

Unrest is challenging member states to turn talk about common security policy into results

Albania crisis poses new test for EU

By Lionel Barber in Brussels

The violent unrest in Albania and the threat of instability spreading in the Balkan region are rapidly turning into a test of the European Union's capacity to respond to crises in its own backyard.

Six years ago, during the break-up of Yugoslavia, the EU was widely judged to have flunked the foreign policy test. Official claims that the "hour of Europe" was dawning in the Balkans proved unrealistic.

Today, in an uncanny parallel to events in 1991-92, a regional crisis has erupted during an intergovernmental conference on the future of the EU, challenging member states to turn talk about a common foreign and security policy into results.

Albania is a special case because it is the biggest per capita recipient of EU aid in eastern Europe. Over the past five years, the EU has



Van Mierlo: testing time

poured Ecu450m (\$509m) into the country which, for a brief period in the 1990s, seemed to be evolving steadily into a post-communist economy.

EU pressure on President Sali Berisha to abandon the state of emergency and form a broad-based coalition embracing the opposition ahead of new elections made

headway last weekend, after a stream of visitors including Mr Hans van Mierlo, foreign minister of the Netherlands, which now holds the rotating EU presidency, and Mr Lamberto Dini, Italian foreign minister.

A week ago, the picture was more confused. When President Berisha ordered his armed crackdown against the opposition, Mr van Mierlo was preparing to leave for Moscow to attend a long-delayed EU-Russia summit with a recuperating President Boris Yeltsin.

In the initial absence of EU-co-ordinated crisis management, the Italian government seized the initiative, followed by the Organisation for Security and Co-operation in Europe (OSCE), the Greek government, and a Council of Europe delegation. Until last Friday, when Mr van Mierlo had two sessions with President Berisha, the Dutch presidency was playing catch-up.

In fairness, Italy, along with Greece, can claim it would bear the brunt of a refugee exodus in the event of a total breakdown of law and order in Albania.

Memories are fresh of 1991 when thousands of impoverished Albanians fled the crumbling Stalinist dictatorship and turned up on Italy's eastern coastline.

Germany has also signalled its concern that instability could spread from Albania to neighbouring Kosovo, giving the Serbian minority an excuse to take reprisals against Kosovans. Germany, which took the bulk of refugees from the Bosnian civil war, has also admitted Kosovans.

Italy's arguments that it makes no sense to pick sides inside Albania is widely shared inside the EU. The opposition to President Berisha lacks coherence beyond the popular fury over the collapse of the financial pyramid schemes.

After Mr Dini's efforts to broker the accord between President Berisha and opposition party leaders on Sunday, Italy has stepped up the diplomatic effort and yesterday held talks with rebel leaders on one of its warships in the Adriatic.

Some countries, notably the Scandinavians, would like the EU to speak out more clearly on human rights; others question why it took so long for the Europeans to follow the US lead in issuing a clear call for fresh elections, particularly after President Berisha's victory in last year's poll was widely criticised.

The official EU policy stance is that there should be no EU-backed bail-out for Albanians who have lost their life savings in the pyramid schemes. *Caveat emptor* sounds a strange slogan for the common foreign and security policy, but the European Commission says Brussels offered the Alba-

nian government technical advice last year on how to introduce legislation banning the schemes.

President Berisha turned down the offer at the time, but he now appears more receptive to technical assistance from outsiders.

Much will depend in the coming weeks on whether the EU can contain the crisis without tilting so far in the direction of President Berisha that the chances for economic and political reform evaporate.

More broadly, the Albanian lesson is that the EU should not just be focusing its energies on expanding membership to countries such as the Czech republic, Poland and Hungary in the relatively stable region of central Europe. It also needs to pay more attention to the unstable arc of countries outside the enlargement catchment area, such as former Yugoslavia, Turkey, Belarus and Ukraine.

Foreigners bid for state companies

By Guy Dinmore in Tirana

Foreign investors bought majority stakes in two Albanian state-owned companies by auction yesterday, expressing long-term confidence in the country's future in spite of the threat of civil war.

Seament, a Lebanese group, offered 600m lek (\$4.3m) for a 70 per cent stake in Elbasan Cement in central Albania, outbidding Alba Cement, a joint venture partner of Titan Cement, a large Greek producer listed on the Athens bourse. Bidding in a cobwebbed hall in the finance ministry in Tirana started at 495m lek.

A Jordanian company, Kajolli, re-

resented by Mr Ali Tarawneh, bought a 51 per cent stake in Petroilimpex, an oil products trader, for 255m lek.

"I'm very satisfied with today, given the situation in Albania," said Mr Niko Glozheni, director of the National Agency for Privatisation. Of 11 companies offered at auctions in Tirana last week only two attracted no bidders. Most of the buyers were Albanian companies.

"The crisis has had a little influence but mainly on foreigners. The Albanians were very interested last week and bids rose in an incredible way," Mr Glozheni added.

The government of President Sali Berisha has lost control over about a

quarter of the country since a popular insurrection erupted in the south last month in response to the collapse of fraudulent pyramid investment schemes. Many Albanians have lost all their savings.

Mr Mark Gourli, a Lebanese representative of Seament, was pleased with his purchase and said the cement plant at Elbasan needed several million dollars in investment. "We think this country will need cement even with political problems," he commented.

Mr John Haden, chairman of the privately owned British Incat group, said Albania had huge potential for investors prepared to take some risk. He plans to bid for a quarry linked

to the Elbasan cement plant to be auctioned today.

"You don't just look at what will happen over the next week or month but over five years. Obviously there is going to be some upheaval during this process," he said, referring to Albania's transition from 47 years of Stalinist rule to a market economy.

The 70 per cent sale of Elbasan Cement was one of the biggest privatisation sales so far in Albania, a western diplomat said, criticising the government for its reluctance to sell off more important state banks and utilities. Other state assets had been sold off privately in "sweetheart deals" to cronies of the government, the diplomat said.