political standards like electoral reform, rule of law, strengthening the institutions etc. However, it is the Ministry and the Armed Forces who will bear the biggest burden for NATO membership. The Deputy Minister further stated that although the costs are not low, they clearly surpass the benefits. During the Communist period, the expenses for the Armed Forces were colossal, 20-30% of the State budget. While with NATO membership, costs will increase anew up to 2% of the State budget – but the benefit is even greater as security is created for the Albania and its citizens.

Mr. Duray Michel, Representative of NATO Public Diplomacy Division

“First of all I would like to thank the organizers for the excellent start of the conference and further, I would like to congratulate Albania for receiving the invitation in Bucharest”. Mr. Duray started his speech by calling the attention of the participants on a more philosophical approach towards security, what NATO represents today and about the enlargement process of the Alliance. By introducing the meaning of the term ‘Security’ in different languages, he stated that Security is understood differently in different languages. “If you take a black board and you draw a roof, and under the roof you draw a woman and above the roof you draw a chimney you have a Chinese letter which means “my wife works calmly at home” – this is the Chinese word for ‘security’. In Estonia, the word security means “I am ready to die bravely”, which is basically the victims’ approach. Looking to the core NATO nations and how ‘security’ is perceived to various layers of societies in countries such as Germany *Sicherheit*, Great Britain *Security*, France *Sécurité*, Spain is *Secudirdad*, they all arrive from the Latin concept “**securare securus**” which means “to take care of one self”. Mr. Duray drew these parallel in order to illustrate that security is perceived in various ways in different cultures. On the one side, there are various understandings of the word security, on the other side there are new security challenges which cannot be encountered by the military as they do not come from countries that want to fight NATO or NATO societies. The new challenges NATO has to face are terrorism, arms of mass destruction, various instabilities, environment issues etc. Mr. Duray continued by emphasizing that although NATO is one of the organizations established after the Second World War it has managed its transformations in the best way by linking various security perceptions and understandings in order to fight the new challenges. The latter are of a great importance for understanding its enlargement and why today populations are more interested in security, having in mind that ‘security’ is much more than armed forces, more global than defense.

With reference to the Bucharest Summit, he stated that NATO was recognized by all members as an important forum on security issues between US and Europe, as the word ‘defense’ was no longer used but displaced by ‘security’, a testimony of the Alliance’s transformation from a purely collective defense organization towards a comprehensive security organization. Mr. Duray underlined that “this kind of

security is essential for the Balkan to transform the region into a prosperous and stable one for the first time in centuries". In this context he highlighted that the Albanian government is showing a good example in these sense.

In conclusion of his speech, Mr. Duray emphasized that "Security is not about emotions. The more emotional you are on the table of NATO the sooner you can turn against it as well. Security is too serious to be given only to emotions. Thus, the explanation of the 'security concept' as well as concrete information about costs and benefits, the meaning for every citizen, are extremely important today".

II. COSTS AND BENEFITS OF NATO MEMBERSHIP: CHALLENGES FOR ALBANIA

II.1. Summary of discussions

This part of the publication includes participants' discussions in relation to costs and benefits for Albania on its way to North-Atlantic structures. First, an economic point of view is introduced by representatives of public institutions and the business and after that the military's point of view will be shared.

The Deputy Minister of Finance, Sherefedin Shehu started his speech posing vital questions: "If we do not enter NATO would we have costs? Is it good or bad if we continue on the road we have started?"

According to Mr. Shehu, the entry into NATO does not have costs but challenges because these costs are present even if Albania does not enter NATO, independently of the upcoming extension. According to him, the term 'costs' create a negative perception in the public and so the term 'challenges' is better used instead. Different achievements are required, depending on each country, which in return acquires different costs according to their conditions. As a result, if the objective is to increase national security standards, costs undoubtedly are part of achieving them.

Each country has certain costs for the national defense budget, depending on the country, position, risks and ambitions. According to Mr. Shehu, Albania with its position, size and capacity, has made a sacrifice in order to increase the defense budget up to 2%, considering its conditions and having in mind that other countries have not achieved the 2%-level. In this sense Albania has taken hasty decisions based on political orientation rather than on real analysis of costs and benefits and this hastiness is obvious. According to Mr. Shehu, the previous government has perceived the increasing of the budget up to 2% as an obligation, while NATO has only recommended it. However, he highlighted that increasing the defense budget up to 2% can be seen as a guarantee that Albania is determined to achieve and fulfill all necessary standards for full NATO membership.

In conclusion of his speech, the Deputy Minister Shehu emphasized the importance for the efficient use of the allocated money for accelerating the reform-processes in order to achieve the necessary standards for NATO membership. It is the only way for Albania that costs and sacrifices with exacerbation effects in short terms, will be transformed into long term benefits. Additionally, he suggested to the Ministry of Defense and to all future Albanian governments to engage stimulating information campaigns about the costs of this membership, as their sources are different not only from the State budget but also funded from NATO and other organizations like EU, being this process related. "With regard to Albanian potentials in economic growth and development, NATO membership will determine that it is a safe country that has to be removed from the restraint and risk lists although some of them are imagined.

This in return would influence increasing investments in Albania by better using the potentials that already exist in the Albanian economy”.

Gjoke Uldedaj, Head of Chamber of Commerce and Industry, paid attention to the benefits of Albanian economy from NATO membership. He emphasized that although NATO has no economic purpose there is no doubt that receiving the invitation will also be a positive signal for economical growth and development of the country. Thus, Albania's financial costs for NATO membership will be profitable in the long term. By bringing the businesses' point of view on Albanian economic benefits expected from this membership, and by relating it with the specific potentials that Albanian economy has, Mr. Uldedaj mentioned some of the possible benefits that NATO membership will bring.

Firstly, NATO membership spreads the message that Albania is a country that fulfills (or is close to) the necessary standards and is a safe country for investing. Some of NATO membership's criteria are various reforms related to an enforcement of the democratic political system based on market economy, political stability, security etc. Thus, membership in this organization will help to create a favorable climate and welcoming atmosphere attracting investments, as a result of credibility created towards foreign, especially the strategic and institutional investors.

Tourism is another important sector of the Albanian economy which will take advantages of the positive image change. The most potential area to attract foreign investments is the South of the country, which is intact from the chaos of construction. Tourism is the only sector with a positive balance of income and positively affects the Albanian economy.

Additionally, another likely positive development will be the real estate market, in middle and long terms, Mr. Uldedaj mentioned. Until now, foreign investors have remained on attempts with regard to real estate, where the biggest interest has doubtlessly been at the seaside. The real estate resale market is of a great interest because in Albania this market has a price inflation of 20-40% per year. Receiving the invitation at the Bucharest Summit, the positive development in this sector has already been feeling a growing interest from the foreign investors since April. Albania's full NATO membership will undoubtedly increase the interest in the Albanian economy and the positive effects will become more evident.

Aside from these benefits, one of the key elements for maximizing the positive effects of NATO membership in the economic field and beside defense investments growth, there will be increased public investments for strengthening civil infrastructure, port and airport, communication system, and the energetic network. All these investments enhance the Albanian companies' engagement, increase employment and improve the quality of civil infrastructure.

For the private business, the public investments undertaken in order to fulfill NATO membership standards help to develop various branches of local industries which function as services suppliers for the defense system. The development of these single economy sectors raises the Albanian foreign trade and stimulates exports. On the other side, the Albanian business believes that the invitation amplifies the positive

pressure on the government to continue with economic reforms in the country – for improving the climate business, attaining free movement of citizens and Albanian businesses in practice, as well as for strengthening the state institutions, resolving the property issues, for decreasing the informal economy and fight corruption. In conclusion, Mr. Uldedaj underlined that in the economic context, NATO membership offers various advantages and thus, short-term costs and long-terms benefits have to be accurately evaluated.

Unlike Mr. Uldedaj who focused on the benefits of NATO membership for the Albanian economy, **Ms. Floreta Luli-Faber**, Executive Director of the American Chamber of Commerce explained in her speech the Albanian businesses' point of view by particularly focusing on business costs. Even if the receiving of NATO membership invitation is positively perceived by the Albanian private sector, they now also see costs. A summery of the businesses' costs out of this membership is related to the necessity to adjust to its standards. This adaptation regards many elements with the new conditions.

One part of the costs results from aligning to the new legislation, a process already started in Albania. In a certain phase, the passage from an informal to a formal business, this is the highest part of the costs for the business, Ms. Luli-Faber underlined. Thus, it should be a common work between government and business, that has already started, but there still is a lot of work to do. As a result of the opening of markets, another challenge will be the raise of more competition in Albania. She brought the example of Rumania and Bulgaria, in which countries an enhancement of investments occurred after receiving the invitation. Besides the positive effects of foreign investments, they may have a regressive impact in certain sectors, for instance in the field of export and production of material. In this case, a major part of investments will be dislodged as a cause of increased labor costs. Other costs emerged from the cooperation with determined ministries, like with the Ministry of Defense. Reforms and restructuring of the army will bring the spin-off of a big part of the army personnel as free working force, which should be absorbed by the private sector.

Ms. Luli-Faber concluded that the government should listen more to the business and includes it in the decision making process on its way to adapt the legislation by consulting the business before taking decisions. The private sector should further be consulted in regard to the distribution of governmental programs in the whole country in order to better face the challenges of membership, not only into NATO but also into the EU.

General Agim Lala introduced the Armed Forces' perspective about the costs of NATO membership. He started his speech by emphasizing that receiving the invitation for membership constitutes an historical and valuable occurrence for Albania and as such it represents a challenge and commitment for all state structures and the Armed Forces in particular. General Agim Lala highlighted that the Albanian government's support that has been given in the past and continues to be offered

during the process towards full membership, is an undeniable but necessary factor in order to succeed. Mentioning the achievements up to now, he focused on important indicators which are in process of implementation.

Albanian government is engaged to increment the defense budget at 2% during 2008, with a main tendency to modernize the Armed Forces. The process of modernization includes the personnel's education and training, systems, equipment and the respective infrastructure. Compared to 2006, the defense budget is actually 10 times higher for systems and equipments. Personnel costs have increased from 5.9 billions Leke in 2006 to 7.6 billions Leke. In addition, participation in operations, education and training of troops have been incremented. Furthermore, an increase of peacekeeping troops in operations led by NATO, EU and UN is accompanied with various measures, most importantly the training and exercise in accordance with NATO standards.

The implementation of the Operational Capacity Concept of NATO, the implementation of predetermined standards is a measure which directly affect on the interaction of Albanian Armed Forces with those of NATO. Part of the planning and programming process is the engagement to prepare the necessary personnel for participation in NATO operations, which actually is required to be 8% of the terrestrial component, as a 'dislocated force'. Continuity of close cooperation with NATO for accomplishing reforms on the defense sector, was accompanied with the implementation of the new Armed Forces structures in 2007, eliminating some non operational units that are unnecessary in order to the total transformation of the Albanian Army until 2010.

An important step for the Albanian Army preparation for achieving NATO standards has been the Long-Term Development Plan for the Armed Forces, which foresees the fulfillment of military criteria in three phases. The short-term plan (2007-2010) "defines the main developments for the fulfillment of the political-military objectives required for membership in the Alliance and obligations during the negotiating period. This process will be finalized with the fulfillment of the objective to have a totally professional Armed Force". In the middle-term plan (2008-2013) the main directions are the adaptation of the personnel, structures, equipment, infrastructure and procedures of Armed Forces with the standards of the Alliance, especially focused on the capacities that Albania is obliged to develop as a member. A special place will be taken from the preparations for participating in Rapid Reaction Forces of NATO and military structures of EU. On the long-term (2013-2020), "the level achieved on the numeric quantity of participating forces in international operations will remain in approximate figures, while the quality and the spectrum of these operations will broaden by following lately tendencies and global security challenges". Thus step by step, some commitments will be transformed in obligations for Albania as a member. For this reason, Working Groups constituted to utilize the experiences and lessons learned from countries which actually have obtained membership.

In the end, General Lala focused on the common budget of NATO constituted by three parts, a military, a civil and a security investment program. Contributions of each member are based on an accepted formula for this motive and are diverse for

different countries. By analyzing this budget he said that some countries, e. g. France and Spain have no contributions and others like Canada, Germany and US contribute with the highest figures. The biggest expenses in the process, beside modernization and personnel training, will be the contribution for participating in NATO structures and operations led by it. Up to 2010, these expenses are foreseen to be around 1.6 billions Leke and in the middle-term period (2011-2013) this figure will be duplicated up to 3 billions Leke. However, these contributions will not be executed obligatory but will be evaluated and negotiated by case to case depending on the needs of the Alliance and concrete conditions of the country. He concluded that "this process is accompanied with difficulties not only due to many discrepancies of demands with necessary defense sources but also for the implementation of measures and NATO procedures as well as about the personnel training on the bases of these procedures. A part of this process is still unexplored. Further meetings with NATO will provide the necessary access for further development and action in order to make the Albanian Armed Forces interactive and completely capable for representing the Alliance".

Colonel Fotaq Duro offered an analysis of the national challenges about costs of NATO membership and respective reforms for finalizing this process. He mainly focused on four different kinds of costs which are worth to be mentioned – financial, the personnel, structural changes and the territory of our actions.

In respect of financial costs, Albania has the obligation to contribute on the joint fund which is divided in various items like military, civil and for the security infrastructure. All include various installations constructed in a NATO member and are of a great importance to NATO as a whole and not only for the country itself. By bringing the experience of small countries which have lately become NATO members (e.g. Estonia), Colonel Duro emphasized that contributions are foreseen to rise from 0.5% up to 1% of the general fund (which is estimated to be around 1 billion Euro). Thus, it is estimated that the Albanian economic burden might be around 5-10 billions Euro – although this figure would be object of negotiations.

Another part of the costs regards the Albanian engagements in operations abroad. Actually Albania is participating in various operations with around 50% of the troops in the NATO framework. The current costs of the operations in which Albania participates are around 10 billions Euro per year, but a large part of them is covered by the Allies (more concretely by Italy and Turkey in Afghanistan, because Albanian troops act as a part of these countries' contingents). "In approximate terms it has been estimated that the costs Albania faces are not more then 20% of the real costs of all Albanian engagement in missions. Additionally costs regard the Albanian troops in missions abroad: NATO has as a major objective that each member state must engage in its missions around 8% of the terrestrial component troops, by having in the country 40% of the terrestrial component. After NATO membership, "bearing in mind an increase of contribution from 5% (of our terrestrial forces) to 8% and holding around 40% for rotation, calculating not 20% of operation's costs but 100%, it could be estimated that the overall cost will increase up to around 80 million Euro per year".

Another field where NATO membership has direct financial implications is the participation in various NATO activities and also in various Committees/Commissions. So far, Albania has been participating in average in 100-120 activities like conferences, seminars, various trainings per year, while in the last three years Albania has hosted trainings with hundreds of participants. After full NATO membership, these activities are no longer sponsored. In this context, the experience of other countries like Romania, Bulgaria etc., must be heard in mind, which immediately reduced their participation in these activities to $\frac{1}{2}$ - $\frac{1}{3}$ after NATO membership. As a way to reduce costs, Albania as well should follow their example.

Other costs that can not be neglected regard the personnel. Despite the increased participation of Albanian troops in missions, another urgent problem is the need to "fill" the positions that NATO will make available in all its structures with Albanian personnel. This will be as well civil as military personnel and it is foreseen that in the period 2010-2012 NATO will make available around 30-40 positions for military officials and the same amount for civil officials. These personnel have to be paid by Albania with comparable salaries of other NATO member states. In this category, the personnel costs are not only financial but also in aspects related to high professional skills, knowledge of English language, knowledge of NATO working procedures etc. It is comprehensible that they will be sent from important positions in the Ministry of Defense or General Head Quarters of our Armed Forces, by causing a "denudation" of the latter. Problems regarding the personnel and costs related to it will be reflected on the fact that the other part of the Armed Forces should be interactive with NATO and fulfill certain NATO standards (the so called STANAGs). As a consequence, the achievement of these standards by the personnel also consists of hardly estimable costs.

Another aspect worth to be mentioned regards the structural changes. NATO itself being in a process of restructuring, is overloaded with systems of the past decades beyond its needs, like submarines, bombardier and shooter airplanes, racket systems, big units of tanks which are little used (or never) in conditions of an asymmetric war, terrorism, peace keeping operations, or in humanitarian missions. In these conditions, NATO has assigned tasks for its member states to consider complementarity relations among each other. Part of this is the so called "niche capability" – different countries offer small capacities but qualitatively better ones than other countries. For instance, the Czech Republic offers war capacities on fight against arms of mass destruction (NBC- nuclear- biological- chemical). Today for NATO it is desirable to dispose units of light infantry, troops that are removable from the air, and helicopters for middle-sized and heavy transport. In order to be considered for new missions, these units should provide: command - control capacities, intelligence capacities, and measures of the troops' direct defense (not only from enemies' fire but also from other environment factors, like hard weather conditions, epidemic diseases etc.), autonomy measures, measures of mobility/maneuverability, and capacities of harming the adversary. All these six main fields

are part of Albanian modernization plans that further include time extension from 2007-2012 as well as the approximate costs for that.

Furthermore, NATO is interested in our country's territory that will be offered for various missions, in particular ports, airports, communications lines (highways, railways) etc. Undoubtedly they have to fulfill certain standards in order to be useful. Not only, but during the transit passage or NATO units' placement in our territory, different services must be offered, like information about regulation/coordination of movements, management services of ports and airports, services of stowage elaboration (transported through air, sea or land) etc. For this, the so called "Host Nation Support" will serve a national but not solely military capacity. In this aspect, Albania has to carry the main costs for improving the required infrastructures on its own. NATO will impose the entry of Albania in a number of systems and defense initiatives which have costs too. Initiatives worth to be mentioned are: ASDE (Air Situation Data Exchange) and NATINEADS (NATO Integrated Air Defense System).

In conclusion, Albanian has to undertake measures regarding the gradual elimination of munitions in excess, to eliminate the intolerable danger of accidental explosions that could endanger security but also NATO credibility during its operations in our country. It is known that Albania has around 90 thousand tones of munitions in excess, which has to be eliminated or neutralized.

II.2. Recommendations of the Working Group: Albanian challenges for NATO membership

In the framework of the conference activities, discussions have been taking place within two Working Groups with representatives of institutions and independent experts from the country and the region: The Working Group on Albanian Challenges for NATO Membership (WG1) and the other on Regional Challenges (WG2). In this part of the publication, some of the main recommendations elaborated form participants in WG1 are put forward. These are also based on the work of the conference which particularly focused on the national challenges regarding benefits and costs of NATO membership:

- The preparation of more complete balance-sheets in all aspects of NATO membership process, on benefits and costs that Albania will encounter, is a component which has been absent in this process and its necessity derives from further improvement needs. The effects and implications of membership in many dimensions of the country's development should be the main objectives of serious and deep studies, not only by the institutions in charge for the process but also by other civil actors, specialized and independent. These studies should focus on the political-military plan, but also on security, economy, social, judicial and organizational aspects, etc.

- In Albania, the public debate about these complex balance-sheets has been rather vague. Therefore the opening of a public debate concerning membership is necessary so that citizens realistically know about the costs and benefits of this process. Moreover, the NATO integration process has been focused on the positive aspects and inclusion in the Euro-Atlantic club. The absence of a wide range involvement in a well informed debate, especially in less assessed aspects of the NATO membership process – the costs of membership, has a side effect as it does not offer any ideas and realistic concerns about what NATO membership really means. For this reason, credible and serious informative campaigns ought to be organized by the government and NGOs. Albanian public support for NATO membership has been to a maximum level up to now (over 90% of the Albanian public and the whole political spectrum of the country). Nevertheless, not to loose the public's trust in the framework of a well-informed public opinion these campaigns offer various advantages in the progress of reforms process.
- An analysis of the costs and benefits of NATO membership should be adopted by Albania and this has to go along with the integration into EU structures. Most of the NATO member countries have been considering NATO integration not only as a pre-requisite, but also as a substantial attempt for EU integration, owing to the common principles of both organizations and complementary synergies that they both display. Links between these two institutions might be analyzed from these countries, in regard to the obligations and expected benefits together with attaining processes.
- Albania must guarantee a safe territory for NATO deployment of troops in a needed case, and the gradual elimination of the munitions, of heavy Russian and Chinese equipment (which are very old and in conditions considered obsolete standards accepted from the Alliance). As a consequence, this weaponry constitutes potential risks not only for NATO security and credibility during its operations but also for Albania and its credibility as a trustworthy member state. Moreover, the army modernization process is necessary in order to comply with the standards required for NATO membership. Although the Armed Forces budget has increased to 2%, it is not sufficient to attain major programs regarding ships, helicopters, the system of air space surveillance etc. For achieving these goals it is necessary to implement a national program out of the budgeting program of the Armed Forces. An important aspect of complying with the standards should be the personnel motivation in order to achieve the objective of a professional army in 2010.
- The process up to full membership into NATO and afterwards has been (and is to be) accompanied by a series of objective actions, conditions and

requirements. It is necessary that the Albanian administration harmonizes the actions of all Albanian authorities. Because of the complexity of reforms it is not only the military that has to comply successfully with all obligations. Therefore, the Ministry of Defense shall take over the role of a promoter and coordinator, together with other institutions and supporters of this process.

- The collaboration among the government and the business sector must increase substantially in regard of NATO membership. Incorporation into Euro-Atlantic structures would be more comprehensive if all stakeholders (including also the business, not only the government and the parliament) are fully aware for all the aspects of this process. The necessary reforms can not be carried out only with the will of the government; they necessarily demand the engagement of other actors. Thus, the business community can play an indispensable role in the legislative reforms to enhance the fulfilling of transformation objectives, modernization and the required infrastructure in the framework of NATO, as well as it may provide services for the information network, logistics etc., to the army.
- The acceleration of reforms and Albania's approximation towards NATO membership, the consultation of other countries' experiences can offer a more comprehensive approach for learning from their success and mistakes. In return, this would shorten the reforming processes and reduce the costs.

III. COSTS AND BENEFITS OF NATO MEMBERSHIP: REGIONAL CHALLENGES

III.1. Summary of discussions

Regional countries' points of view on costs and benefits of NATO membership constitute an important component of the process, not only for the progress within each country but also from the aspect of contribution on enforcement of regional cooperation. In the following, some of the participants' contributions are stated, related to costs and benefits precisely of the Western Balkan countries, Croatia, Macedonia, Serbia, Kosovo and Montenegro on their way towards membership within the Alliance's structures.

Sandro Knezovic, Representative of Institute for International Relations one of the IDM partners in the framework of Civic Alliance 08, adduced in the regional conference the Croatian's point of view about the costs of membership. While using this opportunity to acknowledge the success of the reform process undertaken by the Adriatic Charter Countries and welcoming the new NATO enlargement, Mr. Knezovic expressed his firm belief that Macedonia will be able to resolve the bilateral dispute with Greece and proceed with accession to NATO soon.

Speaking about NATO, he underlined the undeniable importance for peace and security in Southeast Europe, starting from the presence of the Alliance's troops in the region via its 'open door policy' for future membership of other Balkan states and hopefully its future enlargement across this part of Europe. Yet, it is a fact that NATO membership raises some concerns in the public opinion regarding the future position of the country as well as costs and benefits for it as such. Croatia seems to be an excellent example, marked with low support from the public for the respective process up to recently, mainly as a consequence of the lack of adequate 'info-campaigns' from the government to the citizens. The importance of these campaigns is visible from the fact that its initiation resulted in a significant change of public support to the process (from approx. 30% in 2006 to approx. 50% in 2008), especially given the fact that the percentage of undecided people declined below 10%. Despite that, these campaigns helped presenting the benefits of the respective process to the public, NATO is not a charity organization and membership includes some costs as well. There is the general perception which considers costs and benefits of NATO membership mainly as measuring the costs and benefits of the collective and the individual defense system. In that context, it is important to stress that all aspects of the issue cannot be only quantitatively measured and that some of them also have quality dimension.

So, in general, one may conclude that costs, as well as benefits, can be approached in two ways – by a narrow approach (counting strictly financial costs) and by a broad one (including opportunity costs, threats perceptions and estimations,

political implications etc.). It is difficult to say 'where to draw the line between the two' or how to compile them. For Croatia, given its turbulent recent past and today's environment at least for the political elites, NATO integration was more than obvious. However, it is important to underline that the invitation for NATO membership does not mean the end of transformation and reforms – it is just a new beginning in a new environment.

Dr. Dusan Janic from the Forum for Ethnic Relations brought the Serbian point of view on the process of NATO membership. According to him, the Bucharest Summit encouraged the Balkan extremism. Dr. Janic referred to the bilateral dispute about the name between Greece and Macedonia. He considered it more than a question of name, a serious crisis and a matter of identity, about recognition of one state by one nation. Furthermore, he stressed that the impact of this dispute should be considered in broader areas and especially in the Western Balkans, Kosovo's declaration of independence and its international recognition should commonly be considered. NATO leaders should have invited Macedonia in order to put it in a better position to discuss the issue of its name, but the Bucharest Summit missed to do that. This message encouraged all the extremists in the whole region to believe that they have space for changing borders.

Being a NATO member means to be a member of a winning team as NATO has been winning during the last 20 years. This psychological aspect is a benefit, but there is a long list of benefits, Dr. Janic added. Focusing on the case of Serbia, he mentioned that there is a list of benefits with a list of question marks that are not clear. During the collapse of former Yugoslavia NATO firstly tried to be neutral, but afterwards was displaced on the one side of the conflict. NATO was not able to solve the problem of Milosevic, but its member states showed that they are protecting its credibility.

If Serbia becomes a NATO member it would solve the problem of security and reform its defense structure. That is not only a problem related to the army but also to the influential military industry lobby which still is very strong in Serbia. This lobby is well connected outside NATO – with Russia, India, China, Libya and the Iraq. The Serbian industry is one of the main suppliers of the new Iraq government with arms. "Serbia is a weak state, guided by low capacity leaders. A weak state finds itself in difficulties if it has to fight against a strong lobby with members living in- and outside Serbia, like in Vienna, Moscow etc., and they are functioning". One of the main reasons why the Serbian government could not arrest Mladic so far is the support given by the military lobby. Being a NATO member it would be easier to use NATO capacities for creating a new political framework and to marginalize the lobby's influence.

Another obstacle for improving the relation between Serbia and NATO is the absence of reciprocal trust. NATO does not trust Belgrade although they do have a partnership. On the other hand, Belgrade does not trust NATO for two main reasons. Firstly, it is related to war memories in former Yugoslavia, especially in Croatia and Bosnia where Serbia lost, and NATO decided who wins and who loses. Secondly, last memories regard bombings of Serbia. The general public opinion in Serbia is against

NATO membership, but as a consequence of benefits, the Serbian governments put it in its priorities before the EU entry. That is a “vicious circle because membership in the EU is not possible as long as the military lobby is marginalized but on the other side, the entry into NATO is not possible because the majority of public opinion is against it”.

Another issue regards Kosovo, as the Serbian public opinion is convinced that NATO has actively been enhancing its independence. Of course that aim has never been expressed publicly. On the other side, “the chauvinistic elite in Serbia is working to manipulate NATO involvement by accusing it to work for building a new state within Serbian territory, and thus, it cannot be a partner as it is working against us”.

According to Dr. Janic, “the relationship between Serbia and NATO will slow down and almost freeze for a certain period which will be important for finding the necessary communication channels. The Partnership for Peace will not deepen, but at least it will continue to function. The political dimension of NATO may function as a bridge of communication. No matter which government will come to power, Serbia will continue to block the recognition of Kosovo in the UN Security-Council”.

Saso Ordanoski, Director of the Forum Center for Strategic Research and Documentation brought the Macedonian perspective on costs and benefits of NATO membership, which he considered as vitally important.

In the position of an unofficial political analyst, Mr. Ordanoski offered a rather unconventional view about the costs and benefits of NATO membership by raising some challenging questions. Throughout the past two decades, different studies have all struggled to come up with a balance sheet, to measure up investments in national defense budgets against peace and stability after membership, but also to compare the political benefits from membership in the most powerful and successful global security collective with the costs and risks of oversea deployments, and lastly, to assess the indirect returns in form of intensified development and investments in more secure countries. However, a ‘big part of the picture’ is still missing and some ‘hidden’ or ‘intangible’ benefits (and costs) were not captured in the balance. It seemed that these intangible costs and benefits, an equilibrium outcome of NATO membership, can best be calculated by gauging the overall prospects of a country that is not part of the Alliance.

Largely due to the clear Euro-Atlantic integration perspective, during the past 7 years since its inter-ethnic crisis in 2001, Macedonia has grown to be the only former Yugoslav Republic that avoided major inter-ethnic conflict despite its extremely vulnerable position and internal make-up, and “built a unitary and largely self-sustainable multiethnic democracy – a model which proved far superior to the heavily superintended but wholly dysfunctional multiethnic federalism in Bosnia”. In 2006, this model’s achievements also became prime inspiration for the Ahtisaari plan for Kosovo. As all internal reconciliations, however, Macedonia’s peace process is an imperfect work in progress, and a painful and often contorted project, suffering from periodic crises. “Concessions on issues of identity from one ethnic group to another lie at the heart of all peace processes, and because of their emotional and largely

intangible nature, they naturally breed resentment, fear and security dilemmas. The feelings of one or another ethnic group that they were the losers of the peace process eventually produce ethnic populists that can hurl the inter-ethnic equilibrium into a dangerous centrifugal motion". Precisely, the secret of Macedonia's success story is that "when such storms occur, only a pragmatic, liberal political project that has the power to address the needs for security, democracy and economic freedom and development can unify the embattled ethnic groups in a vision for a common future. That is the vision and benefit of Macedonia's NATO membership which was postponed for Macedonia in Bucharest". From this perspective, the blockade of NATO membership could not have come at a worse time for Macedonia, both in the sense of the country's internal context and as well as the regional backdrop.

Internally, Macedonia's inter-ethnic reconciliation process has been undergoing its most significant challenge for the two years since the parliamentary elections in 2006. In the midst of a difficult internal crisis on questions of ethnic identity, the Greek veto has transformed Macedonia's NATO membership into an identity challenge for the country's largest ethnic group. There was an immediate response from the Macedonian political spectrum "instead of renewed enthusiasm for compromise and unblocking of Macedonia's membership, the quarrelling parties from both ethnic camps opted to stage a showdown by calling 'snap elections'. With the unprecedented political stakes involved and the crumbling Euro-Atlantic perspective, contenders in both ethnic camps have few remaining instruments to rally their voters except to resort maximum populist exploitation of nationalist sentiments". Armed incidents since the ballots were announced, Macedonia faces a real and present danger of destabilization during and after these elections, with serious repercussions beyond the country's borders.

Regional uncertainties further affect this brittle internal equilibrium in Macedonia, and can be affected by it in return. If NATO membership has one clear benefit in this regard, it would be through its potent guarantee of permanence attached to Macedonia's borders. This would have had a powerful internal effect because it would have allayed a great deal of fears about territorial aspects of identity, which underlie the current inter-ethnic disagreements. Externally, this benefit of membership goes a long way to discourage any serious spill-over from other conflicts in the region that could affect or exploit the Macedonia's internal affairs and vulnerabilities. "Without this guarantee, Macedonia essentially is a fair game for the region's extremists and radicals" said Mr. Ordanovski.

Many prominent observers have argued that this reliance on NATO's Article 5 mechanisms makes countries in the region, like Macedonia, rather consumer than contributors of security for the Alliance. Mr. Ordanovski stressed that these cost/benefits assessments of enlargement in the Balkans completely ignore the geo-strategic context of these prospective members. "In terms of defending the Euro-Atlantic area against today's globalizing threats, regions like the Balkans are the real strategic front lines – building and maintaining front line members surely is a larger than a standard investment. But their strategic significance far outweighs the costs. If I may use a Cold War parallel, many strategists argued over the preceding 50 years

that Germany's position as NATO member is untenable, and placed a disproportionate strategic burden on the Alliance". But Germany also held the threat away from the Atlantic core for 50 years, and was instrumental to NATO's eventual victory in East Europe. Today, the frontlines of the Alliance have moved to instable regions like the Balkans, to countries with a difficult strategic position like ours. As in regard of Germany during the Cold war, the investment needed to turn these countries into members is costlier, but an indispensable deterrent against today's threats. NATO can never roll back the dangers emerging out of instability, transnational terrorism and crime, or weapons of mass destruction without the necessary investment in the membership of these frontline nations.

Using Macedonia's experience, Mr. Ordanovski again underlined the implications of the veto on its membership for the costs and benefits of NATO's future enlargements in the region and beyond. From today's perspective "each of the remaining candidates for membership from the Balkans have or will have unresolved bilateral issues with neighboring NATO members at the time when their candidacies are assessed and their invitations issued. Given the mostly intractable nature of such neighborly disputes in a region long plagued by conflicts and divisions, it seems that in many cases, the processes of NATO and also EU integration could be taken hostage of such disputes. If the precedent of Greece's veto against Macedonian membership is not defeated now, it is not inconceivable that at a future date, Serbia's or Bosnia's membership, or ultimately Kosovo's institutional relationship with the Alliance – whatever it might be – will be blocked over a similar dispute by some of their neighbors. This precedent would not only turn stubborn and intractable Balkan neighborly disputes into the major criteria for NATO membership, thereby completely undermining the accession processes (MAP), but it will also leave large parts of Balkan territory in an institutional limbo in the face of security, with dire consequences for all".

Bringing his personal observation, Saso Ordanovski emphasized that the benefits of membership will always far outweigh the costs, both for the countries in question and the Alliance. The NATO membership for Balkan countries, which have a strategic position, is a *conditio sine qua non* for deterring the threat of regional instability and avoiding jeopardizing their internal equilibriums and becoming a reservoir of insecurity for Europe. This is the reason why our countries typically boast the largest support for NATO membership compared with other countries in the Alliance, and have been historically the readiest nations to contribute to NATO operations across the globe – returns on the investment in our membership. "So the central problems are how to pay back for the investments and how to convince everybody in the Alliance to prevent a long-term, explosive institutional security gap in the middle of the Balkans, which will jeopardize NATO's core in Europe".

In conclusion, Mr. Ordanovski returned to the main issues of his speech, the name dispute between Greece and Macedonia, which remains to be solved to unblock the latter's Euro-Atlantic integrations. "Serbia undergoes a national political catharsis over the strategic direction of the state, with the future of its Euro-Atlantic integration at stake. Bosnia still needs to undertake its long awaited post-Dayton transformation to catalyze its integration. And finally, Kosovo still faces uncertainty

of the implementation of its status, and I dare to say that its territorial integrity and linkage to the Euro-Atlantic security architecture remains a mystery”.

Dr. Ylber Hysa, Former Member of the Kosovo Parliament pleaded the Kosovo’s point of view on the results of the Bucharest Summit and the process of NATO membership. Reflecting on the last events of the Bucharest Summit, he highlighted the idea that the results were good news for the whole region, as they “smooth the situation, and impart the positive message that the doors are open”. The Bucharest Summit decisions have irreversible consequences for the region and, above all, on the adaptation of the belief that ‘democracies do not attack each other’- said Dr. Hysa.

Looking at the reflection these events might have on Kosovo, by starting with Montenegro (besides Croatia and Albania that received the invitation), it seems that Montenegro is going to have an easier way to continue on its path, because it is visible that a positive wind blows for this state and it seems to successfully undertake reforms which can bring it closer to membership.

Macedonia was the country which received bad news as not being offered NATO membership invitation. On the other hand, its reception would have been good news not only for Macedonia but for the whole region, and for Kosovo in particular. As one of the consequences of this denial is the postponing of the Kosovo issue. This also includes negotiations about border issues, as well as the acceptance of the new reality in Kosovo without adding new complications. Thus, it would have been far better if Macedonia received the invitation. “For Kosovo the Bucharest Summit results were good news with stabilizing effects diminishing tensions. It brings NATO closer to Kosovo in a more qualitative way and provides a more visible umbrella of security, which helps to stabilize the capacity building in this difficult period”. Furthermore, it can be seen as a message for opened doors, as NATO is present in Kosovo and it remains that Kosovo becomes part of NATO.

Out of the Kosovo’s perspective, these are good news for Serbia as well. For Kosovo the binomial EU- NATO is functional and Kosovo “accepts them as twins, as two children that could not be separated”. In the case of Serbia, Dr. Hysa said by using a metaphor that “Serbia seems to choose either for a boy or a girl”, and added that Kosovo hopes that this internal debate within the Serbian society will crystallize its position because it will be ideal for both countries, as well as for the whole region.

Savo Kentera, Director of the Center for International Relations in Montenegro underlined that regional cooperation is essential for achieving NATO membership objectives. Governmental institutions now are well aware that we have to build strong neighboring relations between each other if we want to accelerate the path towards our common goal, the NATO membership. Regional cooperation should not merely focus on security issues, which undoubtedly is one of the most important parts, but cooperation should take place at all levels, as cooperation and coordination across ministries, governments and the parliaments is necessary to achieve this objective. Montenegro’s long term aims and interests are now clearly defined in aspects of

the integration in Euro-Atlantic structures. However, according to Mr. Kentera, integration into the complex NATO structures does not happen overnight. That is a long term process with ups and downs. This is the reason why we should not take too much care of time but have concrete ideas as well as elaborated and high quality actions in regard of the integration processes.

According to statistics offered by CEDEM organization during the last period, only 27% of Montenegrin citizens support the idea of joining NATO. Meanwhile, 70% of the people want Montenegro to become a member of the European Union. Consequently, this disproportion should be seen as an indicator for a huge lack of information about both institutions in the Montenegrin public. Thus, it is essentially important to inform the public about the importance of NATO integration as an indispensable stage for EU membership. In general, we have to spread the message that NATO is not just a military alliance but that its members all are democracies where rule of law is respected.

III.2. Recommendations of the Working Group: Regional challenges for NATO integration

In the framework of the regional conference of IDM, the second Working Group particularly focused on the Balkan's challenges for NATO membership, by drawing some recommendations addressed to governments and civil societies within the region.

- NATO has been an irreplaceable and a strategic project for all countries of the region. Integration of the region's countries into the Euro-Atlantic structures means to share common values of democracy, peace, stability, human rights and market economy. Regardless of the costs that will accompany in-depth and indispensable reforms in order to integrate into NATO structures, the benefit of more security and stability in the region exceeds the costs in the long term. NATO membership of the Balkan countries will provide regional harmony and solve disputes peacefully by ending inter-ethnic conflicts, which have plagued the Balkan for a long time. Membership will have a strong positive effect for the countries with various ethnic groups working together for the common vision of a better future.
- NATO membership perspective has served as a catalyzer for all countries of South Eastern Europe for undertaking political, economic and institutional reforms etc., thus adding on the acceleration of the integration process of regional countries in the EU. The binomial NATO-EU is functional and the practice has shown that NATO membership is not necessarily a guarantee for EU membership, while missing of NATO invitation (in conditions of a clearly expressed ambition), surely is accompanied by a deceleration of EU integration. Consequently, reforms undertaken in the framework of NATO integration and the costs for its fulfillment must in a wider aspect be seen in regard of EU membership of the regional countries as well.

- The absence of a clear perspective for Alliance membership, in conditions of a Balkan environment with unclear border issues, ethnic conflicts, threats of terrorism, trafficking etc., requires that the countries of the region have to invest for sustaining the army, guaranteeing security etc. An overall achievement is not easy, but it would require a far longer time without NATO's help. A strategy followed by the regional countries independently from NATO would probably not have been the right one, considering the missing of specialized and technical assistance, information, intelligence, infrastructure and trainings offered up to date in the framework of partnership.
- Parliamentary diplomacy must further be intensified on the regional level in order to enhance countries' reform processes towards NATO and EU integration by spreading the Euro-Atlantic perspective in the Balkans and institutionalizing parliamentary cooperation.
- It is necessary to increase inter-regional cooperation and coordination of programs. Deepening and strengthening regional cooperation is not only one of the key pre-conditions for entering NATO and EU but it is vital for the whole region and its countries. Thus, reforms could accelerate, facilitate by reducing costs, and improve economic development. A good example for this kind of cooperation has been the A-3 initiative already expanded to an important instrument of cooperation since its launch in May 2003. This experience taught all participant countries cooperation facilitates success, if projects could not be implemented alone or would have been very expensive.
- A transparent public debate concerning costs and benefits of NATO membership is indispensable in all countries of the region. This debate is necessary but at the moment, there is a pronounced lack of public debate about this membership, and the public support is very low in countries like Serbia or Montenegro. The Croatian case provides clear evidence that a comprehensive debate increases the public support for NATO membership, which is indispensable for the integration processes.
- Civil society should be more active, not only by offering valuable contributions for an independent public debate on NATO membership, but also by elaborating national security strategies. Consequently, not solely regional governments but also NATO structures must encourage a more active role of independent think-tanks in the framework of the regional initiatives, especially in the matter of highly sensitive issues such as the evaluation and support of reforms, analysis of risks endangering the regional security, the enhancement of regional cooperation etc.

IV. COSTS OF ALBANIA'S NATO MEMBERSHIP

Prof. Dr. Shkëlqim Cani & Merita Shehu (MBA)

In search of common values for freedom, democracy, peace and security, Albania has been one of the first countries (1991) in Central and Eastern Europe seeking membership into Euro-Atlantic Structures. Integration into NATO has not only represented the aspirations of Albanians in search of their European identity and the separation from the prosecuting image of "ex-communist and problematic country in Balkans," but also the determination of all Albanian politicians to realize the country's transformation into a democratic country, supported by principles of a market economy. The invitation of our country into NATO last month, constitutes the culminating point of a 17 year-old, long way of reforms, where have been incorporated, in addition to defense and security, all the other spheres of life.

Practice has shown that NATO membership is not necessarily a guarantee for EU membership, whereas lack of invitation into NATO in a certain way implies that you can not become part of EU. In the objectives of foreign policy for our country has never been removed the standard expression of Integration in Euro-Atlantic Structures as the only way leading to NATO and EU membership.

Under conditions of new developments after the 90-ies, NATO is being enlarged and transformed being converted from a classical organization of collective defense for its members from war threats, into a provisional institution of peace and security preventing conflicts; furthermore, beyond the NATO borders and responding to non-conventional threats to world security, such as terrorism, weapons of mass destruction etc.

THE NEED TO ACKNOWLEDGE COSTS FROM A PERSPECTIVE OF A CANDIDATE COUNTRY

In most of the countries once aspiring to become NATO members the idea of integration into the organization has been subject of debates and analyses in public forums and media. The principal aim was to draw out an all round balance sheet of all aspects for this process, with the rights and obligations for relevant countries. In our country that might be valued as a lukewarm debate. Moreover, when referring to integration process into NATO the debate is mainly focused on analyses of political, strategic, diplomatic and military character. "But political actions which do not bring about economic consequences simply do not exist, similarly, the economic actions of the moment spread their branches over the political line of a state". ¹

We already cherish the belief that it is the right time to undertake more serious

1) "Economic benefits for Bulgaria for joining NATO", October 2001, Institute for Liberal Studies in cooperation with Employers Association of Bulgaria.

and deepened studies on the manifold effects of future membership for Albania into NATO. They should not mainly focus on political-military groundwork, or only on security matters, but also on economic, social, judicial, organisational spheres, which are direct functions for new guarantees offering expectations to membership. These studies, being debated among interest groups and the public could serve to citizens' awareness, on behalf on which decisions have been taken, related to integration philosophy into NATO as well prospective of readiness from our country for membership.

In this study, we tackle for analyses only the costs that our country has to encounter as a consequence of integration process into NATO, based on the data from the Ministry of Defense, as well as on the experience of existing members-countries into NATO.

We are fully aware that the problem looks more complex into several directions:

First of all, from Literature Reference, we could not find any special methodology to be used as a guideline.

Secondly, to draw out the full balance-sheet of effects to NATO membership should not only be considered the costs, but also the benefits deriving from Integration into Euro-Atlantic Alliance, hence the problem could not be treated separately for the costs and benefits apart, but should be reviewed for its net effect .

Thirdly, we have to do with a considerable number of factors and effects, which in many cases present difficulties to be expressed in monetary terms, such as e.g. assessment through figures on country's security etc..

Fourthly, the impacts have to be extended in time for a long term and mid-term period, (still, are many unknown factors) by making analyses and assessment of ex ante RIA method, based on current net value of benefits and costs from the moment of invitation.

In the fifth place, it seems likely that the major responsibility for NATO integration falls directly upon the Ministry of Defense. In fact, the obligations and benefits of this process pertain to all segments of Government and political spectrum in the country, putting to clear evidence the coordination of work among all. Owing to the multi-fold character of the stakeholders involved, the outcome of this study should become subject to dialogue and consultations, as well as through the support joint inter-sector strategies.

In the sixth place, NATO in itself is undergoing through a process of transformation and appropriation under the new conditions of security environment trying to respond to new global threats by making more difficult the anticipation of measures and actions in the defense area from new-member countries..

In the seventh place, aspects on integration costs could be seen within a narrow focus (restricted only to the defense area), but even on a wider spectrum from the perspective of the economy and costs that the country's stakeholders have to pay. (The latter, it seems to be likely more logical). From another angle, it might be simply focusing on the additional costs accruing from NATO membership.

From the above reasons, we assume that the study might serve as an enhancement

invitation for deepened analyses to draw out fuller conclusions supported by substantial information and experiences from other NATO members during this decade. From the completed surveys, it results that there are series of reports on integration of new members from RAND Corporation, Budget Office of the American Congress, USA State Department, as well as reports from the member countries. But, what is of real value to be studied is the cost analyses and factual benefits "ex-post" of this process, by comparing them to the anticipated values.

WHAT IS THE PUBLIC PERCEPTION RELATED TO THESE ASPECTS IN OUR COUNTRY?

Without claiming on a rigorously primary questionnaire, moreover on testing our opinions, we carried out a mini-survey with a group of 200 students from the Faculty of Economics at Tirana University. We picked out on purpose students from the third and fourth grades, which we thought to have the proper education in providing more qualified opinions over this issue .

As a summary, we offer you several outcomes from the key findings in this survey:

- 92% of the respondents consider as positive (pros) the invitation to Bucharest Meeting for Albania's Admission into NATO, only 2.6% are against (cons).
- 77% of the respondents think that the process shall be accompanied by costs for the country, whereas 6.4% have responded in a negative way, 16.7 % express no evident idea.
- 62% forecast that the expenses on defense in the budget amount to 2+/-1% of GDD in the county, whereas 27% think that this level would reach over 3%.
- 56% of the respondents are of the opinion that the expenses should value to go to integration into Euro-Atlantic Structures, whereas the rest it would be much better to go to other items of the state budget.
- The Percentage of support drops down to 52% regarding the deployment of our troops into the dangerous zones such as Iraq or Afghanistan.
- Over 90% of the respondents are of the opinion that our country is lacking the proper financial, material and managerial capacities to face natural disasters, terrorist acts or any other potential invasion.
- From students' answers it is interesting to place to evidence the identification of almost all possible costs from NATO integration, including non-financial costs.
- Opinions are equally divided when you raise the issue of any possible threat from internal or external factors.

From the responses obtained, it is framed the idea that there is an institutional vacuum related to human, technical, financial and organisational resources for NATO integration. (70% of the respondents confirm that there is a media-coverage related to NATO membership, but still 80% of all the interviewed persons express an interest to learn more). Starting from their responses over what areas they require

more information, the majority of them require information on economic aspects of integration. This, we believe is much more expressed by the public at large, who are mostly lacking knowledge in the economic field, particularly, in relation to costs with arguments for relevant costs in the process. Most of all cases, both media with politicians and governors are much more interested to advocate in details their successful meetings in the framework of NATO, by sidetracking aspects of the economic bill on the process.

Interviewing has to draw attention toward another genuine fact particularly for the political class: a high percentage of support to NATO membership by the public should be seriously dealt with, so that attempts must be made to preserve it, but always based on self-awareness, for the costs and challenges we have to encounter from NATO membership.

From the economic standpoint, the rationale of integration into NATO for a candidate country, hence, our country included, must be the provision of a safe defense, the guarantee of a higher security level and/or with expenses lower for defense with a sustainable cost, appropriate to membership into the Alliance, compared to opportunities for non-membership.

CRITERIA ON NATO MEMBERSHIP

In order to acknowledge cost to NATO membership, we shall preliminarily dwell on the requirements that a candidate country has to complete aspiring for joining the Alliance. Consequently, we have to be aware that once admitted, the new members should enjoy the rights, but also membership obligations, including the principles, policies and proper procedures by the member-states. According to a study ² representing a detailed guide for the admission/of a candidate country into the Alliance, explicit or implicit prerequisites for joining NATO are political, economic, military including a rational argument over the NATO strategy. Hence, the claiming countries shall :

- a) Represent a democratic, political system based on a market economy;
- b) Respect human rights and minorities;
- c) Have settled out their territorial ethnic disagreements etc, with their neighbors.
- d) Promote welfare and stability;
- e) Ensure democratic oversight of their armed forces;
- f) Provide opportunities and willpower for military contribution into the Alliance, in order to ensure inter-operations with the other member countries;
- g) Reallocate a sufficient level of expenses for defense in order to fulfill their commitments for collective defense in the future.

As seen, we might assume that there are one political, legal, organisational, technical

2) From RAND report: "Study on NATO Enlargement, 2000-2015, Determinants and Implications for Defense Planning and Shaping", by Thomas S. Szayna Defense Planning

obligation, on education and defense, preparation on security and intelligence matters to work with the Security Office of NATO as well as a contribution by each country to the common budget. At the moment of admission into the Alliance, the members countries have to meet these obligations in form of a Commitment-Paper, in which are included the deadlines for concluding reforms. They have to draw out national annual programmes where plans for reforms are drafted in five chapters : Political and economic issues, defense issues, security issues and finally legal issues. Therefore, the discussions of this process has to be publicly made and developed into a transparent, professional way by the whole spectrum of Albanian society.

ASSOCIATED COSTS AND CRITERIA FOR IDENTIFICATION AND DIVISION.

Further down, we put forward several of these criteria to be used for additional analysis in costs division³⁾:

A. Cost relation to measures and defense budget

1. Direct military costs
2. Indirect cost, non-military

Further on, you might draw out a table where relevant notes could accompany each cost item according to the following classifications:

B. Costs division according to timelines

1. Short-term [up to 1 (one) year],
2. Mid-Term(1 - 5 years),
3. Long-Term (over 5 years).

C. Costs classification according to importance ranking (1, 2, 3)

1. Very Important or necessary costs,
2. Important costs
3. Less Important costs.

For each cost item you judge out the timeline execution based on the importance degree.

Ç. Costs divided according to nature:

- a) Investments,
- b) Periodical Costs.

D. Sources of Financing

I. State Budget

- a) Ministry of Defense,
- b) Other Ministries or co-financing with them,
- c) Joint participation in regional projects.

II. Foreign Financing

- a) Assistance and finance from international organizations,
- b) Assistance and finance from NATO member countries,
- c) Foreign Credits,

3) In the attached annex of this study we have presented a sample of costs division, though under conditions of lacking the precise data on several items.

d) Direct Foreign Investments.

Out of these, you could have further divisions into:

- a) Costs generating income for the economy as a whole, which need to be analyzed for their net effect (e.g. construction of training centers, shooting range with local subcontractor companies or costs for accommodation of NATO troops during joint exercises, which generate income for the industry of tourism, foodstuff etc.).
- b) Costs serving to EU Accession (reforms in the justice, state police, reform in the electoral system, measures in combating corruption, trafficking of human beings etc.).
- c) Costs for the army without joining NATO Structures (e.g. costs for transformation, reform and modernization of the army or increase in the material security, etc.).

What is the cost of NATO membership⁴?

For these we shall particularly dwell on the analysis of direct costs on the defense and those indirect, non-military costs.

DIRECT MILITARY COST

According to recent NATO reports, the major problems in the defense area that Albania and the other aspiring countries are facing in order to comply with the standards of the Alliance and whereupon to focus future reforms, are:

- a) Source or insufficient capabilities to ensure their sovereignty and defense.
- b) Low technological level, training and response. This leads to the fact that "their military contribution during 10 years according to international experts, be to a minimum level"⁵.
- c) Limited military budget, owing to the economic level in these countries.
- d) Lack of military capacities capable to operate autonomously in peacekeeping missions in the world.

To realize the necessary reforms in the defense area, you need to reach a long-term political consensus among the parties, in order to consider the relatively high costs for the strained economies of these countries.

In the direct costs of defense are included all the costs directly related to our accession into the Alliance together with the reforms to be realized in the defense sectors to come up to optimum capacities of interaction with NATO structures and to ensure the country's contribution to the tasks of collective defense and new NATO missions. These costs mainly comprise:

1. Membership costs-contribution to joint NATO budget.
2. Costs related to civil and military representation into NATO.
3. Costs related to commitments of our troops into joint operations .
4. Costs for participation into joint activities of NATO (seminars,

4) With membership cost, we have used a wider concept, other than cost addition by membership fee or other costs related to membership. Hence, membership has been seen as a process like a pre, pending and post act.

5) "The road to Prague: New democracies want to join NATO" by R. Nicholas Burns, April 17, 2002

- conferences, joint exercises, the role as a "host-country" etc.).
5. Maintenance of the defense-budget at a certain level, to realize the modernization and restructuring of the armed forces according to NATO standards.
 6. Costs on developments and infrastructure/territory adjustments.
 7. Cost related to legal, procedural and organisational regulations.

All these costs pose a "burden" for Albanian taxpayers and for our economy, as they denominate requests towards the country's limited budget as determined for defense reforms; because similarly, it is claimed to be used more effectively in other sectors which are considered to be more vital to the country like e.g. in health, education etc.

1. Membership costs-contribution to joint NATO budget.

In implementation of principles for joint financing and costs division, the member countries determine their financial resources for the functioning of the Alliance (facilities on consultations, decision-making, implementation of programmes etc). Member countries of NATO contribute to their national budget in the activities of the Alliance in several ways, among others, the major thing is placing at the disposal of NATO their own armed forces. Some of the joint exercises are covered by three budget-items administered by NATO: civil budget, military budget, and programme on security investments (SIP), all which in form of individual contribution by each member country. Membership costs are direct costs and they are considered as "extra costs" contributing into the three afore-mentioned budgets.

Contributions of each country into the joint fund are negotiated among members and based on GDP per capita in the country, and other factors. Usually less than 0.5% of the country's budget goes to membership fee for NATO. Non-official figures in our case are estimated to be from 300 thousand Euros⁶, to 5 up to 10 million Euros⁷.

Joint fund is used to appropriate NATO structures, to the function of enlargement, improvement of military infrastructure of the new member countries, for stationing of NATO troops into their territory, for the support of new members to improve their defense system etc.

2. Costs for civil and military representation into NATO

In order to realize effective communication, consultations and common decision-making among NATO members, each member country should have a permanent, diplomatic and military representation at NATO Headquarters, as well as other representatives with a staff-size amounting to 80 persons maximum, for Albania, out of which 50% civil staff, in agencies and various military commands of NATO (up to 2012). In this item you have to include expenses and salaries, other benefits for this staff comparable to levels in other countries, qualification and specialization of the personnel related to STANANG, together with the costs for the preparation of back-

6) Foreign Minister of RA

7) Starting from the experience of several small countries like Estonia, joining NATO recently

up specialists in the army. Here, it must also be included the cost for maintenance of country's delegation and reception of military missions which constitute a national obligation.

However, from this analysis we have to consider the assessment of actions for the whole economy, as along with the identified costs, we have in parallel the introduction of 80 new job vacancies.

3. Costs for our troops commitment into joint operations

As mentioned before, the major obligation from NATO member countries is the participation of the troops in missions and joint operations for NATO, outside the country. Most of the military forces and equipment in member-countries are under the control and national command, but they could be put at NATO disposal for special military duties, complying with Alliance objectives. Despite of this fact, the expenses on the maintenance of the troops and military equipment, their training etc, are financed by individual defense budgets from member countries

According to sources from Ministry of Defense, Albania has at NATO disposal for international missions about 50 % of its troops. Our country joins in different operations, incorporated into contingents of other member states with an actual cost of about 10 million EURO per year, out of which we cover 20% of operational costs whereas the other portion is met by the allies. Our objective is that gradually the contribution of our ground forces be increased by 8%, from 5% at the actual moment (about 40%rotation) and to fully meet the operational costs (100 per cent).The objective could be reached when our forces could be capable to face their tasks independently (to function as autonomous units), by increasing their inter-operations with other NATO units. The costs for this item are foreseen that within a mid-term period could reach about 80 million EURO per year.

4. Costs for participation into joint activities of NATO

Here are included costs related to countries participation into various activities of NATO of IPP Type (Individual Partnership Programme.) in form of conferences, seminars, joint exercises etc. Along with participation into numerous commissions / committees of NATO with qualified personnel (including qualification costs). These activities have been reimbursed by NATO countries up to 70-80%. In the future, based on the experience of new members like Bulgaria and Rumania, our participation could be limited to the necessary level with the maximum effectiveness for benefits, as ensured by such activities

At the same time, in the last year 3 years Albania has welcome as a "host country" exercise with several hundreds participants from the Allies. Only for IPP activities, not calculating exercises with troops, the annual total cost amounts to about 200-300 thousand EURO.

However, we assume that on each participation-cost, we might draw out a benefit coefficient from trainings and knowledge gained, by setting priorities to executed expenses. In addition to the value in a decision making in joint activities this assessment could be added to the list of benefits in case of a full analysis, costs and benefits to NATO.

Another way to tackle this issue would be defining the priorities, by Ministry of Defense related to training new specialists or consolidation of knowledge and further specialization for high militaries. Likewise, it might also be efficient to conduct courses for that category, as well as enabling participation in virtual distant training of the type “e-learning”.

5. Size of the Defense Budget

The size of the budget for the member-countries is determined on proportional basis, according to economy size of each country in relation to other countries, on technical and legal resources on security the country provides as well as the contribution by each new member into the common budget of NATO. Non-official budget size as against GDP is 2%⁸. Irrespective of the limited resources the factual budget of country’s defense amounted to an increase of 182.6 million EURO by the end of 2007 or 200 milliards leks representing 1.82 of GDP instead of 1.5 %of GDP in 2006.

If we compare from table no.1⁹ the relevant budget in relation to GDP of Central and South-Eastern Countries joining NATO after the 1990-ies, by the end of 2007 (projection), only Bulgaria exceeds the threshold of 2 %.Referring to the same source of data in the same year, it is observed that the threshold 2% of GDP has been overcome by 6 out of 26 NATO countries

Table No.1:		
Defense Budget (% towards GDP) 2007 (p)		
1	Poland	1.9
2	Hungary	1.1
3	Check Republic	1.6
4	Slovenia	1.6
5	Latvia	1.7
6	Lithuania	1.3
7	Estonia	1.6
8	Slovak Republic	1.7
9	Bulgaria	2.3
10	Rumania	1.9
11	Albania	1.82

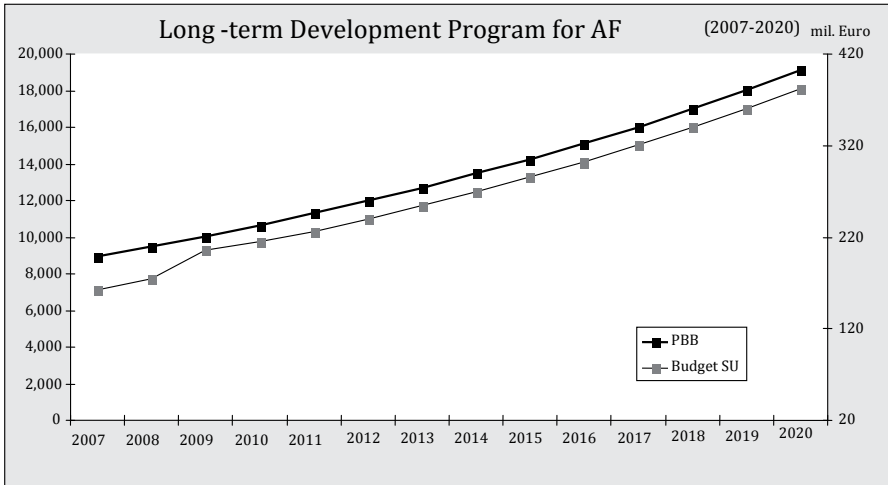
A positive step towards cost estimate for NATO integration is the Drafting of a Long-Term Plan of Development(LPD) for the Armed Forces by the Ministry of Defense, for the period 2007-2020. LPD anticipates that the resources for meeting the expected obligations and relevant costs from integration into NATO structures, and seemingly determines the necessary sources for the reform and modernization

8) CRS Report for Congress: Enlargement Issues at NATO’s Bucharest Summit by Paul Gallis, Coordinator, P. Belkin, C. Ek, J. Kim, J. Nichol, and S. Woehrel, Foreign Affairs, Defense, and Trade Division, March 12, 2008

9) NATO-Russia Compendium of Financial and Economic Data relating to Defense, Table 4, compiled by Data Analysis Section, NATO International Staff, 20 December 2007

of the armed forces, with the aim of establishing a wholly professional contingent force within the year 201¹⁰. Based on this document, the budget from the Ministry of Defense is expected to assume the level 2 % of GDP in 2008 (referring to table no.2) and continues to be at these levels up to 2020, supposedly to retain the same level increase for GDP each year (about 6 %) and with an inflation rate 2-4%. Consequently, by the end of 2008 the defense budget is projected to reach 174.8 million Euro¹¹, rising gradually up to 381.8 million Euro by the end of 2020. In the cumulative way, for the mid-term period (2007-2013) Albania is expected to spend on modernization of the defense sector 1,477.7 million Euros and 2,259.5 million Euros of other Euro during 2013-2020, and in total 3.7 billion Euros up to the year 2020.

Table No.2:



As we consider the commitments before the partners and in order not to confront unexpected situations, we assume that the Ministry of Defense in corporation with the Ministry of Finance, have to draw out a contingency scheme with a sensitivity analyses for the worst scenario e.g. if we have an overcome of the inflation objective of 4% and a downfall at the rate of economic growth. Presumably, we can have three figures for the budget, one for the bright scenario, and two others separately; for an average and a pessimist scenario.

Structure of the Defense Budget

The defense budget, through eight defense program, will ensure the necessary reforms for restructuring, modernization of the armed forces together with the systems, techniques, and major inter-operational equipment with NATO structures,

10) Ministry of Defense, Long-term Plan of Development for the Armed Forces, 2007-2020.

11) For convenience has been used the constant rate of exchange 1 € = 123 Leks

(combined and adjusted with). The final outcome will be the establishment of a qualitative, small and well-equipped force, with a narrowly “niche” specialization that could be capable with the Alliance Forces into missions and international tasks, by ensuring “complementarities” with them. The combating agenda and support etc. constitute over 66% of the defense budget, whereas trainings take up 7% of the total budget.

Expenses on defense modernization shall progressively increase from 16% in 2007 to levels 25-30 % in 2013 by preserving these levels up to 2020.

Along with the rise of the total amount of expenses in investments there will be carried out a clear policy to regulate the balance of expenses among the modernization of systems, equipment and infrastructure that can serve to country's security and putting it at the disposal of Euro-Atlantic Structures if interests arise. In the programs of modernization of the defense infrastructure are included the projects of integrated systems for observation of airspace, projects of mobility with vehicles and data transfer via computerized and information systems; development of autonomous capacities, defense and troops support, trainings with simulators etc. Total amount of these investments is projected to reach an estimate of about 395 million EURO.

It would be of real value if more advanced studies, could calculate the benefits to be ensured by country's economy and draw out the net results to be created following these investments:

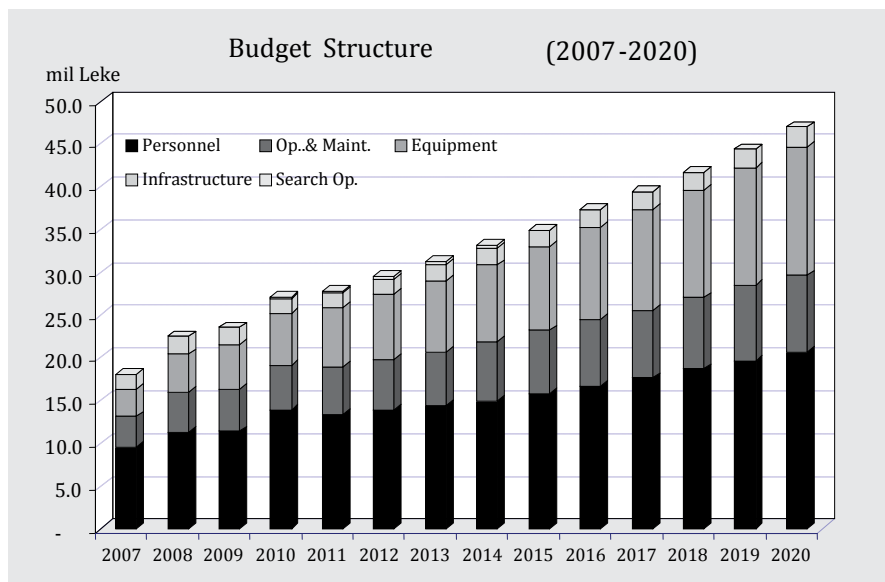
- i. For local businesses, which could be in the position of various subcontractors by the army to realize various investments in place such as; construction operations, sales of equipment and spare parts for the transport vehicles in the army , providing the service of mounting and repairing for ships. etc.;
- ii. The new labor fronts that will be opened in form of additional temporary and permanent job-vacancies;
- iii. From use of infrastructure and civil aims in terms of peace, emergency humanitarian situations(operation of rescue and search, evacuation with helicopters) etc.;
- iv. Enhancement of direct foreign investments;
- v. Promotion of tourism industry etc.

From the structure presented by table no.3 and sequence, it clearly seems a domination of personnel costs together with operational and maintenance costs to the amount of 72 % from the defense budget.

The expected structural changes on expenses based on a number of models from NATO member countries shall consist of:

1. A gradual reduction of expenses on personnel on the existing level 53% to 44% of defense-budget in the year 2020.
2. Operational and maintenance expenses shall remain at figures19%.

Table No.3



3. Expenses on operations will increase from 18% by the end 2007 to 32% in year 2020.
4. Expenses on Infrastructure (until now a greater percentage of expenses in investments) shall gradually fall from 10% in the year 2007 to 5% of defense budget in year 2020, with a substantial reduction particularly during the period 2009-2010.
5. Expenses on research and development activities shall remain to zero level up to the year of 2010, and later on, amounting to 2% of annual defense budget.

We are of the opinion that an analysis shall be taken in relation to the budget, regarding the expenses to be liberated from the reduction in the army size, which might lead to a long-term period in the reduction of operational costs to be used efficiently for the fulfillment of the objectives of inter-operations. It is interesting to estimate the net cost resulting from the transition of the army from a force under call into a modern, qualitative army, fully professional.

A subsequent cost has to cover the redundancies from the military reform (from 11.020¹² actually to 10 thousand up to 2010) and the matter of their status. As the substantial calculations on this category are accomplished by the Ministry of Defense we conclude that this cost has to be reflected in this analysis as a separate item in the state budget, despite of non-being an exclusive item for the Ministry of Defense. In this way, the savings gained from "military removals" shall be drawn per net by

12) Sources: 2008 CIA World Fact book; Military Balance 2008; Forecast International

subtracting expenses on temporary pensions etc.

In order not to lag behind, in the future could be seen the possibility by the relevant structures in the Ministry of Defense to ensure and request the participation in research-developments at a regional scale with regard to issues pertaining to security in the region and appropriation and processing of military doctrines etc, together with collaborations from military academy or national and foreign institutions. Likewise, the Ministry of Defense could require studies related to the application of methods for mathematical modelling to determine the optimum figures and structures for the armed forces. Such a model could be transferred from the other countries like, for example Bulgaria. Similarly, another interesting area of research could be the revitalization and establishment of an industry in the defense sector by making use of the specific needs the Alliance would manifest as well as the competitive advantages our country would present from the low costs standpoint of the work-force, geographical location etc.

Until now, Albania has been profiting to a considerable extent from the "Know-How" and a whole range of bilateral, technical and financial assistance particularly from USA and other countries like Turkey, Italy, Greece, Holland, etc. which have to be reduced from the predicted sums for separate items in the mid-term and long-term budgets.

6. Costs for developments and infrastructure appropriation (territory) and the role performance for the host country.

a) *Infrastructure and territory in our country* (land and maritime routes, ports, airports, telecommunication-systems, operational centers, ammunition depots, training-shooting fields, energy supply network etc.), as well as other supporting provisions such as a logistics, accommodation, fuel supply etc. shall be put at Alliance Disposal, in case of need, for various missions. All the costs for infrastructure improvements and services of the type "Support by the host country", which have to be modelled according to Alliance Standards shall be met by our country, with the exemption of cases when these objects represent strategic interests for the Alliance and the latter invests from the joint funding. SIP Program can finance on basis of interests up to 2/3 of infrastructure investments in new member countries.

These costs need to be definitely identified in figures to be included in cost estimate. But in addition to expenses, part of these costs can serve as generation sources of income for the home industry of tourism, transport, foodstuff, telecommunication etc., influencing the GDP growth in the country. Moreover, there are countries such as Bulgaria that have calculated the growth multiplier of GDP in % for each percentage growth rate of defense budget towards GDP, a task which could be realized in cooperation with our Universities. Probably, this constitutes another route to be followed in the future in case of further analysis.

b) NATO is expected to impose the collaboration of our country into a number of systems or defense initiative, which have considerable costs. Hence, mention could be made of projects on data and information sharing for of Air Defense Space (ASDE) for the integration of detection system of air alarm (NATINEADS), air patrolling

etc., which comprise investments in hardware, software, infrastructure, personnel, training etc.

For many of the investments there is a possibility of finance division according to regional agreements with the neighboring countries, NATO members. Similarly, some of the projects in the infrastructure improvements could have been awarded with concession to foreign actors, which are object to foreign financing from international bodies such as IBRD, World Bank, European Bank of Investments, EU, and USAID etc. Therefore, it is necessary to coordinate even with the other Ministries such as that of Economy, Transport etc. to avoid overlapping and imprecise planning. Even so, you should not treat the problem separately, as we have to be aware that investments for enlargement, infrastructure improvements in most of the cases bring forth benefits in other areas of economy among which the inflow of foreign investments, development of tourism, the reduction of transport cost on exports and delivery of home products, the reduction of informal economy (in case of tightening controls and prevention of trafficking at frontiers) etc.

c) Part of the actions that Albania should undertake *in the position of a host country in order to guarantee a safe territory for stationing NATO troops in case of need is the gradual elimination of ammunition, equipment and heavy Chinese and Russian armaments*, which due to the old age and outdated state beyond standards as accepted by the Alliance, constitute potential risks to the security and NATO credibility during its operations in our country. We would remind you of the additional cost and negative publicity within the country and abroad as well the social and human costs deriving from lack of due control during demounting process. According to the data from the Ministry there do still remain about 90 thousand tones of ammunition which have to be destroyed (or neutralized) with a financial cost calculated to the amount of about 30 million EUR.

Still by acknowledging the fact that Ministry of Defense could ensure income from the sale in form of a scrap, from the adjustments or sales of military weapons as game weapons etc., there is to be drawn as jet the net-result of these operations. In the meantime, other costs need not to be neglected, such as the negative impact in the environment and the social effects from such operations (expressing into monetary terms of the possibly social damages affecting population from accidental explosions like Gerdeci-case; costs from water contamination, air pollution in zones near the depots etc.) as well as costs regarding the legal regulations in commerce, contracting, executing control on demounting, licensing of such activities in order to avoid recurrence of similar situations in the future.

7. Costs on legal, procedural, and organisational regulations

In this sub-group could be included all the expenses related to organisational, procedural measures, various legal regulations and rules to be carried out in cases of not ensuring conformity with the requirements, obligations and NATO standards.

a) *Costs on constant adjustments to military legislation in the defense area, in compliance* with the requirements, of sector modernization according to Alliance

demands, response towards new challenges, emergency crises etc.

b) Costs on *programs to improve the democratic control of defense* by the Government and Parliament. Probably, this has to be accompanied with the delivery of more Parliament Members into joint activities in NATO framework (seminars, conferences etc.) in order to stir up their interest into the area of policy-making and legislative decision-making. Likewise, you should also anticipate costs on drafting from regulatory viewpoint and procedures for discussion, endorsement and control of basic strategic documents of defense by the Parliament, with the qualities of a supreme body for the democratic oversight of the army and legislative supervisor of the armed forces¹³.

Another sub-item in this category would be the cost for organizing transparency programmes and open dialogue on issues of security from the Ministry of Defense with parliamentarians on issues of security and country's defense, as well as the public at large in relation to the advantages and costs of the process for NATO integration; a fact that would increase the degree of alert of the country and people for a successful membership into NATO. It shouldn't be to the benefit of NATO or to our country, an unprepared admission into the Alliance.

c) *Establishment of functional, organisational structures* owing to the experiences from advanced countries in the region and NATO models for processes of purchasing the appointment relevant controlling and responsible bodies. In a special way, it should be improved according to best practices, the purchasing of armaments, by defining rules on standardization, coding, quality, authenticity, rules for transport, storage and demolition of outdated armaments .

ç) *Costs on compiling regulations, laws, standards, work-procedures etc. public procurements of vehicles, equipment and services for construction, setting, enlargement and infrastructure improvements, fuel supply for land, maritime and air military vehicles etc., services of maintenance for such vehicles, level of inspection and storing in military depots, regulation on planning, control and organisational of functions for military logistics, e.g. in construction services should be seen possibilities to harmonize with standards applied by NATO on depots constructions, training centers and buildings even comparing to EU case-applications. In addition to this, supplementary costs could be the drafting approval and implementation of regulations and procedures to obtain by rent for temporary use for army needs of commercial assets (e.g. transport vehicles) which abide by certain standards.*

d) *Costs on improvements and issuing of rules for licensing subcontractor companies, control on exports of equipment and armament, provision of the Certificate of Origin, defining ways of packaging, etc.*

FINANCING OF THE DEFENCE BUDGET

From the above treatment, sources for financing the integration into Euro-Atlantic structures on expenses related to defense could be divided into internal resources

13) 165 DSCFC 2007, Rev.1 - "The three Adriatic aspirants: capabilities and preparations", Chapter III Albania, 29, by Sverre Myrli (Norway), Rapporteur.

(national) and outside foreign sources depending on the fact if covered by our state budget or ensured by foreign sources. From type of financing, sources could be further subdivided into the following categories:

A. State Budget

- a) Finances 100% from funds of the Defense Ministry.
- b) Co-finances with other Ministries (like e.g. of Transport, Telecommunication, METE etc. for joint infrastructure projects etc.).
- c) Income ensured from sales of assets of Ministry of Defense such as e.g. buildings, depots, heavy armaments and equipment etc.
- d) Income ensured from accessory activities of the Ministry of Defense such as, renting sites under possession, services to the third parties (if any) etc.

B. Foreign Financing

- a) Assistance and aid from member countries of NATO(e.g. from USA, Italy etc.).
- b) Co finances with other countries in the framework of agreements and regional projects (e.g. with Croatia, etc.).
- c) Investments from joint NATO fund, SIP programme.
- d) Financing and aid from international organizations (if any).
- e) Foreign Credit (e.g. for projects of enlargements in infrastructure, improvements and rehabilitation imports etc.).
- f) Direct foreign investments (allowance through concession of military airports etc.).

Most of the new member countries of the Alliance (Poland, Bulgaria etc) have been profiting from SIP budget and other new programs in support of less developed countries in figures up to 2/3 of budget in investments to modernize infrastructure etc. According to Consolidation Act for Freedom of NATO in 2007, in the projected budget for 2008 there have been anticipated assistance expenses for candidate countries into NATO(including our country), where funds on the transfer of excessive equipment for defense, education and military training, foreign military assistance for joint trainings, an increase at the level of inter-operations etc. Only USA, in this framework anticipate to engage 12 million US\$ during 2008 and another sum of 30 million US\$ for 2008-2012¹⁴. Identifying the sources of financing according to the aforementioned ways, could avoid recurrent forecasts in budget total of the country as well as an increase of efficiency in the planning process.

INDIRECT, NON-MILITARY COSTS

As treated above, membership into NATO is not merely a political decision with special significance only for defense. But there are some other dimensions of

14) Congressional Budget Office Cost Estimate, S. 494 NATO Freedom Consolidation Act of 2007, March 9, 2007. Included in Senate Committee Report 110-34.

NATO integration in addition to political and military impacts (explicit or implicit), which were treated as part of obligations for a country into the integration process. Economic collaboration is one of the aspects expressed directly by Washington Treaty. There is a close cooperation between security and economic collaboration which have been well-defined since Marshall Plan; which aimed at framing a safer environment to security and economic development .

Hence, as seen from NATO obligations, accession into the Alliance can not be easily tackled by candidate countries, as they would have to renounce practices of corruption, authoritarian practices, non-respect for rule of law, abuse with the free will of the voters, allowances in market deformations, infringements in minority rights, freedom of the individual and press etc. Joining the Alliance requires from candidate countries the right political will and sufficient capacities to implement reforms, ***translated this into diversified costs in addition to military ones.***

1. ***Political Costs.*** There are many arguments/polemics concerning a *reduction in a nation's sovereignty* becoming subject to collective decisions on security undertaken by the Alliance. However, we still think that in Albania's case that argument counts not in a proper terrain, because today under the conditions of manifold, non-conventional threats for a small country with limited, financial resources, presumably military, it should be impossible to guarantee country's security relying only on our assets. The argument will be further seconded and consolidated if a scenario of required costs to achieve security would be expected, in cases when lacking the collective defense from the Alliance .

Another cost, would be *lack of public support* for the party in power as a consequence of commitments for our troops into dangerous zones of the world, in the framework of NATO missions. E.g. Slovenia and Italia under the public pressure were forced to withdraw their troops from Iraq, whereas other countries like Poland reduced the number in troops. Croatians refrain from membership for fear of losing foreign tourists, a fact, which relates to reasoning for setting up the basis of NATO in this country. These costs would be more sensitive and tangible in cases of possible killings of their member troops in Iraq etc.

Furthermore, due to the alignments with NATO, Albania being a small country with little protection can be perceived as a country more exposed *to terrorist attacks, a potential cost* mentioned by the survey outcomes as well.

Albania has been considered by international organizations as a country with legal and institutional problems which frequently derivate in the fierce fight among parties in country's political arena Fulfillment of NATO and EU Standards *for the electoral process and judicial reform constitute an additional cost* imposed by completion of Membership Criteria into NATO, though this serving to several aims. Deep reforms in the judicial system to increase efficiency, law implementation, elimination of political interventions and rise of transparency in legislative system constitute other costs in this process.

2. ***Economic Costs.*** Irrespective of the macroeconomic successes being a country where 25 % of the population lives below the poverty threshold, with deep disproportions of wealth distribution, with a high deficit of current accounts

conditioned so much by emigrants remittances. It is not easy for Albania to engage *its own limited financial resources of security*, due to NATO standards.

Other costs would be those related to the *accomplishment of reforms* in general, not only for NATO, but also within EU framework. Mention could be made for costs of restructuring and further liberalization of the economy, promotion of businesses, sanctioning the precise right to property, privatization in economy, improvements in social insurances system, reforms in health and education sectors etc.

As a result of exercising of a tighter control on land and maritime borders *it is obviously expected to reduce informal economy (taking up 40-60% of the economy) income from illegal trade, narcotics etc.* as the road to trafficking and smuggling can be cut off. In reality, the country would lose a hidden source of economic growth but would gain another significant result: the trust and security of foreign investors, integration into NATO, regional cooperation and we believe EU membership. Consequently, the cost we pay is exceeded by numerous expected benefits .

3. **Social Costs.** *The fight against corruption, organized crime, trafficking of weapons, narcotics and human beings* have been considered as the biggest challenge to any governments in Albania, as it constitutes one of the major social problems for the country. Transparency International in the index of perceiving corruption for the year 2007 ranks Albania as the last county in Central Europe or 105-th place from 175 countries. Despite of the good programmes by the government and advocated promises, we might state that this has been an already lost battle for all governments. Precisely to address concrete and serious measures in the sectors of administration of tax-taxation, of the Customs, public administration , a better frontiers control, in the justice system, rule of law etc. require further commitments and other costs, too.

The reform in the defense sector will lead to a reduction in the armed forces. In this budget will be added costs on social insurances for this category, additional programmes to be reintegrated into work etc.

4. **Costs on Infrastructure.** As it has been mentioned above, the integration into Euro-Atlantic Structures implies the establishment of appropriate conditions for performing joint activities with the Alliance countries in our territory. The concept of national security implies *the use of civil infrastructure* for NATO needs and within a brief time period.

Improvements in road infrastructure, energy, telecommunication, etc, similarly infer additional costs.

It is important to emphasize that all costs as forwarded from the above like those relating to judicial, electoral, economic reforms in infrastructure etc. shall be carried out by our country independently of the requirements for NATO membership. Many of them will be accomplished without foreign donors support. The impact of accomplished reforms is of value for the whole economy, despite of the fact for NATO integration or not. Every reform expressed in monetary terms serves also to the common goal of quicker integration into EU, to country's economic stability and preservation of macroeconomic stability. The only thing different is the speed to realize these changes, therefore, we have defined them as an indirect costs to

NATO integration. All these costs may be recovered, as they are closely related to our accession into EU.

As a conclusion, a return to investments for NATO reforms is manifold, if, we calculate contributions in times for stability in institutions, attraction of foreign Investors, increase in country's security and an increasing graph of macro-economic performance etc. Moreover, they shall award opportunities of greater approximation to EU, as many of the criteria and principles on membership, particularly, in the political area are common and complementary to one-another by creating synergy. This has been broadly verified by the experiences of other countries, already being admitted into NATO and EU in the last decade.

Lastly, Let us dwell a little on what it might happen if our country would not join NATO. Under the conditions in the Balkans, with unclear border problems, ethnic conflicts, threats from terrorist acts, traffickers etc. Albania would have to invest on its own to set up an army, guarantee security etc. Realization of this task would not be easy, on the contrary, it would take up a pretty long time (probably up to 15 years without NATO assistance) to ensure a minimum system of security. The strategy pursued independently of NATO might not have the right one by calculating lack of specialized and technical assistance, infrastructure of ensured trainings by the Allies in the framework of partnership. Experiences of Poland, Bulgaria etc. (bigger countries and with technical, financial capabilities several times greater than those of our country), indicate that their independent plans for transformation and modernization of the army could be hardly attained in an individual way without NATO assistance. Likewise, the outcome to establish security (not at the guaranteed quality by NATO) security independently of NATO, would require a longer period (10-15 years) to be realized. Normally, even under a scenario for country's analysis, costs for transformation of the defense sector, have to be subtracted from NATO expenses as they would necessarily be carried out even without expectation for membership into the Alliance. Consequently, the variant of guaranteeing the security without NATO in our country can not be justified from the economic aspect.

CONCLUSION

The objective of our study was not only the full and final calculation of costs accompanying the pre and post process of membership into NATO, but, moreover the opening of a public debate concerning this issue. Transparency and debate shall accompany the integration process into Euro-Atlantic Structures as they should be a fuller and real support in a much longer period (irrespective of the questionnaire outcomes which conclude that over 90% of the Albanians do support this process) .

ANNEX: TABLE ON THE MEASURABLE COSTS OF THE PROCESS

Direct Costs related to Defense	Value (min-max) in bill Euro or USD	Term
1. Contribution in the common fund of NATO	min 5 max 10 bill Euro	annual
1.1. military		
1.2. civil		
1.3. infrastructure		
2. Engagement in operations abroad	min.16 max 80 bill Euro	increases gradually
8% terrestrial forces		
40% preparations for rotation		
coverage 100% with our budget		
3. Participation in NATO's activities		increases gradually
a. IPP, seminars, conferences (120 - 300 per year)	?	
b. the role as a host country (70-80% refunded up to now)	0.2 - 0.3	
c. common training with troops	?	
d. participation of our staff in NATO's Committees	?	
(We do not have capacities, and there is need for trainings?)		
4. Expenses for the personnel		
a. permanent representation in civil-military structures of NATO (60-80 persons, 50% civil - salary, benefits as new members)	?	should be achieved
b. trainings and specializations of the staff	?	In the optimum number (max.)
c. preparation of the substitute staff in the army and in progress	?	Up to 2012
d. preparations of the armed forces for increasing interaction with NATO	?	will be foreseen afterwards
e. accomplishment of STANAGs (1300)	?	Periodic until 2020
manual translations, adaptation, printing, publication		
trainings – lectures costs (foreigners and /home-brew) plus accommodations		
5. Structural changes (reference 5/1)		
a. modernization army planes (look at 5/1)		
b. territory (infrastructure development)		

6. Developments/adaptation of the infrastructure		
a. telecommunication systems in NATO's disposal (ports, airports, railways, highways, terrestrial roads)		
b. drilling stations, operational centers/weaponry depot/ weaponry depot/military installments etc.		
c. information services, processing, conduction, fuel furnishing (such as Host Nation Support)		
7. Inclusion on common protective systems/ initiatives		
<u>I. control of air space</u>		
a) Air Patrol (Air Policing)	in agreement with others (to find out formulas for division of costs)	
b) ASDE (exchange of information with Italy, Greek)	free for us	
hardware, software, infrastructure, personnel, training	investments, fixed costs, annual and variable	
c) NATINEADS – detection systems, notification, air protection	project in phases	Up to when?
phase 1 - infrastructure creation for receiving information	costs as ASDE	costs depending
phase 2 – radar purchasing 3 piece	75 bill	of time
8. Elimination of old munitions		
elimination of excessive munitions (90 thousand tones, costs 500\$/tones)	45 bill USD	
what is the monetary amount of demolition, sale of tanks/Chinese ammunition	?	
Scrap sale?		
5/1. Projects/ programs of modernization	Total 395 billion Euro	
I. information and observation (projects of Integrated System of National Surveillance - SIVK, unique system for receiving, elaboration and exchange of information)		
a) integrated System of Sea-Space	18 billion USD,	starts in 2007, ends in 2009

b) Air- space Surveillance Systems, integrates our air space in the Integrated System of the Alliance, possibly with alternative regional projects.	about 75 bill Euro	middle term period up to 2011
c) projects for tactical detection systems and radio detection		
II. Command-Control-Communication-Computer and Information (C4I)		
-		
III. mobility/main transport facilities (projects for development of main transport vehicles)		
a) terrestrial transport facilities		
b) air transport facilities – priority instruments with 12-14 helicopters for transport operations, exploration-salvation, evacuation, troops support in compartment.	costs per piece: 15 - 35 bill USD, total costs: 300 - 500 bill USD	conclusion of the project during 2013-2015
c) sea transport facilities – protection of territorial waters, law enforcement in the sea, preservation and protection of the environment, operations exploration-salvation. In the middle-term - 4 ships for the patrol and infrastructure for production/reparation/maintenance	total costs: 33 bill. Euro, Dutch government covers about 1/3 costs.	conclusion of the project within 2011
d) armored transporters – purchasing of about 40 armored cars	total costs 40 bill Euro	middle-term period
4 patrol ships and infrastructure for producing, reparation and maintenance		
IV. protection and troops support		
full competition of the Armed Forces with individual equipment	each year about 500 bill Lek	until 2010
V. exercising and training (simulations of projects		
a) simulations, competitions with systems, electronic equipment and the respective infrastructure	still in the study phase, about 3-5 bill Euro	in the short-term 2007-2010
b) elaboration of a master plan exercising centers, drilling filed etc.	?	
VI. modernization with individual light weaponry	?	

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