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## Crisis Management and Conflict Resolution in the Late 20th Century Europe: Albania — A Case Study\*

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### PREFACE

The new, post-Cold War security architecture, particularly that of Europe, is increasingly focusing on broad-scale stability measures rather than force enhancement as the means to promote national and regional defense and secure peace. Emphasis is being placed on conflict resolution and crisis management, and the groundwork is being laid by NATO, the EU, and OSCE. Implementation, however, has a long way to go.

Our goal in the following IDA centrally funded research is to use a theoretical model of crisis management to measure progress in Europe generally, and to analyze Albania's recent response to crisis specifically. In doing so, we hope to highlight the need for crisis preparation and the development of a mind set directed at crisis prevention, particularly in those nations with residual elements of internal instability and in the various regional and international bodies with an interest in crisis prevention.

Given the broadly interpretive nature of this work, we have decided not to include footnotes. Nonetheless, our reliance on the many sources included in the attached bibliography has been great. Of particular importance were elements of Patrick Lagadec's crisis management model. We are most grateful for the framework and insight provided by this and the other works consulted for this study.

## INTRODUCTION

### THE SCENE IN EUROPE

Crisis Management and Conflict Resolution are two central themes of the late 20th Century. Both have unique relevance in this, the immediate post-Cold War period. In Europe, an entirely new approach toward conflict resolution is being undertaken in which dialog, cooperation, and communication play central roles. Each nation in the region is being challenged.

Security for all has become a moral imperative in the new "free Europe." Maintaining it is an absolute necessity for all nations wishing to be partners in this new model. Security in this sense encompasses political democratic harmony, societal stability, ethnic responsibility, and wise defense policies. More than ever, the process of coping with crisis, whether natural or man-made disaster requires national understanding of the crisis management processes being implemented by neighboring countries.

There is also a new sense of accountability today. The world community now looks over every nation's shoulders. The previous inclination of non-democratic states to hide or disguise their internal problems is no longer acceptable or possible. The populations and media of the newly emerging democracies will no longer allow problems to be swept under the rug or be poorly managed. They demand answers and resolution. Without solid prior planning, a nation's ability to respond to crisis will likely not meet the challenge. Anticipation, awareness, communication, and sound decision-making must be channeled into an organizational structure that allows the state to meet its crisis management challenges and responsibilities, both internal and external.

At the same time, national security has taken a new form in the post-Cold War era. No longer is it completely focused on traditional warfare and the protection of national sovereignty and territorial integrity. Now, the so-called non-traditional elements of security in peacekeeping, counter-drug and counter-terrorism operations, fights against organized-crime and weapons proliferation, environmental protection, and the calming of ethnic unrest ñ are at center stage.

External expectations are considerable and important. All nations are expected to respond to their own crisis situations effectively to ensure that difficulties are contained within national boundaries and not allowed to affect neighbors, regions, or other areas of the world. Failure to manage internal crisis effectively can either seriously damage a nation's image outside of its borders or, in the worst case, lead to outside intervention. The world community holds each nation accountable for keeping internal control of problems, and acceptance into external alliance structures is clearly tied to internal behavior. The organizations most prominent in the European security structure: NATO, the Organization for Security and Cooperation in Europe, the European Union, and the Western European Union have clearly defined their requirements for participation. Early warning and crisis prevention are at the top of the list, effective crisis management at its core.

But what is a crisis, and how is it defined? In the Europe of the last few decades, there has emerged a near consensus among experts dealing with these matters to employ the "decision-making approach." Charles Herman's definition of crisis, formulated from the perspective of the decision maker, is the most widely accepted: "Crisis is a situation that (1) threatens the high-priority goals of the decision making unit; (2) restricts the amount of time available before the situation is transformed; and (3) surprises the members of the decision-making unit when it occurs." A full and clear understanding of this definition is crucial to effective crisis management.

## THEORETICAL ELEMENTS OF CRISIS MANAGEMENT

Effective crisis management is a process, guided and enhanced by certain identifiable attributes. *Keen Anticipation*. Those responsible for any part of the system must constantly, with almost a sixth sense, be on the lookout for potential crises, internal or external, that might affect the nation. At the same time, within the system, there must be a *Broad Awareness* of relevant aspects of the surrounding world. A key to this element is the acquisition and distribution of information relevant and adequate to the system's needs. Once available, there must be *Objective Analysis* of the facts and information at hand to enable the *Decision-Makers* to make *Sound Judgments*.

Proper support of the first part of this cycle requires three important components: a competent crisis management *Organization*, effective *Command and Control* mechanisms, and adequate *Resources*. All of the above should then contribute to quality *Execution (Implementation)* of the selected plan.

## THE CRISIS MANAGEMENT PROCESS

Crisis Management is an iterative process that begins before a crisis occurs. It is based on the following precepts:

1. *Preparation*:

- Build a (minimal) framework authority.
- Establish links between decision making centers.
- Create a critical information group.
- Make rules.
- Practice and exercise.

2. *Mitigation:*

- Make appropriate governmental structural changes.
- Develop appropriate laws and policies.
- Keep an informed public.
- Institute appropriate public works.

3. *Prevention:*

- Anticipate potential crisis situations.
- Maintain a full awareness of crisis potential (environment).
- Analyze objectively information or developments that might lead to crisis.
- Act remedially in pre-crisis situations.

4. *Response:*

- Grasp the situation.
- Survive the initial shock.
- Provide neighboring nations with a clear view of the crisis and the management actions being taken.
- Avoid being discredited.
- Activate networks and critical information groups.
- Formulate a position.
- Develop an action plan.
- Mobilize decision makers.

5. *Resolution:*

- Manage the system effectively.
- Orchestrate public awareness.
- Properly use consulting experts.

6. *Recovery:*

- Manage to the end.
- Handle the aftermath.

Even more important than the technical creation of a crisis management mechanism, however, are the *Confidence*, *Credibility*, and *Consensus* of those in the system, and those in and outside the nation. Bolstered by support from the national populace, from neighbors in the region, and from the world, crisis management becomes a considerably lighter responsibility and a more manageable task.

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## EFFECTIVE CRISIS MANAGEMENT

Effective crisis management depends on the ability of decision-makers to develop a system of prevention and response, and to acquire and maintain the necessary positive attributes described above.

Figure 1 outlines in simple terms the planning and execution cycle required to prevent or mitigate potential crisis. Forethought, hard work, planning, and practice are at the core of the planning process. Adaptability, imaginative use of the system, and sound decision making remain key in the response and resolution cycle.

No matter how detailed and well thought out the process, however, failure to possess the unique attributes shown in Figure 2 reduces the chance of successful crisis management and conflict resolution.

## STATUS OF CRISIS MANAGEMENT IN EUROPE

The modern focus of crisis management in Europe is collective and regional. Most individual countries, as well as members of the European Union collectively, are concentrating on mutual cooperation and collective efforts to share responsibilities, devise common policies, institute interoperable procedures, and share resources. Common experiences to date have predominantly dealt with early warning and conflict prevention. Progress has been steady. The most difficult issue has been the establishment of clear organizational responsibilities.

The major official organizations involved in European Crisis Management are the United Nations (UN); the European organizations of the European Community (EC), the European Union (EU), and the Western European Union (WEU); and the North Atlantic Treaty Organization (NATO). Each plays an important role in crisis management and its evolving structure in Europe. Non-governmental organizations also play a role.



UN involvement centers on the role of the Organization for Security and Cooperation in Europe (OSCE), established under the auspices of Chapter VIII of the UN Charter (Regional Arrangements). The OSCE was established in 1994 as a follow-on to the Conference on Security and Cooperation in Europe (CSCE) (1975). Its goals are to promote stability and cooperation throughout Europe. The OSCE's regional responsibilities stretch from "Vancouver to Vladivostok." Its tasks include early warning, crisis prevention, and crisis resolution, which are, for the most part, fulfilled by observation and mediation. One common criticism of the OSCE as it expands its program, particularly in conflict situations, is its lack of adequate resources and authority to implement its recommendations.

The OSCE's capability for providing early warning resides in its Permanent Committee; its Forum for Security Cooperation; the High Commissioner on National Minorities; the Warsaw Office for Democratic Institutions and Human Rights; and in various other international organizations. Through these offices, particularly the Permanent Committee, the OSCE implements its early warning and crisis prevention functions through a program of debates and sector reviews. As a follow-on to early warning, the OSCE has a number of crisis prevention mechanisms. Matters can be brought directly before the UN Security Council. With UN approval, personal representatives can be appointed and long-term missions established. The OSCE can also use the provisions and procedures of the Convention on Conciliation and Arbitration, and in certain cases can employ directed conciliation.

The conflict resolution abilities of the OSCE are more restricted. It has very limited law enforcement capabilities and no military force under its direct authority. For the most part, it depends on member states, the EU/WEU, and NATO for enforcement resources. In past instances, however, it has primarily relied not on military enforcement but on situation clarification, either through the assignment of personal representatives or long-term missions to potential crisis areas.

#### THE UN DEPARTMENT OF HUMANITARIAN AFFAIRS (UNDHA)

While the OSCE's functions relate basically to security matters and conflict resolution, crises related to disaster — man-made and natural — fall under a different element of the UN: the Department of Humanitarian Affairs (UNDHA) headed by an Undersecretary General, who mobilizes and coordinates international disaster relief. UNDHA provides advisory and technical services and maintains contacts with various crisis management entities. In serious cases, UNDHA appoints an emergency coordinator to head a UN team sent to a disaster site. While local officials retain responsibility for handling such situations, a Humanitarian Assistance Coordination Center is usually set up to coordinate efforts of the receiving nations with those assisting International Organizations (IOs), Non-Governmental Organizations (NGOs), and Private Voluntary Organizations (PVOs). The Director serves as the coordinating agent to ensure that the host nation sets clear priorities, and that the various outside helpers focus their response to those needs. In a large crisis assistance effort, the Director will usually have two deputies, one to deal with civilian resources and a second to coordinate military resources.

The United Nations Commissioner for Refugees (UNHCR) responds to national requests for material help in mitigating problems resulting from displacement of civilian populations in times of crisis while leaving the responsibility of the security and safety of refugees to the national governments involved. The UN Food Program (UNFP) and the World Health Organization (WHO) are well prepared to provide crisis relief with other agencies of the UN, such as the UN Development Program (UNDP), the UN Children's Fund (UNICEF), and the Food and Agriculture Organization (FAO). Long-term missions can be prepared to provide tailored relief in critical situations.

### THE EUROPEAN UNION (EU)

The European Union (EU) is expanding not only its membership, but also its infrastructure to cope with crisis management issues. At the moment, resources are being put into developing a common foreign and security policy (Pillar 2) and legal and humanitarian affairs through the institutions of Justice and Human Affairs (Pillar 3). The WEU, as the "security component" of the EU, is placing great emphasis on crisis management with specific attention to early warning and conflict prevention. To date, the WEU, like the OSCE, lacks the resources to conduct conflict resolution operations. Its Council and Secretariat are located in Brussels, where its Permanent Council meets weekly. The Politico-Military Group advises the Permanent Council on crisis management issues. A WEU Planning Cell plans EU security operations, maintains a list of national and multinational forces answerable to the WEU, and operates a situation center providing the information and intelligence needed by EU and WEU planners and decision makers.

The WEU at the moment is almost totally dependent on NATO for planning, logistics, and command and control in attempting to deal with crisis situations. A recently concluded French-German agreement makes it clear that the WEU will, in the next several years, be given more resources and will have a stronger, independent capability. Possible forces at the disposal of the WEU include national member forces, the European Corps, the Multinational Division, Eurofor, EuroMarFor, and, with approvals, a NATO Combined Joint Task Force (CJTF).

The European Community (EC), through its Humanitarian Office (ECHO), provides a variety of humanitarian assistance to countries outside the EC, including food, medicine, logistic assistance, transportation, warehousing, and expert advice. The organization is also involved in disaster preparedness problems and works closely in coordinating relief efforts with the NGO's of member states and other countries. ECHO has framework Partnership agreements with 60 NGOs to facilitate their efforts during an emergency.

### THE NORTH ATLANTIC TREATY ORGANIZATION (NATO)

At the center of European efforts to promote stability through conflict resolution and crisis avoidance is NATO. At the Cold War's end, NATO redefined itself as a broad new security architecture for Europe, extending stability from the Urals to the Atlantic as envisioned by such global thinkers such as Daniel Tarschys, Richard Holbrooke, Niels Hansen, Jose



Cutileiro, and William Perry: “Be prepared to prevent, deter and defeat, but above all prevent.”

The European continent historically has had three grand opportunities to shape the continent’s security future — 1815 at the Congress of Vienna, 1919 at Versailles, and 1946 in the Allied-Soviet dialog. In the 1990s, Europe has again faced critical decisions and yet a fourth chance to secure permanent European stability. Two issues at the center of this new opportunity are containment of crisis and NATO expansion. Unlike the earlier opportunities, the United States, in its role in the North Atlantic bridge, is this time fully engaged.

As early as 1992, NATO foresaw that “Management of Crisis and Conflict Prevention” were key to its plans, fundamental objectives, and core security functions. As a North Atlantic Cooperation Council declaration in December 1989 observed, “the alliance will increasingly be called upon to carry out its political function . . . to encourage political pluralism, free flow of information, and cooperative action in dealing with common problems.” To meet these challenges, NATO works closely and often interdependently with the OSCE, the EC, WEU, and the UN.

#### THE NORTH ATLANTIC COOPERATION COUNCIL (NACC)

In 1991, the North Atlantic Cooperation Council was created by NATO to reach out to non-NATO states. Soon after, crisis management evolved into a principal NATO mission and a key aspect of its outreach program. Resources brought to the table by NATO included operational and logistic planning capability, forces, and command and control. To match these potential contributions to practical crisis management requirements, the CJTF Concept was developed to allow application to UN (OSCE) and WEU needs.

#### THE PARTNERSHIP FOR PEACE (PFP)

As part of the outreach program, the active Partnership for Peace (PFP) began in 1994 to engage member and non-member states actively in crisis management activities. These activities have included live exercises, supporting workshops, and pre-exercise education and training. In the PFP planning cycle, the focus on interoperability and the identification and evaluation of partner forces and capabilities that might be available for use in crisis management and conflict resolution provide a new option to the European community in dealing with potential crisis situations.

#### NON-GOVERNMENTAL ORGANIZATIONS (NGOS)

Aside from governments and alliances, NGOs in Europe and America are well prepared to respond to calls for assistance in crises. Foremost among these organizations are the International Red Cross/Red Crescent Movement, headquartered in Geneva, with more than 150 national societies represented, and the International Committee of the Red Cross (ICRC)

founded in 1863, which derives a mandate from the Geneva, Convention of 1949 and two additional protocols of 1977 to act as a neutral intermediary in humanitarian matters during international conflicts, civil wars, and internal disturbances. Its mission is unique in that its efforts are directed toward military as well as civilian victims of strife.

Numerous other NGOs, including those involved in such areas as health, migration, child protection, and human rights, are available to assist nations in need of help. The number of NGOs has increased dramatically in recent years. Most of the humanitarian relief and development NGOs, including World Vision, Catholic Relief Services, OXFAM, CARE, and Save the Children, were founded decades ago to meet specific needs. In recent years, NGOs have been the beneficiaries of a major growth in resources: CARE, for example, has an annual budget of nearly \$350 million annually, and World Vision has an annual budget of \$140 million. The 160 NGOs within Interaction, an NGO coordinating agency, have combined annual revenues of \$2.4 billion.

NGO activities today fall into two categories: direct operations, including humanitarian relief and conflict resolution, and advocacy. Direct operations have retained as much as possible their emphasis on neutrality and impartiality to accomplish their mission, while advocacy attempts to influence decisions and steer events.

With the changing world security climate, the potential for even greater roles for NGOs is clear. Four possible missions have emerged:

1. Preventive functions through early warning
2. Monitoring of human rights
3. Traditional relief and rehabilitation
4. Conflict resolution - mediation and reconciliation.

There is by no means a consensus in the complex and relatively poorly organized world of NGOs as to how these missions should be managed. Coordination and cooperation with governmental organizations is as uneven as the relationship between the NGOs themselves. That said, NGOs will continue to play a major positive role in the future of crisis management and conflict resolution, and all nations need a clear understanding of how to gain the most benefit from dealing with these organizations.

#### PRIVATE VOLUNTARY ORGANIZATIONS (PVOS)

PVOs in Western Europe and North American are plentiful and can serve two purposes. First, through developmental assistance, they can assist nations in taking measures to prevent possible disasters or mitigate their seriousness. Second, these organizations are often very helpful in providing relief following a man-made or natural disaster.

#### SUMMARY

The options available to a European nation seeking external assistance in a crisis are extensive, as can readily be seen from the foregoing overview. An objective understanding of the utility and potential costs of using foreign help should be developed well before a crisis erupts. Careful examination of national capabilities is a further aid in making a determination as to the proper mix between external aid and self-reliance.

### **ALBANIA: A CASE STUDY FOR CRISIS MANAGEMENT IN EUROPE**

Albania presents an illuminating case study of late 20th. century crisis management. The developments of the past few years in Albania and the events leading up to them are worthy of examination, both in the context of current European perceptions and actions regarding crisis management, as well as for the theoretical model presented in this paper. Clearly, Albania is in dire straits. How many of its problems were avoidable? How many were caused by internal inability to deal with crisis? What were the consequences? What does the future hold?

#### **WHAT HAPPENED**

##### **BACKGROUND OF THE "DARK DAYS"**

Under the Stalinist dictatorship of Enver Hoxha, Albania was isolated from the rest of Europe for more than forty years. Under Hoxha's communist regime, the practice of religion was outlawed. The people were not permitted to move about freely, and interaction with the outside world was strictly prohibited. Hoxha ordered the construction of thousands of concrete bunkers to defend against attack from both NATO and Warsaw Pact nations. Hoxha's xenophobic policies had a devastating effect on the economy.

When Hoxha died in 1985, his successor, Ramiz Alia, was faced with a severe economic and political crisis. By 1990, Alia was forced to initiate a series of economic reforms to stem the tide of internal unrest caused by changes sweeping through Eastern Europe. In 1991, Albania held its first democratic, multi-party elections. The former communists, the Party of Labour of Albania (PLA), won more than 60 percent of the votes. They formed a coalition government that undertook some reforms, but lacked the political backing to undertake the difficult macro-economic changes necessary.

##### **DEVELOPMENTS, 1992-1995**

In March 1992, Sali Berisha of the Democratic Party was elected president by an overwhelming majority. With strong public support, Berisha initiated a series of far-reaching reforms to stabilize the economy, but did little to improve the national political consensus. An aggressive policy of privatization was pursued in agriculture, small industry and housing, but in the case of major industries, the pace was much slower. Other reforms included price liberalization, financial sector reform, and the creation of laws and policies to guide market behavior.

Between 1992 and 1995, the macro-economic situation stabilized. Large increases in private sector growth led to a 9.6 percent increase in GDP in 1993, followed by 9.4 percent in 1994, and 8.9 percent in 1995. Inflation was brought under control. Foreign exchange reserves steadily increased, while dependence on foreign aid decreased. Albania improved its relations with international commercial lenders, including the World Bank and the International Monetary Fund (IMF). In 1995, the government embarked on a debt-reduction program to attract foreign investors and ensure its ability to pay back loans. Despite these promising efforts, however, the bulk of Albania's economic progress relied heavily on foreign remittances, external aid, and congressional loans. So while key indicators were positive, the growth was unsustainable.

Although some developments were promising and showed that Albania had economic potential, many problems continued to exist and obstacles to progress remained. Albania was still the poorest country in Europe, and the standard of living for the average person remained low. High rates of unemployment and poverty continued to be a serious problem, especially in the northern districts. Foreign investment was hampered by the fact that the infrastructure dealing with this matter was poorly organized and often confusing to outsiders. The official banking and financial institutions performed badly. Additionally, there were indications that reforms in the military and police structures were not successful. Clear lines of authority, modernization, and effective organization were for the most part absent.

#### LEADING TO CRISIS, 1995-1996

By 1995, indicators in Albania were increasingly pointing to crisis. Many people had dreamed that democracy would bring them nearly instant prosperity. This did not occur. Inexperienced leaders and a complex, difficult internal situation made reforms difficult to implement. While most citizens supported the move to a market economy, there were clearly pockets of resentment over the inequalities resulting from change. An atmosphere of fear, frustration, and anger replaced one of hope and rising expectations. Instead of building the friendly, competitive environment necessary for a healthy democracy, Albania began to enter an era of recrimination and self-doubt.

One obstacle hindering smooth change was the lack of a constitution. In 1994, a draft constitution was rejected by Parliament and later by referendum. This defeat resulted from concerns that the draft constitution would not address the problems of government corruption and the lack of judicial freedoms. The failure of the Berisha government to gain passage of a new constitution indicated a lack of confidence in the Democratic Party leadership.

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By 1995, the Berisha government was increasingly accused of tolerating corruption and abuse. According to a US State Department report, human rights abuses committed against Albanian citizens in 1995 included security force beatings, prolonged pre-trial detention, and occasional restrictions on freedom of speech and freedom of the press. Such attempts at repression had comparatively little impact, but often resulted in a loss of face and credibility for the government.

There was growing concern that the Democratic Party was awarding jobs based solely on party affiliation. The socialist opposition was accused of clinging to the “old way” and was systematically discriminated against by the Democratic Party. Supporters of the Socialist Party were purged from government organizations. This action left many capable people jobless and dissatisfied with the government.

There was evidence that governmental leadership had undue and often improper influence on the judicial system. Several former communist leaders were tried and jailed without due process. In September of 1995, the Chief Justice of the Cessation Court, Albania’s supreme criminal court, was removed from office unconstitutionally.

Before the May 1996 elections, the government took many measures to ensure that it would not lose power. A “genocide” law was passed that prohibited anyone found to have “collaborated” with the former communist regime from holding political office until the year 2002. There were credible reports that police officers, including National Intelligence Service (SHIK) agents, had arrested and detained several opposition leaders and journalists.

On election day, international observers reported cases of ballot fraud and intimidation of voters by armed police. The election resulted in an overwhelming Democratic Party victory. Two days later, a protest rally organized by the opposition was held in Skanderbeg Square. It was violently broken up by police. In response to international pressure, Berisha held repeat elections in 17 constituencies. Many Albanians boycotted these elections and called for completely new elections. Opposition complaints were deemed unfounded and Berisha sanctioned his party’s victory.

By the end of 1996, Albania was ripe for crisis. In October, the Office for Democratic Institutions and Human Rights (ODIHR), a branch organization of the OSCE, canceled plans to send observers to monitor local elections. The Albanian government had requested fewer monitors from this organization because of its criticism of the May elections. A spokesperson for the OSCE said that the size of the monitoring team, “is not a matter of negotiation with the host government.” The rift between Albania and the OSCE troubled many Western analysts and was seen as a step backward on Albania’s road to democracy.

Even more serious was the increase in the number of investment companies in Albania. Many of the investment plans operated by these companies evolved into “pyramids.” High interest rates were paid by attracting new deposits. To stay afloat, these companies continually had to increase their interest rates. By the end of the year, some companies were offering monthly interest rates of up to 40 percent. Although international experience has shown that schemes of this nature will collapse, the people could not pass up an opportunity to make money with very little work. Almost every family had some money invested in these savings schemes.

### CRISIS, 1997

In early January 1997, several investment schemes collapsed. Many people lost their life's savings, a total value of \$1.2 billion. Violent demonstrations broke out in the southern half of the country and quickly made their way north. Committees of armed citizens took over several southern cities and called for the resignation of Berisha and the return of their lost money. The situation quickly got out of control.

By late March, the country was in a state of anarchy. The army disintegrated along with any semblance of order. Hundreds of thousands of military weapons were stolen from army depots left unguarded by soldiers. Prison guards abandoned their posts, releasing hundreds of inmates in the process. Rioters clashed with police in almost every city. Banks and warehouses were looted and public buildings were burned. More than 11,000 refugees fled to Italy, and foreigners were evacuated. The violence claimed more than 1,500 lives.

The National Reconciliation Government was established in early March as an interim government until new elections could be held. The Democratic Party Premier, Alexander Meksi, was replaced with the Socialist Party leader, Bashkim Fino. After Fino's government established talks with the OSCE, a date was set for new elections. In April, a 7,000-man Italian-led peacekeeping force was brought into Albania. Their mission was to stabilize the country for elections and ensure a safe environment for the distribution of humanitarian aid. When the situation was stabilized, the OSCE sent in a large number of observers to monitor elections. The elections were held on June 29, 1997. The Socialist Party won a landslide victory, and Sali Berisha pledged to step down when the new government took over.

The progress Albania had made before the crisis had been shattered. The economic growth that had been achieved from 1992 to 1996 faced a serious setback. Government institutions dissolved from lack of confidence in the system. A loss of sovereignty was suffered when an armed, external intervention force entered Albania. The goal of joining NATO and other European security alliances was no longer feasible. With the government's loss of credibility in the eyes of the people and the international community, the newly elected Socialists now face the onerous task of picking up the pieces and returning the country to normalcy.

### HOW IT COULD HAVE BEEN PREVENTED

Few countries had more reason to prepare for crisis than Albania. Internally, the political leadership was finding the transition to democracy increasingly difficult. Economic progress had been promising but then faltered, and the citizens became disillusioned by the failure of the changes to meet their rising expectations. The political environment began to succumb to dangerous polarization. The defense establishment felt ignored, not part of the society as a whole. By late 1996 (many would argue as early as 1993-1994), the basic ingredients for crisis in Albania had taken root. While the Ponzi schemes ultimately proved to be the trigger for social breakdown, the size and ferocious reaction to this particular economic catastrophe were grounded in far more basic problems.

For a number of years before 1997, the government and leadership had ample opportunity to deal with these root causes and prepare to prevent or mitigate a national crisis. The evidence shows, however, that little was attempted. We will now describe how Albania's decision-makers could have employed our model of the crisis management process to prevent the disastrous events of the spring of 1997 — a civil war, societal collapse, disintegration of the army, and finally, external intervention to preserve order.

## **A LOOK AT THE CRISIS MANAGEMENT PROCESS IN ALBANIA**

### PREPARATION

*According to our theoretical model of crisis management, a minimal step to prepare for crisis is to establish a framework of authority.*

Before the crisis in Albania, the framework of authority was severely flawed. Most decisions were made at the highest levels, and few people outside the top levels of the governmental/administrative hierarchy knew their roles. After a visit to the Albanian Defense Academy in June 1996, a West Point instructor noted that the concept of delegating authority and responsibility “was wholly alien to them.” This showed that the democratic institutions Albania had created had not matured. Subordinates were not willing to take initiatives, and intelligence officers in the Albanian armed forces, fearing they would find their names on the next dismissal list, did not share opposing views with superiors. There was no trust between top level decision makers and their subordinates. In this environment, there was no consensus definition of crisis management, and no clear lines of authority.

*Links between decision making centers are necessary to enhance communication and ensure a consolidated effort.*

On March 14, 1997, the Albanian Defense Minister of the National Reconciliation Government, Shaqir Vukaj, appealed to the Albanian people on national television to “put down your weapons and hand them in.” Disarming the population was a vital step to achieve stability. But on March 15, a Paris news source reported, “Albanian authorities began handing out dozens of guns and ammunition to people volunteering to keep the peace in the capital.” So some elements of the government were distributing weapons while others were requesting that weapons be turned in. Ineffective communication between decision makers contributed to the increasingly chaotic situation.

*An effective, unbiased, critical information group plays a key role in tracking the seeds of crisis.*

The Albanian leadership relied on the SHIK for critical information. An old line security organ, the SHIK was regarded by most Albanians as the strong arm of any government in power, and a player in, not an objective observer of, the Albanian scene. Events in 1996 and 1997 bolstered this view. Following the May 1996 elections, Arben Imami, leader of the Democratic Alliance, claimed that he was arrested and beaten severely by plainclothes SHIK

officers. On March 4, the SHIK building in Vlore was attacked and four officers were killed. This organization proved it was not a credible source of information, and on March 31 it was disbanded, but far too late.

*Forces must be ready to mobilize for a common cause.*

An expert on Albania indicated that the Albanian armed forces were not prepared to mobilize for their primary mission, the defense of Albania. The shortcomings included insufficient training and transportation, minimal integration of tactical intelligence into the operational units, and lack of advanced communications capabilities. A more pressing concern, however, was underlying weaknesses in basic infrastructure. It was reported that the living conditions for conscripts were appalling. The soldiers did not have adequate food, water, shelter, or clothing. One Albanian conscript asked, "Why should I fight if no one cares about my welfare?" Years before the crisis of 1997, it should have been clear to all that the military was unprepared to meet external threats, and could not be relied upon to deal with internal ones.

*The crisis management process must be practiced so that weaknesses in the system can be corrected.*

It was apparent that the major governmental organizations responsible for maintaining security had not practiced for crisis situations of any magnitude. The limited preparation actually taken focused primarily on national disaster training. When chaos enveloped the country, military depots were abandoned by the soldiers and massive amounts of weapons were looted. At a very minimum, measures to keep weapons out of civilian hands should have been in place. Plans should have been established well ahead of time to mobilize troops specifically for the purpose of guarding military equipment.

## MITIGATION

*Governmental structures often require change to provide the necessary elements for crisis management.*

Social restructuring had been a priority in Albania since the fall of Communism. Efforts were made to change governmental organizations according to the Western, democratic model. It soon became clear, however, that much of the restructuring did not accommodate Albania's needs. The Albanian armed forces wanted to discard the past completely by placing emphasis on integration with NATO and creating an American-style army. Unfortunately, Albania had neither the resources nor the national will to change so dramatically and quickly. Albanian leadership, both military and civilian, found it difficult to make the reforms and changes practical in light of their national circumstances. And no specific changes of importance were taken to enhance Albania's crisis management capabilities.

*Laws and policies are needed to decrease the likelihood of crisis situations.*

Albania had the necessary legal framework for change. Unfortunately, law enforcement was lax and uneven. For example, under the Albanian commercial laws, unlicensed investment



companies were not permitted to take deposits. Companies easily got around these regulations by accepting “loans” from individuals. The tragic results of this inadequate regulation of the financial institutions were apparent when the companies collapsed in January 1997, and the officially tolerated Ponzi schemes triggered a civil war.

*In pre-crisis and post-crisis situations, the public must be kept reliably informed and public relations made a priority.*

On most key issues leading to crisis, the Albanian public was poorly informed. Months before collapse, there were indications that the money lending schemes were not viable. In the fall of 1996, Vehbi Alimacaj, a public supporter of President Sali Berisha and head of the largest pyramid scheme in Albania, assured the people on television that their money was completely safe. By associating with the pyramid schemes, the Albanian leaders contributed to a false sense of security. On April 13, 1997, President Sali Berisha delivered a speech at a meeting of the Democratic Party National Council. With respect to the crisis, he belatedly admitted that, “public relations were among the most serious defects of all the institutions we built.”

## PREVENTION

*The government must anticipate all potential crisis situations and maintain a full awareness of a crisis potential environment.*

Albania was particularly vulnerable to crisis because of its unique history of isolation and backwardness under the Hoxha regime, its inexperience with open-market and democratic institutions, and complex threats of internal as well as external instability. An international observer criticized Albania’s defense posture, stating that it failed to identify threats. An adequate threat assessment is necessary to devise a meaningful defense posture. Furthermore, the government did not take adequate measures to address the problems of unemployment, poor infrastructure, political polarization, and inadequate banking and financial institutions.

*Information needs to be analyzed objectively on developments that could lead to crisis and instability.*

There was no objective analysis on information in Albania. When violence broke out in the south, Foreign Minister Tritan Shehu claimed that those responsible for the violence were Socialist Party leaders and other “left wing extremists.” His comments clearly exhibited a bias against the Socialist Party, but also a poor grasp of the situation confronting him. A more objective view of the situation was seen in an article published in *The Wall Street Journal*, published just two days after Shehu’s statement. In its view, the violence was caused by “a lack of well-regulated legal and financial systems” and the government’s inaction to curb pyramid operations.

*The country’s leadership must act remedially in pre-crisis situations and heed advice from objective experts.*

Albanian officials were well aware of the dangers posed by the pyramid schemes. In October of 1996, officials of the International Monetary Fund and World Bank warned the Albanian government that the pyramids would soon collapse and the effects would be devastating given the wide-scale public participation. The Albanian government took little or no action other than to promise that they would look into the matter. On December 11, 1996, President Sali Berisha was quoted as saying that the schemes were “private business beyond the state’s control.”

## RESPONSE

*When responding to a crisis, you must grasp the situation.*

On January 28, 1997, President Berisha addressed a large crowd of supporters gathered in Skanderbeg Square. He assured the people that the government was seriously working to “pay their money back, penny for penny.” This was not a credible response, particularly without the resources to back it up. How would Berisha pay back more than \$1 billion when the money was not there? He simply told his supporters what they wanted to hear. When asked why the government allowed the pyramid schemes to exist, Foreign Minister Tritan Shehu responded that “the government does not interfere with citizens’ wallets.” Statements made by Albanian officials to the press indicated that the government had not carefully examined the facts or made an appropriate evaluation of the resources necessary to deal with the situation. They certainly had failed to understand the mood of the Albanian populace.

*You must survive the initial shock.*

The Berisha government did not recognize the magnitude of the crisis, or how the speed of events would challenge government authority. On January 28, Tritan Shehu said that he could assure the Albanian people that the Democratic Party government “is totally mobilized to minimize these losses with the help of a concrete program.” Within two months, the government’s “concrete program” had crumbled. The system was not modified to respond adequately to the crisis.

*At all costs, avoid being discredited (communicate objectively with outside world.)*

The situation was much more serious than the government advised the public. After the January 28 demonstration, the Minister of Defense, Safet Xhulali, said that it was a sign that “life in Albania will return to its normal course very quickly.” On January 30, the Interior Minister announced that the situation was calm and troops were no longer needed to guard public buildings. Contrary to these optimistic public assessments, international reports indicated a much more serious situation. On January 27, the Italian government received a warning from their embassy in Tirana, “Be warned; the situation in Albania is critical and this could trigger a new mass exodus.” Furthermore, it was apparent that the government was preparing to quell further dissent. On January 26, Parliament approved a law that gave the president increased powers and gave the Interior Ministry control over some military units. The Albanian government discredited themselves almost immediately by downplaying the crisis, making rash public statements, and gearing for repressive actions that could not be carried out.

*The government must formulate a position.*

The Albanian government, with crisis on its doorstep, took a stand almost solely directed against the Socialist Party, ignoring the root causes of its problems. The Socialist Party, following the initial unrest, responded in kind, insisting that the government must “resign and be replaced by a technocrat administration where the opposition would be represented.” They claimed that the violent uprisings were caused by the “failure of the government’s economic and social policies, not just the current financial crisis.” After careful examination of the facts, it appeared that the complaints of the opposition were not all unfounded. Albanian Foreign Minister Tritan Shehu responded to the Socialist Party demands by saying, “There is no question of collaboration, or even of discussing it.” By not even acknowledging the necessity to establish a dialog with the opposition, the Democratic Party invited further unrest.

*An action plan is needed to confront the crisis head on.*

When the Albanian government finally took action to confront the financial crisis, including the freezing of assets of the Populli and Xhaferri schemes and arresting the ringleaders of several others, it was too little, too late. Although these steps were necessary and applauded by the international community, they failed to stem unrest. Once people fully realized their losses, they began to attack the government. Unrest spread rapidly, and no steps were taken to resolve the increasing social and political crisis. The actions that the government did take, always belatedly, included declaring a state of emergency, restricting the freedom of the press, and arresting several opposition party heads and opposition party members. These harsh actions only fueled further unrest. Condemnation of the Socialist Party led to increased division within the country and decreased support from the international community.

#### RESOLUTION / RECOVERY: TRANSITION — THE NATIONAL RECONCILIATION GOVERNMENT

Once discredited, the Albanian government finally grasped the seriousness of events and took action to clear the way for major change to occur. Their first positive steps to the resolution of the crisis were initiated in the beginning of March. On March 6, the Democratic Party declared that they would appoint a new prime minister based on national consensus and install a national consensus government. On March 9, President Berisha held discussions with opposition leaders and proposed a “general amnesty to both civilians and soldiers involved in the week long armed revolt.” On March 12, Prime Minister Alexander Meksi stepped down and was replaced by socialist leader Bashkim Fino. These were minimal steps to restore credibility lost as a result of the government’s failed initial response to the crisis. There would, however, be many obstacles to this new government. The National Reconciliation Government took over a country in total anarchy, and was confronted with the awesome responsibility of getting the country back on track.

The measures taken after March 1, 1997 slowly halted the downward slide of Albania toward total anarchy. Expert advice was sought out and used wisely. On March 8 and 9, Franz Vranitzky, former Austrian Chancellor, went to Tirana on behalf of the OSCE to hold talks with the Albanian government. As a result of this meeting, an agreement was reached to establish “a nine-point program for the restoration of public order, the appointment of a new government, the holding of elections, and the implementation of amnesties and cease-fires.”

Crisis teams were adjusted to meet events. After the initial discussion with Vranitzky, it was decided that a number of professional “teams” would be established to work together with Albanian authorities. These teams would “have broad international support,” and be responsible for implementing the proposals set forth previously.

Action was taken to ensure that adequate decision making authorities were organized to act. Vranitzky returned to Albania on March 13 to work out the details with the new government. Before the visit, Vranitzky had told reporters that his first step would be to “talk with President Berisha, with the new head of government, with various ministers, above all the interior minister, the foreign minister, and the defense minister.”

Effort was made to improve information and communications. By fully cooperating with the OSCE, extensive communication networks were established with the international community. This was imperative for providing information, and it was a necessary support mechanism. The OSCE agreed to send “monitoring groups” before new elections and a number of other “observers” when elections were held. International support was instrumental in establishing communication channels between rebel-held territories and the National Reconciliation Government.

#### HANDLING THE AFTERMATH: POST-ELECTIONS — ALBANIA INTO THE FUTURE

Public awareness is needed to gain support of difficult actions and reduce panic and rumor-mongering among the populace. The newly established Socialist Party leadership is now faced with the daunting task of keeping the Albanian people informed and aware of developments. This element of crisis management, severely mishandled by the former leadership, is a significant priority. It is too early to tell whether the newly elected government is performing any better. For example, on July 10, a Reuters news article reported that there was confusion over whether Fatos Nano, the Socialist Party leader, promised to reimburse investors for their losses. Ambiguity on this critical issue is clearly a recipe for further disaster. Without clarification, the government’s credibility will be lost.

Consulting experts should be used properly. There is evidence that the new government is currently using many experts to aid in returning the country to normalcy. A new law has been negotiated, with the help of the IMF and the World Bank, to regulate the banking and financial institutions. This law allows the appointment of government administrators for the remaining savings scheme, and international auditors to investigate their activities.

A crisis needs to be managed to the end and the aftermath needs to be handled wisely. The main goal of the leadership in Albania now is to restore public confidence. Strong initiatives must be taken to prevent this type of crisis from occurring again. Open dialog is necessary between all participants. Collapsed institutions need to be rebuilt according to democratic models. The weaknesses of the former system must be identified and corrected. This will not be an easy task.

The situation in Albania today is one of turmoil and confusion. Before the crisis occurred, there had been reason to hope that Albania would successfully adopt a democratic, free-market society and integrate quickly with the rest of Europe. This hope has been dashed as a result of more than four months of senseless violence. According Bahri Baci, an elementary school principal in Durres, "People are so fed up with the disorder that they are ready to only eat once a day, if only they could get it over with and to return to some kind of normality." The people's aspirations of living better lives following the fall of Communism have been crushed. The economy is in shambles. State institutions have collapsed. Hundreds of weapons are still in the hands of bandits.

#### ATTRIBUTES OF A GOOD CRISIS MANAGEMENT SYSTEM

Albanian leadership lacked the basic attributes necessary for effective crisis management. The government should have better anticipated the crisis. Awareness of the potential environment for crisis was limited and distorted by a lack of objective analysis. The initial government response to crisis was marred by poor judgment and flawed decision making. With virtually no established crisis management organization or command and control structures, there was no effective communication within the government or between the government and the people. At best, limited resources were applied to such management, and execution of an effective plan did not occur until the government was replaced. Ultimately, it was international intervention that forced the decisive steps of resolution.

#### CONCLUSION

The post-Cold War world is filled with many exciting possibilities and enormous opportunity. The former Communist block nations have taken it upon themselves to create democratic societies based on free market principles and the rule of law. Communication and cooperation among the nations in this historically turbulent region are essential. The future of European security lies in the structures of NATO, the OSCE, EU, and WEU, and the capability of all nation states in the continent to avoid conflict and manage crisis.

The 21st century will also present a great number of obstacles and dangers. National security concerns will range from the classic threat of foreign attack to the non-traditional threats of environmental disaster, nuclear proliferation, ethnic unrest, terrorism, and criminality. Conflict resolution and crisis management will be a topic of great concern to the entire international community. Each nation must confront future challenges with strong institutions and well organized crisis management. Each nation is expected to prevent, mitigate, respond to, and resolve its own crisis effectively.

The crisis that occurred in Albania is a clear example of how one nation failed. Above all, confidence, credibility and consensus in the crisis management system are essential. In Albania's case, the system responded poorly. The people distrusted the system, and the international community ultimately lost faith in it. The Albanian leadership was unprepared, and when crisis did occur, was at a loss as how to deal with the situation. The international community increasingly became separated from the Albanian government. Much should have been done long before the crisis ravaged the country. Albania has lost much. Hopefully, Europe and the international bodies dealing with its security have learned from the experience. So should the other potential Albanias of the continent understand that clear planning and preparation for crisis management and conflict resolution are vital for them as well.

The major players in the European security architecture have committed themselves in principle to increased emphasis on crisis management and conflict resolution. Our hope is that these efforts will move quickly from confirmations of principle to practical measures designed to implement a process, and help design systems to utilize the process. A new mind set is required particularly in the less stable nations of the region, and decision makers need the resources, wisdom, and flexibility to deal with potential crisis, whether internal or external. A joint effort by national decision makers and the regional and international organizations concerned with crisis and conflict can play a decisive and positive role in this process.

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- \* This paper is based on the Institute for Defense Analyses Paper: *Crisis Management and Conflict Resolution in the Late 20th Century Europe: Albania — A Case Study*, IDA CRP no. 9001-912, IDA Paper P-3396.
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