

October 2009, Volume 1, Number 1

# EUROPEAN PERSPECTIVES

*The Western Balkans:  
20 Years after the End of the Cold War*



# EUROPEAN PERSPECTIVES

Journal on European Perspective of the Western Balkans

---

EDITOR: Milan Jazbec

ASSISTANT EDITOR: Tina Ferle

REVIEWS' EDITOR: Polona Mal

## EDITORIAL BOARD

**Matej Accetto** (University of Ljubljana) • **Dennis Blease** (University of Cranfield) • **Vlatko Cvrtila** (University of Zagreb) • **Vojin Dimitrijević** (Belgrade Centre for Human Rights) • **Klemen Grošelj** (University of Ljubljana) • **Erik Kopač** (University of Ljubljana) • **Vladimir Prebilič** (University of Ljubljana) • **Albert Rakipi** (Albanian Institute for International Studies, Tirana) • **Erwin Schmidl** (University of Vienna) • **Vasilka Sancin** (University of Ljubljana) • **Uroš Svete** (University of Ljubljana) • **Biljana Vankovska** (Ss. Cyril and Methodius University, Skopje) • **Katja Zajc Kejžar** (University of Ljubljana) • **Jernej Zupančič** (University of Ljubljana) • **Mitja Žagar** (Institute for Ethnic Studies, Ljubljana)

## EDITORIAL ADVISORY BOARD

**Murat Bilhan** (Istanbul Kultur University) • **Erhard Busek** (Institute for the Danube Region and Central Europe, Vienna) • **Mustafa Cerić** (University of Sarajevo) • **Victor Jackovich** (Jackovich International, Maryland) • **Jacques Rupnik** (Centre for International Studies and Research, Paris) • **Goran Svilanović** (OSCE, Vienna) • **Savo Kentera** (Centre for International Relations, Podgorica)

## EDITORIAL OFFICE ADDRESS

Foundation - Centre for European Perspective,  
Grajska cesta 1, SI – 1234 Loka pri Mengšu, Slovenia,  
phone: +386 (0)1 560 86 11, fax: +386 (0)1 560 86 01, mobile: +386 (0)40 510 976,  
e-mail : [info@europeanperspectives.si](mailto:info@europeanperspectives.si), <http://europeanperspectives.si>.

---

European Perspectives is a peer-reviewed journal, published twice a year (in April and October) by Foundation – Centre for European Perspective (Executive Director Elvin Klobas, Program Director Andreja Dolničar Jeraj). Annual subscription is 40 €.

Manuscripts should be forwarded to the Assistant Editor for European Perspectives at the Foundation – Centre for European Perspective via e-mail on [info@europeanperspectives.si](mailto:info@europeanperspectives.si). For more information visit our website: <http://www.europeanperspectives.si>.

ISSN 1855-7694

## EUROPEAN PERSPECTIVES

Journal on European Perspectives of the Western Balkans

VOLUME 1 NUMBER 1 OCTOBER 2009

# contents

Letter from the Editor 03

### GUEST VIEW

Regional Co-operation: A Prelude to Greater  
European Integration 07  
*Erhard Busek*

### ARTICLES

Compounding the Crisis? International  
Assistance in the Western Balkans 27  
*Paul Stubbs, Moises Venancio*

Institutional reimagination of the South East Europe 53  
*Matjaž Nahtigal*

Victory for European Albania: Democratic  
Election as a Step Towards 'Strong States' 75  
*Tom Hashimoto*

EU's Conditionality Mechanism in South East Europe –  
Lessons Learned and Challenges for the Future 93  
*Sandro Knezović*

Institutionalization of Regional Co-operation  
in South East Europe – Strategies and Obstacles 115  
*Miloš Šolaja*

## REVIEWS

Izidor Cankar – A Diplomat of Two Yugoslavias 142  
Andrej Rahten (*Polona Mal*)

Fractured Nativity - Closed Options Open 146  
Possibilities  
Ashok Kaul (*Josef Langer*)

## SARAJEVO 2014

Manifesto: Closing a Century of European Civil Wars  
by Getting the Balkans into the EU on July 28th 2014 153  
*Franck Biancheri*

## CROQUIS

Mirsad Begić: Primož Trubar 156  
*Anja Fabiani*

# Letter from the Editor

Launching a new journal is always a thrilling exercise. To a certain extent is indeed also a tricky one: its mission should be precisely defined, its *differentia specifica* an obvious case and the area of research attractive enough to gain the attention of both readers and authors.

We believe that the *European Perspectives* – a scientific journal for the integration research and reflection of the Western Balkans – can fulfill all the three conditions. Its founder and publisher, the Center for European Perspective, broadens with this publication its wide range of activities dealing with common theme: to promote the integration perspective of the Western Balkans and to transfer the integration experience to the countries of the region, with emphasis on development cooperation. There are plenty of ways to exercise this as well as means where and how to attract attention to promote the cause. Our journal should also serve as a meeting point of contemplation and reflection for well established authors as well as for those, primarily from the region, who have a sharp analytical eye, but can not come through for various reasons. However, this journal follows the established rules and criteria for scientific publications and will by all means try to upgrade and promote them further on.

Perhaps one could articulate our mission with the following words: we strongly believe that the Western Balkans region has – most probably for the first time in its history – a unique chance to achieve stability and security

through intensive participation in the integration process. Therefore, the region shall reach the final and clear road map for the full accession in the current term of the European Parliament, materializing it in the next term at the latest. To achieve this, the countries concerned have to proceed along the integration compass with more structural ambition and firm devotion. At the same time the process's stakeholders have to encourage them with much more invention, belief and above all with a concrete and efficient approach. Hence Slovenia has much potential to contribute to the region's further development it is our strong belief that it shall lead the way in this endeavour.

We structured the content in a rather simple and efficient manner: a guest view from a prominent authority as far as the region is concerned – let me express our thanks to Erhard Busek for his prelude to the first issue – is followed by a block of scientific papers – five of them in the inaugural issue, which is dedicated to the twentieth anniversary of the end of the Cold War – written through the eyes of the regional dynamics. The review part is formed in traditional approach. Sarajevo 2014 and Crouqis sections conclude the journal and represent its innovation. The former will try – according to its Manifesto – to bring papers contemplating the appeal to end a European century of wars in the Western Balkans, while the latter offers an advanced and galvanized view on the region's rich cultural potentials. They have to be thought through with both exact and symbolic language to be accepted also as a tool for the political understanding of the region. Without this the way ahead could not be neither seen nor formulated.

The notion of the integration process, which has transformed the European state system, represents our link to those research efforts, which do not directly reflect the Western Balkans, but would find a niche on the pages of this publication. We welcome them, too.

The Castle of Jable, October 2009

M. J.

**guest view**

**Regional Co-operation:  
A Prelude to Greater European Integration**  
*Erhard Busek*





# Regional Co-operation: A Prelude to Greater European Integration

Erhard Busek<sup>1</sup>

---

1989 was a year of predictions. Francis Fukuyama spoke of the “end of history” and attempted to provide explanations by arguing for the emergence of a social-political paradigm that will replace the conflicts and tensions which have prevailed throughout history. Samuel Huntington in his acclaimed article in *Foreign Affairs* which lead to his book *Clash of Civilizations* posited that the world is dominated by religious and cultural conflicts or fault lines which will determine future struggle. All these theories and predications illustrate the problem but offer no solutions. They merely serve as an instrument to identify and define new paradigms to explain the post-Cold War order.

The long-time diplomat and political scientist Michael Emerson, in his book *Redrawing the Map of Europe*, expanded on O. Tunander’s theory of “Cosmos and Chaos” and applied it to the current situation in Europe<sup>2</sup>. He argues that western democracies and market economies have not succeeded to bring Europe’s north eastern, south eastern or southern peripheral areas closer to a Europe which is trying to eliminate its borders. He claims that there is a zone of instability which encompasses the approximate 500 million inhabitants of Russia, Ukraine, Turkey, the southeast Mediterranean and South Eastern European countries, countries which are not currently being considered for membership in the European Union. One can point to examples of separatism, nationalism and religious tensions within the European Union, however these factors are handled differently than in East- and Southeast Europe. Emerson explains the impact of Islam and its political formations have played a role in major conflicts not only in Southeast Europe, but also in northern Africa, Turkey and the Islamic republics of the former Soviet Union. Emerson realizes that there are young reformers in these countries who want to apply western models in politics and economics but, as the different crises in Russia shows, these forces

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Erhard Busek, Ph. D., Institute for the Danube Region and Central Europe, Hahngasse 6/17, 1090 Vienna, Austria, e-mail: e.busek@idm.at

<sup>2</sup> Emerson, M. (1998) *Redrawing the Map of Europe*. Macmillan Press Ltd., London.

are being seriously threatened by defeat. One has to mention, however, that only Belarus can still be labelled totalitarian regimes ruled by a quasi-dictator. Given the various situations in the region one must learn to differentiate, and differentiation is manifesting itself in a new non-transparency. One has to have a certain knowledge of the situation in order to be able to identify which states belong to what organizations, institutions, initiatives and conferences. This is where the fine line between cosmos and chaos converges and conflict.

## **INTERNATIONAL ORGANIZATIONS AND REGIONAL INTEGRATION**

In addition to the 27 countries of the European Union (EU), there are still many remnants of various levels of the European integration process such as the European Free Trade Association (EFTA) and the European Economic Area (EEA) in which countries like Norway, Switzerland, Liechtenstein and Iceland are connected. One must realize that the EU is the decisive factor and that it is a matter of time before all these countries will, in one form or another, become integrated into these larger structures and lose their special status. There is also the Council of Europe with its 46 members which has done more in the field of culture than in safeguarding the quality of democracy in its member countries. The UN Economic Commission for Europe (UN/ECE) has also survived and now includes the Central Asian states of the former Soviet Union which are as vocal as ever and cannot imagine being classified as non-European. The same applies for the Organization for Security and Cooperation in Europe (OSCE) which incorporates, in addition to all the republics of the former Soviet Union, the United States and Canada and Japan. There is NATO, which includes Greece and Turkey as equal partners and thus has prevented a serious conflict from erupting in the Aegean. NATO was also enlarged step by step – the last members are Croatia and Albania – others are expected.

There are also a plethora of regional initiatives such as the Baltic Council, the Central European Initiative (CEI), the Black Sea Economic Cooperation (BSEC), the Stability Pact until June 2008 followed by the Regional Cooperation Council (RCC) and the Southeast European Cooperative Initiative (SECI) which all focus on peace and stability as well as promoting technical cooperation in the different regions and sub-regions of Europe. The United States is investing more effort and interest sometimes in South East Europe while the EU is doing so in the Enlargement Process. SECI, CEI, BSEC, Stability Pact and RCC have decided to coordinate their activities in the region in the attempt to complement each other and avoid overlap of effort, thus trying to bring more cosmos to the chaos. Other groupings such as G-7, also G-8 with Russia, G-20,

G-27, the various roles of the World Bank and the European Bank for Reconstruction and Development (EBRD), as well as the Organization of Economic Cooperation and Development (OECD) are all dealing with many countries and many issues, a factor which makes transparency very difficult.

The situation in countries undergoing political, economic and social transformation varies from country to country. Many new issues are materializing which has resulted in the attempt to invent new, albeit temporary, explanations and instruments to help us navigate our way through the chaos. The question is whether these temporary instruments will develop into self-perpetuating organizations which will cost the tax-payer money and produce few, if any, results. It would be interesting, for example, to conduct an in-depth evaluation and assessment of the assistance and aid programs which were created for Bosnia and Herzegovina in the aftermath of Dayton. Far too much money was spent and too few results ensued. The EU and international organizations have failed to devise a viable reconstruction strategy for Bosnia and Herzegovina not only economically, but also politically, socially and culturally. If this is not possible to do for an area encompassing 3.5 million inhabitants with all too familiar problems, then how should all these different efforts and initiatives be coordinated in that same area of space? This is the type of chaos to which Emerson was referring.

The western democracies were not prepared for the events of 1989 and the aftermath, and the lack of a strategy and policy towards the region is becoming more evident now than ever. The region itself is also not prepared to cope with these new realities. Russia's behavior on the international stage is endemic to the problem: it still has not come to terms with the loss of its superpower status and its key role in global decision making which it enjoyed during the Cold War era. It is still pursuing foreign policy objectives which were laid out during the reign of the Romanov czars and continued throughout the Soviet times, namely to influence and control the Black Sea area, the Caspian Sea area, the Caucasus, Central Asia and to have a strong naval presence in the Pacific.

One has to utilize the dynamics of chaos in order to come closer to the order of cosmos. This requires a far-sighted European perspective which includes the area of Southeast Europe. I would like to argue that Southeast Europe is more important and has greater implications for the future of Europe than Russia. Russia is a special case and the challenge for Europe is to define a type of partnership between the EU and Russia. Russia's complexities are more of an internal nature, namely the multifacetedness of its diverse cultures, peoples, regions and its relationship and role which bridges the world of Islam and Asia. Many

Americans feel that the interests of the US, Europe and Russia will converge in the 21st Century because they face similar challenges especially since September 11<sup>th</sup>. I would like to remind that for the EU, Russia is a global problem where as Southeast Europe has to be seen in a regional context. This does not exclude the possibility of Southeast Europe becoming an area in where the US, Europe and Russia will compete for influence as was the case in 1914. The time factor has to be observed. We are currently being bombarded by the phrase “window of opportunity” but there is the pending danger that this window will soon close. The alternatives are bloody and expensive conflicts which the future of Europe cannot afford. In addition to the problem of expediency, there is the issue of the European integration process which cannot happen from one day to the next. There is too much to learn in order for this to be possible. The ability and willingness to learn is a prerequisite for the stability of development which requires perseverance.

It is very often criticized that since 1989, there is no strategy and plan to manage the changes after the fall of the Iron Curtain, the collapse of Yugoslavia and the end of the Soviet Union. Besides a few calls for a new Marshall Plan, not too much has been accomplished. There was a strong tendency to insist that the transition countries had to come to terms with the new situation on their own. There were national strategies which tended to reflect the egoism of one state or another which claimed certain territorial interests or “right” to be present in one place or another. This can be manifested through the desire to exercise certain spheres of influence. The immensity of the task proved that no one country, or for that matter continent, can rightly claim a sphere of influence in a certain area of Central, Eastern or South Eastern Europe. There are many motives. Principally, the US has more of a strategic motive, Arab and Islamic states have a religious to political motive, Russia has traditional motives and Japan has global motives. It would be a colossal task to document all the many levels of engagement of all the various initiatives, aid programs, alliances and platforms. For the purposes of this survey it is better to concentrate on those initiatives in the region of Southeast Europe and in the immediate vicinity which have the greatest impact on the European integration process as a whole.

#### **THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE (OSCE)**

The Organization for Security and Cooperation in Europe (OSCE) developed from the Conference on Security and Cooperation in Europe (CSCE) which became institutionalized through the celebrated 1975 Helsinki Final Act. The CSCE became the OSCE in 1994 and all European countries (beside Kosovo) are represented as well as the US, Canada and the Republics of the former Soviet Union. The special advantage of this organization is that it is relatively mobile

and serves as a platform for an all encompassing European and transatlantic discussion. It is relevant that the Central Asian states are represented in this and other “European” groupings and define themselves as European states and players on the European arena. The OSCE is in a better position than the United Nations to finance and support special tasks. The Europeans bear the greater part of the financial burden while the US has its hands tied at times with the lengthy and very political process of seeking Congressional approval. The organization is headquartered in Vienna and has offices in Prague and Warsaw (Office for Democratic Institutions and Human Rights - ODIHR). There are regional offices and missions in all the Central Asian countries and monitoring activities throughout the region. In the 1999 budget alone on the top of the regional crises some money is earmarked for the OSCE presence in Albania, for Skopje and Moldova and others OSCE missions and operations. The OSCE is spending a lot for its presence in Bosnia and Herzegovina. These activities include office costs, election watches, democracy campaigns, regional stability programs, centers and ombudsman.

There is also an intense debate within the OSCE on the forging of a new European security structure which would parallel NATO. Russia is the most vocal advocate of a greater military role for the OSCE to counterbalance NATO expansion and is now demanding that the OSCE, and not NATO, should be the decisive international presence in Kosovo.

The OSCE has been successful in many of its mission such as the Albania mission lead by former Austrian Chancellor Franz Vranitzky which was a response to the aftermath of the 1997 anarchy which erupted as a result of the collapse of pyramid schemes. The OSCE also embarked on a project in Albania to train police forces with Italian assistance as well as to provide assistance to state structures and to assist in drafting a new constitution. Election monitoring in Macedonia and Bosnia and Herzegovina has also proved to be useful, as well as efforts to monitor the situation of the media through a Special Representative.

The organization is trying to cope with the lack of institutional transparency by including other international organizations and institutions in its activities. The OSCE regularly invites regional initiatives to participate in its many seminars and workshops, such as its annual Economic Forum held in Prague. Its greatest challenge is to become more effective and more cost efficient and to overcome the blockade between US and Russia.

**UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UN/ECE)**

The UN/ECE was established as a regional commission for Europe yet has an almost identical membership structure as the OSCE. It is based in Geneva together with a wide variety of other international organizations such as the High Commissioner for Refugees, the World Trade Organization (WTO), the International Red Cross Committee (IRCC), the International Labor Organization (ILO) and many others. The UN/ECE was a politically blocked organization in the past as a result of the East/West divide which did not prevent it, however, from developing quite impressive expertise in the areas of transport, trade, energy, environment and small and medium size enterprise development. These are all areas which are important for the development of Southeast Europe and the ECE is now playing a crucial role in providing its expertise to many regional initiatives. It was instrumental in its technical support to SECI and on the basis of SECI's success in the region, the ECE was later launching the Special Program for the Economies of Central Asia (SPECA). As a result, cooperation with the European Commission has also intensified, SPECA did not come into force out of political difficulties.

**CENTRAL EUROPEAN INITIATIVE (CEI)**

The Central European Initiative (CEI) was launched in 1989 as a regional initiative which included Austria, Italy, Hungary and Yugoslavia and was aimed at strengthening mutual relations among these countries. Czechoslovakia and Poland joined this grouping in 1990 when it was then called the Pentagonale and Hexagonale respectively. The CEI now involves 16 countries (Albania, Bosnia and Herzegovina, Bulgaria, Italy, Croatia, Macedonia, Moldova, Austria, Poland, Romania, Slovenia, Slovakia, the Czech Republic, Ukraine, Hungary and Belarus). The CEI has a Center for Information and Documentation located in Trieste which is predominately supported by Austria and Italy. It has a rotating chairmanship and holds regular annual ministerial meetings at the highest level. The 1997 Heads of States meeting in Sarajevo was the first major international event to be held in the capital since the end of the war, which in itself was an important move towards stabilization. The meeting in Sarajevo adopted the CEI Plan of Action for 1998-1999 which is a two year plan focusing on three major areas: strengthening cooperation among member states, ways and means for cooperation and the transition process. The Plan describes CEI's projects which cover a wide variety of activities. It also analyzes the implementation of projects and the development of an overall strategy for cooperation among CEI countries.

The CEI focuses on issues of economic and technical cooperation, infrastructure development in transport, energy, telecommunications and agriculture. It

also deals with strengthening democratic institutions, observing human rights, minority issues, environmental protection cooperation in science and technology, media, culture, youth programs and tourism. There are currently 15 working groups dealing with these issues and coordinated by a system of national coordinators from the member states.

The CEI works very closely with the EBRD which has a special secretariat which deals with CEI projects in London. This secretariat assists in developing bankable projects for the initiatives and helps with the implementation of projects and training programs. The financing is mainly carried out by special funds which the Italian government has established at the EBRD. The operational unit has an office in both London and Trieste and has its own budget and resources at its disposal. The unit is engaged in two major activities, namely international events and investment projects. In the area of international events, the unit funds workshops and symposia, on the role of the government in enterprise creation and SME development. It provides financial support for a commercial law training program based in Rome which includes workshops aimed at commercial lawyers in the region. Some of the unit's investment projects include the power sector in Bosnia and Herzegovina, the Durres industrial park, business advisory services, agriculture projects and a 15 million USD investment project for road construction in Albania. This project is partially a loan from the EBRD and partially donor contributions, however 1 million USD is still needed. A border crossing effort was mentioned for corridors 5 and 8 in where a monitoring unit would inspect the efficiency of border crossings in these corridors.

#### **SOUTHEAST EUROPEAN COOPERATIVE INITIATIVE (SECI)**

The impetus behind the Southeast European Cooperative Initiative (SECI) was to create a regional association aimed at encouraging cooperation among its member states and to facilitate their integration into European structures. SECI was and is not an assistance program nor will it interfere or conflict with existing initiatives, but rather complement them. SECI was launched in December of 1996 on the basis of "Points of Common US-EU Understanding" which stressed that it will endeavor to facilitate close cooperation among the governments of the region and create new channels of communication among policymakers. Furthermore, SECI emphasizes and coordinates regionwide planning, identifies needed follow-up and missing links, provides for better involvement of the private sector in regional economic and environmental efforts and help to create a regional climate that encourages the transfer of know-how and augment investment in the private sector. It is the intention of SECI participating states to jointly discuss common (regional) economic and

environmental concerns opposed to discussing specific political, historical or ethnic differences.

SECI intended to bring together regional decision makers to discuss mutual economic and environmental concerns through joint projects, meetings, conferences and project groups organized by the Agenda Committee, which is the motivating force behind the initiative. SECI closely cooperated with the UN/ECE, as well as the OSCE. The SECI participating states include: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Moldova, Romania, Slovenia, the Former Yugoslav Republic of Macedonia and Turkey. SECI also has supporting states which include Austria, Italy, Switzerland and the United States. Experts from the European Commission have participated in virtually all of SECI's project groups and Russia has participated in some of SECI's project groups

The countries in the region have identified some of the most pressing problems which they currently face and, as a result, the SECI initiative was addressing the issues of trade facilitation and border crossings, customs reform, combating cross-border crime and corruption, transport infrastructure development along main international routes, supporting the development of small and medium sized enterprises, cooperation among the region's securities exchanges, energy conservation, electricity networks, interconnecting natural gas pipelines and water projects for the region's rivers, lakes and adjacent seas. All these subjects were step by step overtaken by the Stability Pact (SP) from 1999 on and are now led by the Regional Cooperation Council (RCC) under regional responsibility.

Only one main responsibility remained at SECI. The Danube area. Despite major international efforts since 1989, little has been achieved in financially assisting Danube countries in transition to build new or upgrade existing waste water treatment plants and to install environmentally sound process technologies aimed at complying with relevant provisions of transboundary river protection conventions signed or ratified by these countries. This mainly applies to the countries in the Danube catchment area and in Southeast Europe. Although funds would have been available in some cases, their use was dependent on stringent conditions which were, for the most part, unacceptable to the receiving countries. Under the Convention on Cooperation for the Protection and Sustainable Use of the Danube River, the SECI project group lead by Austria is developing a concept for blending funding packages in such a manner that donors and receivers could find agreement on conditions and arrangements. This "Recovery Program" intends to accelerate the process



of self-reliance and integration into the market economy and contribute to confidence building, conflict prevention, security and stability in the region. Austria and Romania will lead SECI in this effort together with other relevant regional initiatives such as the BSEC, CEI, Danube Commission and so on. The European Council (EC) made a relevant decision on Regional Policy for the Danube Area June 2009. It is expected that the EC-DG Regio will develop a special program for the area.

Economic hardship and indigence are among the main perpetrators of social unrest and instability in Southeast Europe. Intensive economic restructuring and an influx of foreign capital and investments are catalytic forces in improving the overall situation in the region. Economic growth and prosperity in Southeast Europe is a major precondition for political and social stability. Greater investment incentives such as access to credit, risk insurance and transparent legislation will foster development and help alleviate the pains of economies suffering from stagnation. It is imperative that the international business community is made aware of the investment opportunities and potential in the region, especially in the framework of SECI and other projects which aim to improve the overall situation. The Business Advisory Council to SECI is comprised of business leaders from the region and from outside the region who are actively working to promulgate SECI's work in order to attract investment in Southeast Europe.

The Business Advisory Council (BAC) survived everything. In the beginning of the Stability Pact there were two Business Advisory Councils: one by SECI and one by SP. They have been merged in 2003 and are doing a continuous work in a close cooperation with the Regional Cooperation Council (RCC). The BAC is a partner for the European Commission, European Parliament and for the countries in the region, monitoring the process of investment possibilities and economic cooperation. It is not financed by public money but by the members themselves.

#### **STABILITY PACT FOR SOUTH EASTERN EUROPE**

The Stability Pact was founded in 1999 with a ceremony in Sarajevo and prepared by the German EU presidency as an instrument for crises management in Southeast Europe. The responsibility was for Romania, Bulgaria, Croatia, Albania, Bosnia-Herzegovina, Macedonia (or FYROM) and later for Yugoslavia, in the follow up Serbia-Montenegro, later Serbia – and Montenegro. Moldova was added in 2000. There was a discussion also to include Ukraine but it was refused by some member states of the European Union. The office was in Brussels and it was financed by the European Council and the European Commission also

by contributions of the member states of the European Union but also by the United States, Norway, Switzerland, Liechtenstein and Japan.

The SP was structured into three Working Tables, roughly modelled after the three baskets of the Helsinki process of 1975, today known as the OSCE. The three tables dealt with Human Rights and Democracy, Economic Development and Reconstruction, and with Justice & Home Affairs and Military Security.

The role of the Stability Pact was in essence matchmaking. It was the role of honest brokers, trying to find donors for projects, which were worthy of funding and using our good offices to resolve problems of a political nature. In order to qualify for the Stability Pact “label”, a project should be regional in character and involve two, three or more countries. Project implementation and financing however was outside of the competence of SP and remained entirely in the hands of the donors. Others developed the projects, tender them, implement them and audit them according to their rules and remained accountable to their supervising bodies, i.e. national parliaments or boards in the case of International Financial Institutions. The SP tried to guide SEE countries to design their reform agendas in line with EU laws and standards, or in line with other standard setting bodies such as the Council of Europe or WTO. Since these countries all want to join the EU some day, it is in their best interest to follow the EU legislative line right from the very beginning! Sometimes multilateral institutions are a proper match for a given programme or project; sometimes it is more promising and faster to approach a bilateral donor.

SP was active in approximately 25 domains: six activities were selected by the shareholders -i.e. countries and institutions -, as core objectives.

### **Media**

Focus on legislation, especially broadcast legislation, quality programming and training of journalists. There are many players in this field and media is not a topic that has a natural regional dimension. However, all countries are confronted with formerly state controlled media, including electronic ones, which now have to be transformed into public service broadcasters outside of government control and with safeguarded editorial independence. This was the Stability Pact focus in the area of media development.

### **Local Democracy and Cross Border Co-operation**

SEE is a region laced with a legacy from centralised governments/states. The EU, on the other hand, bases quite a few of its cohesion activities on functioning

local and regional authorities. In order to install these capacities in the Balkans, SP encouraged Euroregion type set-ups across national borders, which can only become operational if capitals delegate some of their competences to the lower level. Ideally, this should include fiscal decentralisation as well. The Euroregions Sofia, Nis, Skopje or Ohrid-PreSPA, involving Macedonia, Greece and Albania, are active examples of Euroregions within the Stability Pact framework.

#### **Free Trade and Investment**

In SEE, the myth that government money will bring a better future is hard to eradicate. Since we all know that the main driving force behind the economic development of Western Europe was exports and free trade, we try to apply this recipe to SEE as well. In fact, I can say we have done so with a lot of success. In a record of 15 months, 21 bilateral free trade agreements between seven countries were negotiated, thereby enlarging small markets of national economies of between 2 million (Macedonia) and 22 million (Romania) consumers into a tariff free market of 55 million consumers. This helps in attracting investments, especially foreign investments, since from a business perspective SEE only becomes attractive if you look at it as ONE region.

We have several initiatives to foster investment. Jointly with the OECD, the Stability Pact develops packages of tailored measures to improve the investment climate in SEE countries. This includes the organising of regular business missions for interested potential investors. We also associate the private sector in the form of a South East European Business Advisory Council, which allows us to regularly inject feedback from the private sector into the political reform and decision-making process.

The result was the building up of CEFTA (Central European Free Trade Association), which was using the formula of the transformation countries being now members of the European Union. They overtook not only the treaty in slightly changed form but also the secretariat, which is now based in Brussels in the premises of EFTA (European Free Trade Association). The implementation of the CEFTA-Agreement is one of the big jobs, which has to be done in cooperation with the RCC.

#### **Energy**

The blueprint is strikingly simple: trading energy, connecting grids and liberalising markets in Southeast Europe is saving billions in comparison to efforts towards attaining or maintaining self-sufficiency on a national basis. To this end, the European Commission and the Stability Pact jointly launched an initiative for electricity and gas labelled South East Europe Regional Energy Market,

which aims at reshuffling the markets in line with the relevant EU legislation (*acquis communautaire*). Donors have made it very clear that SEE countries can only expect funding if they reform and liberalise their energy sectors. The result is the Energy Community Treaty with the secretariat based in Vienna focusing on regional cooperation on electricity and also on gas pipelines. All the proposals for gas pipelines (NABUCCO, Blue-Stream, South-Stream) are followed by the secretariat to create a really working market. Also a lot of efforts are done in the direction of Energy saving.

#### **Fighting Organised Crime**

This curse - and its twin brother corruption - are damaging SEE's reputation, are discouraging investments and makes these societies pay a particularly heavy price in forlorn opportunities. But organised crime is not originating in the Balkans alone. The region is also a transit corridor for such "commodities" as trafficked human beings or drugs. Therefore, a regional approach is most efficient and needs to be connected with global actors such as Interpol or Europol. A Transborder Crime Fighting Centre in Bucharest is operational, where 12 participating nations are represented with one customs and police officer each in order to help with investigations by their colleagues from other countries. Another important activity is the incorporation of international treaties, such as the UN Palermo convention, into national legislation. You might be surprised to learn that some countries simply do not have "organised criminal acts" listed as punishable offence in their penal codes. - Two secretariats, one in Bucharest to fight organised crime, the second one in Sarajevo against corruption, are supporting SEE governments in their efforts to adopt the necessary legislation and install domestic capacities to fight these dual demons.

#### **Migration, Asylum and Refugee Return**

Until the end of 2003, the return of refugees was high on the agenda of the Stability Pact. We saw refugees and internally displaced persons return in record numbers in 2001, 2002 and 2003. Today, the challenge is to keep the refugees where they struggled to return, in other words to have sustainable solutions, including jobs, housing and access to acquired rights such as pensions or tenancy rights. As the refugee dimension diminishes and is gradually rolled over into general reform and development operations, the problem of asylum and legal and illegal migration is growing. The countries still do not have the necessary legislation in place to deal with illegal migration, and most of them are severely affected by legal migration, be it from brain drain or by having huge diasporas, on whose remittances entire communities in SEE have to subsist.

**REGIONAL COOPERATION COUNCIL (RCC)**

At the Zagreb Round Table of the Stability Pact for Southeast Europe in spring 2008 it was decided to hand over to the Regional Cooperation Council, which was built in February 2008. The members are: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Canada, Council of Europe, Council of Europe Development Bank, Croatia, Czech Republic, Denmark, European Bank for Reconstruction and Development, European Investment Bank, European Union (EU), represented by the Troika, consisting of the EU Presidency, the European Commission and the Council Secretariat, as well as the European Parliament, Federal Republic of Germany, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, The Former Yugoslav Republic of Macedonia, Republic of Moldova, Montenegro, North Atlantic Treaty Organisation, Norway, Organisation for Economic Co-operation and Development, Organisation for Security and Co-operation in Europe, Poland, Romania, Serbia, Slovakia, Slovenia, South East European Co-operative Initiative, Spain, Sweden, Switzerland, Turkey, United Kingdom, United Nations, United Nations Economic Commission for Europe, United Nations Development Programme, United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo in accordance with United Nations Security Council Resolution 1244, United States of America, World Bank

There is one problem open: the real participation of the Kosovo government, which is depending on recognition of Kosovo by some partners within the RCC. Technically they are trying to overcome it with the UNMIK formula created by the United Nations.

The Regional Cooperation Council is focusing on the same themes like the Stability Pact for Southeast Europe. In addition they are doing a lot of efforts on disaster preparedness and prevention, so far to build up a cooperation on fire fighting and floods along the river Danube. The difference to the Stability Pact is that it is composed by a political board, where the European institutions are only observers and not decision making. Financially one third is paid by the countries of the region. Two thirds are paid by the European Commission and by the member states of the European Union, US, Norway, Switzerland and so on.

Different from the Stability Pact to RCC is motivated by the fact that it should be in responsibility of the countries in the region itself to continue on regional cooperation. That is working until now but the bilateral problems such as Slovenia/Croatia, Greece/Macedonia and so on are extremely difficult in the effectiveness also for a multilateral body.

**BLACK SEA ECONOMIC COOPERATION (BSEC)**

The collapse of the Soviet Union resulted in the formation of what is either known as the Commonwealth of Independent States (CIS) or New Independent States (NIS) - a constellation under the dominance of the Russian Federation and, as some argue, a substitution for the Soviet Union. The developments in and around these states have not really had an impact on Southeast Europe. The Black Sea Economic Cooperation (BSEC) is an initiative which focuses more on this region, the countries along the Black Sea as well as Albania and Moldova. BSEC organizes high level summits to add to its profile. BSEC also aims at identifying and dealing with the tense relations between countries such as Turkey, Greece, Azerbaijan, Armenia, Russia, Ukraine, and Moldova. The summits provide an opportunity for the leaders of these countries to meet on a regular basis and exchange ideas, even if only in the form of mutual declarations.

BSEC was established in June of 1992 in Istanbul and consists of the following countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Turkey and Ukraine. The Presidents of these states signed the Yalta Charter in June of 1998 which official declared BSEC a regional international organization with a permanent secretariat in Istanbul. It also has observing states such as Austria, Egypt, Israel, Italy, Poland, Slovakia and Tunisia and candidates for observer status such as Bosnia and Herzegovina, Croatia, Cyprus, France, Germany, Jordan, Kazakhstan and Slovenia. The Federal Republic of Yugoslavia, Macedonia, Uzbekistan and Iran have applied for membership.

BSEC works on a governmental level, mainly through the ministers of foreign affairs of the member countries. Ministerial committees deal with issues such as cooperation in the area of science and technology, banking and finance, statistics, health research, transport, energy, agriculture, environment, telecommunications, tourism, crime fighting, illegal migration and smuggling of weapons and radioactive material. The initiative is still trying to establish the Black Sea Trade and Development Bank which should open in Thessaloniki with EBRD backing and which would help finance BSEC projects. BSEC also works closely with the UN/ECE, the OSCE, the European Commission, WTO, UNIDO and other organizations.

BSEC held some 40 meetings in the course of every year and has established project coordinators who will play a leading role in project implementation. Some of BSEC's humanitarian activities include an agreement for cooperation in emergency disasters and the establishing of a network of universities in the BSEC region. An international Center for Black Sea Studies has also been set up in Athens.

BSEC is also quite active in border crossing facilitation efforts, namely among Black Sea ports. BSEC hold a Round Table discussion “Black Sea Economic Cooperation and the 21st Century” which will also evaluate the future priorities of the organization.

By the German US presidency and later on by Romania and Bulgaria a lot of efforts were started to increase the cooperation around the Black Sea. There is a proposal for a highway around the Black Sea also of more effective decision making. If the EU enlargement is happening step by step in the western Balkans, the focus of the EU will increase on the Black Sea Area. The difference to the efforts in Southeast Europe is the fact that there is no perspective on membership to the European Union for all the countries and also the different strategies for example by Russia and Turkey.

#### **SPECIAL PROGRAM FOR THE ECONOMIES OF CENTRAL ASIA (SPECA)**

This initiative was actually born from the developments and experiences of the regional initiatives in Southeast Europe, namely SECI. The UN/ECE and the Economic and Social Commission for Asia and the Pacific (ESCAP) developed the program for Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The goal of SPECA was to enhance cooperation and economic development and to facilitate the integration of Europe and Asia.

Using the SECI paradigm, the SPECA countries tried to work together to solve common cross border problems in the area of transport, border crossings, energy production and distribution, water, gas and oil pipelines, attraction foreign investment, environmental protection and the development of SMEs. It had a Regional Advisory Council which hoped to involve the Russian Federation, US, China, Japan, France, Germany, Great Britain, Korea, India, Pakistan, Iran, Turkey, the European Union as well as the World Bank, the Islamic Development Bank, the Asian Development Bank and the EBRD.

Until now, nothing effective in Central Asia has really happened. It was always blocked by one of the countries and also by the Russian interests. Especially the richness on oil and gas is playing a very important role, which is hindering a closer regional cooperation.

#### **FILLING IN THE GAPS**

Given the array of existing initiatives aimed at confidence-building and ensuring security and stability in the region, one might naturally question the neces-

sity of establishing more. As already mentioned, many of the existing initiatives seek political solutions to the region's problems by concentrating on national, historical, and cultural idiosyncrasies. Others focus on addressing common economic and environmental concerns.

#### **A MULTILATERAL COOPERATIVE EFFORT**

In order for any initiative to be deemed as a success, it must be able to accomplish something which will have an impact on the region in which it is operating. It is imperative that the projects can be quickly implemented and that progress can be measured after a relatively short period of time. There is a psychological factor which comes into play. Governments, policy makers and their constituencies tend to evaluate the success or failure of an initiative based on its ability to produce tangible results. Many commendable initiatives have been branded as failures because of their inability to produce a convincing effect in a condensed amount of time.

The ultimate intent of these regional initiatives is to create and implement viable mechanisms which would preclude military or political solutions to regional contrarities. The most effective means to this end is to motivate decision makers in the various regions to work together in order to significantly improve the economic, social and ecological conditions of the region in which they live.

There have not been any internationally organized evaluations of the existing regional initiatives, organizations and offices. In the interest of the tax payer, it is important to conduct a full qualitative analysis and audit of these regional groupings and their activities in order to ascertain to what extent they have an impact or if they are merely providing a platform for politicians and salaries for the administrators. It is also important to take regular inventory in order to determine where there is overlap in activity and where there are gaps.

#### **THE ROLE OF THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFIS)**

Southeast Europe, Eastern Europe, Central Asia and the Caspian Sea region do not need an economic assistance program or another Marshall Plan, but rather a self-help program. The key here is the process of moving beyond assistance towards self-reliance. The countries in the region should be assisted in effectively locating and using their own resources as well as in soliciting funds from international lending institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). In this context, it is also necessary to evaluate the efficiency of these institutions and their lending policies. The EBRD, for instance, is far too



expensive for most countries in the region offering interest rates far higher than most commercial banks and requires state guarantees. This makes it virtually impossible for small and medium sized enterprises to secure needed funds to establish themselves and prosper. Most of the international financial institutions (IFIs) will not even consider loans under 10 to 15 million USD. Attempts have been made to couple the development banks with private banks but the risk factor is too high. There are also many complications with long term infrastructure investment projects such as in waste water treatment, road and rail, environment, and so on.

The European Commission and the European Banks decided to deliver 25 million Euro each under the auspices of the financial and economic crises. It is quite interesting for the future how the money is handled. These are very important efforts also to be seen in the context of the IPA money for the western Balkans and other support issues, which are really happening also by some member states. One of the main problems in this context is that really “elaborated projects” are very often missing.

This is not to criticize the activities of the IFIs in the regions in question but rather to stress the need for constant evaluation which will have an impact on the lending policies of the richer industrialized countries. Better, more efficient lending policies can lead to an exacerbation of the transformation process and greater development and investment potential, not to mention the creation of job opportunities. Immediate priorities should be given to improving the infrastructure of these countries which is a prerequisite for economic growth and integration.

## **RECOMMENDATIONS FOR A FUTURE STRATEGY**

A comprehensive strategy needs to be developed. It is important to determine who is responsible for what and how a potential strategy can evolve into an autonomous process in the regions in question. The division of labour between the EU and the other countries, especially in determining the relationship with the US as well as with Russia separately should take priority. The acceptance of multilateral relationships requires the possibility of contact on all levels, from politicians to the common citizen.

One can conclude by asserting that there is certainly no deficit of initiatives and organizations which operate on a European, regional and sub-regional basis. The activities and participants in these initiatives sometimes overlap and are

duplicated. The lessons for any regional initiative are quite clear. I would like to conclude by offering the following recommendations:

- the expertise of existing institutions and organizations should be maximized (UN/ECE, OSCE, NATO, CIS countries, BSEC, , Stability Pact, RCC and so on);
- special thematic project groups should be established based on the experience of the existing institutions and these project groups should focus on cross-border cooperation;
- expertise and feasibility studies can be conducted by external experts and specialists but the process of implementation must be initiated by the countries in the regions;
- a process of on-going project evaluation is necessary and can be conducted by independent institutions from the US and Europe;
- participants in project groups should not be politicians or government officials but rather experts and specialists who are able to deal with the issues at hand in a professional manner;
- NGOs and the third sector are of great importance. NGOs operating on a global level such as Greenpeace, the World Wildlife Fund and other world watch groups should act as regional advisors and help establish and develop local grass-roots movements in the region; also initiatives focusing on social issues have a growing importance.
- projects should focus on producing results and should be designed in a way that they can be implemented. Too many seminars, symposia and workshops will not, in the long run, change the lives of individuals living in the region.
- lastly, any regional initiative should include all institutions and organizations dealing with the area to take part in the responsibility for the future economic, political and social development of the region. It will be a chance to overcome the current economic crisis by investment in critical regions- and to stabilise them.

Of overall importance is the quality of the crisis managers involved in the initiatives. Sometimes the right education and training is missed, also very often, especially political influenced initiatives are changing the responsible personalities too often. It is extremely important to have the right quality and the right knowledge of the region. A special training is possible but is very often not done. The numbers of initiatives is not to criticize – it is to criticize if there is no review-process is done about effectiveness and cost relation.

# articles

**Compounding the Crisis? International Assistance in the Western Balkans**

*Paul Stubbs, Moises Venancio*

**Institutional reimagination of the South East Europe**

*Matjaž Nahtigal*

**Victory for European Albania: Democratic Election as a Step Towards ‘Strong States’**

*Tom Hashimoto*

**EU’s Conditionality Mechanism in South East Europe – Lessons Learned and Challenges for the Future**

*Sandro Knezović*

**Institutionalization of Regional Co-operation in South East Europe – Strategies and Obstacles**

*Miloš Šolaja*



# Compounding the Crisis? International Assistance in the Western Balkans

Paul Stubbs, Moises Venancio<sup>1</sup>

---

## ABSTRACT

Whilst regional leaders initially hoped that the global economic and financial crisis would have limited impact in the Western Balkans, the situation is now serious and likely to worsen. This paper outlines that, although in terms of macro-economic figures, the situation is not as grave as in the Baltic states or in Russia, the Western Balkans region will continue to face multiple economic problems with potentially serious consequences for political and social stability. With around 30 percent of the population in the Western Balkans living on less than US\$5 per day, and with a highly vulnerable middle class, we argue that short of concerted efforts to mitigate the impacts of the current crisis, rising poverty and vulnerability may well reverse many of the gains made by these countries in the past decade and jeopardize ongoing peace-building and multi-ethnic state-building processes. The paper explores the responses to the crisis by the governments of the region and key international partners to date. It is clear that responses on all sides have been slow and continue to lack the kind of strategic direction, co-ordination and focus that the situation warrants. The EU in particular needs to show unequivocal leadership in addressing the crisis in what is at the end of the day an accession region in order to avoid perceptions of a failed European project, and the creation of a new poverty ghetto in the Western Balkans.

## KEY WORDS:

Western Balkans, transition, international intervention, European Union, economic crisis, social impacts

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Paul Stubbs, Ph.D., Moises Venancio, Institute of Economics, Trg J. F. Kennedyja 7, p.p. 149, 10000 Zagreb, Croatia, e-mail: pstubbs@eizg.hr, moises.venancio@undp.org.

The views expressed in this paper are solely of the author and do not reflect those of his employer.

ISSN 1855 -7694 © 2009 European Perspectives, UDK: 327 (4)

## INTRODUCTION

The countries and territories of the former Yugoslavia have undergone complex political and economic transitions in the last twenty years, in the context of wars and diverse ethnicized nationalisms. Since the Dayton Agreement of December 1995, which ended the war in Bosnia and Herzegovina, international assistance efforts have sought to create a ‘liberal peace’<sup>2</sup>, with development efforts seeking to establish sustainable and stable liberal-democratic, multi-ethnic states and capitalist free market economies. Post-conflict intervention and support for transition in what is now euphemistically known as the Western Balkans (former Yugoslavia, minus EU Member State Slovenia, plus Albania) was initially galvanized through the leadership of the USA. However, while the USA still remains a significant player, the European Union (EU) has emerged in the last few years as the leading international player in the region. European integration forms both a core exit strategy for the massive international political and military presence in the region and the key organizing principle for the continued consolidation of stable multi-ethnic democratic polities and regional co-operation.

An overview of the transition in the Western Balkans to date shows that the transition partnership between the countries of the region and the so-called ‘international community’<sup>3</sup>, whilst fraught with difficulties and dilemmas, has had some successes. However, the impact of the current global international economic and financial crisis on the region has posed new challenges and highlighted the fact that the political and economic transition in the Western Balkans is still far from complete and very much a work in progress. In this context, a continued active role of international diplomatic and development players and the broader international community, in particular the European Union, is likely to be crucial in ensuring, safeguarding and building on the political and economic transition gains made to date. Failure to stay the course on the part of the international community, and of the EU in particular, would likely, under the current conditions, risk reversing positive trends and even lead to a re-emergence of instability that could undermine both the European

---

<sup>2</sup> „The liberal peace embraces democracy; human rights; market values and the integration of societies into globalization; self determination; and the idea of the state and citizenship.“ United Nations University (2007) ‘Examining the Shortcomings of the ‘liberal peace’ model web: [http://update.unu.edu/archive/issue46\\_25.htm](http://update.unu.edu/archive/issue46_25.htm)

<sup>3</sup> The ‘international community’ is a contested term, but is used here to refer to subjects under international law, including international governmental institutions, and the family of nation states. In a wider definition, it could also refer to international non-governmental organizations and transnational corporations. See Bederman (2002), ch 1.

political project in the Western Balkans and threaten the fragile peace which has been maintained in the last few years. The result of withdrawal or wrong decisions now could be the creation of a semi-permanent zone of insecurity and exclusion, with parts of the Western Balkans becoming sites of immutable poverty and instability on the edge of the European Union itself. The EU and other players risk being seen as indifferent or powerless in the face of a new crisis in the Western Balkans, at the same time as their efforts and energies are, perhaps understandably, concentrated on the impacts of the crisis 'at home'. Given the unfinished nature of transition in the region, the global economic and financial crisis is possibly the single most significant challenge since the end of the wars in the 1990s to the citizens of the region, its fledgling institutions and polities, and to key international partners, particularly the EU, in managing the long-term consolidation of peace and development in the Western Balkans.

## **POLITICAL TRANSITION AND DEMOCRATIC CONSOLIDATION**

The thrust of the international community's active intervention in the region since the Dayton Peace Agreement for Bosnia and Herzegovina in December 1995 has focused on constructing post-conflict multi-ethnic democratic states along the lines of western liberal democratic representative systems in partnership with local political forces and leaders. The aim has been to consolidate democratic governance structures capable of addressing and managing the types of ethno-nationalist sentiments that have in the past been a cause of instability, conflict and bloodshed in the Western Balkans, and, ultimately, to minimize the possibility of any resurgence of conflict. In at least three cases, international intervention has involved direct engagement in the design and running of governance arrangements, involving the building of new structures, institutions and, indeed, borders.

In addition to the political support and engagement, international assistance in the region during the period in question has also involved significant financial support whether in terms of humanitarian aid in the early post-conflict period, development assistance in terms of longer-term sustainable human development, and the funding of new governance arrangements, including the various international political, police and military structures established in the region as discussed below. Our main focus here is on the direct and indirect political support offered through all of these types of interventions.

In Bosnia and Herzegovina, an Office of the High Representative (OHR) was established under the Dayton constitution, invested with full sovereign powers to oversee the peace process, including the power to remove ministers, introduce or repeal laws and to push through key reforms. The Dayton Agreement created only a rather weak central state with significant powers vested in the two sub-state entities (*Republika Srpska* and the Federation of Bosnia-Herzegovina), creating territorial arrangements which reflected ‘facts on the ground’ and corresponded to an ethnicized ‘balance of power’. It ushered in a constitution which recognizes and institutionalizes the ethnicization of politics through enshrining the concept of the “three constitutional peoples”: Serbs, Bosniaks, and Croats. The Federation is further divided into ten Cantons again along ethnicized lines. In addition, there is a semi-autonomous district of Brčko, not under the control of either entity. At the same time, the international community has led efforts, not always coherent and often with unintended consequences, to strengthen the central state, promote local ownership of reforms and limit the power of nationalist elites (Juncos 2005).

Kosovo has been under the direct administration of the United Nations since NATO intervention in 1999, with governance framed by UN Security Council resolution 1244 and the subsequent creation of a civilian administration in the form of UNMIK (the UN Mission in Kosovo). While the Government of Kosovo’s declaration of independence on 17 February 2008 has been recognized by 22 out of 27 EU Member States, its sovereignty is now actually shared with more international players involved than before its proclamation of independence. In Kosovo, as in Bosnia and Herzegovina, the classic role of the state in monopolizing the means of coercion has been dispersed and shared, with the international community playing a key role in security reform, including the reform of the police, military forces and border services.

In the Former Yugoslav Republic of Macedonia, large-scale conflict was avoided in 2001, with international mediation succeeding in brokering a peace deal between Macedonian Albanians and ethnic Macedonians. The resulting Ohrid Framework Agreement, amongst other provisions, involved a significant rearrangement of the country’s municipal level structures and local borders to strengthen ethnic power-sharing at the level of local government. Tensions remain in the context of competing pressures for greater decentralization on the one hand and for a unitary state on the other. Whilst Macedonia has an EU Special Representative, his powers are rather limited and Macedonia has much greater sovereignty than Bosnia and Herzegovina and Kosovo.



Serbia has been indirectly affected by international community governance decisions elsewhere in the region, not least in terms of the limits of its national borders following the independence of Montenegro and Kosovo's declaration of independence. In addition, Serbia has also undergone significant institutional governance change as part of the democratic transition from the Milošević regime and the requirements of EU accession. While also not subject to direct international governance, Montenegro has, following the country's declaration of independence, had to build and/or strengthen a number of governance capacities and strengthen its democratic institutions, not least as part of its European aspirations. A similar picture exists in Croatia, where the post-Tudjman transition and the country's aspirations to EU membership have led to democratic institution building but not to any radical structural change in the nature of the state. Albania, not a part of the former Yugoslavia, and one of the most hard-line communist regimes before 1990, has also struggled to recover from economic collapse and the threat of civil war, in part with the help of considerable international assistance efforts.

The efforts and resources of international players have undoubtedly helped the post-conflict transition endeavors in the Western Balkans. There is real stability in the region for the first time since 1991, and all the countries remain representative parliamentary democracies with varying degrees of consolidation. As we note below, the past decade has seen respectable rates of economic growth throughout the region. There is increasing regional co-operation, both at the level of formal institutions and agreements including membership of a revitalized Central European Free Trade Agreement (CEFTA) and the new Regional Co-operation Council, as well as through networks and informal relations (Solioz and Stubbs 2009)<sup>4</sup>. As testament to progress in this regard, the region even coped with the fallout from Kosovo's unilateral declaration of independence without any major problems and against rather dire predictions.

Continued consolidation of democratization is inextricably linked with the role of the European Union. Since the declaration from the Thessaloniki summit in June 2003, which stated that "the future of the Western Balkans is within the European Union", prospects of integration into the EU has been a crucial driving force in politics in the region. Notwithstanding real concerns of a lost momentum (cf. Stubbs and Solioz 2009), Croatia and Macedonia are now Can-

---

<sup>4</sup> The Regional Co-operation Council was officially launched on 27 February 2008, as the successor of the Stability Pact for South Eastern Europe and is designed to foster regional co-operation in South East Europe and support Euro-Atlantic integration.

didate Countries, with Croatia's accession negotiations well advanced, although currently blocked by Slovenian objections to a prejudging of land and sea borders. Montenegro and Albania have both recently applied for membership. Stabilization and Association Agreements or, in the case of Kosovo, a European Partnership Agreement, formally govern the other countries' relationships with the European Union.

#### **PEACE AND SECURITY CHALLENGES REMAIN**

Notwithstanding the profound effect of international intervention and transition in the Western Balkans on the shape of post-conflict state structures, democratic institutional development and regional co-operation to date, as the Secretary-General of the RCC, Hido Bišćević, has rightly suggested: "we (in the region) live an unfinished peace, unfinished transition, unfinished building of freestanding countries, and unfinished social stabilization"<sup>5</sup>. In other words, while transition gains have laid the foundations for long-term change, an analysis, in particular, of the three countries that have been the subject to the strongest international management to date in the region – namely Bosnia and Herzegovina, Kosovo and Macedonia – reveals that transition arrangements remain fluid, delicate and still susceptible to significant risks.

#### **BOSNIA AND HERZEGOVINA**

A microcosm of the Western Balkans in terms of ethnic diversity and tradition, Bosnia and Herzegovina (B-H) remains a central piece in the post-conflict architecture of transition by virtue both of its geographical position and internal ethnic composition. Stability in the country and peaceful co-existence between its ethnic groups also forces attention on addressing the stabilization of relations between neighboring Croatia and Serbia, both of whom have intervened, and in some ways continue to intervene, in B-H's affairs. Yet, after almost a decade and a half of strong international management in the form of the OHR and a NATO and now EU military force, this key link in the stability of the Western Balkans continues to be characterized by ethno-nationalist rhetoric and rivalry between the leaders of the various nationalist forces and political parties. A tense political stalemate has meant the continued postponement of a systematic constitutional and institutional review of the country's governance arrangements. B-H's failure to resemble a unitary state and the absence of political agreement on its future constitutional shape act as significant roadblocks to EU accession, and its dysfunctional and inefficient governmental structure clearly has economic costs too. Forces within the RS entity fear that any significant alteration to the Dayton structures would erode their own powers and

---

<sup>5</sup> Dnevi Avaz, March 17, 2009, Sarajevo

prerogatives in favor of a centralized state, arguing instead for the right of the entity to secede from the country. Bosnia's Muslim population, Bosniaks, on the other hand, tend to view a strong central state as the core of any stable, modern, post-conflict B-H on a path to the European Union. Dominant political forces representing the country's Croat population seem to have abandoned a policy of publically demanding a third entity, at least for the time being, preferring to focus on improving the position of Croats within the Bosniak-Croat Federation.

In the face of criticism that heavy-handed intervention by the international community was hampering democratic institution building and local ownership in B-H, the role and style of high representatives has changed following the tenure of Lord Ashdown from May 2002 to January 2006. His successors Christian Schwartz-Schilling (January 2006 – July 2007) and Miroslav Lajčak (July 2007 – March 2009) implemented a more casual, *laissez-faire* approach. This has not proved any more successful, however, in delivering a swifter consolidation of the country's transition and reform<sup>6</sup>. Bosnian leaders did not emerge as more pro-active in undertaking reforms or moving the country's agenda towards Europe forward in any significant way. The continued political quagmire around the forging of a post-Dayton state was highlighted in June 2009 when the new High Representative, appointed in March 2009, Valentin Inzko, flexed his muscles under the so-called Bonn powers and annulled a law passed by the RS Assembly claiming back a number of powers that had been ceded to the state level. The intervention revealed the lack of momentum of the so-called Prud Process, started in November 2008, involving representatives of the country's main three political parties to discuss a series of vital issues, such as progress towards Europe and constitutional reform. The process continues but without any clear outcomes thus far.

It is clear from the current political stalemate that the construction of a post-conflict, multi-ethnic state is a long way away. The international management of transition to date, oscillating as it has between active interference and hands-off approaches, has essentially failed to foster any agreement amongst the elected leaders of the three main ethnic groups on the long-term nature of the state in B-H. Inzko's recent use of the Bonn Powers underscores the central institutionalized role still played by the international community in managing the politics of transition and brokering deals within the B-H context. Lessons from B-H raise a vital question for future post-conflict transitions. The inter-

---

<sup>6</sup> See the excellent analysis in International Crisis Group (ICG) Report, *Bosnia's Incomplete Transition; between Europe and Dayton*. Europe Report number 198- 9, March 2009

national community has chosen to be both an active intervener in the transition and, at the same time, forge a close partnership with local political forces as the basis of its strategy. On the other hand, the social and political evolution of the country, including the country's integration to Europe, has stagnated when compared to most of its neighbors. The dilemma and oscillation between working with elected political leaders in the (usually vain) hope that they will agree to move forward along an agreed course or simply imposing solutions to move the country forward without domestic support from the political elite is sharply highlighted in B-H.

From mid-2008, one option to overcome the current political impasse has been to shift the international leadership from the Office of the High Representative to a European Special High Representative. In practice, new high representatives have held both roles simultaneously. New questions are posed by B-H's candidature for a non-permanent seat on the Security Council of the United Nations from 2010-2011 which, if successful, would also call into question the continuance of effective external sovereignty. Whilst a shift in international supervision reflecting a greater EU role offers some opportunity for change, it remains to be seen whether this approach or any other will be able to confront the central structural challenge of building a post-conflict, multi-ethnic state in B-H in the absence of any shared consensus among leading political parties linked to the main ethnic groups on what that state should look like. Indeed, EU accession is not possible without such a consensus. Any approach that fails to forge a common, shared vision is likely to remain a short-term palliative involving a change in management approach but little change of any substance. Moreover, as we shall see below, the leading role of an EU Special Representative has not been able to solve key structural issues in Macedonia. The answer must inevitably lie in some kind of compromise between national leaders and key international players around the creation of some sort of federal system of government. But beyond this, very little is clear and B-H risks falling further behind in EU accession processes. The recent EU decision not to extend visa-free travel to B-H passport holders, in the context of the fact that many Bosnian Serbs and Bosnian Croats have other passports enabling visa free travel in Europe, is further evidence of the way in which decisions can have problematic implications even in terms of basic state-building processes and equal rights for all citizens.

### **Kosovo**

As noted above, after Kosovo declared independence in February 2008, the situation remained relatively calm and, certainly, much calmer than widely expected. Despite some sporadic violence by Kosovo Serbs in Northern Mitro-

vica, where tensions remain high, the situation has remained generally calm in the territory. However, despite Kosovo's recent entry into the IMF and the World Bank, Kosovo is in a limbo situation with only 62 countries to date having recognized its sovereignty and statehood. Although formally still under UN administration, two entities now have responsibility for overseeing the political transition in the territory as opposed to one: namely the UN under Security Council resolution 1244 and the Office of the Civilian representative (ICO), established under the Ahtisaari plan but with no clear legal basis for its existence<sup>7</sup>. In addition to NATO's military force in Kosovo (KFOR), which continues to play a pivotal role in ensuring security, another international instrument, EULEX, the EU's largest civil mission abroad to date, is now responsible for bolstering the capacities of the judiciary and the police<sup>8</sup>. EULEX is an outcome of a compromise among EU Member States on playing a more significant role in Kosovo and in overseeing the peace process while respecting the role of the UN as enshrined in Security Council Resolution 1244.

The sheer size and array of responsibilities assigned to the various international bodies in Kosovo, which would normally fall under the purview of a sovereign government, show the extent to which Kosovo is a state under construction. In fact, the sovereignty of the new Kosovo Government has been severely curtailed given that the number of key international players with a role in overseeing the transition has actually doubled with the establishment of the International Civilian Office (ICO) and EULEX.

In addition to this cumbersome international division of labor and overlapping management structures, ethnic relations remain challenging and divisive, with Kosovo Serbs absent from the main governmental machinery and present only in enclaves throughout Kosovo which they control. The Prishtina authorities continue to be denied any authority in the volatile area of Northern Mitrovica, the largest Serb enclave. Serbia's intransigent non-recognition of Kosovo, which it claims is a 'de jure' part of its national territory, remains a key factor

---

<sup>7</sup> Kosovo's Declaration of Independence on 17 February 2008 expressly invited an international civilian presence, as it was envisaged in the Comprehensive Proposal for the Kosovo Status Settlement, drawn up by the Special Envoy of the UN Secretary-General for Kosovo. The ICR was appointed by the International Steering Group (ISG) on 28 February 2008. The ISG charged the ICR, and through him the ICO, with the specific task of ensuring implementation by the Government of Kosovo of the Comprehensive Proposal for the Kosovo Status Settlement.

<sup>8</sup> The European Union Rule of Law Mission in Kosovo (EULEX) is the largest civilian mission ever launched under the European Security and Defence Policy (ESDP). EULEX is a technical mission to assist/support the Kosovo authorities in the rule of law area, specifically in the police, judiciary and customs area. Its force numbers around 3,000 (1,900 international, 1,100 local). The contributing countries are all EU Member States as well as Norway, Switzerland, Turkey, Croatia, the US and Canada.

limiting the possibility of consolidating a post-independence multi-ethnic state structure. The Serbian Government's emphasis on a legal solution through the International Court of Justice, and its decision in early 2009 to terminate large-scale funding for Serbian parallel structures in Northern Mitrovica, have eased tensions and improved its relations with key international players, but its continuing influence over the Kosovo Serbs in this semi-independent enclave means that it remains a key player to be engaged in shaping a successful and sustainable future for Kosovo. As things stand, Kosovo will remain a symbol of Balkan instability until its internal institutional governance and territorial arrangements are agreed upon by key players and the issue of international recognition settled. Under current conditions, Kosovo could become a frozen conflict and a source of constant tensions in the region.

#### **MACEDONIA**

Macedonia is a good example of the challenges faced by the international community in managing and supporting long-term transition in the Balkans. The internationally brokered Ohrid Agreement was designed to create a more equal power relationship between ethnic Macedonians and Albanians as the basis for peace and stability in the country. A cornerstone of the agreement, along with a suggested power sharing arrangement at the executive level, was a significant redrawing of local government borders in favor of more Albanian majority municipalities. Along with redrawing the country's local government borders, at the core of the transition management package, was granting the status to Macedonia as an EU Candidate Country on a par with Croatia.

The pro-active international management of the brief conflict in Macedonia undoubtedly mitigated growing tensions in the region and ensured the continued territorial existence of this small former Yugoslav republic, its stability, and continuing institutional consolidation of a multi-ethnic state. However, almost a decade later, the two ethnic groups remain fundamentally divided with little or no social interaction. There are separate schools, universities, TV channels, and so on, for a population of two million people. Radical elements in the Macedonian Albanian community would also like to pursue unification of the Albanian dominated western parts of the country with Kosovo, whilst radical Macedonian forces within the ruling party seek to pass discriminatory laws strengthening one ethnic group at the expense of another.

At the moment, Macedonia, in spite of its EU Candidate Country status, is still in a difficult political situation with poor relations with its largest neighbors, Greece and Serbia, over, respectively, the dispute over the name issue and the recognition of Kosovo. At the same time, the border with Bulgaria is also the

border of the EU and its Schengen space and diplomatic relations with Kosovo are still to be finalized. In essence, neither swift action by the international community nor a transition management package that combined the establishment of a new internal multi-ethnic institutional framework along with the prospect of closer European accession have proved sufficient to overcome the distant social relations between the two main ethnic groups and create a post conflict functioning multi-ethnic state. Instead, the state of ethnic relations reveals not so much a multi-ethnic state under construction than a country with deeper ethnic divisions than even B-H.

#### **SECURING PEACE AND SECURITY: OUTSTANDING STRUCTURAL CHALLENGES**

Internal political and institutional equilibria in the region are crucial to the transition in the region. As RCC Chair Hido Bišćević has stated: “Political leaders in South East Europe must take responsibility for ensuring that the region can continue to advance” its European agenda through adequate reform lobbying and active diplomacy<sup>9</sup>. In addition, however, there are two other factors which play an important role in terms of both the continuation and success of the long-term transition in the Western Balkans: Euro-Atlantic integration and the coherence of the international community. In terms of Euro-Atlantic integration, any successes in terms of the internationally-driven transition to date in the Western Balkans outlined above are linked inexorably to processes of Euro-Atlantic integration. EU accession in particular has emerged as a cornerstone policy goal for the countries of the region and a linchpin to galvanize both internal reform and increase regional co-operation. The Euro-Atlantic umbrella provides a pivotal strategic framework that allows combining long-term support to the political process of democratic state building and economic development with security considerations that recasts the relations of the countries in the region from traditional enemies to allies. Integration into Euro-Atlantic structures is ultimately viewed as the best guarantee against renewed conflict in the Western Balkans.

Aware of the significance of Europe for long-term stability and democratic state building in the Western Balkans, the EU in general and the European Commission in particular have remained steadfast in providing a European perspective to the countries of the region. This has been no small feat given the Union’s attention has been significantly taken up with discussions on its own future shape and structures, with concerns over the approval of the new Lisbon Treaty and the crisis over the Irish referendum result and with a resulting enlargement fatigue and enlargement skepticism in Member States. The latter

---

<sup>9</sup> Hido Bisevic, Breakfast Policy Meeting, European Policy Center, 10 February , 2009, Brussels

stems, in part at least, from concerns over what is now considered by many to be the premature integration of Bulgaria and Romania given weaknesses in their governance structures, as well as the acceptance of only one part of divided Cyprus as an EU Member State.

As a result of the EU's efforts combined with the interests of the governments in the Western Balkans, Croatia and Macedonia are now Candidate Countries for accession to the Union, while all the remaining countries are in the process of undertaking reform in line with their respective Stabilisation and Association agreements (SAA) with Brussels. Despite political division in the EU, the Commission is now rather boldly preparing the first feasibility report for Kosovo which would open the way for discussion on a full-fledged Stabilisation and Association Agreement with Brussels.

However, a number of factors emerged in 2008 and 2009 which now hamper and mitigate the full potential of EU accession to play a dynamic role in safeguarding the doubled-edged transition in the Western Balkans. Croatia's negotiations are suspended as a result of Slovenian concerns regarding disputed land and sea borders. Bosnia and Herzegovina has not progressed in meeting EU benchmarks for candidacy due to bitter political rivalry between ethno-nationalist leaders. Serbia has been blocked by the Netherlands, which demands it comply with the International Criminal Court for the Former Yugoslavia, and Macedonia faces problems with Greece in terms of opposition over the name issue which has already blocked NATO membership. In addition, EU negotiations have not yet begun in the context of uncertain progress on key reform issues. In the case of Kosovo, five Member States continue not to recognize its independence.

Montenegro's Prime Minister Milo Đukanović recently articulated the fears of many on the perils of current delays undermining the value of EU integration for the region's transition, which he believes is "strangling" joint efforts to overcome the legacy of the wars in the 1990s and could even jeopardize the stability of the region<sup>10</sup>. The incoming Swedish EU presidency from 1 July 2009 and Balkan old-hand Foreign Minister Carl Bildt echoed this when he stated before the European Parliament that it is crucial to "maintain momentum" in EU policies towards the region at this point in the region's transition since, for the first time in recent memory, "the forces of integration in the region are beginning to be stronger than the forces of disintegration"<sup>11</sup>. As a result of

---

<sup>10</sup> Canadian press July 23, 2009

<sup>11</sup> Carl Bildt, speech to European Parliament, Ahto Lobjakas, Bosnia Daily, July 23, 2009



current delays, Euro-enthusiasm in the region is actually dropping with the least enthusiastic, surprisingly, being the Croatians, which have long taken pride in being the most advanced on the road to accession. Skepticism is also strong within Bosnia and Herzegovina, particularly amongst Bosnian Serbs<sup>12</sup>. Đukanović concludes that “without this spirit (of Euro-enthusiasm) there will be no economic or political development” in the region<sup>13</sup>.

In simple terms, the region remains a key challenge for Europe and the manner in which the region is managed by Brussels at this point could make or break the momentum of successful long-term transition in the Western Balkans. Whilst the carrot of European integration has played a key role to date in supporting transition and reform in the Western Balkans, its ability to provide a successful exit strategy for the international community in the long-term consolidation of peace and democracy is far from guaranteed. EU decision-makers need to be able to effectively balance the regional issue with the critical challenges that lie before Brussels in terms of the evolving nature of the Union, relations with the continent’s uncertain power Russia, and hot global problems such as Iran and Afghanistan. Failure to do so will unravel the post conflict scenario of the region and significantly undermine the credibility of the European Union. As we discuss below, this takes on increased significance in terms of assisting the region in managing the effects of the international financial crisis. In many ways, the economic and social dimensions of transition management, which have perhaps been relatively understated in the context of the massive attention to political and security questions, now take on an even greater importance.

This adds to the dilemmas facing the international community and increases the risks of interrupting a continuing successful consolidation of reform and transition in the Western Balkans. While the international community has played an active, some might say dominant, role to date in fostering change allowing for tangible progress in transition, it would not have been possible without a very close relationship with, and perhaps accommodation to, local political and power elites. The establishment of a status quo in terms of power equilibrium has not always had the desired positive impacts. As noted above, whilst international players have become part of the institutionalization of governance in the region, this creates its own conundrum, particularly with regard to B-H and Kosovo, but also more generally. While international players

---

<sup>12</sup> New Gallup Poll analysis, *Balkan Opinions Reflect EU Enlargement Fatigue*, Srećko Latal, *Bosnia Daily*, August 5, 2009

<sup>13</sup> Milo Đukanović, *A Balkans Balance Sheet*, June 2008, Brussels, Report of High level European Summit organized by the Friends of Europe and others

call for increased national ownership, without having developed strong institutional structures within a gradual withdrawal strategy, there is the inevitable creation of dependent political systems which would experience, at best, a significant vacuum and, at worst, real instability if the international governance component disappeared too quickly.

## **THE ECONOMIC ASPECTS OF TRANSITION AND THE INTERNATIONAL FINANCIAL CRISIS**

In the context of the still unfinished and unstable, even volatile, nature of the political transition and the fledgling nature of institutions in the Western Balkans, an unprecedented global financial crisis has arrived which has significant implications for social and political stability in the region. As the Secretary-General of the RCC has warned, under current conditions, the global economic and financial crisis could cause a “profound political crisis and destabilize the region of South East Europe if the consequences fail to be prevented”<sup>14</sup>. Bišćević’s words are echoed in the reality of increasingly ubiquitous signs of human stress as a result of growing socio-economic hardship threatening the livelihoods of significant sections of the population throughout the region.

This stress could be the tinderbox of new instability. Already, in May 2009, war veterans blocked the cabinet building in Sarajevo in protest against low pensions and proposed reforms, a couple in B-H’s RS committed suicide over their economic situation, and a leading trade union leader in Serbia bit his finger off to protest the poor conditions of workers faced with massive layoffs. Growing social dissatisfaction in Croatia is on the rise with the Government’s decision to increase taxes and introduce crisis taxes in a country where foreign debt has reached some US\$40 billion or around 80 percent of GDP. In Serbia, the rising unpopularity of the Government is already rumored to signal the possible fall of the coalition before the end of 2009. Taken together, these scraps of information suggest that social instability will become an ever more serious challenge to the political structures in the region as the effects of the international crisis continue to expose the institutional, policy and decision-making weaknesses of the Western Balkans.

The current situation is predicted to get worse before it gets better. The crisis poses an acute threat to the gains in terms of human development, stability and economic progress that the region has made in recent years following the

---

<sup>14</sup> Hido Bišćević, BIH Daily April 1, 2009

conflicts and crises of the 1990s. The real danger is that the crisis has ended abruptly the virtuous emerging market circle of consumption-fuelled economic growth and low inflation rates, boosted by significant capital inflows. Most of the economies in the region are now set to contract substantially, with falling production, increased fiscal problems, and inevitable impacts on levels of unemployment and poverty. The crisis is being compounded by spillover effects, as conditions in neighboring countries and in the European Union deteriorate and further lead to contractions in foreign direct investment, a reduction in demand for exports, decreasing cross-border trade and problems as a result of the inter-dependencies of regional banking sectors<sup>15</sup>. The nature of the crisis, and its complex interaction with underlying structural features of the economies of the region, mean that the room for maneuver for the region's governments and central banks is extremely limited.

The slow-down in economic growth in the region only really began to be noticeable in the fourth quarter of 2008, since which time forecasts for growth in 2009, initially suggesting that the region would avoid the most serious consequences of the crisis, continue to be revised downwards. Revised forecasts by the IMF, released on April 24, 2009<sup>16</sup>, suggest a shrinking in GDP for the whole region by at least 2 percent, except for Albania, which is forecast to grow by only 0.4 percent. Kosovo, not included in the forecasts, may have growth higher than this, perhaps as high as 3 percent, but still down on recent years. Croatia is forecast to be worst hit in 2009 with a GDP fall of -3.5 percent. After relatively high growth in 2007, the crisis will impact seriously, over at least a three-year period, with significant implications in terms of poverty and vulnerability and in terms of labor markets.

#### **CURRENT SOCIO-ECONOMIC SITUATION**

As one part of a 'liberal peace', international players have generally followed a post-conflict economic strategy in the region to support transition premised on the classical features of the Washington consensus: namely, the introduction of the free market and large-scale privatization of state owned enterprises. There are some interesting variations, of course, with Kosovo and Montenegro allowed to use the euro as national currency although they are not members of the EU, much less of the Monetary Union. Bulgaria - an EU Member State - has not been conceded the same right<sup>17</sup>. Growth has been driven by foreign

---

<sup>15</sup> Jens Bastian (2009) *Falling Behind Again?: Southeast Europe and the Global Crisis*. ELIAMEP Thesis 2/2009, March. Web: <http://www.eliamep.gr/en/european-integration/publications-european-integration/eliamep-thesis-22009-falling-behind-again-southeast-europe-and-the-global-crisis/>

<sup>16</sup> <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf>

<sup>17</sup> Tarik Zaimovic, Professor, Faculty of Economics, Sarajevo, interview, August 1, 2009

direct investment and the creation of open free trade economies. Within this framework the ILO estimates the region has received annually alone since 2001 some €6 billion<sup>18</sup> and the OECD estimates that foreign direct investment to the region has doubled more or less in the same period from €5 to €10 billion. The result of this support, along with the extensive international presence in the region, has fostered an average annual growth rate of around 5 percent in the past decade which has been double that of some EU Member States.

Even the respectable growth rates of the past decade have not led to significant dents in the high levels of poverty and unemployment in the region. The nature of growth may even have heightened regional inequality. The fundamental challenge now is how to avoid the effects of the global financial crisis worsening these indicators, in some cases to a level which may pose a direct challenge to governance and stability. In societies where there is little trust in institutions, strong memories of hyper-inflation and banking sector collapses which combined to wipe out savings, and continued concern about corruption and perceived 'unfair' privatization, there is a real danger that the political costs of even the most necessary reforms will become too high at some point. The longer-term implications of an implicit message that the crisis is a price to be paid for increased integration into Western market economies also remain to be seen. In addition, the rather untested 'crisis resistance' capacity of the regions' institutions, the strength of newly-established regional co-operation arrangements, and the ability of international organizations to co-ordinate their assistance in a timely and effective manner, will all have effects on the nature and duration of the crisis, economically, politically, and in terms of social impacts. Political change has been slow and uncertain even in the context of growth. The implications of a new era of low or negative growth can only be speculated upon.

Consumption-led growth has not always reduced poverty levels, although much of this remains a definitional question, depending on the measurement of poverty used. Poverty lines based on consumption have declined substantially in this decade in Albania and in Serbia, but only marginally in Macedonia, Montenegro and Croatia, even rising slightly in Bosnia and Herzegovina and in Kosovo. Growth has been largely jobless, with unemployment remaining at very high levels, close to 40 percent in B-H and Macedonia and reaching 70 percent in some municipalities in Kosovo. The region is marked by low employment rates and unfavorable employment structures. The situation is further exacerbated when a distinction is made between 'stable' and 'vulnera-

---

<sup>18</sup> A Balkans Balance Sheet, *ibid*

ble' types of employment. The region already lagged significantly behind EU rates of employment. The crisis will exploit existing labor market weaknesses and, as is typical after crises of this kind, labor markets will be extremely slow to recover after the downturn ends. Downward labor market adjustment may be through wage flexibility (a drop in real wages) and through a drop in employment numbers, as well as an increase in vulnerable employment. New entrants to the labor market, mainly young people, and unemployed members of already vulnerable groups, are likely to be the most affected. Any longer-term downturn will have serious sectoral effects and significant spatial effects. Already, inequalities between regions, and especially between urban and rural areas, have grown significantly in the last decade. There is a real danger of a hardening of the differences between 'zones of inclusion', concentrated in the big cities, and 'zones of exclusion' in the periphery and/or in more rural areas. Studies of GDP or of consumption poverty in the region tend to show lower levels of regional disparities than studies of human development, social exclusion or quality of life. For example, the recent Human Development Report for Croatia shows that while GDP per capita between the richest and poorest county varied by only just over 3:1, the ratio of social exclusion is around 16:1 (UNDP 2007:141).

The effects of the crisis on spatialized inequalities may be extremely significant. The crisis may trigger new waves of migration, including return migration to the region by those who lose their livelihoods in the West. The most likely scenario is of an increase in urban poverty and, in particular, a heightened decline in those areas dependent upon industries hardest hit by the recession. In addition, those areas already in longer-term decline, but where this decline has been cushioned by remittances, will also be hard hit. If the crisis persists, spatialized inequalities are likely to become deeper, more structural in nature, and incredibly difficult to reduce.

Social exclusion will also rise, although the main drivers of exclusion are likely to remain largely unchanged, namely: ability/disability; age (the young and the old); gender (women); ethnicity (national minorities especially Roma); refugee and displaced person status; spatial exclusion (those in rural, remote, declining, peripheral and/or war affected areas); unemployment (the long-term unemployed); and low educational levels (those with incomplete primary education). There is likely to be a significant group of 'new poor' or 'new losers', including households with workers who lose their jobs, who lose remittances, and/or who can no longer repay debts. The possibility arises that some 'new losers' may 'crowd out' groups who are traditionally seen as 'undeserving'.

**TRANSMISSION MECHANISMS OF THE CRISIS**

The crisis works through a series of transmission mechanisms or drivers, with different parts of the region exposed to different risks. These transmission mechanisms include: declining remittances, trade shocks, decreased FDI, a debt refinancing squeeze, and exchange rate and banking sector risks. In terms of remittances, the risks are probably highest in Albania, Kosovo and, potentially, Bosnia and Herzegovina. Declining remittances are a negative shock for consumption and overall demand and, in particular, for the construction sector. Trade shocks are a significant risk everywhere, with Macedonia, Montenegro and Kosovo being potentially hardest hit as their main exports are precisely in products, such as metals, where world demand has fallen most. Exchange rate shocks are a risk in Serbia and to some extent in Albania. Banking sector risks are harder to predict since, although it is the case that banking sectors are overwhelmingly owned by foreign banks, the particular situations vary and, to some extent, are unpredictable. Risks in terms of decreased FDI are present throughout the region but the impacts will be greatest in those places where FDI has been the main source of recent growth, namely Serbia, Montenegro and Croatia, with the last two also particularly affected by a decline in tourism.

In many ways, the greatest common risk through the region is in terms of the debt refinancing squeeze and a consequent financing gap. The risk is highest in those parts of the region with large foreign debts and current account deficits, notably Croatia, Montenegro and Serbia. The risk is also high in Bosnia and Herzegovina and Macedonia and significant in Kosovo and Albania. In terms of the impact on labor markets and vulnerable groups, much will depend on how these deficits are financed, with commentators noting that “financial institutions in southeast Europe are experiencing increasing difficulties to attract foreign currency loans on international capital markets”, risking a new ‘decoupling’ of the region from the developed economies<sup>19</sup>. Today, there is increased recognition that “the economic outlook has deteriorated so drastically that resolving the crises will require bold policy initiatives, sustained international support and the recognition of its social implications. Much is at stake”<sup>20</sup>. A new risk may be emerging in terms of a decline in international development assistance, although, in many ways, this is a much smaller percentage of GDP than either remittances or FDI. According to the latest EU coordination meeting held in Tirana in March 2009, bilateral assistance to the region is expected to be reduced by some 12 percent in the next year. Although this may not be a

---

<sup>19</sup> Bastian, *op. cit.* p. 4.

<sup>20</sup> *Ibid.* p. 8.

huge amount, it is another psychological cut that will underline the crisis and create anxiety, as well as limit options for sustainable future growth.

#### **POLICY RESPONSE BY GOVERNMENTS**

Weaknesses in governance arrangements, the unfinished nature of transition, and the nature of electoral cycles, have meant that for long periods of the crisis, many governments in the region have denied that there was a crisis. This was often followed, in many instances, by panicked reactions and by a lack of joined-up policy-making, with a range of policies being mooted and sometimes badly sequenced and often in contradiction with one another. Governments facing electoral tests have tended to postpone taking unpopular measures and fragile coalitions have been reluctant to confront vested interests. Gradually, more coherent macro-economic policy measures have emerged, although sometimes anti-recession packages have been little more than a re-presentation of policy proposals already being considered. In terms of monetary, exchange rate and banking policies, governments have sought, where necessary, to stabilize domestic currencies and restore confidence in banks through deposit guarantees. Varied strategies have been evidenced regarding interest rates. Fiscal policies and budget revisions are now, or will be in the future, crucial to the macro-economic management of the impacts of the crisis. We note the technical and distributional dilemmas which downward budgetary adjustments entail. Thus far, cuts in public expenditures, including public sector salary cuts, have been the main focus, with some increases in indirect and even direct taxation. A variety of mitigation measures have been put in place targeting various key loss-making industries, SMEs, and exporters.

Measures to tackle unemployment have been limited and there has been virtually no attention to social protection, even though the nature and responsiveness of a range of social protection systems (social assistance, social services, pensions, health, education, and housing) will be crucial, with all facing funding pressures, increased demand, and struggling to ensure appropriate access and services for the most vulnerable. The difficulty in targeting social assistance schemes and the importance of a move towards community-based social services within a new welfare mix, already topics for reform measures, take on an added significance in the crisis. The crisis may have a severe impact on pension schemes in the region, making the balance between access, adequacy, equity, and sustainability even harder to sustain, with a possibility that a re-evaluation of the balance between public and private provision will occur. It will be increasingly difficult to maintain the livelihoods of those receiving a minimum pension and the large number of older people, mainly women, in the region who do not receive any pension. Housing will need to receive much

greater attention as a part of social policy due to the crisis. As homelessness may increase, the housing stock may deteriorate, and it will be hard to maintain social housing as a priority. Special attention may need to be paid to child poverty and exclusion since children are especially vulnerable to the crisis through a series of transmission mechanisms.

#### **INTERNATIONAL RESPONSES AND THE RETURN OF THE IMF**

The crisis changes the role of the international community and adds new dilemmas and challenges, particularly in terms of balancing political, economic and social crisis management. The consolidation of peace and democracy is extremely difficult without the promotion of social inclusion and cohesion. This has never been a priority in transition management although, in social policy reforms, there has been a diversity of approaches with a number of international agencies scrambling for influence (cf. Deacon, Lendvai and Stubbs 2007: 222-223). However, in the crisis context, the IMF plays a key role in terms of restrictive economic conditionalities with significant social impacts. Serbia has now gone twice to the IMF – in January 2009 for a US\$530 million stand-by arrangement and then two months later for an augmented loan of some US\$4 billion. Bosnia and Herzegovina has negotiated a three-year stand by arrangement in May 2009 of some US\$1.5 billion. Macedonia and Montenegro are likely to follow, with Albania and Kosovo considering the option. Only Croatia has ruled out IMF loans, but a reconsideration may be necessary in the event of poor revenues from tourism and low take up of bonds on the international financial market.

IMF loans, of course, bring rather strict conditionalities and tend to lead to lower social spending. In the context of weak governance arrangements, unfinished privatization and clientelistic relations between economic and political elites, there are a number of dangers here. One is that, although IMF conditionalities may try to eliminate anomalies in the system and equalize benefits between different social groups, certain protected groups may be better at maintaining their advantage than the poorest and least vocal parts of the population. Protests over proposed cuts in veterans' benefits in B-H illustrate this most clearly. Secondly, in countries where state building is unfinished, such as in B-H, it may be the central state which is starved of funds rather than the entities, which may rush to use the funds to pay the salaries of their own civil servants. Thirdly, governments may try pass on all the blame for economic and social management issues to the IMF, refusing to acknowledge their own responsibility and, essentially, withdrawing from direct engagement in economic and fiscal management. In any case, the poor and excluded are likely to be at the forefront of a double blow: from the crisis itself and from the reduced



social expenditure and cuts in pensions, social benefits and social services that follow from restructuring and harsh conditionalities. A fourth risk is that the easing of fiscal pressures through IMF loans may act as a short-term panacea for governments which are unwilling or unable to undertake the necessary institutional, fiscal and policy reforms. In the longer-term, then, this could serve to worsen socio-economic realities and stability.

#### THE ROLE OF THE EU IN THE CRISIS

Having become significantly more pro-active in terms of the political transition in recent years, the EU and the European Commission is finding it much more difficult to provide leadership in terms of the socio-economic management of the crisis in the Western Balkans. There are a number of reasons for this. Crucially, some of the largest falls in GDP are in some of the EU's own new post-communist Member States, notably in the Baltic states and in Romania, as well as in the most populous and geo-politically significant European Neighborhood Program states of the former Soviet Union. In any case, the lead tends to be taken by the Commission's Economic and Financial Affairs Directorate, with little role for the Directorate on Employment and Social Affairs. Many researchers have argued that the EU's approach to social policy is much 'softer' and less prescriptive than that of the World Bank, with even less room for direct influence in non-Member States (Lendvai 2007).

In some of the new Member States, the international financial Institutions, notably the World Bank and the IMF, are working more closely with the European Commission, including with the Directorate General on Employment and Social Affairs. This is not the case in the Western Balkans thus far. The gap is being filled, to some extent, by neighboring states, such as Austria, Germany, Italy and, to an extent Greece, although these countries' interests are, perhaps, more framed in terms of protecting markets for their own banking sectors. In addition, the European Bank for Reconstruction and Development is also strongly represented but this tends to be in terms of stimulating business development processes and, in any case, has no direct link to EU accession processes or support programs. One of the problems is that staff members from the IMF and World Bank are not particularly strong in terms of recognizing, understanding, and reacting to the importance of stability issues and, above all, may fail to see the relevance of the EU accession processes and fail to understand EU procedures for the countries of the region. As a result, conditionalities may actually hinder EU accession rather than expedite it. In Serbia, at the request of the Government, some €100 million of EU Instrument of Pre-Accession Assistance (IPA) funding has been re-directed to direct budgetary support, but this is rather small compared to the IMF loan and appears not as yet to have

set a precedent for further diversion of funds in other countries. More widely, the crisis may worsen the already low capacity of governments in the region to absorb EU technical funds and pre-accession funding which is, in any case, too often project based rather than supportive of strategic restructuring.

#### **CO-ORDINATION MATTERS**

In complex political transitions, co-operation and co-ordination between international players is crucial. This is even more the case in the context of an economic and financial crisis. The 2005 Paris Declaration on Aid Effectiveness clearly states the need to align development assistance and ensure a closer fit with partner countries' priorities, improve accountability and simplify procedures.

Over time in the Western Balkans, as in other parts of the world, there has been a move from support, primarily through projects, time-limited, often quite short-term, individual inputs leading to limited outputs – via programs, a series of connected projects seeking to work at and between levels and scales – to strategies, operating in terms of a direct engagement with, and support for, the policy level. As noted above, in the most complex situations, notably in B-H and Kosovo, lessons have been learnt and, whilst far from perfect, progress has been made. Now, more than ever, the nature and content of the relationship between the European Union, bilateral donors, the IMF and the World Bank, and the United Nations agencies is extraordinarily important in terms of steering the transition and ensuring a balance between political, economic and social dimensions.

What is needed at this difficult time to safeguard the successes to date and the long-term success of the transition in the region is active, committed and co-ordinated international engagement. However, as noted above, a side effect of the global economic crisis has been a further pressure on donor countries, which have already reduced considerably their financial support to the region over time. Over and above the 12 percent cut in aid to the region mentioned above, in March 2009, the UK Government announced a 50 percent cut to ICO in Kosovo and a similar reduction in its support to EULEX, following on from similar announcements by Spain, Germany and Lithuania. Kosovo and B-H, in particular, may need more international support not less in this difficult period and, certainly, need integrated, strategic and joined-up support. The danger is that cuts on a large scale could gain momentum and lead to a lack of capacity and a decline in morale amongst external development, security, political and military support agencies. Above all, whilst there is clearly a need for crisis management responses, these should build on, and pay due attention to, existing

strategic commitments and, above all, should seek to strengthen, rather than undermine, the process of integration of the region into the European Union.

Alongside this, co-operation between the countries of the region is vital at this time. Under the Stability Pact for South Eastern Europe and the more regionally-owned Regional Co-operation Council, significant progress has been made in recent years on all aspects of regional co-operation, including on questions of social cohesion, employment and health issues. Working closely with the governments of the region and development partners, the RCC could be empowered by international and domestic players to play a greater role in facilitating high-level ministerial meetings on the crisis and social mitigation measures. Some within the RCC are calling for a new South East European Investment Bank to be established, which could provide funds for infrastructure projects and social programs. Whilst such a bank is unlikely to be established quickly – and current conditions could not be less favorable – the suggestion does point to the need for financing mechanisms to reflect the region's own priorities.

Co-ordination is also important in terms of offering support for evidence-based policy making, through more carefully aligned and coherent statistical systems, social impact assessments, and support for policy modeling, to try to support governments and other stakeholders in making clear, rational decisions, not ad hoc crisis management.

## **CONCLUSIONS AND RECOMMENDATIONS**

The impacts of the global economic and financial crisis in the Western Balkans have highlighted and exacerbated the unfinished nature of economic and political transition in the region. The social impacts of the crisis, if not addressed urgently, sensitively and strategically, could lead to new instabilities on the doorstep of the European Union. Key players within the international community need to stay the course and remain actively engaged. Having made the international presence critical to the transition process, the international community needs to face the challenge and maintain, if not strengthen, its presence and commitment if the long-term success of the overall transition is to be achieved. It is imperative at this stage to balance political, economic and social considerations to ensure the stability of the region and the individual countries and territories within it. This may not been the time for swift, radical economic reform but it does provide an opportunity to discuss long-term socio-economic and human development models that reform the state administration and make it more efficient and effective in providing public goods and services and

strengthening health, education, housing and social welfare systems. Strategies will need to distinguish between short-term, temporary measures, those long-term reform measures which should not be postponed, and those measures which can be properly set aside pending more favorable economic conditions. In any case, a modeling of the European Union's Open Method of Co-ordination should be the broad framework for all strategies combining clear goals, measurable indicators, clear outcomes, and peer review and learning.

In the short term, international support could and should be more focused on remedying key weaknesses which have been highlighted by the crisis, including: developing capacities to gather and process basic statistics; to assess, define and formulate swift policy responses and ensure their effective implementation; to ensure improved horizontal co-ordination between different ministries and governmental agencies and vertical co-ordination between central and local governments and other stakeholders. In crisis response situations, where technical advice can prove overwhelming, there is even more of a need to ensure that there is transparency, accountability and consultation before decisions are taken.

Much more effort is needed to mitigate the impacts of the crisis on the poorest and the most affected and vulnerable elements of society during the transition. Given that the crisis will even more severely limit the public expenditure fiscal envelopes and fiscal and monetary options, there may be a case for extending non-loan budget support not tied to the conditionalities of the IMF. Of course, there are risks involved here in the context of deficiencies in governance arrangements and the absence of public administration reform, but earmarked funds for social and employment measures may be needed at this time. There is a broad consensus that strengthening social protection systems can make a significant difference in terms of the social impacts of the crisis<sup>21</sup>, in terms of guaranteeing the value of minimum social benefits and pensions, promoting active inclusion, and ensuring adequate income support and opportunities for social participation for those for whom work is not an option. Within the context of existing EU frameworks, notably the Joint Inclusion Memorandum on Social Inclusion required of Candidate Countries, there needs to be more

---

<sup>21</sup> In its new joint report on Social Protection and Social Inclusion, the European Commission has stated: „Appropriate social policies will not only mitigate adverse social impact on the most vulnerable but also cushion the impact of the crisis on the economy as a whole. Social protection is a major countercyclical and automatic stabilising element in public expenditure. Well-functioning systems in a framework of continued sustainability-reinforcing reforms can help stabilise aggregate demand, underpin consumer confidence and contribute to job creation.“ p. 4 web: [http://ec.europa.eu/employment\\_social/psi/docs/social\\_inclusion/2009/cons\\_pdf\\_cs\\_2009\\_07503\\_1\\_en.pdf](http://ec.europa.eu/employment_social/psi/docs/social_inclusion/2009/cons_pdf_cs_2009_07503_1_en.pdf)

discussion of what a regional ‘social protection floor’<sup>22</sup> might look like in the Western Balkans. In line with current European Commission and UN thinking, mainstreaming children in all policies and ensuring a multi-dimensional and holistic approach to tackling child poverty and exclusion could be given a much greater priority in the region, especially as the crisis will hit households with children particularly hard and may impact negatively on their coping strategies. Child benefit schemes could also be considered as an effective form of poverty alleviation in those parts of the region where they do not yet exist. Caution should be exercised before introducing any conditionalities (such as regular school attendance; vaccinations, etc), given the lack of evidence regarding the value of conditional cash transfers in the region and the mixed picture of success elsewhere (Stubbs 2009).

Access to key services, over and above income maintenance, may be the single most important set of measures to mitigate the social impacts of the crisis, although, again, support for a strategic approach is more important than the establishment of too many new programs. Ensuring that access rates to education do not fall, that older children do not leave school prematurely, and ensuring a skills-based approach to vocational training, are necessary for all, but particularly for vulnerable groups and, even more so, in a time of economic downturn. In addition, targeted support for vulnerable groups could be expanded not reduced. Pre-school care as part of an integrated early childhood program, particularly for vulnerable children, may also form a rather cost-effective approach to reducing poverty and social exclusion amongst children. There may also be a need for more emphasis on social services for vulnerable groups alongside a shift towards more community-based services (in terms of a guaranteed minimum basket of services) and a mix of providers, as well as clearer linkages with employment services. Funding for NGOs and other providers of non-institutional care may need to be carefully monitored to ensure that cuts are not made which lead to more expensive institutionally-based care. Local authorities may need to work with others on the provision of community-based crisis response programs according to changing needs on the ground.

---

<sup>22</sup> <http://www.socialsecurityextension.org/gimi/gess/ShowTheme.do?tid=1321> In April 2009, the UN Chief Executives Board (CEB) accepted the concept of the social protection floor as one of its policies to cope with the global crisis. A social protection floor could consist of two main elements:

- Services: geographical and financial access to essential public services (such as water and sanitation, health, and education); and
- Transfers: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide minimum income security and access to essential services, including health care.

They and other stakeholders could also ensure that existing facilities (day centers, schools, libraries) become more 'poor-friendly'.

Finally, whilst short-term measures are important and early warning and crisis response mechanisms which allow for a consideration of political, economic, social and environmental risks and which look at the region as a whole, the countries within it and sub-regions, are crucial elements of an integrated approach to managing the current crisis, this will not be enough. Clear commitments are needed which set out the longer-term prospects for the region based on true partnership between international agencies, the governments and civil society and other stakeholders to ensure a European future and not a semi-permanent status of periphery and aid dependency.

#### REFERENCES

Bederman, David J. (2002): *The Spirit of International Law*. University of Georgia Press.

Deacon, Bob, Noemi Lendvai, Paul Stubbs (2007): *Conclusions*, in Bob Deacon, Paul Stubbs (eds.) *Social Policy and International Interventions in South East Europe*. Cheltenham: Edward Elgar.

Juncos, Ana E. (2005): *The EU's Post-Conflict Intervention in Bosnia and Herzegovina*, *Southeast European Politics* 6(2): 88-108.

Lendvai, Noemi (2007): *Europeanisation* in Bob Deacon, Paul Stubbs (eds.) *Social Policy and International Interventions in South East Europe*.

Soliz, Christophe, Paul Stubbs (2009): *Emergent regional co-operation in South East Europe: towards 'open regionalism'?*, *Journal of South East European and Black Sea Studies* 9 (1-2).

Stubbs, Paul, Christophe Soliz (2009): *In search of the lost European perspective*, *Sudost Europa Mitteilungen* 49 (3-4).

Stubbs, Paul (2009): *CCT as Policy Translation*, *Global Social Policy*, 9 (2): 174-7.

UNDP (2007): *Unplugged: social exclusion in Croatia*. UNDP Human Development Report. UNDP, Zagreb.

# Institutional reimagination of the South East Europe

Matjaž Nahtigal<sup>1</sup>

---

## ABSTRACT

The aim of this text is to offer a critical assessment and analysis of the period of transition and integration of the countries in Central and Eastern Europe in light of the future accession of the South East European countries. The text is not meant to be a list of tasks and steps to be pursued by the countries in South East Europe, but it is rather a reflection of the long and demanding process, trying to highlight the external constraints and also the missed opportunities at home in an effort to become fully integrated part of the EU. As such it should serve as a starting point toward a more open, more innovative and more development oriented future for the countries throughout the region. At the same time the text tries to question certain overly dogmatic and orthodox approaches toward the reforms in the past. Sometimes the latecomers enjoy a unique opportunity to learn and study the costly mistakes of others in their effort to use the transition and integration as a vehicle for the genuine transformative capabilities of their societies and their peoples.

## KEYWORDS:

South East Europe, transition, integration, path dependency, alternative development possibilities, legal institutions

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Matjaž Nahtigal, SJD, University of Ljubljana, Faculty of Social Sciences, Kardeljeva ploščad 5, 1000 Ljubljana, Slovenia, e-mail: matjaz.nahtigal@selih.si.

## INTRODUCTION

Two decades after the fall of the Berlin wall the South East European countries remain a vulnerable area of Europe. The transition and accession of the countries in Central Europe offers us a good insight into the complex nature of these processes. Successes and missed opportunities of the Central European countries should be taken into account by both the South East European countries and by the European institutions before the accession process reaches its goal: enlargement to the South East of Europe. If the ultimate goal is to secure a more inclusive and more equitable development of the countries in the region, then broader policy space and maneuver room should be given to the countries themselves, when struggling to prepare for the full EU membership (Mayer 2008: 373 – 395). Broader and more inclusive development capabilities of the countries in the region are not only in the interest of the respective countries and their people, but also in the interest of the EU, if it wants not only to enhance but also expand its distinctive model of its inclusive, diverse and dynamic development.

The thesis of this paper is that there is no one single institutional setting of the modern market economy and representative democracy. Contracts and property rights, models of corporation and financial institutions can be organised in many different institutional settings. This insight should give the future generation of reformers in former transition countries additional room for more innovative and potentially more productive approaches toward the economic and social reforms.

The aim of this paper is to offer a critical assessment and analysis of the period of transition and integration of the countries in Central and Eastern Europe in light of the future accession of the South East European countries. The paper is not meant to be a list of tasks and steps to be pursued by the countries in South East Europe, but it is rather a reflection of the long and demanding process, trying to highlight the external constraints and also the missed opportunities at home in the endeavour to become a fully integrated part of the EU. As such it should serve as a starting point toward a more open, more innovative and more development oriented future for the countries throughout the region. At the same time, the paper tries to question certain overly dogmatic and orthodox approaches toward the reforms in the past. Sometimes the latecomers enjoy a unique opportunity to learn from and study the costly mistakes of others in their effort to use the transition and integration as a vehicle for the genuine transformative capabilities of their societies and their peoples.



Two decades after the fall of the Berlin wall the process of transition and integration of the Central European countries remains one of the most comprehensive and complex processes in modern history. The entry to the EU subsequently pushed aside the comprehensive socio-economic and legal assessment of the process of transition. Especially due to the rapid economic growth after the 2004 enlargement the impression was that most if not all of the Central European countries as new members of the EU are on the path of rapid economic and social convergence with the EU-15.

The recent financial crisis, which started with the collapse of the US housing market and which subsequently expanded to the financial and economic crisis almost all over the world, yet again exposed the underlying weaknesses of the Central and European countries, despite some of them being already fully fledged members of the euro zone. The crisis showed how vulnerable to the international volatilities the countries remain even after their membership in the EU and how dependent are their economies to the economic cycles of the European and global markets. Financial distress in the leading global economies greatly influenced the economic and social activities of the Central and East European countries. The countries that suffered most are the countries which have no locally owned banking system and those countries which have a banking system larger than the countries themselves can afford to rescue (Norris 2009).

However, this is not only a debate on the need for redefining the role of banks and other financial institutions in supporting national economies. It is a broader debate on the productive and development capabilities of the countries in Central and Eastern Europe which have not been fully developed during the period of transition and integration. Even after two decades the countries which have approached comprehensive socioeconomic, political and legal changes are unable to compete with the leading countries in the world. Does that mean that the fate of the countries in Central and Eastern Europe will remain dependant on prosperity and good will of their western neighbours? If so, what are the possible pathways toward real economic, social and political emancipation of these countries, and how to escape the rigid and narrow forms of division of labour which keeps most of the industries on the lower rungs of the ladder of industrialization characterized by low-wage and low-skill production? The findings and lessons should allow the future generation of genuine reformers in these countries a pathway toward a much more diverse, pro-active, 'knowledge based' economy and society compared to the societies which currently oscillate between high hopes and expectations at the beginning of radical reforms and apathy and despair after two decades of such reforms.

Instead of a sterile debate about whether radical reforms work better than the gradual reforms, and whether the ‘shock therapy’ works better than the piecemeal reforms, the genuine reform debate should focus on broader goals and more policy instruments, as succinctly put by Joseph Stiglitz when he summarized the critique of the Washington consensus policy and urged the transition countries to move beyond the orthodox repertoire of the Washington consensus (Stiglitz 1998). This does not mean that macroeconomic stability, for example, is not important. It means, however, that the original program was too narrow, the order of reform steps was often inherently contradictory and that it relied on oversimplified assumptions, such as that mass privatization would automatically lead to rapid development. As it turned out, it did not. One of the biggest surprises of the first generation of reformers under the auspices of international financial organization and mainstream western academia was that even after a decade of mass privatization the privatized firms did not secure more growth and development. It helped create, however, a class of new quasi-owners who were and still are more interested in securing their rents, in concentrating ownership and economic powers, than in investments and development of the firms. As such, they largely represent an obstacle rather than a solution to the newly privatized firms.

Looking from today’s perspective, CEU countries could and should have adopted a much more comprehensive and development oriented framework at the beginning of transition. Of course, a more development friendly framework from the side of the EU and other trading partners would have been beneficial. Not in the sense of the Marshall plan for Central, Eastern and South Europe, but in the sense of a more open policy space which would allow for different sequencing of reforms, introduction of broader goals and which would provide more instruments than allowed under the increasingly restrictive normative framework of the European *acquis*. Of course, to start from the beginning, the first generations of reformers in Central and Eastern Europe should blame themselves for their lack of knowledge and the lack of understanding concerning what are their economic opportunities and niches before acceding to the EU. As we have learned from the East German integration, even massive allocation of funds - in certain years comparable to the size of the entire EU budget - cannot secure shared growth and inclusive development. What went wrong during the transition?

In short, naïve beliefs that rapid liberalization, unconditional withdrawal of the government from running enterprises and mass privatization would bring about rapid economic growth and overall social development proved to be over optimistic. This is not to claim that the state bureaucrats – especially not

the former socialist apparatchiks – can run enterprises and businesses more efficiently than the institutions of market economy, but it is to claim that the modern market economy assumes much more subtle mechanisms, more supportive institutions to the market economy than envisaged by the first generation of reformers. In such an environment, with multiple uncertainties and in the midst of the economic and social crisis, proper incentives to stimulate long-term investments, technological progress and good governance of both private and public sector can be more important than a simple search for those whom property rights of former state-owned enterprises are to be designated. For this, transparency of the public sector, fine tuning of legislation and its subsequent implementation and above all proper incentives for overall growth and development trump the simple search for macroeconomic stability and re-design of property rights. The latter model, created by mass privatization, can and in fact it did lead to a false mimicking of the market economy in which the wrong incentives for redistribution of economic power and wealth prevailed over the incentives for growth and long term investments. The struggle for concentration of ownership and redistribution of wealth resembled more a quasi-Darwinian struggle than a genuine attempt at restructuring enterprises and improving competitiveness of the transition economies. An interesting study by the European Bank for Reconstruction and Development about the people's attitudes to transition showed that "in many places there is a pervasive sense of dissatisfaction with some of the consequences of transition" (EBRD 2007: 48).

Leaving aside the turmoil with the macroeconomic stabilization problem in the early 1990s, and leaving aside the debate over whether the overall economic decline at that period was really necessary, the centrepiece of the transition was the idea of mass privatization. It was a unique historic situation and one of the truly innovative approaches toward reforms. Namely, the idea to freely distribute vouchers to the citizens and encourage them to participate in the privatization schemes was one of the most original idea of the transition. As it turned out, however, the whole exercise was implemented without a proper regulatory financial framework and as a result it facilitated massive frauds across the board. Insiders of the firms, usually politically closely connected, dominated the privatization process. As one OECD study on privatization has shown, 'innovative' managers in the Czech Republic created 15 different methods of tunneling out the assets of the formerly state-owned enterprises (Coffee 1999).

An interesting partial exception to the pattern was Poland. After the rapid decline in the first two years of privatization it started to grow again, and it was

the first of all the transition countries which returned to its initial level of GDP. This was achieved in the absence of mass privatization which was delayed in Poland for many years due to the political conflicts over the method of privatization. As a result, Poland grew faster than any other countries in transition for several years, despite its large public sector and a large number of state-owned enterprises (Kolodko and Nuti 1997).

This was just one of the surprises during the period of transition. It only confirms what is already well known in the Western-style of property rights and ownership regime in general. Namely, that there are many different forms of property rights and ownership regimes in the modern economies of the advanced societies. The consolidated and absolute property right which excludes everyone else is only one possible regime of property rights in the West, and it stems from the nineteenth century legal doctrines and practice. It is neither a precondition nor the only and absolutely necessary legal institution for the modern market economy. We can only remind ourselves about the ongoing global financial crisis in which the governments of the leading economies are forced to extend implicit and explicit guarantees to their financial sector under the 'too big to fail' banner. These guarantees, loans and massive subsidies to the financial sector create a new chapter in the debate over the relation between public and private sector, between the market economy, residual property rights and government involvement.

Another surprise of the transition process was an empirical analysis of the post-privatization behaviour of the enterprises. When comparing enterprises which were privatized and enterprises which remained in the hands of the state – as well as the firms with insider owners and outside owners (individual shareholders, newly created institutional funds and others) – it turned out that there is no significant distinction in terms of their efficiency, quality of governance and long-term development strategy. The partial exception of Poland – despite its delay and slow process of privatization – shows us that other relevant factors, such as a more competitive economic environment, emergence of new small and medium size enterprises, good governance of state-owned enterprises, transparent and well regulated capital markets, as a solution to the issue of external financing of enterprises may play an equal or more important role than the mechanical belief that mass privatization will solve the problems of governance, incentives, technological advancement, active restructuring, innovations and overall development (Estrin 1998: 92; for a recent debate see also Estrin, Hanousek, Kocenda and Svejnar 2009).

This is not to say that privatization and macroeconomic stabilization are not important elements of the comprehensive economic, social and institutional reforms in Central and Eastern Europe. Instead, the claim is that privatization and macroeconomic stabilization are far from sufficient to achieve more vibrant, more inclusive and more successful economies and societies than we witness at present. The impression remains that the countries in Central Europe even after two decades remain on the of a path dependency trajectory with only vague and distant hopes to ever fully emancipate themselves in the presence of the EU membership. The fate of the Latin American countries which unsuccessfully followed the path dependency trajectory seems to be closer than the real emancipation and progress of the most successful countries which rescued themselves from the economic and social periphery, such as the East Asian tigers in the past, or Ireland and Finland as examples of successful integration into the EU.

For such a successful emancipation of the countries and their economies, broader goals, more policy instruments as well as a more sophisticated approach by the next generation of reformers is necessary. The future approach should be a combination of more imaginative and more accountable reformers and more initiative and better organized civil society. The top down approach of reforms as practiced in the last two decades led mainly to a loss of initiative, weak entrepreneurship, loss of public support of reforms as well as to weak accountability and poor transparency of implementation of reforms. It comes as no surprise therefore, that such a pattern of reforms worked well for the economic and political elites, much less so for the broad parts of the population throughout the region. The reform process throughout the transition and integration led to the disillusionment of the public. Instead of undertaking economic and social reconstruction, the countries in Central and Eastern Europe – with a small degree of differences among them – entered a path dependency trajectory which widened and solidified the gap between economic and political elites on the one hand and the excluded majority of people on the other (Csaba 2007: 263 – 277).

Southeast European countries enjoy a certain advantage and privilege to be able to learn from the experience of the countries in Central and Eastern Europe when they themselves proceed with the reforms in an effort to join the EU. Some of the key lessons are presented below more in detail. When analyzing lessons from CEU countries two important caveats should be taken into account: - any imitation should also be an innovation in order to creatively and successfully introduce certain reforms to the specific economic and social context of each country; - the rapid process of globalization and Europeanization

constantly changes the rules of the game, raises the competitive pressure on emerging economies and societies and poses new challenges to the reformers in South East Europe.

Finally, the lessons of transition and integration should be taken seriously not only by the newly emerging countries themselves, but also by the EU countries and EU institutions. More policy space for restructuring and development should be given to the countries in the region. The rules, requirements and standards created for some of the most advanced and most competitive countries in the world cannot be directly and immediately applicable for the countries in South East Europe. The rules and regulatory constraints, such as the state aid rules – it should be noted, however, that these rules are abundantly violated by the leading countries themselves when they are coping with the present financial and economic crisis by providing huge stimulus to their various sectors of industry and particular important firms – the rules on competition, the intellectual property rules and many others should be reasonably accommodated to serve the needs of the nascent industries for the countries in the region. The diffusion of new technologies via multinational companies to be shared by the companies in the region should be supported and aided by the European institutions. On the other hand, requirements for transparency of policy-making and policy-implementing, requirements of labour standards, environment standards, protection of small shareholders, small investors and entrepreneurs, and small property holders should be strictly required by both the European and domestic institutions. More imaginative reforms at home and improvement – if not reversal – of some of the European policies toward the region should significantly improve the possibilities of the countries in the region and their people to embark on a much more proactive path of development.

## **SOURCES OF INSPIRATION**

What then are the sources of such alternative, potentially much more promising path of development for the countries in the region? There are European regions and countries that belong to the most developed and most advanced parts of the world. Regions in northern Italy, Catalonia, southwest Germany or some of the advanced small countries in Europe, such as Denmark, are examples of the most successful economies within the industrial democracies. They serve as an example and a source of inspiration for many other countries and regions not only in Europe, but also across the globe. They represent a successful example of a regime, called cooperative competition. Small and me-

dium-sized companies or decentralized divisions of large firms, compete and cooperate at the same time, pooling financial, commercial and technological resources (Unger and Cui 1994: 80). In addition they have confirmed in practice that there is no necessary trade-off between competitiveness and social cohesion. On the contrary, they have clearly showed that only the countries and regions with well organized social and inclusive polices, with creative supportive institutions can really and successfully compete in the present day of open economies and societies. Public institutions play a vital role, lending the hand of active and productive partnership to the private sector while creating many intermediary institutions to secure the flow of knowledge, skills, information, finance and initiatives in both ways.

The problem at the national and supranational level is how to expand and broaden such successful examples. For the time being successful regions and countries are exceptions to the pervasive pattern across Europe. The EU did not develop a comprehensive new set of policies and did not create an institutional framework which would support a comprehensive transformation from the fordist-type of mass production into a flexible type of production. This would require many of the alternative policies in the area of monetary and fiscal policy, in the area of competition policy, labour and industrial relations, in the area of higher education and research and in the domain of social policies. It has resorted to the policies of the common market accompanied by competition rules, but it has not developed instruments which would support the establishment of new business and new enterprises the way as practiced by some other leading countries around the world.

It remains beyond the scope of our discussion to what extent the protracting constitutional debate in Europe is or is not conducive to alternative socio-economic futures in Europe. The main theme of the present discussion is whether the countries in the region can embark on a different path of development, based primarily on endogenous growth and development instead of being almost completely dependent on vicissitudes of the main European and global markets. Accepting such a dependence would mean accepting the stark international division of labour and primarily specializing in the areas of comparative advantages, which almost all lie in the sectors of low-skilled low-wage industries. Instead of climbing a ladder of industrial advancement, the countries would get stuck at lower rungs, whereby competing with other low-wage and low-skilled economies from around the globe.

In this context it is worth to take a short look at how some of the small advanced European countries are copying with the current financial crisis. Finland,

which is one of the most export-oriented EU countries, especially in high-tech industries, was expected to suffer most. Indeed, Finland did suffer a lot in terms of output decline and rise of unemployment, but its economy also showed a lot of resilience. Learning from by far worst decline in the early 1990s, both the country's macroeconomic policies and industries were better prepared for such an international financial crisis as we currently witness. Fiscal surpluses at the beginning of the crisis allowed the government a much more proactive approach than in many other EU countries which did not enjoy such a domestic advantage. Despite the decline in production and export and despite the fact that export-oriented enterprises suffered from the euro's strength, Finland still manages to retain unemployment rates below the EU average, whereas its economy shows unexpected resilience in this difficult economic period. It has also retained one of the most competitive positions in the world. This means that a country with many strong institutions, such as one of the most competitive education systems in the world, one of the most developed and hi-tech industries in the world, can defy and partly restructure even in the midst of the global financial crisis. Other important institutional elements, such as transparent government and public administration, the ability of collective learning from the past failures and the ability to orchestrate economy and society along the knowledge based premises can present an important source of inspiration and encouragement also for the countries in South East Europe (Atkins 2009).

The next important debate relates to the issues of social welfare. The countries in South East Europe shaped before transition a strong tradition of developed social policies. During the transition it was often mentioned that such a 'generous' welfare is not sustainable anymore if these countries want to become competitive and if they want to enter on a path of rapid economic development and if they want to integrate with the international community. Premature welfare states have, according to the prevailing doctrine of leading international financial institutions and mainstream academics, a negative impact on the development prospects of the poor countries in the region – and they are unaffordable. It was often repeated to them that the processes of globalization and europeanization do not allow for a comprehensive and generous social welfare framework, if these countries truly want to become internationally competitive. In other words, there is a necessary trade-off between social welfare and international competitiveness.

However, more in-depth studies show that the relation between the welfare and economic development is much more complex and subtle than is usually presented (De Grauwe and Polan 2005: 105 – 123). First of all, some of the most



competitive countries in the world, most notably from Scandinavia, also have the highest levels of social spending. This fact goes against the conventional wisdom that globalization necessarily leads to the reduction of social spending and that the countries with high levels of social spending cannot remain globally competitive. In addition to this argument, there is another, probably even more important finding, namely the argument of causality. To the argument of successful combination of competitiveness and developed social welfare it is often added that only the most advanced and the most competitive countries in the world can finally afford to start developing an advanced system of social welfare. This is another argument which does not have empirical support. The empirical findings on the relation and causality show that the countries which are able to organize a well-functioning social system, in the sense of building and improving skills of the people, supporting and enhancing human capital, organizing and maintaining the life-learning educational system, are the countries that can successfully compete internationally. Domestic cohesion, the ability to include broad parts of the population into productive capabilities of the countries are the essential ingredients of successful national development policies (De Grauwe and Polan 2005, see also Hemerijck 2009: 71 - 98).

The above described type of social policy is not a classical type of social welfare as developed in the tradition of Bismarck or Beveridge. This type of social welfare was built in the circumstances of the fordist type of mass production and under the premises of tax-and-transfer fiscal policies. Such a traditional economic and social model does not exist anymore. The post-fordist type of production and on the 'knowledge based' economy require a significantly different type of social policies, anchored primarily in the support of education throughout the life of individuals. As the economic paradigm changes, the social policies require changes, improvements and innovations, too. Here are some of the examples: subsidies to the low-wage low-skilled workers, educational support and vocational training for the workers on the job or between jobs, and profit-sharing for the workers who are employed in the most successful parts of the economy. This approach to the modern welfare, no matter how relatively distant from what we experience today in the leading economies in the world, is still a relatively modest approach toward the truly modern social welfare. The government can and should interfere in the economy, not in old interventionist style of choosing and picking the winners, but in a more advanced style of expanding and promoting the high-tech industries outside and beyond the advanced parts of the economy. The government should be actively engaged in expanding and promoting business opportunities and allowing access to the venture capital for new businesses and new entrepreneurs. In order to avoid the risk of clientelism and favouritism by the government,

transparent mechanisms with clear accountability should be put in place. Vibrant and organized civil society goes hand in hand with such a development oriented and active government dynamics.

The question of financing such alternative pro-active and productive enhancing social activities is another part of this equation. It is necessary to secure substantial tax revenues to ensure public investments in developing human capital. While pursuing this task, the tax revenues should not distort economic activities and should not be overly regressive. From comparative studies of taxation we can learn that there can be a comprehensive flat-rate value added tax. Such a tax can be combined with a Kaldor-style consumption tax, taxing a difference between income and savings-investments, with a large exemption for a basic level of consumption and a steeply progressive scale. It is equally important to have an organized civil society engaged in the allocation and monitoring of public spending. Transparency of public finance is the strongest antidote against mismanagement and outright corruption. Conversely, low domestic saving rates would lead to dependency on foreign money (Unger 2001).

Raising public revenues and improving the quality of public sector management through close scrutiny of the civil society is an important, but only first step toward the much more organized, more effective and more overall development oriented society. The next step is to strengthen and tighten the links between improved savings, public and private, and the ability to channel these savings into long-term productive investments. Only improved links between savings and investments can improve productive capabilities either through traditional channels, such as banks or capital markets. In addition, the traditional links can be further supplemented with new routes of finance by establishing public venture funds, run by independent teams of experts or by decentralized, competitive provident funds. The goals of such an improved relation between financial institutions and investments are multiple. One of them is to broaden and expand access to capital by entrepreneurs, by firms and to support innovation and the establishment of new businesses. Others are to spur market initiatives and developments from the bottom (Unger 1998: 150 – 162).

When rearranging the market economy as an active and strategic partnership between public and private sector with the decentralized public financial and technological intermediaries, the twin evil between public favouritism and bureaucratic dogmatism must be avoided. The best guarantee to avoid such a twin evil, often seen in the developing countries which are trying to rescue

themselves from the vicious circle of underdevelopment and poverty, is the active participation of independent group of experts, teams of workers and other parts of civil society. The top down approach run by the government bureaucrats - sometimes seen in the development efforts in other parts of the world - can quickly lead to government failures and misuses of available resources. Instead, the strategic partnership must be established through independent, decentralized and competitive partnerships, which are democratically accountable to the local population as well as to democratically elected representatives. In so doing, we can expand access to capital, expertise and best practices. By enhancing access to capital, expertise and by encouraging innovation and entrepreneurship we can have both at the same time: more public accountability and more private initiative. This represents a significant redirection from the neoliberal model which tends to widen the gap between the advanced and backward sectors of the economy, between the class of owners with privileged access to capital and support and the excluded large parts of population as well as between the economic and political elites on one hand and the excluded majority on the other hand.

The hierarchical distribution of production according to which rich and developed countries produce high-tech products, whereas the poorer and less developed countries have to specialize in low-skill low-wage export-oriented products for a long time before being ready to climb the ladder of industrial development, can and should be avoided. The countries can reorganize both the public sector and the market economy to make it more plural, more inclusive and more experimental, opened to institutional and practical innovation. As described at the beginning of this section, some of the most advanced regions and countries in the EU can serve as a source of inspiration and encouragement for the countries in the region when they are working through their protracted and delayed pathway toward full and active membership in the EU.

This does not mean, however, that the region cannot still embark on a path of economic and social reconstruction, rather that such a pathway is necessarily much more demanding and more difficult to achieve. One of the rare advantages the region possesses lies in the experience, lessons, difficulties and mistakes made by other Central and Eastern European countries in transition. These countries, while enjoying the strong support of European institutions, are even after EU accession hardly an indisputable example of successful transition and integration within the EU – one has only to point to the transition period for the free movement of labour. It will take the Central European countries that did manage to join the EU in May of 2004 at least a decade or more to reach the EU-25 average level of economic development. Such a relatively slow path

of development was not anticipated by most, if not all, experts and analysts at the beginning of transition in the early 1990s.

Other advantages that the Western Balkan countries have are a relatively high level of education of the people, a tradition of industrial development in many sectors of the economy, such as energy, and a fairly developed public sector in terms of social policies and infrastructure. All the stated advantages as legacies from the past, however, require massive new investment in order to modernize and overcome a decade of destruction and years of stagnation. In short, a comprehensive program of economic and social reconstruction for the region clearly requires the strong presence and support of the international community, the EU in particular, but it also requires strong democratic and accountable governments in the region.

Unlike many other observers, I do not believe that the mere process of accession to the EU will automatically trigger rapid economic development. Even more comprehensive economic and social support to the region – which is desired and welcome, to be sure – cannot replace the domestic development of political, economic, legal and social institutions. A domestic environment conducive to endogenous development is vital; foreign and international support cannot replace the supportive institutions necessary to secure real economic and social development of the countries in the region. Only when this is understood by international decision makers can a more coherent plan to fully integrate the countries of the region become more tangible. Of course, the realistic perspective of joining the EU will remain the driving force behind many of the reforms and efforts of the domestic governments. The presence of the international community in the region will secure at least the beginning of the process of long-term reconciliation. But the key to long-term sustainable development is to start building high-quality public and private institutions, to start strengthening the civil society and to start creating a transparent environment for partnership between the public and private sectors.

## **LESSONS FROM THE TRANSITION**

As mentioned in the introduction, the countries in transition had high initial expectations and little experience in managing large-scale institutional reform. In fact, there was no ready-made blueprint for such a unique historical, economic and social transformation. It is also true that most of the countries in the region being considered here approached a similar reform to that of the Central European countries in the last years. The impression remains, however, that

the lessons of the transition of the Central European countries are not taken sufficiently seriously by the regional governments themselves, nor by international organizations. As is usually the case, a lack of time and various forms of domestic and external factors remain key aspects in not paying enough attention to the main lessons of transition.

What, then, are these lessons? One key lesson was that for most of the time the goals and instruments of reform were confused. In the early stages of transition, there was a belief in the automatic positive outcome of certain reforms, for example that rapid and mass privatization would necessarily and automatically lead to higher levels of productivity and efficiency of newly privatized firms. As we know today, privatization brought many unpleasant surprises for many years. Many of the privatized firms did not perform significantly better than those firms that were yet to be privatized. Furthermore, in the absence of a coherent regulatory framework, mass privatization resembled more a struggle for redistribution of economic and political power than a long-term strategic goal of enhancing the productivity and efficiency of businesses and economies. This is not to say that privatization was a step in the wrong direction, but instead to underline that for successful privatization a broader institutional framework must be secured. Of the required institutions one need only point to an efficient judiciary to protect new shareholders from various forms of asset stripping by various levels of old and new managers. In addition, various classes of creditors and investors, suppliers and consumers must be sufficiently protected to engage in a long-term productive relationship with such newly privatized firms. Complex rules of securing fair competition in the emerging market economy, allowing fair competition between old, predominantly state-owned enterprises and new, privately established concerns must be in place prior to any large-scale attempt at privatization.

It took almost a decade of reform to come sufficiently to grips with the intricacies of successful management of reform. This recognition came with the insight of Joseph Stiglitz, who became Vice-President of the World Bank in the mid-nineties. In his well-known paper "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus" he criticized the policy of the Washington consensus that would require more instruments, a more precise sequence of steps toward reform, careful calibration of partial reforms and a clear perspective of strategic goals (Stiglitz 1998).

More concretely, he assessed a few years ago that Serbia had certain potential advantages as a laggard in transition (Stiglitz 2001). This, of course, could materialize only if a new generation of reformers were fully cognizant of the dif-

difficulties of reform in other countries, such as the Czech Republic, Hungary or Russia. In his analysis he pointed to three main lessons of transition, namely: “insisting on speed, on rapid privatization, is disastrous – countries that lagged behind at first, like Hungary, Poland and Slovenia, are now the leaders; incentives matter – if the wrong incentives are in place, Russian and Czech-style asset stripping will follow; privatization works only if it is part of a broader transition strategy that emphasizes job creation and creates the legal and other institutions needed to underpin a market economy (id.).” In short, he pointed to the empirical fact that there are no easy, simple reform steps in the process of transition to improve the economic and social environment. Some of the goals are inherently conflicting and involve large-scale trade-offs, while others ought to lead to win-win situations. Only careful and transparent management of reform and building broad partnerships and coalitions can lead to positive outcomes in transition countries.

One of the insufficiently discussed issues in transition is the problem of financing future growth and development. In the situation where economies and firms suffer multiple external and internal shocks, one of the unresolved questions remains what model should be used to secure the long-term financing of the restructuring of firms. Closely related to this is also the question of what criteria should be used to determine which companies are potentially viable and which companies should be allowed to go bankrupt. In the absence of established market criteria and market mechanisms of coordination, this poses a difficult dilemma to the first generation of reformers in any of the transition countries. What is the right financial model of financing economic and social development in the transition countries? In the past, some reformers have relied mainly on emerging financial markets; others have been hoping for foreign direct investment. Certain prominent authors, such as Jane Corbett and Colin Mayer, warned East European reformers in the early stages of reform not to simply identify capitalism with capital markets. In their belief, it would be more important to define the role of banks in the transition; however, liquidity issues, credit constraints and the role of banks were set aside in favour of mass privatization, the creation of capital markets and the struggle against inflation (Corbett and Mayer 1991). From comparative experience it is possible to conclude that countries in the early stages of development rely primarily on banks; then, after the economy matures, capital markets become more important (id.). For an enhanced role, banks need sufficient mechanisms to monitor companies and sufficient information to participate effectively in project selection. This is true for the short-term as well as long-term financing of firms. The division of risk between firms and banks can be effective only as long as the banks, and their skilful personnel, have access to firms’ investment

projects and other important information. Conversely, insufficient monitoring and poor information can cause widespread bank failures, especially if banking regulation and supervision requirements are not met (id.).

All of the countries in the Southeast European region have approached many if not all of these reforms in recent years. This is why it would not be correct to treat them as complete reform laggards, especially considering that most reforms are irreversible and irrevocable. However, this does not mean that greater insight into the complex matter of reform and institution-building cannot serve as useful information about obstacles, risks and opportunities. The role of government, its accountability and transparency, does matter. In order to reach advanced levels of market economy, competitiveness and entrepreneurship, public institutions and prudent regulation are of key importance. The space for launching restructuring and developmental policies must be broad enough to secure the rapid economic and social recovery of the countries in the region. There is no doubt that the maneuvering room for successful reform is very narrow due to macroeconomic constraints; nevertheless, even in very limited circumstances committed, creative and well informed reformers, in close cooperation with business circles, trade unions and civil society, can find niches for rapid growth and development. Unfortunately, if such niches cannot be found, the region may then resemble more the destitute countries of Latin America that have followed a path of dependency for decades with slim hopes of ever escaping the vicious circle of low growth rates and high rates of poverty.

## **EUROPEANIZATION AND GLOBALIZATION**

The already very demanding process of transition does not occur outside the actual processes of Europeanization and globalization. In fact, the pressure of the twin processes, Europeanization and globalization, is such that even the leading EU countries must deal with them on a daily basis. For the reformers in the region under consideration, this only means that the space for endogenous development is even smaller and the hopes for overall development are even slimmer.

On the most general level, the process of globalization forces nations, governments and businesses into an ever-more convergent set of policy choices and institution building. On the more concrete level, the process of Europeanization presents a distinctive set of policies aimed at higher levels of regional integration. This process is often described as negative integration, according

to which national governments are required to further liberalize and open up their markets. This negative integration inevitably leads to a further loss of domestic autonomy and control in areas such as industrial policy, legislation and coordination. In part, the goal of such negative integration is to re-regulate on the supranational level in order to maintain some of the distinctive elements of the European pathway toward modern capitalism and in order to retain some control over the process of globalization (Schmidt, 2002: 13 – 58).

Globalization and Europeanization, as mentioned above, do strongly pressure European economies to adjust. This pressure can be seen as twofold: on one level there is pressure on the traditional labour-intensive sectors of the economy, where EU countries cannot compete any longer because competitors from developing countries can produce with a much cheaper workforce. On another level, the drive toward cutting edge industries in the area of the “new economy” requires massive investment in research, development and education.

Yet, for all the pressures and dynamic processes, European governments overall have not shifted their development trajectories from their past successful directions. Despite the pressures and increasing loss of autonomy and control, this does not mean that the European governments are completely ill-equipped for future development of new technologies, innovation and an overall increase in competitiveness. It only means that the instruments of economic policy have become more sophisticated, in line with international and European rules and general trends of development. This requires that the next generations of reformers be familiar not only with the experiences of the former transition countries, but also with the efforts and good practices of those in advanced economies who are competing under various forms of global pressure. To be more specific, reformers should also pay close attention to the Lisbon Agenda, their instruments and goals, as well as to the open method of coordination, one of the most advanced, practical and sophisticated methods of cooperation and competition among European countries. It should be recognized by European leaders that the earliest possible inclusion of the Western Balkans in the Lisbon Agenda can bring positive results to the region, as well as to the process of EU enlargement. In so doing, however, European leaders and European institutions should not require from the region that which they themselves are not prepared to do at home – for example, radical and immediate liberalization without transition periods and the possibility to adjust. Despite various forms of pressure, despite rapid processes of Europeanization and globalization, accompanied by increasing loss of autonomy and control, “no single European model has supplanted distinct national practice (Schmidt 2005: 383).”



Finally, policy makers in the region should not aim toward the race to the bottom of the social policies in order to attract foreign direct investment. As the most advanced European countries show, it is possible to manage high levels of competitiveness, innovation and added value on the one hand and a high level of social security on the other. This does not mean that it is not possible to adjust, modernize and improve welfare policies and to focus more on a productivist rather than a redistributive paradigm. The examples of the leading countries, in Scandinavia and elsewhere, suggest that only through maintaining and managing all economic and social aspects is it possible to secure real growth and development in the society. It would make little sense to push the region down the path of dismantling welfare policies before joining the EU and then criticize the region for attracting low-wage and low-skill foreign direct investment from EU countries. The alternative path toward economic and social reconstruction would be much more in line with current and anticipated trends in the EU and would dissipate scepticism before the regions join the EU.

The policy recommendations on how to best approach the region and secure its development apply both to the regional governments and to the EU authorities. More often than not, they are interlinked and interdependent. This means that sensitivity on both sides and a constant search for the best policy options must be carefully weighed against each other. The lessons from the previous round of enlargement are useful not only to the governments in the region, but also to the EU authorities, unless we believe that the previous rounds of enlargement were entirely ideally carried out, which would probably be somewhat presumptuous and misleading. Regional development and the level of social policy and welfare protection are only some of the unresolved issues of the last round of enlargement, reminding us that even European authorities do not have ready-made and definitive answers to many of the important developmental issues and dilemmas.

## CONCLUSION

The policy recommendations on how to best approach the region and secure its development apply both to the regional governments and to the EU authorities. More often than not, they are interlinked and interdependent. This means that sensitivity on both sides and a constant search for the best policy options must be carefully weighed against each other. The lessons from the previous round of enlargement are useful not only to the governments in the region, but also to the EU authorities, unless we believe that the previous rounds of enlargement were entirely ideally carried out, which would probably be somewhat presump-

tuous and misleading. Regional development and the level of social policy and welfare protection are only some of the unresolved issues of the last round of enlargement, reminding us that even European authorities do not have ready-made and definitive answers to many of the important developmental issues and dilemmas. Despite the obvious requirements for adjustment according to the *acquis* and other international legal rules, a broad space for autonomous development must be retained in the hands of national and regional governments.

Only if this sort of ambitious, comprehensive and realistic approach to the region is taken, recognizing the initial conditions and comparative advantages of the region, a tragic decade of war and destruction, obstacles and opportunities, will the region perhaps for the first time in its history have a chance to catch up and integrate with the advanced countries of the EU. Alternatively, if advantage is not going to be taken of this opportunity, for a number of internal and external reasons, the region will almost certainly remain on a path of dependency without hope of ever escaping the vicious circles of nationalism, ethnic tension, disaster and despair. It is primarily up to the next generation of reformers, better organized and development oriented civil society to mobilize the existing resources and productive capabilities of the countries in the region. The best thing the EU authorities can provide is to secure an open policy space aiming for a more inclusive, more diverse and more institutionally innovative trajectory in the future.

## REFERENCES

Atkins, Ralph, Peter Garnham and Andrew Ward (2009): Comfort Zone, Financial Times, September 24.

Coffee, John (1999): Privatization and Corporate Governance: The Lessons from Securities Market Failure, *The Journal of Corporation Law*, 25 (1): 1 – 39.

Corbett, Jeanne and Colin Mayer (1991): Financial Reform in Eastern Europe: Progress with the Wrong Model, *Oxford Review of Economic Policy*, 7 (4): 57 – 75.

Csaba, Lazslo (2007): Optimal Transition Trajectories? in Saul Estrin, Grzegorz Kolodko and Milica Uvalic, *Transition and Beyond*, Palgrave Macmillan.

De Grauwe, Paul, Magdalena Polan (2005): Globalization and Social Spending, *Pacific Economic Review*, 10 (1), February, pp. 105-123, see also a personal website of Paul de Grauwe available at <http://www.econ.kuleuven.ac.be/ew/academic/intecon/degrauwe/>.

EBRD Transition Report 2007 – People in Transition, EBRD London.

Estrin, Saul (1998): Privatization and Restructuring in Central and Eastern Europe in Peter Boone, Stanislaw Gomulka (eds.), *Emerging From Communism – Lessons from Russia, China and Eastern Europe*, MIT.

Estrin, Saul, Jan Hanousek, Evzen Kocenda, Jan Svejnar (2009): Effects of Privatization and Ownership in Transition, *Journal of Economic Literature*, 47 (3): 1 – 31.

Hemerijck, Anton (2009): In Search of a New Welfare State in Europe in Jason Powell (author), Jon Hendricks (author): *The Welfare State in Post-Industrial Societies: A Global Perspective*, Springer.

Mayer, Jorg (2009): Policy Space: What, for What, and Where?, *Development Policy Review*, 27 (4): 373 – 395.

Norris, Floyd (2009): A Retreat from Global Banking, *The New York Times* (23 July).

Schmidt, Vivien Ann (2002): *The Futures of European Capitalism*, Oxford.

Schmidt, Vivien Ann (2005): The Europeanization of National Economies, in Simon Bulmer, Christian Lequesne (eds.), *The Member States of the European Union*, Oxford.

Stiglitz, Joseph (1998): More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, *The 1998 WIDER Annual Lecture*, Helsinki, Finland, January 7.

Stiglitz, Joseph (2001): Serbia's Advantage in Coming Late, *Project Syndicate*, June 2001, available at <http://www.project-syndicate.org/commentary/stiglitz3>.

Unger, Roberto (1998): *Democracy Realized*, Verso.

Unger, Roberto and Zhiyuan Cui, China in the Russian Mirror, *New Left Review*, November-December 1994, p. 80.

Unger, Roberto: In Unifying Europe the Balkans are Still the Achilles Heel, *Peace and Security*, *International Institute for Peace Quarterly*, November 2001, available at <http://www.iip.at/publications/ps.htm>.



# Victory for European Albania: Democratic Election as a Step Towards 'Strong States'

Tom Hashimoto<sup>1</sup>

---

## ABSTRACT

The Albanian parliamentary election in June 2009 demonstrated a gradual, yet strong and promising trend of democratization. The results of the recent elections (2001, 2005 and 2009) provide an empirical basis to argue that voter opinion has been accurately reflected in the composition of parliament. Furthermore, as no party gained a simple majority in the 2009 election, political parties in Albania have had to form a coalition to establish the current Government. Historically, Albanian political parties were pressured to form political consensus by European organizations. The consensus obtained internally in the form of coalitions is, however, a source of legitimacy and stability. This stability makes a small country like Albania more coherent and 'strong', as opposed to a 'Weak State'. To become a 'European' nation in the Balkans, the country must be stable or 'strong' enough to be a regional security provider rather than a consumer. Hence, graduation from the status of 'Weak State' is an essential part of Europeanization in the Balkans. This paper optimistically claims 'victory for European Albania' in the 2009 parliamentary election.

## KEYWORDS:

Albania, election, Europeanization, democratization, Weak States, Balkan security

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Tom Hashimoto, University of New York in Tirana, Rr. Komuna e Parisit, 1000 Tirana, Albania, e-mail: tomhashimoto@unyt.edu.al.

## INTRODUCTION

For Albania, the parliamentary election<sup>2</sup> held on 28 June 2009 was a landmark in its European integration efforts. From a formal point of view, Albania joined NATO in April, and has submitted the application to join the European Union. In substance, Albania has been an active member of the Partnership for Peace and the Euro-Atlantic Partnership Council. Yet, focusing on continued democratization in Albania and the Balkans, many European organizations have been calling for broad domestic reforms ranging from justice to the election system. This election was therefore a test for Albania to perform as a true ‘European’ democracy.

According to international observers, this election brought to light both successes and problems. On one hand, some irregular activities were observed despite the advice of the OSCE (Organization for Security and Cooperation in Europe). Reuters reported cases of family voting, problems with ID verification devices and a lack of marker ink to prevent double voting (Tanner 2009). Furthermore, the results of the exit polls differed greatly to the actual results, so much so that the difference nearly nullified the accuracy of political analyses based on past polls or public opinion surveys<sup>3</sup>. Many local reporters have suggested that the voters lied in exit polls because they did not understand their purpose. The strict dictatorship of Hoxha, which lasted until 1985, probably affected people’s willingness to speak frankly to pollsters.

On the other hand, this election was far more peaceful than previous elections in Albania. There were no riots, no bloodshed. While many observers voiced concerns regarding fraud, Robert Bosch, the head of the OSCE mission to Albania, commented that the election was ‘relatively calm’ (Tanner 2009). The leaders of the two largest parties, Sali Berisha of the Democratic Party (PD) and Edi Rama of the Socialist Party (PS), agreed that the election was a victory for ‘European Albania’ (Tanner 2009).

This essay therefore primarily examines the 2009 Albanian parliamentary election *results*. It compliments the reports from the OSCE, which monitored the election from a *procedural* point of view<sup>4</sup>. The author compares the 2009 election result with results of the 2001 and 2005 elections in order to demon-

---

<sup>2</sup> The Albanian parliament, ‘Kuvendi (the Assembly)’, is unicameral. Its 140 representatives are elected to a four-year term.

<sup>3</sup> This was the first time exit polls were conducted in Albania. Demand for empirical research based on exit polls should increase as more accurate data is compiled.

<sup>4</sup> Both pre- and post-election reports are available on the OSCE website.

strate the trend of gradual, yet strong and promising democratization/Europe-  
anization<sup>5</sup>. Among the various elements of democratization, this essay focuses  
in particular on party fragmentation and the 'lost votes' (i.e. votes which are  
cast for a candidate, party, or alliance that failed to enter parliament). Through  
these two phenomena, the author examines how popular opinion is reflected  
on the result of the election, a key feature of democracy. Despite the frustration  
of opposing parties due to increasingly closer election results, the 2009 elec-  
tion was legitimate and political parties have had to form a coalition in order  
to establish the current government. The author optimistically concludes that  
this political consensus, expressed in the form of a coalition, is a vital source of  
stability and that Albania is ready to graduate from the status of a 'Weak State',  
i.e. a regional security consumer. This graduation is a key feature of 'Europea-  
nization', which is why this is a 'victory for European Albania'.

## SCHOLARLY CHALLENGES

Just as Albania faces several challenges in its democratization and Europeani-  
zation efforts, this study on Albania's democratization and Europeanization  
also faces several challenges. First and foremost, Albanian studies lack empiri-  
cal research (at least in the English language) dealing with the election system  
in the past two decades. As free elections are a key component of democracy,  
such a study on change and continuity of election systems would indeed be  
indispensable for Albanian studies. While Albanian democracy is not yet per-  
fect, recognizing achievements in democratization through empirical research  
would be an encouraging guide. Literature on Albania, however, often focuses  
on its negative or unfortunate past, such as the dictatorship, problems in esta-  
blishing a market economy and the neglected Albanians in Kosovo.

Second, the lack of studies on Albania in English indicates that 'Albania's voice'  
is not being heard among a wide range of scholars, which inevitably stifles  
intellectual endeavour or even the 'maturity' of democracy in Albania. As the  
idea of 'democracy' or 'Europe' is not native to Albania, these thoughts have  
to be 'imported'. Without communicating with the 'exporters' of these ideas,  
the importers will lack confidence, let alone a guarantee, in their end-products.

---

<sup>5</sup> In general, 'Europeanization' is closely related to 'democratization'. Yet these terms have been  
mixed in Albania as both democratization and Europeanization in Albania commenced simultaneously  
with the social, political and economic help from the US and Europe. Recently, however, 'democratiza-  
tion' has been used less frequently since Albanians believe that their government is already democratic.  
On the other hand, the term 'Europeanization' rhetorically speaks of Albania's future integration into  
Europe, and hence, it is a progressive term preferred by many politicians.

Here, one may argue that the exporters of ‘democracy’ and ‘Europe’ are the diplomats from the European Union, and hence, the mutual communication (or quality check) has been conducted through European representatives in Albania. While the author acknowledges that official ‘top-to-bottom’ democratization and Europeanization is effective to some degree, intellectuals and scholars also contribute to promote understanding and exercising of democratization and Europeanization. Therefore, the lack of communication through scientific and academic channels slows, if not damages, the processes of ‘importing’ such ideas<sup>6</sup>.

Third, the scholars of democratization and Europeanization are at the mercy of their own definition of the terms ‘democratization’ and ‘Europeanization’. The suffix ‘-ization’ suggests that these are the processes of (positive) change. At the same time, the concepts of ‘democracy’ and ‘Europe’ are relatively broad and sometimes ambiguous. One can easily view current Albania as not being democratic based on the high levels of corruption, even though the recent elections seemed democratic. Albania may not resemble any traditional European countries in terms of culture, though it is located between Italy and Greece. This essay, therefore, focuses only on a few aspects of democratization and Europeanization with regional positive spill-over effects, and claims neither process has been completed.

## THE 2009 ELECTION RESULT

The election of June 2009 was conducted under a ‘revised and significantly improved Electoral Code’ (OSCE 2009) adopted in December 2008, under which Albania’s 12 constituencies elect multiple candidates based on regional proportional representation with a closed party list. Political parties must surpass a threshold of 3% of the vote within a constituency, compared to 2.5% in the previous election in 2005. Pre-election coalitions (whose functions will be discussed later) must surpass a 5% threshold, compared to 4% in the previous election. The table below contains the results of this election from the US-funded *Elections to Conduct Agency* (ECA) monitoring system.

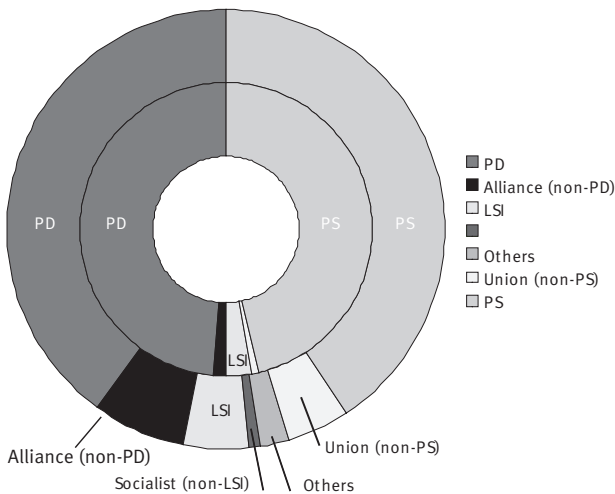
---

<sup>6</sup> The similar argument can be made for other countries in the region while the ideas in question may vary.



**Table 1: The 2009 Election Result**

Pre-Election Coalitions and Parties	% of votes	# of seats	% of seats
<i>Alliance of Change (Alliance)</i>	46.9	70	50.0
Democratic Party (PD)	40.0	68	48.6
Coalition Partners	6.9	2	1.4
<i>Union for Change (Union)</i>	45.4	66	47.1
Socialist Party (PS)	40.8	65	46.4
Coalition Partners	4.6	1	0.7
<i>Socialist Alliance for Integration (Socialist)</i>	5.6	4	2.9
Socialist Movement for Integration (LSI)	4.8	4	2.9
Coalition Partners	0.8	0	0.0
Others	2.1	0	0
<b>TOTAL</b>	<b>100</b>	<b>140</b>	<b>100</b>



[outer ring: the distribution of votes; inner ring: the distribution of parliamentary seats]

Source: Elections to Conduct Agency, 2009

Out of 36 parties standing in this election, only 6 parties are represented in the new parliament (the PD, PR, PDI, PS, PBDNJ and LSI<sup>7</sup>). As neither the Democratic nor Socialist Party coalitions secured 71 seats (50% plus 1) in the Assembly, the Socialist Movement for Integration (LSI), holding four seats, has been regarded as the ‘king-maker’ of this election. Ilir Meta, the leader of the LSI, requested from the PD several ministerial positions, including deputy prime minister and minister of foreign affairs for himself, in exchange for a

<sup>7</sup> Albanian names of the parties and their abbreviations are listed in Appendix I.

PD-LSI coalition government<sup>8</sup>. From this a question arises: whether or not is it a ‘healthy’ democracy if a small party has such great influence in a cabinet, which is disproportional to its representation in parliament? While ‘that’s politics’ seems to be the answer, this question calls for further research on party fragmentation in Albania. How accurately is the opinion of the people reflected in representation in parliament?

In terms of ‘lost votes’, an impressive 97.9 % voted for the winning coalitions of the *Alliance*, *Union* and *Socialist*. A lost vote count of 2.1 % is an achievement compared to 5.3% in the 2001 election and 9.1% in the 2005 election (Dyrmi-shi 2009). Moreover, the share of votes received by each coalition more or less corresponded to the share of seats each coalition won. At the coalition level, the increase of the election threshold from 4% to 5% did not result in an increase of the share of ‘lost votes’, and the correlation between votes and seats guaranteed by the Constitution has been maintained (Table 2).

**Table 2: The 2009 Election Result with Vote-Seat Correlation (Coalition Level)**

Coalitions	% of votes received (a)	% of seats received (b)	(a) – (b) in %
Alliance	46.9	50.0	▼ 3.1
Union	45.4	47.1	▼ 1.7
Socialist	5.6	2.9	2.7
Total	97.9	100.0	▼ 2.1

Source: Elections to Conduct Agency, 2009

At the party level, however, the two leading parties, the PD and PS, received a greater share of seats than share of the vote won. As a result, roughly 10% of voters cast their votes to parties other than the 6 winning parties. Among those losing parties, the Social Democratic Party (PSD), for example, won 1.8% of the vote – higher than that of the PDI and PBDNJ – and did not receive any seats. This seemingly contradictory vote-seat correlation also faces some problems among the 6 winning parties. The PR received twice as many votes as the PDI or PBDNJ, but all three received only 1 seat each. While the PS received more votes, the PD received more seats (Table 3). Is this a conspiracy by the PD to reduce the influence of opposition parties, such as the PSD and PS?

<sup>8</sup> As the political platform of the LSI is based on its independence from the PD and PS, several LSI members have expressed their wishes to leave the party (Koka 2009).

**Table 3: The 2009 Election Result with Vote-Seat Correlation (Party Level)**

Parties	% of votes received (a)	% of seats received (b)	(a) – (b) in %
PD (Alliance)	40.0	48.6	▼8.6
PR (Alliance)	2.1	0.7	1.4
PDI (Alliance)	1.0	0.7	0.3
PS (Union)	40.8	46.4	▼ 5.6
PBDNJ (Union)	1.2	0.7	0.5
LSI (Socialist)	4.8	2.9	1.9
Total	89.9	100.0	▼ 10.1

Source: Elections to Conduct Agency, 2009

The answer seems rather technical. A difference of as high as 8.6% at the national level is in fact inevitable due to the limited number of seats allocated to each of the 12 constituencies. For example, the region of Kukës is the smallest constituency in terms of population and elects 4 representatives. The PD won 59% of the vote there, receiving 3 seats (CEC 2009)<sup>9</sup>. As it stands, the PD obtained 75% of the seats with 59% of the vote – a 16 % difference. The second party, the PS, obtained 25% of the seats (i.e. 1 seat) with 20% of the vote – a 5% difference. Apart from the PS and PD, only the PSD surpassed the 3% threshold with 10% of the vote. However, other ways of allocating the 4 seats seem to be unacceptable. Giving two seats to the PD reduces the difference between the percentage of votes and that of seats for PD from 16% to 9%. If the PS receives the other 2 seats, however, the difference for the PS becomes an unjustifiable 30%. If those 2 seats are allocated between the PS and PSD, the balance among the PD, PS and PSD seems to be acceptable. Yet, given the fact that the PS and PSD belong to the *Union* coalition, the *Union* then wins 50% of seats with 30 % of votes – a difference of 20% (Table 4). Therefore, while the 16% difference of the PD seems large, this is inevitable if one tries to balance both parties and coalitions, as is dictated in the Constitution.

**Table 4: Possible Seat Distribution in Kukës Region (4 seats)**

	% of votes	Case 1	Case 2	Case 3
PD	59 %	3 seats (75 %)	2 seats (50 %)	2 seats (50 %)
PS	20 %	1 seat (25 %)	2 seats (50 %)	1 seat (25 %)
PSD	10 %	0 seats (0 %)	0 seats (0 %)	1 seat (25 %)
Max Difference	n/a	16 % (PD)	30 % (PS)	15 % (PSD)
Average Difference	n/a	10 %	16 %	10 %

<sup>9</sup> For other regions, see Appendix II.

The author is so far convinced that the 2009 parliamentary election saw relatively strong correlation between the distribution of votes and that of seats at both the national and regional levels, as well as at both coalition and party levels.<sup>10</sup> Nevertheless, how can we justify the 10% of national votes cast for losing parties (Table 3) or the 10% of regional votes in Kukës cast for the PSD (Table 4)? Surely, only 2% of all votes are ‘neglected’ because the coalition or party failed to surpass the respective thresholds (Table 2). Therefore, the logic of acceptable correlation is still reliable. That said the author still cannot understand how leaders of small parties expected to represent their constituencies knowing that their influences are limited and indirect through coalitions. In other words, how can so many small parties – more than 30 parties – exist without seeking formal integration with one of the larger parties?

According to Arjan Dyrmishi (2009), the author of *Albanian Political Parties and Elections Since 1991*, Albanian political parties tend to be formed *within* the Assembly in order to obtain cabinet positions. No strong party efforts were observed *outside* the Assembly to obtain seats in the recent election<sup>11</sup>. Many existing parties remain from the pre-1997 parliament, which had 250 representatives. This raises further question about the relations between interest groups and political parties. The so-called ‘social cleavage’ theory cannot explain why many political parties with similar political orientations have been formed and supported in Albania<sup>12</sup>.

Political parties in Western Europe often developed from historically known ‘social cleavage’ of the given society (Lipset and Rokkan 1967). On the other hand, due to its communist and authoritarian past, political parties in Albania were created as the means of social and political transformation rather than vice-versa. In many Central and Eastern European countries, reformers within the Communist Party often created the broad movement of democratization, and it was those reformists who positioned themselves as the key opponents to the regime in the first democratic election (Lewis 2001). In Albania, such reformist leaders or broad popular movements were not visible. While religious orientation is deeply rooted in Albanian identity (Boduszynski 2007), only a handful of parties in Albania have been affiliated with a religious organiza-

---

<sup>10</sup> The author encourages further research in this area from regional comparative perspectives.

<sup>11</sup> This view was expressed by Dyrmishi at the workshop hosted by the University of New York in Tirana on July 1, 2009.

<sup>12</sup> Rather traditional Machiavellian narrative for the rise of politicians (not political parties) seems to depict political representation in Albania. Yet it requires further empirical research.

tion<sup>13</sup>. As Albania is relatively homogeneous, ethnic cleavage in the political arena was not strongly observed<sup>14</sup>. After all, state-building based on citizenship rather than religion or ethnicity was more effective, and has proven vital for the ‘European project’ in Albania (Rakipi 2008)<sup>15</sup>.

Alongside the logic of Europeanization, a departure from a single-party system was the first step to democratization in Albania. Nonetheless, unlike many other Eastern European countries, ultra-nationalistic parties did not emerge on the Albanian political scene. All parties essentially agreed to promote European integration through NATO and the EU<sup>16</sup>. In foreign policy, political cleavage, and not just social, was less apparent in Albanian political parties than elsewhere. Many foreign observers have gone about explaining the above phenomenon of party (over)fragmentation with less political cleavage through the ‘maturity of society’ argument, i.e. Albanian political culture has not yet fully developed to accurately reflect people’s opinions. The author argues, however, that it is not the political culture, but the election system that needs to evolve in Albania. Under the old election system, small parties easily obtained seats in the Assembly with the help of the PD and PS. In return, the PD and PS strategically included the small parties in their coalitions in order to maximize their spheres of influence. It is only with the new election system from 2009 that the strategic value of pre-election coalitions seems to have been reduced.

## ELECTION SYSTEMS IN COMPARATIVE PERSPECTIVES

Since 1997, Albania has been tackling the question of efficient representation in government with the assistance from the EU and OECD. This challenge resulted in flexible changes in the election system. Below is the chart describing the election systems for the 2001, 2005 and 2009 elections (Table 5).

---

<sup>13</sup> For example, the Christian Democratic Party and the Christian Democratic League stood in the 2009 election.

<sup>14</sup> The PBDNJ is supported by Greek minorities in the south. The Macedonian Alliance for European Integration was a part of the Alliance coalition in the 2009 election. Some have attempted to count all social factors in a larger comparative study (Birbir 2007).

<sup>15</sup> Strong affiliation with certain religious or ethnic groups may lead to discrimination and such political parties are banned by the Constitution.

<sup>16</sup> A similar phenomenon was also observed in Slovenia.

**Table 5: The Election Systems in 2001, 2005 and 2009**

	2001	2005	2009
Overall System	100 majoritarian + 40 proportional	100 majoritarian + 40 proportional	140 majoritarian
Majoritarian System	100 single member districts with a simple majority	100 single member districts with winner-takes-all	12 multi-member districts
Party Threshold	2.5 % (national)	2.5 % (national)	3 % (constituency)
Coalition Threshold	4 % (national)	4 % (national)	5 % (constituency)
Number of Ballots	2 for each voter	2 for each voter	1 for each voter

Source: Dyrnishi 2009, OSCE 2009

In both 2001 and 2005, 100 out of the 140 seats in the Assembly were distributed using a majority system and the rest were distributed using a proportional system of voting. Each voter had two ballots, one for the single-member constituencies and the other for the national party list as part of the proportional system. Technically-speaking voters could cast ballots for two different parties: one for the candidate from party A and the other for party B. Because of the thresholds, such a strategy was used among PD and PS coalition partners. In both 2001 and 2005, the PD and PS predominantly controlled single-member constituencies, while the small parties received seats through the proportional system.

Under the 2001 election system, run-off elections were held in single-member constituencies until a candidate won more than 50% of the vote. Other than the PD and PS, no party had enough resources to win by such a wide margin. Hence, the parties often campaigned to collect the first ballots for PD or PS candidates. As run-off elections delayed the inauguration of the new legislature<sup>17</sup>, the 2005 election adapted a winner-takes-all formula. By then, however, the system of the PD against the PS had been established and the same campaign strategy was adapted.

The rest of the 40 seats in the Assembly were distributed based on the constitutional clause that ‘the total number of deputies of a party or party coalition shall be, to the closest possible extent, proportional to the votes won by them at the national level’. Small parties with no victories in the majority system were ‘compensated’ by receiving seats from the remaining 40 seats proportional to

---

<sup>17</sup> In 2001, only 47 representatives of the 100 were elected in the first round. Some districts needed as many as five rounds of elections to elect their representative.

the share of the vote they won (Dyrmishi 2009). Some examples are shown below (Table 6).

**Table 6: The Majority-Proportional Mixed System (Example)**

	Majoritarian	% votes received	'Compensation'	Total # of seats
Party A	70 seats	50 %	0 seats	70 seats (50 %)
Party B	30 seats	40 %	26 seats	56 seats (40 %)
Party C	0 seats	10 %	14 seats	14 seats (10 %)
Total	100 seats	100 %	40 seats	140 seats (100 %)

This system was problematic when a party won the majority districts disproportional to the share of votes they received nationally (e.g. a party won 70 seats in the majority system even though it won only 40% of vote). While that particular party would receive no seat from the remaining 40 seats, the other parties would receive a smaller percentage of seats compared to the share of the vote won. On the other hand, parties which received less than 2.5% of votes were not entitled to receive 'compensation' seats except if they were a part of a pre-election coalition which received more than 4% of all votes. We now examine this party-coalition relationship in the 2001 and 2005 elections.

In 2001, the Democratic Party (PD) entered the election forming a coalition, the '*Union for Victory (Union)*', while the New Democratic Party (PDR) was spun off from the PD as an independent party. The Socialist Party (PS), the Social Democratic Party (PSD), Democratic Alliance Party (PAD), the Agrarian Party (PA) and the Unity for Human Rights Party (PBDNJ) dissolved their coalition from the previous elections<sup>18</sup>. However, after foreseeing victory in the first round, the PS endorsed the PSD, PDA and PA to meet their 2.5% thresholds utilising the second ballots. In the end, this complicated dual ballot system reduced the percentage of lost votes to 5.1%. The result is shown below (Table 7).

---

<sup>18</sup> Albanian names of the parties and their abbreviations are listed in the Appendix I.

**Table 7: The 2001 Election Result**

	Majoritarian	% votes received <sup>1</sup>	'Compensation'	Total # of seats
Union	25 seats	36.9 %	21 seats	46 seats (32.9 %)
PDR	0 seats	5.1 %	6 seats	6 seats (4.3 %)
PS	73 seats	41.4 %	0 seats	73 seats (52.1 %)
PSD	0 seats	3.7 %	4 seats	4 seats (2.9 %)
PAD	0 seats	2.6 %	3 seats	3 seats (2.1 %)
PA	0 seats	2.6 %	3 seats	3 seats (2.1 %)
PBDNJ	0 seats	2.6 %	3 seats	3 seats (2.1 %)
Independent	2 seats	n/a	n/a	2 seats (1.4 %)
Other	0 seats	5.1 %	0 seats	0 seats (0 %)
Total	100 seats	100 %	40 seats	140 seats (100 %)

Source: Dyrnishi 2009, confirmed by various OSCE reports

Although the PS enjoyed a simple majority in parliament, the PS sought a coalition government with the support of the PSD, PDA, PA, PBDNJ and 2 independents. With 88 representatives, the SP-led coalition held more than three-fifths of the seats in the Assembly. This large coalition showed the willingness of the PS and their partners to stabilize the Albanian political scene with mid-term goals such as a presidential election scheduled a year later<sup>19</sup>.

Beneath this cooperative mood, however, incoming PS Prime Minister Ilir Met, was criticized by former Prime Minister from the PS Fatos Nano regarding the choice of president. The PS was divided and thus Nano established cooperation with the PD leader, Sali Berisha. The PS and PD upgraded the Electoral Code from the 2001 election. The new Code, however, did not help the two parties dominate the local election in 2003 (Dyrnishi 2009). The two parties received 67% of votes, indicating further fragmentation along a multi-party line rather than two-party line. Unsatisfied with the PS-PD domination, Ilir Meta created the Socialist Movement for Integration Party (LSI) that broke off from the PS in 2004.

Towards the 2005 election campaign, the PD seized the opportunity of the PS being weak to form a new coalition, *the Alliance for Freedom, Justice and Welfare (Alliance)*<sup>20</sup>. While Meta's Socialist Movement for Integration (LSI) entered the election independent of the PS, the PS maintained the government

<sup>19</sup> President of Albania, whose position is mostly ceremonial, is elected by the Assembly for a five-year term with a three-fifths majority of the representatives.

<sup>20</sup> The partners are the Republican Party (PR), the New Democratic Party (PDR), the Christian Democratic Party (PDK), the Liberal Democratic Union (BLD), the Democratic National Front Party (PBKD), the Democratic Union Party (PBD), the Movement for Human Rights and Liberty (LDLNJ).



coalition coming into the election<sup>21</sup>. The result of the 2005 election is shown below (Table 8). The PD and PS instructed voters to vote for their coalition partners for the second ballots in order to secure maximum ‘compensation’ seats. Compared to the 2001 election, when the PD and PS used the second ballots to help smaller parties to pass the 2.5% threshold, the 2005 election result clearly indicates that the PD and PS strategically ‘sacrificed’ their second ballots for their coalition partners.

**Table 8: The 2005 Election Result**

	Majoritarian	% votes received*	'Compensation'	Total # of seats
PD	56 seats	7.7 %	0 seats	56 seats (40.0 %)
Alliance (non-PD)	0 seats	33.5 %	18 seats	18 seats (12.9 %)
LSI	1 seat	8.4 %	4 seats	5 seats (3.6 %)
PS	42 seats	8.9 %	0 seats	42 seats (30.0 %)
Government (non-PS)	0 seats	32.4 %	18 seats	18 seats (12.9 %)
Independent	1 seat	n/a	n/a	1 seats (0.7 %)
Other	0 seats	9.1 %	0 seats	0 seats (0 %)
Total	100 seats	100 %	40 seats	140 seats (100 %)

Source: Dyrnishi 2009, confirmed by various OSCE reports

\* It considers only the second ballots, which are for the national party list

As a result of utilizing the dual ballot system, the PD and PS won 98 seats out of 100 seats in the majority and no seats in the proportional system. Small parties, on the other hand, won more than 80% of all votes while obtaining only 30% of the seats in the Assembly (Table 8). This seemingly weak correlation between the distribution of votes and that of seats is contrary to the correlation discussed earlier in the case of 2009. After all, the PD and PS strategically differentiated the first ballots for the majority system and the second ballots for 'compensation', which cannot be observed in the 2009 election owing to the new election system.

As the 2009 election was conducted under the new election system, the analyses comparing the 2001, 2005 and 2009 elections may not seem relevant. Nonetheless, the continuous decline of the third party (PDR in 2001, and LSI in 2005 and 2009) seems to suggest the transition towards a two-party system, similar to that in the UK and US. At the same time, it seems problematic when the

---

<sup>21</sup> The partners are the Democratic Alliance Party (PAD), the Environmentalist Agrarian Party (PAA, formerly the Agrarian Party (PA)), the Unity for Human Rights Party (PBDNJ), the Social Democratic Party (PSD) and the Social Democracy Party (PDS) which spread from the PSD.

decline of the third party is accompanied by its disproportional representation (i.e. it received a lower percentage of seats compared to the percentage of national votes received). The representation of the PD and PS coalitions, on the other hand, has become more proportional to the respective share of the votes received. Moreover, party fragmentation (in terms of the number of parliamentary parties) fell in 2009 probably due to the change in the party threshold from 2.5% to 3%. Fortunately, this change was not accompanied by an increase in lost votes. While the evolution of the election system in Albania may have been detrimental for small parties, overall correspondence between the distribution of seats and votes is satisfactory (Table 9).

**Table 9: The Election Results in 2001, 2005 and 2009 (Comparison)**

	2001	2005	2009
<b>PD and its coalition</b>			
# of seats received	46 seats	74 seats	70 seats
% of seats received (a)	32.9 %	52.9 %	50.0 %
% of votes received (b)	36.9 %	41.2 %	46.9 %
(a) – (b) in %	▼ 4.0 %	11.7 %	3.1 %
<b>PS and its coalition</b>			
# of seats received	86 seats*	60 seats	66 seats
% of seats received	61.4 %	42.9 %	47.1 %
% of votes received	52.9 %	41.3 %	45.4 %
(a) – (b) in %	8.5 %	1.6 %	1.7 %
<b>PD + PS coalitions</b>			
# of seats received	132 seats	134 seats	136 seats
% of seats received	94.3 %	95.7 %	97.1 %
% of votes received	89.8 %	82.5 %	92.3 %
(a) – (b) in %	4.5 %	13.2 %	4.8 %
<b>Third coalition</b>			
	(PDR is given here)	(LSI is given here)	(LSI is given here)
# of seats received	6 seats	5 seats	4 seats
% of seats received	4.3 %	3.6 %	2.9 %
% of votes received	5.1 %	8.4 %	5.6 %
(a) – (b) in %	▼ 0.8 %	▼ 4.8 %	▼ 2.7 %
% of neglected votes	5.1 %	9.1 %	2.1 %
# of parliamentary parties	11 parties	16 parties	6 parties

Source: Dyrnishi 2009, confirmed by various OSCE reports

\* It includes the second round coalitions with the PSD, PAD, PA and PBDNJ

Small parties, however, have not been neglected in the new Albanian political scene. As neither the PS nor the PD succeeded in obtaining 50% of the seats, both parties still rely on small parties and make political consensus in the form of coalitions and alliances. Historically speaking, '[c]onsensus, which is a vital

feature of a functioning democracy, was restored in Albania, only because of the pressure that was presented by the EU' (Rakipi 2008). As only 6 parties and 3 coalitions are represented in the current Assembly, even political consensus among larger parties becomes easier to reach regardless of external pressure. The political consensus obtained internally is a source of confidence in representatives for many voters. This confidence leads to stability and legitimacy for the election system, the incoming government and the country as a whole (Mair 2002). Of course, such analysis is based on the assumption that the minority parties no longer voice their claims through violence.

## CONCLUSION

For a long time, the chaotic year of 1997 made observers wonder if the Cold War had ever ended in Albania. Yet the past three parliamentary elections in 2001, 2005 and 2009 demonstrate that Albania has gradually regained its function as a democratic state. People's opinions – the essence of democracy – have been accurately reflected in the composition of parliament, particularly following the 2009 parliamentary election. Surely large segments of the socio-economic and socio-political stability in Albania are still brought by external supports/pressures. At the same time, because the PD and its allies failed to obtain a simple majority in the last election, internal political consensus among the political parties has become necessary. While the opposition PS has been boycotting the Assembly, the PD has formed a coalition government, giving several ministerial positions to the LSI. Cooperation between the PS and the PD towards the common goal for Albania – Europeanization – would be the last step in building political consensus. After all, even Edi Rama of the PS has once admitted that the last election was legitimate and claimed a 'victory for European Albania', emphasizing the importance of political stability achieved through democratic elections.

Stability and legitimacy in Albania have positive spill-over effects for nearby countries. The more stable Albania becomes, the more coherent regional policies will be. In the late 1990s, Albania was known as a 'Weak State' – a country with problematic/undemocratic governance. While it is a small power in terms of political and economic capacity, Albania (and many other countries in the Balkans) has the potential to become 'strong' states given the above mentioned stability and legitimacy. The positive spill-over from Albania contributes to stability in the region – and this regional stability further enhances Albania's stability.

Albania achieved high degree of vote-seat correlation in the 2009 parliamentary election. With the anticipated internal consensus, Albania will obtain stability and legitimacy, and will graduate from the status of a 'Weak State'. This graduation is an essential part of Europeanization – the process which each 'European' actor promotes international security by providing regional stability. Albania is no longer a regional security consumer, even though it is still far from being a provider. Therefore, the author, like the leaders of the PD and PS, claims a 'victory for European Albania' in the 2009 parliamentary election.

## REFERENCES

Birnir, Johanna K. (2007): Divergence in Diversity? The Dissimilar Effects of Cleavages on Electoral Politics in New Democracies. *American Journal of Political Science*, 51 (3): 602-619. Available at <http://www.jstor.org/stable/4620087> (10 August, 2009).

Boduszynski, Mietek (2007): Islam, Identity, and Europeanization in Kosovo and Albania. Guest lecture at Arizona State University, 15 October 2007.

Central Elections Commission (Komisioni Qendror i Zgjedhjeve) (2009): Rezultatet e Zgjedhjeve 2009 (Election Results 2009). Available at <http://www.cec.org.al> (25 August, 2009).

Dyrmishi, Arjan (2009): Albanian Political Parties and Elections Since 1991. Tirana: Albanian Institute for International Studies (AIIS).

Elections to Conduct Agency (2009): Results. Available at <http://eca.al> (15 July, 2009).

Koka, Bledian (2009): The Insertion in the Government, 5 Members of LSI Say They Will Leave the Party, ALSAT Television, 24 August. Available at [http://www.alsat.tv/eng/ALSAT\\_Lajme/Breaking\\_News/The\\_insertion\\_in\\_the\\_government%2C\\_5\\_members\\_of\\_LSI\\_say\\_they\\_will\\_leave\\_the\\_party/](http://www.alsat.tv/eng/ALSAT_Lajme/Breaking_News/The_insertion_in_the_government%2C_5_members_of_LSI_say_they_will_leave_the_party/) (26 August, 2009).

Lewis, Paul G. (2001): The "Third Wave" of Democracy in Eastern Europe: Comparative Perspectives on Party Roles and Political Development. *Party Politics*, 7(5): 543-565.

Lipset, Seymour M. & Rokkan, Stein (1967): Cleavage Structures, Party Systems, and Voter Alignments. Reprint in Mair, Peter (ed.) *The West European Party System*. Oxford: Oxford University Press.

Mair, Peter (2002): Comparing Party Systems' in LeDuc, Lawrence, Niemi, Richard G., Norris, Pippa (eds.) *Comparing Democracies 2: New Challenges in the Study of Elections and Voting*. London: Sage.

Omari, L. (2000): Sistemi Parlamentar: Lindja dhe Evolucioni i Parlamentarizmet ne Shqipëri (Parliamentary System: The Birth and Evolution of Albanian Parliamentarism). Tirana: Eleni Gjika.

OSCE (2009) Interim Report No.1 8-21 May 2009, 26 May. Available at [http://www.osce.org/documents/odihhr/2009/05/37843\\_en.pdf](http://www.osce.org/documents/odihhr/2009/05/37843_en.pdf) (15 July, 2009).

Rakipi, Albert (2008): State Building and EU Integration: A View From Albania'. Paper presented at a conference entitled 'EU Enlargement and Global Implications of the Bal-

kan Problem', Center for EU Enlargement Studies, Central European University, Budapest, 22-23 February. Available at [http://web.ceu.hu/cens/assets/files/conference/conf\\_febr\\_2008\\_Rakipi](http://web.ceu.hu/cens/assets/files/conference/conf_febr_2008_Rakipi) (14 August, 2009).

Tanner, Adam (2009): Exit Polls See Albania's Ruling Democrats Winning, Reuters (28 June). Available at <http://www.reuters.com/article/worldNews/idUSTRE55R11920090628> (15 July, 2009).

## **APPENDIX I: The Albanian Names of Parties and their Abbreviations**

### *The 2009 Election Winning Parties*

The Democratic Party: Partia Demokratike (PD)

The Republican Party: Partia Republikane (PR)

The Party for Rights and Integration: Partia për Drejtësi dhe Integrim (PDI)

The Socialist Party: Partia Socialiste (PS)

The Union for Human Rights Party: Partia Bashkimi për të Drejtat e Njeriut (PBDNJ)

The Socialist Movement for Integration: Lëvizja Socialiste për Integrim (LSI)

### *Other Parties Mentioned in the Article*

The New Democratic Party: Partia Demokrate e Re (PDR)

The Social Democratic Party: Partia Socialdemokrate (PSD)

The Social Democracy Party or Partia Demokracia Sociale (PDS)

The Democratic Alliance Party: Partia Aleance Demokratike (PAD)

The Agrarian Party: Partia Agrare (PA)

The Environmentalist Agrarian Party: Partia Agrare Ambientaliste (PAA, formerly PA)

The Christian Democratic Party: Partia Demokristiane (PDK)

The Liberal Democratic Union: Bashkimi Liberal Demokrat (BLD)

The Democratic National Front Party: Partia Ballik Kombëtar Demokrat (PBKD)

The Democratic Union Party: Partia e Bashkimit Demokrat (PBD)

The Movement for Human Rights and Liberty: Lëvizja për të Drejtat dhe Liritë e Njeriut (LDLN)

## APPENDIX II: The 2009 Election Result with Vote-Seat Correlation (Regional Level)

	The Democratic Party (PD) The Socialist Party (PS)			
	# of seats	% of seats (a)	% of votes (b)	(a) – (b) in %
Shkodër (11 seats)	7 seats 4 seats	63.6 % 36.4 %	48.5 % 29.5 %	15.1 % 6.9 %
Kukës (4 seats)	3 seats 1 seat	75.0 % 25.0 %	58.5 % 20.1 %	16.5 % 4.9 %
Lezhë (7 seats)	4 seats 3 seats	57.1 % 42.9 %	44.3 % 30.0 %	12.8 % 12.9 %
Dibër (6 seats)	4 seats 2 seats	66.7 % 33.3 %	49.1 % 30.4 %	17.6 % 2.9 %
Durrës (13 seats <sup>i</sup> )	7 seats 5 seats	53.8 % 38.5 %	45.7 % 37.1 %	8.1 % 1.4 %
Tiranë (32 seats <sup>i,ii</sup> )	15 seats 15 seats	46.9 % 46.9 %	42.5 % 42.9 %	4.4 % 4.0 %
Elbasan (14 seats)	7 seats 7 seats	50.0 % 50.0 %	37.2 % 44.1 %	12.8 % 5.9 %
Fier (16 seats <sup>i</sup> )	6 seats 9 seats	37.5 % 56.3 %	31.6 % 48.4 %	5.9 % 7.9 %
Berat (8 seats <sup>i</sup> )	3 seats 4 seats	37.5 % 50.0 %	26.7 % 48.3 %	10.8 % 1.7 %
Korçë (12 seats)	6 seats 6 seats	50.0 % 50.0 %	42.1 % 43.6 %	7.9 % 6.4 %
Vlorë (12 seats <sup>iii,iv</sup> )	4 seats 6 seats	33.3 % 50.0 %	28.6 % 44.6 %	4.7 % 5.4 %
Gjirokastrë (5 seats)	2 seats 3 seats	40.0 % 60.0 %	35.6 % 46.2 %	4.4 % 13.8 %
Average	n/a	51.0 % 44.9 %	40.9 % 38.8 %	10.1 % 6.2 %

Source: Central Elections Commission, 2009

<sup>i</sup> The number includes 1 seat for the Socialist Movement for Integration (LSI).

<sup>ii</sup> The number includes 1 seat for the Republican Party (PR).

<sup>iii</sup> The number includes 1 seat for the Party for Rights and Integration (PDI).

<sup>iv</sup> The number includes 1 seat for the Union for Human Rights Party (PBDNJ).

---

<sup>1</sup> It considers only the second ballots, which are for the national party list.

# EU's Conditionality Mechanism in South East Europe – Lessons Learned and Challenges for the Future

Sandro Knezović<sup>1</sup>

---

## ABSTRACT

One may argue that the conditionality mechanism should be considered as one of the most successful tools at the EU's disposal when assessing the way it affects the transition processes in post-communist countries and contributes to their success and pace in general. At least, it seems to have proven to be efficient in the case of the countries of the so-called 5<sup>th</sup> enlargement. However, very few analyses about its impact on the transitional processes in the region of South East Europe have been conducted, while the complexity of the situation there highlights the need to do so, indeed. Therefore, this paper will assess the impact of conditionality mechanism on aforementioned processes in that region, trying to analyse EU's policies towards it before that mechanism was introduced as well, thus opening a space to use the comparative analysis of periods before and after its introduction. Furthermore, it will provide an in-depth analysis of the phenomenon of the conditionality mechanism as such, compare its impact on some countries that have already joined the EU to the impact on various stages of transitional reforms that countries in this part of Europe are currently experiencing. As a conclusion, it would attempt to provide the evaluation of usefulness of the conditionality mechanism in South East Europe up to now, define its major achievements as well as the problems experienced so far, providing some recommendations for improvement.

## KEY WORDS:

conditionality, South East Europe, EU, transition, reforms process, integration.

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Sandro Knezović, Ph.D., Institute for International Relations, Lj.F. Vukotinovića 2, 10000 Zagreb, Croatia, e-mail: sandro@irmo.hr

## INTRODUCTION

As it is already well known, the security dysfunctions in South East Europe during the early nineties represented a serious challenge to the stability not only in the region, but to its closer and wider surrounding as well. One may conclude that the European Union<sup>2</sup> showed modest capacity to tackle this problem and stabilise the growing challenge *de facto* in its own backyard. Hence, only after the decisive involvement of the United States<sup>3</sup>, the preconditions for conclusion of the Dayton Agreement<sup>4</sup>, termination of armed conflicts and redefinition of relations within the region were created.

However, notwithstanding the importance of aforementioned achievements, it is difficult to argue that the period that followed represented the era of democratisation and intra-regional normalisation of relations that should have led to the long-term stabilisation of the region and its sustainable economic development. The seriousness of general situation in South East Europe seems to be even more visible when analysing the reforms process there in comparison with the one in Central and Eastern European countries. Namely, ex Yugoslav republics, especially some of them, were showing the biggest transitional potential during the early nineties<sup>5</sup>, whilst obviously lagging behind almost all other countries of the former communist block at the turn of the new millennium. Furthermore, while some of these countries were already in the middle of the process of European integration, when it comes to the region in question, the same process had not even started yet at that time. On top of that, there were significant indicators warning about the fact that South East Europe at that time still represented a serious challenge to the European security in general. Apart from the dramatic increase in xenophobic nationalisms, followed by armed conflicts and other negative repercussions that kind of scenario entails, the region was burdened with serious economic stagnation and backwardness<sup>6</sup> as well as with the process of mushrooming of different 'non-military' threats

---

<sup>2</sup> Further in the text – the EU.

<sup>3</sup> Further in the text – the US.

<sup>4</sup> The General Framework Agreement for Peace in Bosnia and Herzegovina, see the full text at the Official Website of the Office of the High Representative and EU Special Representative, [http://www.ohr.int/dpa/default.asp?content\\_id=380](http://www.ohr.int/dpa/default.asp?content_id=380)

<sup>5</sup> This is mainly due to the fact that both the market and the political system in former Yugoslavia were more open and closer to standards of democracy and free market economy in the West than those in the countries of the Warsaw Pact.

<sup>6</sup> The armed conflicts led to termination of economic activities, downfall of GDP, industrial and agricultural production, as well as to significant increase of unemployment, poverty and a number of other economic distortions that were not showing any recognisable signs of serious improvement in the post-Dayton period.



to national and regional security (corruption, organised crime, illegal trade of weapons, narcotics, humans etc.).

Given the difficult post-conflict legacy and intra-regional animosities, it was highly unlikely that the initiative for long-term stabilisation would come from the region. Owing to relative reluctance of the US to invest more energy into the stabilisation of the region, even after the Dayton Agreement, it was obvious that the EU was supposed to take the responsibility for regional stabilisation of South East Europe.

Furthermore, during the last decade the EU had entered 'the final stage' of its political unification and its process of gaining recognisability at the international arena, with the Maastricht Agreement and the inauguration of Common Foreign and Security Policy<sup>7</sup> as one of its pillars. A failure to resolve the crisis earlier in the nineties, coupled with the fact that it was practically impossible to gain global political significance without the ability to ensure stability in its own backyard, gave EU no other option but to try investing resources and know-how into it.

Among various ideas, concepts, initiatives and mechanisms, it appears that one was more successful than others – the conditionality mechanism. Unlike the rest, it seems to have managed to stimulate the initiation of the reforms process in the region with various levels of achievement, depending on the capacity of each country. Already well known, and thoroughly analysed, as the EU's reliable tool from the 5<sup>th</sup> enlargement, it still represents a very important factor of the long-term stabilisation of the South East Europe. But it also faces some limitations caused by a different and more complex political and economic reality in the region as such, and sometimes it even seems insufficient in overcoming them.

The reasons listed above, together with the fact that we do not get to see its detailed assessment very frequently, without elaborating again on the aforementioned complexity of the region and its transitional processes, jointly represent

---

<sup>7</sup> The Treaty on European Union (TEU) – the so-called Maastricht Treaty, represents a new stage in European integration since it opens the way to political integration. It creates a European Union consisting of three pillars: the European Communities, Common Foreign and Security Policy (CFSP), and police and judicial cooperation in criminal matters (JHA). The Treaty introduces the concept of European citizenship, reinforces the powers of the European Parliament and launches economic and monetary union (EMU). Besides, the EEC becomes the European Community (EC). See other details and full text of the agreement at the Official Website of the EU - [http://europa.eu/legislation\\_summaries/economic\\_and\\_monetary\\_affairs/institutional\\_and\\_economic\\_framework/treaties\\_maastricht\\_en.htm](http://europa.eu/legislation_summaries/economic_and_monetary_affairs/institutional_and_economic_framework/treaties_maastricht_en.htm)

a stimulus strong enough to modestly attempt to provide a comprehensive analysis of the conditionality mechanism in South East Europe in this paper.

## **EU AND THE REGION PRIOR TO THE INTRODUCTION OF A FUNCTIONAL CONDITIONALITY MECHANISM**

Responsibility of the EU for the post-conflict stabilisation of South East Europe within the framework of transatlantic partnership became self-understandable immediately after the conclusion of the Dayton Agreement. Therefore, from the beginning of that period the EU have invested a significant amount of energy into articulation of its political presence in the region.

Despite the fact that the situation in the region in the early post-conflict period did not seem promising at all, it was obvious that the termination of armed conflicts, achieved with the significant US contribution, represented the most important precondition for the long-term stability of South East Europe and its economic development. Namely, in the very beginning, the EU was limited to bilateral relations with countries from the region, which was clearly not sufficient for its stabilisation and economic sustainability. This is the major reason why EU started developing various frameworks for regional co-operation as a possible tool for achievement of aforementioned goals of its policy in South East Europe.

### **ROYAUMONT PROCESS**

The first EU initiative with a regional ‘fore-sign’ was the *Royaumont Process*<sup>8</sup> that had been initiated in December 1996 in order to confirm the EU determination to contribute to stability and good neighbourly relations within the region of South East Europe with the focus on the support of implementation of the Dayton Agreement. This relatively innovative approach had a noticeable contribution to the improvement of the situation in the region mainly by encouraging the democratisation through the promotion of dialogue within the population, modernisation of structures of civil society and creation of NGO networks of co-operation. As the former co-ordinator of the Royaumont Process (Dr. Panaghiotis Roumeliotis) clearly states, general awareness of main

---

<sup>8</sup> The following countries and organisations have participated in the process: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Luxembourg, Macedonia, Netherlands, Portugal, Romania, Russia, Slovenia, Spain, Sweden, Turkey, United States, FR Yugoslavia, Council of Europe, EU and OSCE. See the details in Roumeliotis, Panaghiotis: *The Royaumont Process - An Initiative for Stability and Good Neighbourliness in South-Eastern Europe*, <http://www.hri.org/MFA/thesis/autumn98/royaumont.html>

reasons for the destabilisation of South East Europe, not to speak about aforementioned European incapability to resolve the crisis in ex Yugoslavia during the early nineties, led the EU to invest significant amount of energy and resources into this process.

“The potential for conflict both within and across national boundaries is aggravated by the lack of effective communication channels among citizens and politicians. In the absence of institutions enabling conflicts to be resolved and differences to be transmuted into political debate, confrontation is always a possibility. Ethnic and national prejudices are thus perpetuated in the region. It is therefore of paramount importance to promote the concept of a broader European identity in a shared democratic culture for conflict situations to be alleviated and relations between the countries of the region and the EU to be strengthened. Conflicts based on cultural, ethnic, and religious differences cannot, however, be prevented or resolved only at the political level. These are matters of conscience and, as such, must be addressed by the individuals themselves who must be assisted in order to overcome their prejudices, and learn about their fellow citizens and how to tolerate their differences.” (Roumeliotis 1998: 1-2).

Organising various conferences, ensuring significant amounts of funds for various projects as well as support from different factors in international community, the Royaumont Process managed to re-initiate regional co-operation in various fields, such as journalism, civil society, education, culture, science and many others. It should not be forgotten that this process is responsible for the establishment of inter-parliamentarian relations within the Stability Pact for South East Europe<sup>9</sup>, which represents a significant contribution to the normalisation of intra-regional relations. It is more than obvious that this process has improved the conditions in the region, in particular in the field of free movement of people and information, furthermore, it enhanced dialogue, regional cultural, scientific and technical co-operation and strengthened civil society networks, thus playing a big role in the post-Dayton period.

However, owing to the lack of mechanisms that would serve to deepen the existing programs and ensure implementation, the whole process was based on the good will of participants to invest in the regional stabilisation. Accor-

---

<sup>9</sup> The Stability Pact for South-Eastern Europe, adopted on 10 June 1999 in Cologne, is an EU initiative with the aim to bring peace, stability and economic development to the region. In fact, it is a framework for co-operation between the EU, US, Russia, Japan, Turkey, countries from the region and others including regional and international organisations and international financing institutions.

dingly, the participation in the process of both countries and international organisations depended on their capacity, priorities and interests in the given momentum. Therefore, it was essential for the EU to develop a new policy framework that would contribute more concretely to the long-term stabilisation of the rather turbulent region.

#### REGIONAL APPROACH

In that regard, the meeting of the Council of Ministers of the EU in Luxembourg (October 1996) represented 'a new beginning' for the formulation of EU policies towards the region, i.e. a formal initiation of a coherent political framework for the development of co-operation in South East Europe and bilateral relations between the EU and each state individually, widely known as the *Regional Approach*. It is important to underline that, already in this document, one may find the elements of the conditionality mechanism of the EU towards the region. Namely, positively evaluating the termination of armed conflict and further development in the region after the conclusion of the Dayton Agreement, this document outlines the main goals of the EU in South East Europe, and these are the following: stimulation of political and economic reforms with the aim to ensure sustainable stability of the region, based on democratic values and fundamental freedoms. It requires a dedication to the successful implementation of the Dayton Agreement and regional co-operation as a guarantee of future avoidance of conflicts. Furthermore, while recognising 'the European vocation' of given countries, EU directly related the level of bilateral relations with any given country with the one of the progress in meeting fundamental political and economic criteria, including the establishment of the wide range of regional co-operation.

It has been clearly outlined that any other agreement between the EU and countries from the region would be used as a form of an instrument for enhancement of political and economic reforms, as well as of the regional co-operation, with respect to special requirements of each country and individual assessment of their progress. It means that conclusion of agreements with the EU depends exclusively on the transformational capacity and the will of the countries in South East Europe and that concrete benefits, like trade liberalisation and economic assistance, will depend solely on that. One should not omit noticing the fact that the EU introduced monitoring of aforementioned processes in each given country that was reflected in regular semi-annual reports focused on democratic principles, rule of law and respect for human rights, minority protection, economic reforms and regional co-operation.

So, it is clear that the Regional Approach was based on the principles of conditionality. Political and economic benefits from enhanced relations with the EU, including financial assistance and conclusion of any form of contractual relations with it, were directly related to the fulfilment of criteria mentioned before<sup>10</sup>. Despite all efforts invested into this process, as well as its doubtless contribution to the stability of the region, it proved insufficient to achieve long-term success. If there had been any doubts whether the EU needs a new incentive for South East Europe, these vanished with the Kosovo crisis (1999) followed by the military intervention of NATO in FR Yugoslavia, not to mention that this was yet another blow to the EU's global political credibility and a proof of absolute dominance of NATO and the US in the transatlantic post-Cold War security context.

This approach seems to be a proof that the conditionality mechanism, even though a relatively valuable tool of the EU in 5<sup>th</sup> enlargement, may not be useful, if it does not contain elements that are necessary for its functionality. Namely, it has to have a very clear potential benefit for countries concerned if it is to be expected from them to conduct the very painful and energy-consuming reform process. More concretely, unlike in the case of the 5<sup>th</sup> enlargement countries, the lack of clear perspective of full-fledged EU membership represented a heavy burden for the transitional capacity of those in South East Europe. If we take this into consideration in an oversimplified manner, using *the Carrots and Sticks logics*, it was obvious that the first ones were much less visible than the others, and this is exactly why EU's new policy towards the region – *Stabilisation and Association Process*<sup>11</sup> – represents a huge milestone in relations between the two and a motor of positive changes during the last decade.

## **INTRODUCTION OF EU'S CONDITIONALITY (COPENHAGEN CRITERIA) AND COUNTRIES OF THE 5TH WAVE OF ENLARGEMENT**

The role of the conditionality mechanism in relations between the EU and countries in transition in general is more than noticeable. Indeed, it represents the major instrument of EU's policy towards aforementioned countries and transitional processes in them and, despite the fact that this article is concentrated on EU's conditionality in South East Europe, it is therefore re-

---

<sup>10</sup> It is worth mentioning that there were some specific requirements for some countries from the region, that were derived from their former involvement in armed conflicts, and these are co-operation with the ICTY and the return of refugees and displaced persons. Unlike in the case of countries of the 5<sup>th</sup> enlargement where it was recommended, regional co-operation was made conditional as well.

<sup>11</sup> More on this on pages to come.

commendable to reflect briefly on the way it has been inaugurated as well as the way it influenced the European integration process of countries of the 5<sup>th</sup> enlargement.

So, as one may assume, the impact of the mechanism of conditionality was more than visible in relations between the EU and the countries of Central and Eastern Europe. Actually, it represented their essence, i.e. the main motor for political and economic changes that have happened there in the 90's. Having said that, it is very important to underline that a clear European perspective of these countries, coupled with concrete co-operation within the framework of European Agreements<sup>12</sup>, represented a key precondition of functionality of the conditionality mechanism with the prevailing role in the stimulation of conduct of painful transitional reforms.

Accordingly, it was more than obvious that any enhancement of relations with the EU would depend solely on meeting a set of criteria, and in that sense the European Council meeting in Copenhagen (1993) represented a milestone in relations between the EU and post-socialist countries seeking to find its place in an enlarged 'European family'. Namely, it was the first time their European perspective was officially recognised and confirmed by the highest EU officials. Apart from that, the general criteria that the countries that aspire to become members of the EU have to meet were presented and made *conditio sine qua non* to any progress in their accession processes.

The so called *Copenhagen Criteria*<sup>13</sup> were hence incorporated into the process of EU enlargement and became broadly accepted as a major measure in estimation of transitional achievement of each country concerned, as well as a strong tool for EU's impact on their pace and outcome. These criteria were thoroughly

---

<sup>12</sup> The European agreements constituted the legal framework of relations between the European Union and the Central and Eastern European countries. These agreements were adapted to the specific situation of each partner state while setting common political, economic and commercial objectives. In the context of accession to the European Union, they formed the framework for implementation of the accession process. See other details at the Official Website of European Commission - [http://ec.europa.eu/enlargement/glossary/terms/europe-agreement\\_en.htm](http://ec.europa.eu/enlargement/glossary/terms/europe-agreement_en.htm)

<sup>13</sup> The Copenhagen Criteria represent the following:

- Political – stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- Economic – existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union;
- Acceptance of the Community acquis - ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union. – See other details at the Official Website of the EU - [http://europa.eu/scadplus/glossary/accesion\\_criteria\\_copenhagen\\_en.htm](http://europa.eu/scadplus/glossary/accesion_criteria_copenhagen_en.htm)

developed and specified in various documents in the process of each individual country, becoming ever more demanding as the process of accession develops. However, in parallel with that, the benefit from the process will grow, including various material and non-material assistance, together with the perspective of full-fledged membership, which is exactly what has kept the process alive and has made the goals that were set prior to it achievable.

#### EXAMPLES FROM SOUTH EAST EUROPE – BULGARIA AND ROMANIA

The big enlargement that occurred on 1<sup>st</sup> May 2004 will undoubtedly be remembered as one of the most important events in the history of the EU due to a number of reasons. The thing that may be easier to forget is the fact that two countries – Bulgaria and Romania - were denied the invitation to take part in it owing to a set of various problems in their transition processes. They seem to be interesting for this research at least owing to two facts – the aforementioned transitional problems<sup>14</sup> and geographic proximity, i.e. categorisation as countries of South East Europe. Therefore it is more than recommendable to take a glimpse at the way the EU conditionality affected the pace and the outcome of the transitional processes in these two countries.

If we compare the pressures of adaptation of candidate countries from the 5<sup>th</sup> wave of enlargement with those of previous waves, it is obvious that they were much stronger not only due to the fact that EU is 'a moving target' that deepens its integration process (EMU, Schengen Agreement etc.) but also because of a lower level of democratic development with which former communist states started the transitional process<sup>15</sup>. In that sense, one may conclude that Bulgaria and Romania, as the least developed countries among the countries of the 5<sup>th</sup> enlargement, were exposed to enormous amount of adaptation pressure in their transition period.

Furthermore, the Copenhagen criteria that were set as the *conditio sine qua non* for any improvement of the accession are not negotiable by their nature, which means that candidate countries were basically unable to voice their objections or amendments to the existing conditions. On the other hand, there were va-

---

<sup>14</sup> The level of complexity of their problems, coupled with the poor economic performance, have brought them into very difficult position, which stimulated different analysts to classify them in various ways. For example, Heather Baird defines them as the 'underclass of the EU', underlining the fact that they will be the poorest members once they join EU. (Baird 2004).

<sup>15</sup> For example, countries from previous enlargement that occurred in 1995 (Austria, Finland and Sweden) were much closer to the membership standards set by the EU than the countries of the ex communist block.

rious programmes of financial assistance<sup>16</sup> that were of significant importance for the stability of economies of those two countries and their development. It is enough to take a look at the statistical data regarding the amount of funds received by these two countries during their accession processes to understand its importance for them and the situation in which they found themselves *vis-à-vis* the conditionality mechanism. The fact that Bulgaria and Romania were receiving the assistance that amounts approximately 2% of their national GDP tells more than enough about their dependence on EU pre-accession funds at that time.

Another tool of EU's influence on transitional process in these two countries were the so-called 'Roadmaps for Accession' that are regularly issued by the European Commission (EC) in order to underline the most important measures and 'warn' on the responsibilities taken on by the candidate country in the negotiation process. In accordance with that, the EC issued 'Regular Reports' where it analysed the progress made in meeting the criteria outlined in the 'Roadmaps for Accession'. During the last few years of the accession process of these two countries, special attention had been given to the administrative and judiciary capacity to implement the *acquis communautaire*, the fight against corruption and the reform of the economic sector, that were defined as major problems of the transitional process of these two countries and the central reason for delays in receiving invitation to join the EU.

Given the fact that every country has its own reforms process and characteristics in which they differ from others, it is understandable that each of them has its particular problems that leave room for the EU to attach additional specific conditions to the candidate country at various stages of their accession processes. Heather Grabbe (2003) defines the phenomenon as – 'gate-keeping' – specific criteria for accession were more than visible in the case of Bulgaria and Romania. The issue of Kozloduy nuclear power plant dramatically burdened Bulgarian accession process and the country had to close four reactors altogether in a relatively short period despite improvements in the field of safety. On the other hand, Romania experienced the imposition to the gate-keeping mechanism before the opening of membership negotiation in 2000 in the field of economic transformation and treatment of children in state orphanages.

---

<sup>16</sup> Three main funds from which Bulgaria and Romania benefited the most were PHARE, ISPA and SAPARD that were created to support the transformation processes in transitional countries. The first one was concentrated mainly on institution building, promotion of economic and social cohesion, while the others backed the projects from the field of infrastructure, environment, agriculture and rural development.



Taking into account everything listed above, it is evident that the EU's conditionality mechanism played a very important role in transitional processes of Bulgaria and Romania. Starting with the Copenhagen criteria, that may be considered essential in that sense, and noticeable disproportion of power between the EU and candidate countries during the negotiations, it may be concluded without any doubts that the aforementioned mechanism represented a useful tool of the EU which helped it to have an impact on the pace and outcome of transitional processes of these two countries. Furthermore, the awareness that the failure to comply with the criteria would imply practical exclusion from the process and the loss of generous financial assistance from the EU, upon which the national economies of Bulgaria and Romania depended at least to a certain extent, adds to the general importance of the conditionality mechanism for these two countries. On the other hand, despite delays and difficulties in their accession processes, it is evident that mentioned mechanism have had a positive impact on them in general, helping to finalise that phase successfully and become a full-fledged member of the EU in 2007.

## **EU CONDITIONALITY AND SAP COUNTRIES**

Based on a relatively positive experience from transition processes of countries in Central and Eastern Europe and the fact that mechanisms that the EU used in South East Europe during the 90's proved not to be efficient, it inaugurated a new policy that was mentioned earlier in the text – Stabilisation and Association Process (SAP) – which represented the first application of a functional conditionality mechanism on this group of countries.

Similarly demanding criteria for the accession process of SAP countries with far less noticeable benefits for them made the relations with the EU rather uneasy, while fragile political and economic mechanisms in that part of Europe made the compliance with the EU standards even more difficult. However, the uncertainty of the economic development and political instability in the post-conflict period made the whole region pretty dependant on various forms of EU assistance, making the conditionality mechanism itself more relevant. Namely, at the beginning of this decade that brought strengthening of pro-European forces in the region, especially in Croatia and Serbia, there has been a paramount wriggle in the process of prioritizing in the field of political and economic life. On the other hand, the long expected recognisability of common EU policy towards the region, coupled with a sign of European perspective, finally 'appeared on the horizon'. On top of everything, a drastic shift in the priorities of the US foreign policy to fight against terrorism after the 9/11

promoted the EU to the main guarantor of stability in South East Europe, which had in a way contributed to the overall relevance of its conditionality mechanism as well.

Everything mentioned here confirms the huge responsibility assumed by the EU for the democratic development and insurance of viable economic growth in the region burdened with nationalistic tensions and post-conflict reality. It became clear that the energy invested in humanitarian assistance and reconstruction should be canalised into forming a consistent and recognisable common EU's policy oriented towards long-term political stability, economic development and integration into the EU of each country from the region. Exactly because of that, the conditionality mechanism, as one of most important instruments of the EU's policy in the region<sup>17</sup>, became crucial for successful finalisation of these processes and achievement of very ambitiously set goals.

#### STABILISATION AND ASSOCIATION PROCESS

As already indicated, a need for a clearer initiative from the EU, that would reflect its political unity, i.e. common position towards a turbulent region in its own backyard, became more than obvious and this led to the inauguration of the aforementioned *Stabilisation and Association Process (SAP)* at the Zagreb Summit (November 2000)<sup>18</sup>. Introducing the possibility for countries from the region to join the EU once they meet all the criteria and respecting the individual approach to evaluation of transitional progress of each of them (*own merits*), the EU has put an emphasis on the regional co-operation, along with the return of refugees and co-operation with the ICTY<sup>19</sup>, as a *conditio sine qua non* of any form of improvement of relations with the EU, not to mention the speeding-up of the accession process. With this policy it tried to ensure the political, economic and institutional development comparable with those of the Central European countries and of the EU member states in a broader perspective.

---

<sup>17</sup> Having said that, one should not underestimate the importance of humanitarian assistance, ESDP missions, and other forms of help provided by the EU.

<sup>18</sup> See the full text of Final Declaration of Zagreb Summit at the Official Website of the European Commission: Zagreb Summit – Final Declaration, [http://ec.europa.eu/enlargement/enlargement\\_process/accesion\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/zagreb\\_summit\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accesion_process/how_does_a_country_join_the_eu/sap/zagreb_summit_en.htm)

<sup>19</sup> ICTY – The International Criminal Tribunal for the former Yugoslavia (ICTY) is a United Nations court of law dealing with war crimes that took place during the conflicts in the South East Europe in the 1990's. See other details at the Official Website of the ICTY – <http://www.icty.org/sections/About-theICTY>

Setting very high standards for enhancement of the European integration process in the region<sup>20</sup>, for the first time the EU has directly linked processes of stabilisation and association, which is visible from the name of the policy itself. It became clear that, especially taking into account the security dysfunctions in this region in the period prior to the initiation of this process, the two aforementioned processes have to go hand in hand with each other in order to achieve any progress in long-term stabilisation and sustainable development.

Also, apart from offering the perspective of full-fledged EU membership for the countries in the region as the main *spiritus movens* of transitional changes in this part of Europe, it has ensured various forms of material and non-material assistance:

- Asymmetric liberalisation of trade;
- Economic and financial assistance;
- Assistance in the process of democratisation and development of civil society;
- Development of political dialogue;
- Humanitarian assistance for refugees and other endangered groups within the society<sup>21</sup>.

Despite various problems, one may conclude that the major achievement of the SAP is the fact that it succeeded in raising awareness, both within the region and the EU, of the danger that eventual marginalisation of the region brings along and the importance of its integration into the EU<sup>22</sup>.

Furthermore, the European perspective of SAP countries has been of utmost importance, having in mind the fact that it represents the confirmation of EU's commitment to continue contributing to the transitional process of countries

---

<sup>20</sup> Some criteria in the framework of the SAP, such as regional co-operation, return of refugees and co-operation with the ICTY, were frequently perceived within the region as an additional burden to an already complicated transitional process and sometimes even as double standards that the EU was applying to different groups of countries. However, taking into account numerous democratic deficits of countries from the region in the post-conflict period, one may conclude that it would be recommendable to interpret them as a concretisation of the aforementioned Copenhagen criteria in a transitional specificum like the turbulent South East Europe.

<sup>21</sup> See the details in – Knezovic, Sandro: Utjecaj unutarnjih i vanjskih faktora na regionalnu konsolidaciju – slucaj Jugoistocne Europe, Doktorska disertacija, Sveuciliste u Zagrebu, Fakultet politickih znanosti, 2008, p. 179.

<sup>22</sup> One should not underestimate the importance of progress of integration process in Central and Eastern Europe for the dynamics of the same process in South East Europe. With clear EU membership perspective of the countries of 5th enlargement, the EU has been brought closer to the borders of the region together with the idea of European integration as such and the acknowledgement of the fact that the old project of unified Europe would not be finished until the whole region becomes a part of the EU.

from the region and hence the reflection of its legitimacy within this part of Europe, which was formally confirmed once again at the Thessaloniki Summit (2003)<sup>23</sup>.

In this document as well, the essential role of the conditionality mechanism, in combination with the European perspective of countries from the region, is more than noticeable and it represents the most effective tool at EU's disposal for correction and enhancement of transitional processes in the region.

However, it would be inappropriate to concentrate only on achievements of the conditionality mechanism in that region and neglect serious difficulties it is facing there. Based on good experience from the 5<sup>th</sup> enlargement, the conditionality mechanism as such was based on three assumptions. As Anastasakis and Bechev (2003) correctly notice, these are the following:

- The differentiation among the countries generates a positive climate of competition on the way towards accession;
- The reform process enjoys consensus and support from the local elites and population;
- The EU's guidelines and templates are equally beneficial for all of the countries, at least in the long run.

Nevertheless, one should not omit noticing that while it was pretty effective in the case of countries of the 5<sup>th</sup> enlargement, the conditionality mechanism proved not to be able to generate the same transformational success among the SAP countries, which of course affects the relevance of the policy itself. The differentiation that occurred among the candidate countries in Central and Eastern Europe, as a consequence of the aforementioned mechanism, appeared to be even more noticeable in the South East Europe, not only between Bulgaria and Romania on one and SAP countries on the other side, but among themselves as well<sup>24</sup>. Apart from the difference in the capacity to apply the criteria set by the EU, there is also one in terms of status, sovereignty and ownership of governments in the region that has a direct impact on their ability to respond to the challenge of fulfilling the pre-accession criteria. Namely, apart from

---

<sup>23</sup> See the whole document at the Official Website of the European Commission: Thessaloniki Summit – Final Declaration, [http://ec.europa.eu/enlargement/enlargement\\_process/accession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/thessaloniki\\_summit\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/thessaloniki_summit_en.htm)

<sup>24</sup> It is well known that Croatia is definitively way ahead the rest of the group in the transitional process, despite some serious obstacles it is still facing. Apart from it, Macedonia is the only country in this group with the status of candidate country, but still without the date of the beginning of the accession negotiation, while the other countries are still significantly lagging behind.

self-governed countries, the region consists of international protectorates like Bosnia and Herzegovina and Kosovo, which altogether complicates the EU's efforts to maintain a viable single framework of relations with SAP countries. During the last few years, this differentiation has made it even more difficult to promote the idea of regional co-operation that was made *conditio sine qua non* within the SAP framework<sup>25</sup>. Taking into account the significant diversity in the region and the aforementioned obstacles for deeper co-operation within it, it is difficult to perceive how the differentiating characteristic of the conditionality mechanism could produce a stimulating competition among SAP countries in their accession process.

In general, at least according to the experience from 5<sup>th</sup> enlargement, the conditionality mechanism is supposed to provide the stimulation to the governments at the national level to conduct the transitional reforms processes and advance to the full-fledged membership in the EU. However, given the fact that successful reforms process necessarily requires political will and consensus on the national level, which did not happen in every SAP country like in the case of Central Europe, it appeared that conditionality mechanism itself was frequently not enough to move the integration process further.

One of the major preconditions for successful conduct of transitional reforms with help of the EU and use of its conditionality mechanism is a regional/local ownership that should imply ability to articulate national interests in the process of conclusion of any regional or bilateral arrangement. However, that kind of ownership requires sovereign national authorities which is unfortunately not the case in all countries and it is enough to analyse the role of the OHR<sup>26</sup> in Bosnia and Herzegovina and Special Representative of UN Secretary General in Kosovo to comprehend the complexity of political systems and modesty of capacity at the national level in their cases to articulate priorities in the process of transition. Therefore the result was conditionality directly imposed from abroad without any consideration of priorities at the national level or role of local actors whatsoever, which leads to the absence of reform consensus and any confidence between political elites at the national level, the public and international subjects.

---

<sup>25</sup> Some countries from the region appeared not to be very supportive of the idea of regional co-operation, perceiving it as something that will prolong or even supplement their membership in the EU. On top of that, the turbulent recent history marked with intra-regional conflicts represented another obstacle to the idea, which is why the development of bilateral relations with the EU and its member states was much more popular at that time.

<sup>26</sup> OHR - Office of the High Representative and EU Special Representative – see the details at the Official website of the OHR, <http://www.ohr.int>

It is also useful to mention that the EU proved not to be capable to always use the conditionality tool, since some candidates, especially those where EU accession seems not yet to be defined as the main priority, responded by ‘changing the course’ and seeking for alternative ways of partnership elsewhere. As Smith notices (2003), Turkey is a good example how insisting rigidly on membership conditionality and isolation of the country can be discouraging for reformist forces there and for the whole society as well.

Furthermore, as Gergana Noucheva (2006) correctly notices, in case of complex post-conflict political systems, the presence of sovereignty-linked demands provokes political mobilisation against the EU conditionality. When EU conditions clash with sub-state aspirations for independence or self-determination, political fragmentation on the question of compliance can be expected<sup>27</sup>. In accordance with that, she correctly concludes that since the EU demands affect the way statehood is constituted within states with compromised sovereignty, political opposition to EU requirements has become part of the politics of compliance in the semi-sovereign states.

It should also be mentioned that in the case of majority of the countries from the 5<sup>th</sup> enlargement, the carrot of EU membership served for additional stimulation of the already relatively developed democratic process, while in some SAP countries, like *par exemple* BiH, it is still in the initial phase, burdened with unresolved statutory issues and unfinished state-building process. At that stage of the process, this tool appeared not to be effective enough to push the aforementioned processes further and sometimes it even produced a sort of a counter-effect, at least in one of its entities, that moved the country away from its European path.

## CONCLUSIONS

It is obvious that conditionality mechanism proved to be an efficient tool at the disposal of EU that helped in influencing the outcome and the pace of the transitional reforms of post-communist countries in their pre-accession stage, at least when we take into account the countries of the 5<sup>th</sup> enlargement. However, one may conclude that it is difficult to insist on absolute comparability of the conditionality mechanism functionality when speaking about these countries and the SAP ones. As we can see, in spite of noticeable reform progress in the

---

<sup>27</sup> Best example for that is the position of officials from Republika Srpska on the issue of police reform in Bosnia and Herzegovina.

last group, it is clear that the EU is still facing serious difficulties in attempts to develop a long-term strategy for that part of Europe. Among other problems mentioned herein, we should not forget to underline maybe even the most important one and that is the lack of legitimacy of EU's guaranties with regards to the European perspective of SAP countries.

During the last few years, despite various efforts of EU officials to confirm it at least on the declarative level, the questioning of *ratio* of further EU enlargement more often seemed to be appearing on the agenda, especially in the context of numerous demands for assurance of the functionality of the decision-making process in the EU.

As it is widely known, at the Zagreb Summit in 2000, the EU assumed the responsibility of guaranteeing European perspective to SAP countries once they meet all criteria, which was confirmed at the final declaration of Thessaloniki Summit in 2003. Even so, few later attempts to confirm the relevance of the responsibility assumed by the EU did not reach the expectation within the region. The European perspective, at least in some countries, was not perceived as palpable enough, so the question whether the benefits from progress in the accession process, in these circumstances, could cover the costs of painful reforms the countries were supposed to conduct in period before them, started dominating the public debate.

Apart from the well-known lack of initiatives for enhancement of reforms process coming from the region, the issue of credibility of the European perspective of SAP countries became a serious burden for 'the transitional enthusiasm' in the region. Viewed with 'optics of countries from the region', it was obvious that the political will in the EU for further enlargement is declining, especially in the context of an ever more frequently mentioned phenomenon of the so-called 'enlargement fatigue'<sup>28</sup>. Appearance of some ideas alternative to membership, such as 'privileged partnership' or 'strategic partnership', frequently used in general non-expounded way, added to the scepticism within the region about its European perspective, despite the fact that these suggestions were

---

<sup>28</sup> After the failure of referendum on EU Constitution in France and Netherlands, this term started making the headlines. Despite the fact that this referendum failed owing to a set of completely different reasons, the debate on enlargement fatigue started to develop, revealing a very high percent of scepticism in the EU with regards to the acceptance of new member states. Calling upon the slow-down or the termination of the enlargement process, high officials from some EU member states gave priority to that issue, hence avoiding to participate in the debate about some 'less pleasant' topics, such as real reasons for the failure of the referenda (high unemployment rate, inefficiency of welfare systems in Western Europe, etc.).

mostly linked to the Turkish EU bid. Yet another term – ‘absorption capacity’ – that was frequently used to underline the limits of capacity of the EU to absorb new members, i.e. the flexibility of its administrative framework, defined by the Nice Treaty, just added to the existing scepticism in the region.

On the other hand, the EU is aware of the importance of the credibility of guarantees given to SAP countries and has invested lots of efforts into trying to confirm them without taking any commitments on concrete activities in that regard. The best example for that is Macedonia which obtained the candidate status few years ago and still does not have a concrete date for the kick-off of membership negotiations with the EU.

According to everything that has been mentioned here, one may conclude that the European perspective has become less visible for SAP countries, despite various attempts of the highest EU officials to prove exactly the opposite. In that context it is of paramount importance to underline the following – in order to have a functional conditionality mechanism, credibility of EU’s guarantees to SAP countries must not be debatable. In that sense, discussion about the slow-down or the termination of enlargement process, combined with insisting on regional co-operation like one of major criteria of SAP, have shown their destabilising potential during the last decade, generating various theories on the regional framework of co-operation as a model of postponement of the integration process or even its alternative<sup>29</sup>.

It has become clear that the EU has to ensure the credibility of its guarantees to SAP countries in the most adequate way, that it must establish visible links between the mechanism of conditionality and the main goals it is focused on. In that sense, the resolution of the EU administrative puzzle and entering into force of the Lisbon Agreement would open a new perspective for the EU, and for its enlargement process as well, which would represent a huge step forward.

Anastasakis and Bechev (2003) correctly define this problem as – the commitment deficit – and it seems to be visible not only from the EU side but from the one of countries in the region too. Unfortunately, especially in some of them, there is a clear deficit of consensus about the EU accession process as one of priorities, despite the fact that political elites declaratively opt for stronger EU

---

<sup>29</sup> It was particularly disturbing for the front-runners in the SAP group who have perceived the regional concept as something that will slow down their accession process and cement them in an undesirable framework of underdeveloped countries.



engagement and integration into it. Regardless of the real reasons for their political behaviour, scepticism towards the EU or their inability to voice their concerns and needs in the transitional phase, the fact is that daily politics in at least few SAP countries have very little to do with the EU integration endeavour.

In spite of difficulties mentioned here, one may conclude that SAP represented a paramount milestone in relations between the EU and countries concerned. Thanks to its mechanism of conditionality linked to the system of individual evaluation of each country's transitional success (*own merits*), it generated a new dynamics in political life and economic development of the region and represents another confirmation of growth of 'the transitional enthusiasm' of aspiring countries as a consequence of the appearance of the European perspective on the regional political horizon.

There is no doubt that the EU bears an enormous responsibility for long-term stability and sustainable economic development of that part of Europe. Especially after 9/11 and the changes in the US foreign policy priorities, as well as the initiation of the process of the EU political unification, not to mention the geographical proximity, it should be able to tackle the problems in its own backyard if it wants to be regarded as a global political player. Taking into account the fact that geostrategic focus is shifting eastwards to regions like Southern Caucasus and Middle East, as well as the arrival of new challenges from the East, the strategic importance of stability in that part of Europe and its final integration into the EU after meeting all membership criteria speaks enough for itself.

Of course this should not rid regional political actors from their responsibility, as they should undoubtedly start doing more for the achievement of the aforementioned goals. Regional ownership has to be assumed by them as soon as possible to make the successful conduct of reforms more viable. Protectorate mentality shown in some countries in the region proved not to be the appropriate way to ensure a sustainable and an interactive reforms process in which all participants should be able to articulate their concerns and needs.

Hence, it is obvious that both sides in the process bear a huge responsibility for its successful conduct, so it is clear that they have to invest more energy into it. Moreover, it seems that neither of them have any alternatives – while it is difficult to imagine the EU as a recognisable global political actor without the ability to stabilise its own backyard and help it become 'a part of the European family', it is enough to take a look at the economic interconnectedness of countries from the region with the EU, not to mention dozens of other arguments in favour of their future full-fledged membership. Therefore, it is vital that the

energy and the know-how of all branches of societies on both sides be involved in the process of integration of SAP countries into the EU that would, in the end, contribute to the finalisation of the 'old project' of a united Europe.

## REFERENCES

Anastasakis, Othon; Bechev, Dimitar (2003): EU Conditionality in South East Europe – Bringing Commitment to the Process, University of Oxford, <http://www.cespi.it/STO-CCHIERO/dossierBalcani/conditionality.PDF>.

Baird, Heather (2004): Bulgaria and Romania: Second Wave or Second Class?, eSharp issue, autumn 2004., [www.sharp.arts.gla.ac.uk/e-sharp/Heather\\_Baird\\_Bulgaria-paper.htm](http://www.sharp.arts.gla.ac.uk/e-sharp/Heather_Baird_Bulgaria-paper.htm).

Batt, Judy; Obradovic-Wochnik, Jelena, eds. (2009): War Crimes, Conditionality and EU Integration in Western Balkans, Chaillot Paper No. 116, EU Institute for Security Studies, <http://www.iss.europa.eu/uploads/media/cp116.pdf>.

Erol, Ertugrul (2006): EU's Promotion of Regional Co-operation in South East Europe: A Norm Diffusion Perspective, Lund University, Department of Political Science, <http://luur.lub.lu.se/luur?func=downloadFile&fileOld=1325574>.

Grabbe, Heather (2003): Europeanisation Goes East – Power and Uncertainty in the EU Accession Process, in Featherstone, Kevin and Radaelli, Claudio (eds.), *The Politics of Europeanisation – Theory and Analysis*, Oxford University Press, New York.

Knezović, Sandro (2006): Postkonfliktni okviri regionalne sigurnosti i suradnje u Juugoistočnoj Europi – inicijative Europske unije. *Politička misao* 43(2006),2: 79-119.

Knezović, Sandro (2008): Utjecaj unutarnjih i vanjskih faktora na regionalnu konsolidaciju – slucaj Jugoistocne Europe, Doktorska disertacija, Sveuciliste u Zagrebu, Fakultet politickih znanosti.

Lundström, Linnéa (2005): Europeanization through Conditionality - Bulgaria and Romania in the EU Accession Process, Lund University, Department of Political Science, <http://luur.lub.lu.se/luur?func=downloadFile&FileOld=1329050>.

Mikovic, Danijela (2005): The EU as a Normative Power: Attempts of exporting regional co-operation to the Western Balkans, Lund University, Department of Political Science, <http://luur.lub.lu.se/luur?func=downloadFile&fileOld=1330291>.

Nelsen, Brent F., Stubb, Alexander, eds. (2003): *The European Union – Readings on Theory and Practice of European Integration*, Palgrave Macmillan, Basingstoke.

Noutcheva, Gergana (2006): EU Conditionality, State Sovereignty and the Compliance Patterns of Balkan States, Centre for European Policy Studies, <http://www.jhubc.it/ecpr-istanbul/virtualpaperroom/055.pdf>.

Roumeliotis, Panaghiotis (1998): The Royaumont Process - An Initiative for Stability and Good Neighbourliness in South-Eastern Europe, <http://www.hri.org/MFA/thesis/autumn98/royaumont.html>.

Smith, Karen E. (2003): *The Evolution and Application of EU Membership Conditionality* in Featherstone, Kevin and Radaelli, Claudio (eds.), *The Politics of Europeanisation – Theory and Analysis*, Oxford University Press, New York.

Soyaltin, Digidem (2009): *Does Candidate Status Matter? - Unpacking the Relationship Between Europeanization and Conditionality in Turkey and Serbia* - <http://luur.lub.lu.se/luur?func=downloadFile&fileId=1397249>.

The Europa Glossary, Official Website of the EU - [http://europa.eu/scadplus/glossary/accession\\_criteria\\_copenhagen\\_en.htm](http://europa.eu/scadplus/glossary/accession_criteria_copenhagen_en.htm).

The General Framework Agreement for Peace in Bosnia and Herzegovina, Official Website of the Office of the High Representative and EU Special Representative, [http://www.ohr.int/dpa/default.asp?content\\_id=380](http://www.ohr.int/dpa/default.asp?content_id=380).

Thessaloniki Summit – Final Declaration, Official website of the European Commission, [http://ec.europa.eu/enlargement/enlargement\\_process/accession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/thessaloniki\\_summit\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/thessaloniki_summit_en.htm).

The Treaty on European Union, Official website of the EU - [http://europa.eu/legislation\\_summaries/economic\\_and\\_monetary\\_affairs/institutional\\_and\\_economic\\_framework/treaties\\_maastricht\\_en.htm](http://europa.eu/legislation_summaries/economic_and_monetary_affairs/institutional_and_economic_framework/treaties_maastricht_en.htm).

Zagreb Summit – Final Declaration, Official website of the European Commission [http://ec.europa.eu/enlargement/enlargement\\_process/accession\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/zagreb\\_summit\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/sap/zagreb_summit_en.htm).



# Institutionalization of Regional Co-operation in South East Europe– Strategies and Obstacles

Miloš Šolaja<sup>1</sup>

---

## ABSTRACT

South East Europe is the last region in Europe partly waiting in a queue for Euro-Atlantic and European integration. Region is very diverse in a political, economic, cultural, religious and ethnic sense. Regional co-operation is a process of utmost importance because of two reasons: firstly, improving political and economic situation in countries of the region: secondly, preparations and learning for joining the integrations. Regional co-operation is precondition for achieving posed requests and conditions set by NATO and EU. The main problem are imprecisely defined borders and a territory of the region. A bulk of regional initiatives is either launched by regional countries either international community. “Regional ownership” is politically and institutionally weaker, poorly financed and less effective. Internationally initiated are more direct and efficient. Actual situation is imposing a problem of enlargement fatigue as a huge obstacle because of significant lagging in transition and European reforms. One of uncertainties is orientation either to individual or collective assessment. More developed countries are for individual approach, less developed would like to join at the same time. Anyway, the situation demands a lot of reforms in every single country as well as improvement in regional co-operation.

## KEY WORDS:

region, SEE, EU, NATO, co-operation, initiatives

---

<sup>1</sup> CORRESPONDENCE ADDRESS: Miloš Šolaja, Center for International Relations Banja Luka, Kralja Petra Prvog Karadjordjevića 97, 78 000 Banja Luka, Bosnia and Herzegovina, e-mail: msolaja@teol.net.

South East Europe (SEE), well-known due to its traditional name and geographic characteristics as the Balkans, remains very diverse in political, economic, religious, ethnic, national, geopolitical and every other meaning. In political literature the notion of “Balkan”, “Balkanization”, “Balkanism” became a synonym for wars and conflicts, un-development, ethnic tensions, instability and insecurity. Although geographically defined as the peninsula, the area had been staying by side of a mainstream of political processes in Europe for a long time. Periphery during the Cold War it has remained the periphery in post-socialist transitional transformation to liberal democracy regardless of the fact that all countries declared immediate access to Euro-Atlantic and European integrations as their foreign policy goal. At the moment the state of affairs in SEE is very delicate including various types and levels of access to both integrations. Some countries are “old” members of NATO, Greece is the old member of European Union as well, some of them heritage soviet type of state socialism such as Romania and Bulgaria, which are now EU and NATO members, former self-isolated Albania and non-aligned former Yugoslav republics developed specific kinds of neutrality, Croatia and Albania recently became members of NATO. Serbia self-declared “military neutrality” because of international recognition of unilateral self-declaration of Kosovo’s independence. A consequence is lagging in equalization and coordination in the process of joining the European security and economic community. On the other hand European approach to the region is still not definitely conceptualized. There are disputes about Turkish membership in EU, all countries have signed Stabilization and Association Agreement but only Croatia is negotiating for full-membership. Macedonia applied seven years ago but negotiating process still has not started. Geographical circumstances of the peninsula have never been sufficient reason for organized and stronger regional co-operation as it has been the case in Northern Europe. Some military alliances in the past or some practical gatherings, even attempt just before the break up of Yugoslavia could not have brought anything important.

A necessity of joining to Euro-Atlantic and European integrations initiates a need for establishment and improvement of regional co-operation as an important mean of achieving posed standards as soon as possible. In order to push the region towards posed aims few differently backed regional initiatives are launched. To clarify, it must not be spoken about integrations as some regional representatives like to call it, because that would mean the existence of the same level of co-operation as European integrations in terms of achieving a sort of common amount of shared common sovereignty. A wish to join integrations initiates a necessity for establishment and improvement of regional co-operation. At the moment there is ongoing a great discussion in EU institu-

tions in order to define next steps in the process of SEE countries assessment. EU defined specific geopolitical image of Western Balkans which includes Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia for which a specific Stabilization and Association Process is determined. In a frame of global financial and economic crisis there are more voices stressing “enlargement fatigue” and growing possibility of regional unfitness to fulfill posed conditions. Even some statements raised by European politicians show the same.

Regional co-operation proved to be very efficient in the process of EU access; the examples are including “Visegrad Group”, CEFTA and “Baltic Co-operation”. Traditionally Nordic Council is also very strong economic-political instrument in Scandinavian countries.

## **CHARACTERISTICS OF THE REGION**

In order to analyze development of a regional co-operation in SEE it is necessary to define that region. Generally, a region is a territory with greater surface which shares some common characteristics. A regional co-operation improves co-operation in some territorial conglomerates with minimizing mutual differences, enabling better use of internal capacities and improvement of state systems for functioning and solving problems in international relations. Regional borders are usually relatively flexible, determined partly by state borders, areas or other ground entities. Geopolitics defines global or local regions as transcontinental or sub-continental regions gathered mainly on geographical criteria. Latter regions are parts of continents connected by economic, social, legally-political or cultural and historical interests. There are also intra-state regions which may be a part of a political organization of some state political systems as well. Recent European praxis recognizes cross-boarder regions as a possibility for improving interstate co-operation. European context actually recognize three kinds of region: institutional, natural and geographical. “Institutional regions are created by determined authorities in order to be functional as good as possible” (Cvrtila, 2009: 47). In some theories institutionalization of regions in order to build regional institutions and mechanisms for functions usually is named regionalism (Encyclopedia of Political Culture, 1993: 964).

Today, at the beginning of 21<sup>st</sup> century, in a focus of attention of researchers of regional co-operation is a definition of the region. Only one thing is obvious – the SEE region is sub-European area surrounded by sea from three sides as the Balkan Peninsula but with undefined ground border. One from the criteria

is that “Balkans undermines countries which were under a government of Ottomans” (Todorova, 1999: 64–65). That means that Albania, Bulgaria, Greece, Romania and all former Yugoslav republics except Slovenia are in the Balkans. The region inherits three different pasts: partly capitalism, hard bureaucratic socialism and specific socialism built in neutral countries such as Yugoslavia and Albania. The region could be divided in three sub-regional areas: East Balkan (Bulgaria and Romania), Western Balkans as is defined and Southern Balkans with Macedonia as a core country of an area of inflammatory instability which is the biggest threat for entire region.

SEE could be defined either as a geographic region of Europe, but considering institutional definition there is not any consensus about Balkan in politics of EU and other subjects of international relations. Terms the Balkans and SEE are recently used as synonyms in academic literature.<sup>2</sup> “The Balkans” refers more to geographic aspect, but on the other hand SEE implicitly refers more on political meaning of the term region. Post Cold War transition prefers changes in economic sphere. It implicitly initiates different definition of the region which may be named as a “Balkan concentric circles”. Post-Yugoslav countries with Albania, Bulgaria and Romania are assigned by SEE-8 (South-East Europe 8). With Greece and Turkey added in becomes group SEE-10. With Slovenia and Hungary it emerges as SEE-12. Sometimes Cyprus is added, with other countries forming SEE-13<sup>3</sup> as well. In a focus of European attention today is the Western Balkans, specific economic-geopolitical entity imaged by EU in order to speed up EU accession. It gathers five former Yugoslav republics (except Slovenia) and Albania. That image does not have any geopolitical similarity in history. The only criteria Western Balkans is related to is pragmatic necessity to gather countries of similar development in order to facilitate enlargement policy.

Regional co-operation is determined by two elements:

1. European Union supports regional co-operation in order to accommodate and include these countries in EU;
2. Proportional necessities and improvement of economic co-operation between countries of the region.

---

<sup>2</sup> German Nazi geopolitics during the WW II concerned Hungary as a part of SEE. Because of that the term SEE had usually been avoided till the end of Cold War.

<sup>3</sup> In SEE countries Kosovo is not recognized as a state although reality of its existence should be concerned. Kosovo is recognized by Albania, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Slovenia and Turkey, but not from Bosnia and Herzegovina, Cyprus, Greece, Romania and Serbia. Kosovo is not a member of the United Nations.



More than 20 years from the beginning of the transition process there has not been enough SEE countries which reached a level of political and economic development of Eastern and Central European countries. From European point of view former socialist Yugoslavia is considered as a successful integration in the SEE and consequently a successful transition was expected. But only Slovenia succeeded to join NATO and EU.

SEE experienced many changes after the Cold War: geopolitical, geo-strategic and geo-economic changes.

Geopolitical changes:

1. Consequences of lagging of socialism in last days of Cold War;
2. Different political heritage and political systems;
3. Changing the role of Balkans as the “buffer” between blocks;
4. The Balkans remains periphery in Post Cold War period as it was during Cold War;
5. Strengthening national and ethnic tensions and driving out wars in Former SFRY;
6. Disintegration of SFR Yugoslavia and establishment of new states;
7. Disappearing military-political blocks and bias among them;
8. Ethnic tensions, increase of nationalism and territorial requests;
9. Interior disintegration of some countries (Yugoslavia, Bosnia and Herzegovina, Serbia, Macedonia).

Geo-strategic changes:

1. Disappearance of bipolar and block confrontation;
2. Periphery of Post Cold War process;
3. Redefinition of great powers’ interest (USA, EU, Russia);
4. Redefinition of interest of region’s neighbor states (Austria, Hungary, Italy, Slovenia, Turkey);
5. Strengthening of the process of globalization;
6. September 11, 2001 and antiterrorist politics;
7. Orientation to Euro-Atlantic structures.

Geo-economic changes:

1. Necessity of accommodation to conditions of market economy;
2. Accommodation to economy of free market – psychology of individualism instead of collectivism, abolishment of social support to unsuccessful industry and individuals (radical changes of values – from communist to neoliberal);
3. Less production and decrease of trade;

4. Declared orientation of economy and trading to EU and USA;
5. Neglecting neighborhood in the Region;
6. Transition: multiparty democracy, market economy and rule of law;

SEE regional co-operation faces many obstacles, particularly huge differences in social and economic development which exactly shows inability of overcoming hurdles for efficient regional policy. Gross Development Product (GDP) measured by Power Purchase Parity (PPP) for 2006 compared with a state of regional co-operation clearly shows an impact of those differences (Table 1).

**Table 1: SEE countries' GDP (PPP) p.c. in 2006.**

<b>Country</b>	<b>2006 GDP (PPP) p.c.</b>
Albania	\$5,700
Bosnia and Herzegovina	\$5,600
Bulgaria	\$10,700
Croatia	\$13,400
FYR Macedonia	\$8,300
Montenegro	\$3,800
Romania	\$9,100
Serbia (including Kosovo, 2005 projection)	\$4,400
<b>Consolidated democracy threshold</b>	<b>\$11,226</b>

Source: The World Fact book

[www.cia.gov/library/publications/theworldfactbook/index.html](http://www.cia.gov/library/publications/theworldfactbook/index.html).

Differences express a necessity for greater economic co-operation in entire region, not only between more developed countries because of faster integration to EU. An important question imposed on the region is whether exists a political elite capable of efficient governance and leading these countries? When comparing economic development with political freedom unavoidable conclusion is that politically more developed countries are in those with higher GDP (PPP) (Table 2).

**Table 2: Nations in Transit democracy ratings of SEE countries in 2003–2007.**

	2003	2004	2005	2006	2007
Bulgaria	3.38	3.25	3.18	2.93	2.89
Romania	3.63	3.58	3.39	3.39	3.29
Serbia	3.88	3.83	3.75	3.71	3.68
Croatia	3.79	3.83	3.75	3.71	3.75
FYR Macedonia	4.29	4.00	3.89	3.82	3.82
Albania	4.17	4.13	4.04	3.79	3.82
Montenegro	3.88	3.83	3.79	3.89	3.93
Bosnia & Herzegovina	4.54	4.29	4.04	3.79	3.82
Kosovo	3.88	5.50	5.32	5.36	5.36

Source: Freedom House

[www.freedomhouse.hu/index.php?option=com\\_content&task=view&did+84](http://www.freedomhouse.hu/index.php?option=com_content&task=view&did+84)

A question which requests a real answer is: are leading elites willing and capable to work more and hard to improve the situation? The main model of transition in SEE is “managed model of changes” (Kasapovic, 1998). The most rigid and characterized by specific linkages of old political elite and a new economic class that emerged from informal political background. At that time the political-criminal milieu provided survival of the system, but now in the NATO and EU accession process is counterproductive even worse backlash. The business ranking clearly proves that a new environment does not suffer old fashioned business style from early 90’s (Table 3).

**Table 3: Easy of Doing Business ranking of SEE countries in 2006–2008**

	2006	2007	2008
Bulgaria	62	54	46
Romania	78	49	48
FYR Macedonia	81	92	75
Montenegro	92	70	81
Serbia	92	68	86
Croatia	118	124	97
Bosnia & Herzegovina	87	95	105
Albania	117	120	136

Source: World Bank Easy of Doing Business ranking, 2006-2008 [www.doingbusiness.org](http://www.doingbusiness.org)

Differences in the region are consequence of the past. There are many reasons with impact that guided SEE countries in very diverse directions:

1. Consequences of lagging of socialism in last days of Cold War;
2. Different political heritage, and political systems;
3. Changing the role of Balkan “buffer”;
4. The Balkans – periphery of Post Cold War period as well as during Cold War;
5. Strengthening national, ethnic tensions and outburst of wars in former SFR Yugoslavia;
6. Disintegration of SFR Yugoslavia is the most important cause of geopolitical and geostrategic changes.

New political, economic and security environment imposed the same list of difficulties that characterized East and Central European Countries in the beginning of transition on SEE countries:

1. No completely democratic political systems and political infrastructure, weak democracies;
2. Economic system, neglected by and non-accommodated on market economy;
3. Absence of the rule of law;
4. Corruption and organized crime including links between criminals and political leaderships;

5. Insufficiency of imaginative and thoughtful political elites with vision and readiness to define final objectives and find out solutions for problems.

Regional co-operation ensures a faster access to NATO and EU as the main motivation and a concept of encourage of European organizations to support it. Differences in a speed of accession process to European integrations make multilateral frame more difficult. GDP, freedom ranking and business ranking have similar trends in same countries: higher coefficient of GDP coincides with better democratic situation as well as with conduct of business and of course the opposite. A problem that causes huge gap between developing and developed countries which should be overcome by efficient regional co-operation.

The greatest benefits of regional co-operation are visible in faster accommodation to security and economic standards, the main goals of which emerge from:

1. Stable and secure framework which will enable emerging of hard armed conflicts and establishment of collective regional security architecture;
2. Building stable democratic societies and elected governments and adoption of European values accepted in the West and East;
3. Stable market economy based on neo-liberal social values and freedom of enterprise;
4. Legal reforms and rule of law, respect of human rights and freedoms and protection of minorities, including ethnic minorities;
5. Struggle against sources of “soft insecurity” such as organized crime, corruption and money laundering.

Past experiences in regional networking are more military and daily-pragmatic, but did not include intention of long term regional co-operation. Examples are Pact of Balkan Agreement or “Balkan Antanta” from 1934 that included Kingdom of Yugoslavia, Greece, Romania and Turkey. “Ankara Treaty” signed by socialist Yugoslavia, Greece and Turkey indirectly tied Yugoslavia with NATO after break up with Stalin’s socialist empire in 1948. The attempt in “non-political sector of relations” such as cultural co-operation and coordination that was raised up by Yugoslavia in 1976 and revived in 1988 also included Albania after the end of Enver Hoxas’ rule. It was interesting that initiatives for improvement of regional co-operation had usually been launched when the world crisis and global changes in international relations were approaching.

In last 20 years regional co-operation projects are based on different ideas and political reasons. Political and economic co-operation certainly leads to establishment of institutional mechanisms representing an inter-phase and prepa-

ration time for joining to broader Euro-Atlantic and European integrations, which region has not known before. Actually, directly or indirectly the region participates in 12 regional initiatives as well as more than 40 different regional projects. A distinction between initiatives and projects lays in their goals: initiatives are more general, politically based with long-term and broad goals established on functionality of institutions. There are two types of initiatives based on criteria of founding: firstly, internationally initiated and secondly, locally launched called “regional ownership”. Common characteristic of all these initiatives is that either entirely or partly geographically cover the SEE region.

Internationally backed and started political projects of regional co-operation are:

1. Royamont initiative – process of building stability and a good neighborhood from 1995. The initiative was named after a place near Paris, France where it started. It was abandoned without any visible results.
2. South East Co-operation Initiative (SECI) was suggested by USA in 1996. Mainly oriented to “soft security” aspects had some success but generally not as it was proposed.
3. Stability Pact for SEE started by Germany in 1999 in Sarajevo. Stability Pact was transformed into Regional Co-operation Council after the Stability Pact did not satisfy expectations in 2007 that was as well as its predecessor sited in Sarajevo.
4. Stabilization and Association process (SAP) is specific project of EU dedicated to the Western Balkans in order to enable faster accommodation to EU. Every country has to sign individual Stabilization and Association Agreement (SAA) as a last phase of preparation for negotiating candidacy for EU. The part of SAP was CARDS program (Community Assistance Reconstruction Development Stabilization program) which spent 6.3 billion Euros between 2000 and 2006. After that period EU Framework programs (FP-7) were launched providing financial support of 54.5 billion Euros for activities between 2007 and 2013.
5. Adriatic–Ionian Initiative (AII) was established for improvement countries in maritime areas with special Inter-reg project for development of small and middle sized enterprises.
6. Charter for Partnership between Albania, Croatia, Macedonia and USA (A-3) was initiated by USA and is oriented towards joining efforts of the Balkan countries for NATO access. Albania and Croatia have become NATO-members, but Macedonia is lagging because of disputes about its official with Greece. There are ideas of reviving the Charter and enlarging it to Bosnia and Herzegovina and Montenegro, eventually Serbia which would be named A-5 or A-6.

The list of internal or local ideas and suggestions include:

1. Central Europe initiative (CEI) that was stated by four countries in 1989 with a main goal of exchanging experiences and coordination between Central Europe and SEE. Today it comprises 18 states.
2. Central European Free Trade Agreement, established by Czech Republic, Hungary, Poland and Slovakia. It became inactive after these countries became EU members, but revived in 2007 to improve economic co-operation and trading in the Western Balkans and countries in a waiting room for EU.
3. Black Sea Economic Co-operation (BSEC) which gathers countries that belong to wider Black Sea rivers and sea aquatorias. There was also a new Black Sea Co-operation initiated in 2008.
4. SEE Co-operation Process (SEECF), launched in Sofia, Bulgaria in 2000 at the Conference of SEE Co-operation which organized six rounds of talks of “heads of states or governments” in the region.
5. Danube Co-operation Process (DCP) emerged form Danube Commission. It has broader scale of political and economic activities and manages regulatory process between Danube countries. The DCP also recognize countries which are not in direct neighborhood of Danube river but have interest for co-operation with countries in a Danube Area.
6. Sava River Basin Commission was launched on 2002 because the longest former Yugoslav river is shared by four countries – (in alphabetic order) Bosnia and Herzegovina, Croatia, Slovenia and Serbia. There are many items that should be regulated: from environmental and economic exploitation, regulation of eves, flow, till fishing etc.

Almost all initiatives are still active but majority of them frozen. Some of them almost disappeared (Royamont) other accommodated to changes during and after a Cold War (CAI), some of them transformed due to geopolitical changes (CEFTA or Adriatic Charter). Stability Pact re-emerged as Regional Co-operation Council. Other initiatives proved themselves as unstable and without strong institutional structure. Consequently there is no consequent project which would provide the region with effective realization of its goals. The question is how to provide stronger and more efficient achieving of declared goals. The second question is what power is able to reach those goals? The Nordic Council is a good but hardly reached example – although all subjects either countries or autonomies such as Phare Islands or Alland Islands – voluntarily transfer goals and obligations on common institutions. In the Balkans this is impossible. Traditional divisions and conflicts as well as declaration of all post-socialist countries prefer co-operation with EU and USA give impression that they are forced to take part in regional initiatives. Regardless of that they are

active participants in processes of regional co-operation their primary goals lay outside of the region in Europe and America.

As far as time passes by after bloody conflicts in the SEE, goals of region's countries are staying the same. On the other hand it is becoming obvious that international community does not have any consequent concept for SEE. At the very beginning of 90's East and Central Europe was much more important priority for Western Countries, particularly USA, because of its connections with Russia and absolutely uncertain stream of events regarding heritage of Soviet Union. SEE was periphery of Cold War and remained periphery of Post Cold War transition. After successful liberal transformation in Central and Eastern Europe West started speeding up transformation in SEE. But, a situation in this region was weighted by wars in former Yugoslavia, particularly in Bosnia and Herzegovina, which keep the insecurity, instability, all conflicts and conflict capacity in the region.

## **SECURITY**

Politically, region remains under an impact of traditional differences which highly influence on the process of transition. War during 90's disabled countries to manage quality integration processes. Huge destruction, damages, casualties and migrations are still barriers for faster development. No former Yugoslav republic is able to reach a level of development from 1990. Other former socialist countries suffer similar deceases. Generally, SEE is under the average European standards of political and economic development. Although all countries changed their political systems, they are still weak, suppressed by political-criminal syndicates which still represent a threat to existence of some states' governments.

In terms of "hard security" situation it is almost impossible to expect some new inter-state wars or similar armed conflicts although there are few very tensed hot-spots. In adopting security standards based on principles of "security community" imposed by Euro-Atlantic organizations the number of soldiers and amount of armament has been significantly reduced. Some countries are already NATO members. Few of them are PfP (Partnership for Peace) members referring for full membership to NATO. At the moment only Serbia, which self-declared "military neutrality" concerning PfP membership, is quite satisfied with its security. The reason for this is that Serbia is connecting NATO with support of unilateral self-declaration of Kosovo independence. Although Serbia relatively quietly accepted situation after the declaration, Kosovo case



still stays one of the most possible areas for eventual conflict emergence. The second hot-spot is inflammatory position of South Macedonia (Glenny, 1999: 102).

Break up of socialist Yugoslavia has strengthened old geopolitical tendencies raised by “big forces”. Germany was leading a group of countries such as Austria, Iceland, Italy, Vatican and some of European Economic Community (EEC) members in the process of recognition of Croatia and Slovenia in 1991. On the other side there was strong American presence which influenced on balancing of foreign policy of Great Britain. After a long time being non-active on the Balkan political scene Russia recently increased its presence in SEE through strong economic presence in Serbia, the Republic of Srpska (entity in Bosnia and Herzegovina), Bulgaria, Montenegro, Bulgaria, Greece and even Montenegro. Particularly interesting is Russian participation in energy sector where is gaining more influence in Europe as the biggest energy supplier which has oriented one aspect of its energy policy through pipelines laid down in the Balkans, especially through Serbia as a core territory for safe transportation of gas.

Another challenge for regional security are “soft power” problems. Levels of corruption are so high that some corrupted lobbies contended by local politicians and tycoons as a new type of “businessmen” based on close links with ruling powers are threatening the existence of some countries in the region. Many types of organized crime including drug trafficking, human trafficking, car stealing and all sorts of smuggling and other sorts of illegal behavior are common characteristic of majority of post-socialist SEE countries. In a framework of regional policy there are other thirteenth regional “co-operation” projects. This mean a bulk of regional crime networks which are of course not official but function very efficiently. Criminal gangs are usually composed of criminals regardless of their national or religious orientation. They cross borders very successfully due to good links and huge influence on local powers, interior ministries and police and very well organized activities. A result is decreasing level of private security, many assassinations against public representatives that mainly stay unraveled. Thanks to good links with European bureaucracies many criminals possess European visas, which are very hard to provide for ordinary people. Bad security circumstances are a main reason of a rigid European visa regime towards Balkans countries. Widespread criminal environment, huge migrations, including hundred thousands of refugees and displaced persons, weak political systems and interior security issues produce insecure social soil and very porous borders. At the moment there is ongoing bulk of activities to liberalize visa regime in order to enable politicians, mana-

gers, intellectuals, students and ordinary people to get to know Europe and its standards. Unfortunately, a process of harmonization of laws in the countries of the region is very complicated and slow. A question is if political elites are really keen to work more on visa liberalization. In pretty closed countries they live and formally convey power in democratic manner but in reality rulers are more authoritarian than not. Any sufficient amount of freedom and narrow presence of European integrations may threaten their position. One of proved methods of ruling is nationalism and abuse of national tensions based on permanent threat to “own” nation. A result is depopulation of majority of countries mainly because of fleeing young people in search for employment in so called “third countries”. “Instead of benefiting from access to European Union markets or trading within region, Balkan countries suck in high-value EU imports while selling off their few choice assets. Pervasive corruption, high levels of unemployment and weak courts have left many people disillusioned with and disengaged from politics and public institutions. Most young Serbs, Croats, Bosnian Muslims, Montenegrins, Macedonians, and Albanians hope to leave the region; so far, only Europe’s strict visa regime has prevented more of them from doing so. Those who stay seem as inclined no nationalist bigotry as their parents” (Joseph, 2005: 115).

## ECONOMIC CO-OPERATION

Main target of regional co-operation is improvement of economy and politics based on economic co-operation. It should be the first phase of better regional co-operation. As we have claimed previously there are several possibilities for economic co-operation mainly imposed by European Union. Nonetheless, all regional initiatives have improvement of industry and trading between countries and with EU in their basic principles. After relative stabilization there was an attempt of building network of 32 bilateral Free Trading Agreements (FTA)<sup>4</sup> based on Memoranda of EU signed on June 27<sup>th</sup>, 2001 in Brussels. After the beginning of implementation that network never became functional because of many barriers. For instance, when the free import of agricultural goods from Croatia and Serbia to Bosnia and Herzegovina has started agricultural producers organized protests and blockades of borders through their unions. Demonstrations finally resulted in suspension of the most important parts of

---

<sup>4</sup> During its presidency of EU in December 2004 Italy organized the summit of the Balkan countries – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia Serbia and Montenegro (as the unique State Union) and Turkey – with a main goal to create a Free Trade Area with more the 100 million customers (Politika, 2005: A3).

Agreement. Three years later the situation was almost identical. After signing CEFTA Agreement, which should have been a formula for successful accommodation due to EU standards, on December 17<sup>th</sup>, 2006 in Bucharest protests of peasants in Bosnia and Herzegovina re-emerged. This time reaction was even worse – the Parliament of Bosnia and Herzegovina suspended the majority of agreement's provisions and accused Croatia and Serbia of imposing so-called “not tariff barriers” to products from Bosnia and Herzegovina. Despite that those claims became even a question of political disputes a Constitutional Court of Bosnia and Herzegovina denied the Parliament's decision of suspension. But a bitter taste of lagging of the regional co-operation is unavoidable.

Both FTA network and CEFTA are internationally initiated. EU also started some other regionally conceptualized projects while interest for such is co-operation in transport and energy sector in both sides. SEE countries are connected by energy necessities and through common physical and institutional characteristics. Firstly, energy sources are very limited, region only has significant amounts of very pure type of coal lignite and some hydro potentials. Regional energy sources are very limited so countries are forced to import of energizers from countries with primary sources, which means their dependence. In order to avoid lack of energy EU initiated Regional Electricity Network through Memoranda of Understanding signed in Athens, Greece in 2003 and Economic Community treaty between EU and SEE countries from October 2005. In a Balkan case energy should play a role of coal and steel which served as the foundation for creating European Community for Coal and Steel in 1951<sup>5</sup>. It is very easy to prove a region's insufficiency of energy in all Balkan states and their impossibility to provide it on their own.

Second important area of economic cooperation is transport and communication. A road and railroad infrastructure is terrible. There is not only a lack of quality high-ways but also of good repaired and maintained intra-state roads. Badly maintained roads are a cause of high number of victims in traffic accidents and of huge damage on the vehicles that have negative impact for economic and social stability. Particularly communication networks between states of SEE are one of the black holes in the regional co-operation. Road network is weak, railroad links are poor. There are only few regular airlines which absolutely do not satisfy regional needs. Although some project were initiated by countries of the region such as Danube Co-operation Process in 1992 or Sava

---

<sup>5</sup> Producing of coal, steel and energy has been used as a measure of state economy. Since the 60's as a measure of social capital GDP is used but today energy is taking over such role and integrity that steel and coal had in mid-20<sup>th</sup> century (Mearshimer, 2009: 99).

River Basin Commission 2001, it was not enough. Because of lack of co-operation in the field of communication EU with Balkan countries signed SEE Core Transport Network in June 2004 in order to improve ground and air traffic. But till today the situation has significantly changed. Regional instability and unsolved territorial and political disputes between states do not allow faster communication co-operation. Not only wars in the past but also new conflicts imposed additional barriers to stronger building of regional institutions and improvement of co-operation. Self-declaration of Kosovo independence has brought in huge consequences in terms of political co-operation as well as trading and energy directions and connections.

It is not difficult to conclude that the strongest initiation for improvement of regional co-operation comes from international community, namely from EU and USA. EU is more oriented to economic co-operation and accommodation to its standards, USA on the other hand is more concerned with political development and developing of secure environment, trying to finish new European security architecture under the NATO roof and to prevent new security challenges while some of them have a very fruitful soil in SEE. On the other hand, an attitude of SEE countries towards regional initiatives is not as positive as to EU membership. Although all of them politically took EU and USA as the main pillars of their entering into international society, some researches show that mainstream of trading and economic co-operation exists between regional countries and in their mutual relations respectively (Petak, 2003: 170). The biggest part of economic co-operation and the best potentials for co-operation are between Balkan countries, particularly former Yugoslav republics. Concerning SEE-8 (post-socialist countries) it is possible to separate three circles: first consists of Romania and Bulgaria, second includes Albania and third represents former Yugoslavia. Definitely, SEE represents a framework inside which a majority of trading of region's countries is conducted which obviously shows that regional economic co-operation is of utmost importance for these countries. Stronger economic co-operation requests greater political co-operation, from which stronger institutionalization could emerge. Main characteristics are directing goods exchange to broaden economic co-operation with EU, intentions to enforce co-operation with USA exist. There are many reasons that turn SEE countries to each other: standards of goods are usually different from European but available for mutual exchange, un-existing European mechanisms in investing, movement of capital, labour force and services. Regardless of motives for regional co-operation it should be a motivation step towards EU membership.

## ROLE OF INTERNATIONAL COMMUNITY

Attitude of international community towards SEE has recently changed in comparison to the relations in mid 90's after wars in former Yugoslavia had finished. The Balkans as the focus of one of the greatest global crises has been replaced by other crises such as wars in Afghanistan and Iraq, nuclear crisis in Iran and North Korea and Israeli – Palestinian conflict. The fact that the Balkans is territorial part of Europe gives the Region a priority position particularly for EU, because sources of instability and insecurity remain present and request continuous attention:

1. All countries except Serbia declared access to Euro-Atlantic integrations as foreign policy goal which is an expression of their political will – designation of countries for one of pillars of integrations – Europe or USA;
2. Process of maintaining stability of interstate and ethnic tensions which could outgrow in new open armed conflicts in a framework of regional collective security demands support for democratic transformation of national security systems;
3. Support for development and stabilization of new unstable and weak multiparty political systems;
4. Application of economic development and reconstruction funds;
5. Improvement of civil society;
6. Democratic development of media and developing of critical public opinion as one of the most important elements of open democratic procedures;

Euro-Atlantic allies have defined coordinated common approach to SEE, despite differences of opinion in terms of crises in Afghanistan, Iraq, Iran, Near East and North Korea. Strong European position on American unilateralism and security issues or some other differences shows different picture in the region. Regardless of revived old American geopolitical interests, SEE remains an area of utmost importance for EU. From the beginning of 90's the region has represented a test of European capability and efficiency for solving international crises in the area of the highest interest. European success could have had global importance for models of development of regional co-operation as well. Lack of political power, defined strategies and military capabilities appeared as reasons of inability to solve Yugoslav dissolution crisis and armed conflicts as well as inability to provide peaceful transition from socialism to liberal-capitalism and prevent conflicts. Interests of EU and USA, as main allies and pillars of Euro-Atlantic integrations in the SEE, are mixed so Balkan wars were ended by a strong American intervention. Although managing political processes was left to Europeans, the interests of USA overlap with European particularly after enforcement of Russian presence in this region, traditionally linked to Russia.

Relative initiative and managing of a process of economic-political changes and assuring security by “newly created European forces” are left to European sources. “Such an orientation is assigned by increasing ‘Europeization’ of protectorate: EU is taking over if international Stabilization forces in Bosnia and Herzegovina and leading role on Kosovo” (Rupnik, 2005: 1).

There are three cases of strong international presence. Firstly, Bosnia and Herzegovina with the Office of the High Representative (OHR) as specific ‘ad hoc’ international organization based on Dayton peace Accord 1995. Secondly, United Nations Mission to Kosovo (UNMIK) from 1999, based on UN Resolution 1244 as specific sort of international ruling the province. After Kosovo self-declaration of independence another EU mission EULEX started, which is partly recognized by Serbia as a practical institution and formal instrument for realization of UNMIK tasks. The third case is conflict in Western Macedonia between ethnic Slavo-Macedonians and ethnic Albanians ended by Ohrid agreement which temporarily tided Macedonia. But now new ethnic tensions have been emerging again through requests of ethnic Albanians for territorial autonomy. Not only direct international intervention but also international presence in other countries is strong as well. Almost two decades after break up of Yugoslavia the majority of regional crisis focuses are still opened. That poses a question of lastingness of active international presence in actual shape and methods of transferring authority to local institutions. That means re-examination of international presence is becoming a precondition for another phase of regional development that would be more oriented towards creating willingness to join broader security and economic integrations. “The EU can make a huge difference in resolving the longstanding problems in the Balkans with its military presence and pre-accession funds; the political stability and economic development it can offer are in the interests of every state or region, of Europe as a whole and the United Kingdom in particular. Stability will depend, at the last resort, on positive engagement by the international community and the offer, subject to the usual conditions, of a clear path to full integration into Euro-Atlantic institutions” (House of Commons FA Committee, 89). In near future a process of planning new path with differently changed international presence is in front of Balkan countries. Up to now, international role was very ambiguous and with a very different rates of success. It is quite clear that the biggest favor to Balkan inhabitants would be ending wars in the Balkans but opinions are divided about social and economic development. “Despite the region’s obvious lack of progress, foreign diplomats have remained relentlessly upbeat. Western officials regularly tout Bosnia, and the press economic development and the prospect of EU membership have swept aside the messy national, ethnic and territorial disputes of the past” (Joseph, 2005: 114).

The Balkan countries are still missing defining and conveying of clearly determined policy, because international presence will be reduced sooner or later and SEE countries will have to guide more self-sustainable policy if they want to establish conditions for realization of integrations goals. In order to reach those conditions they have to solve many problems and skip many obstacles which lay down on the way to community of democratic states. For faster realization of NATO standards SEE has to fulfill some practical tasks:

1. Re-definition and reconfiguration of international community approach in SEE as soon as possible;
2. Realization of transfer of responsibilities to local institutions and disappearing of provisional institutions e.g. OHR in Bosnia and Herzegovina, UNMIK and EULEX in Kosovo;
3. Encouragement of regional co-operation, particularly in institution building capacities, to realize principles and goals of regional co-operation by raising efficiency and importance of regional initiatives;
4. Enhancement of regional institutions as a bridge to EU and other regional international organizations;
5. Improvement of trading and exchange of all sorts of financial capital and investments, labour force and intellectual property, developing regional market economy as inter-phase before joining EU market by establishing Free Trade Area;
6. Enhancing democracy through development and improvement of pluralistic political systems, democratic public opinion, freedom of media and civil society;
7. Improving both hard and soft regional security, response to new security challenges, development of specific environment of regional co-operation in security field and prevention of corruption, organized crime and all widespread threats in the region in order to provide normal state life;
8. Enhancing individual responsibility of states for conveying regional co-operation and reaching regionally defined goals;
9. Raising consciousness about “regional identity” which should not be identical to particular state identity but should comprise of understanding of common regional goals, problems and ways to overcome troubles in a very diverse region.

The biggest barriers for more efficient institutionalization are in the SEE region as such. Not only avoidance of final realization of declared will and adopted goals in interior policies of member states in processes of regional co-operation but also because implementation of goals and realization of negotiated tasks is hardly possible just because of insufficient regional institutions and mechanisms even when they are initiated and supported by international community.

Examples of FTA network and CEFT are clear evidences of regional policy mismanagement. Through analysis of “regional ownership” initiatives it is possible to understand that they are less efficient due to lack of interest of domestic countries that launched them. On the other hand foreign countries are more interested in regional co-operation not only because of interests of SEE countries but as well because of their own. Experience with regionally initiated coordination shows:

1. Local initiatives have less intensive results because of very diverse interests, poor financial sources for realization as well as opposite interests of subjects of international relations in this part of Europe;
2. Low degree of “regional identity” among inhabitants and political leadership; this influences them to select individualistic approach to international integrations by bilateral links with great powers, neighbours and multilateral international organizations;
3. Balkan countries do not have coordinated approach towards NATO and EU enlargement and they direct their attempts in different directions;
4. International initiatives have more precise and clearly defined goals, are better financed and have instruments and institutions to realize posed objectives in comparison with “regional ownership” initiatives;
5. Despite invested efforts of international community and countries of the region many goals have not been realized as elements of security and stability threats remain; decreasing confidence in regional initiatives more and more puts models and deadlines of Euro-Atlantic and European integrations under a question.

A decisive power in defining foreign policy priorities in a region is still past. In traditional, geographic, economic-politic, cultural and in any other aspect region still remains disintegrated. And despite big need for faster development and co-operation with each other countries are still not prepared enough for new forms of mutual co-operation. Failure in establishment and consequent institution building is consequence of individual preferences of allies and individual approaches to international integrations. Diverse access strategies to international relations furthermore remain a foundation of insecurity and uncertainty in a process of NATO and EU accession. Weak and non-independent countries in the Balkans are voluntarily dependent on policy of Western powers; USA and EU present two strongest pillars for security and economic integrations to which countries of the region are looking for many solutions of their problems in their institutions. Interior and foreign policies of SEE countries are dependent on policies, plans and goals of the most powerful actors of international relations and their views on enlargement policies. EU position on regional co-operation in term of enlargement on SEE is clear: regional co-



operation is really necessary to the Balkan population as one of important conditions for multilateral co-operation after negative experiences with armed conflicts end ethnic tensions in transitional processes. From firmness point of view internationally initiated institutions for co-operation have more chance to survive because of better financing and stronger interests that back them. Weaknesses of “regional ownership” initiatives are:

1. Precise definition of weaknesses is still not enough in regional co-operation in a majority of countries;
2. Absence of clear goals of regional initiatives and co-operation;
3. Too formal, frequent summits of heads of states are marked by confusion, inefficiency and lack of coherence;
4. Unclear areas of work of individual regional initiatives and unclear definition of the region;
5. Lack of determined institutional infrastructure for realization of goals;
6. Insufficient financial support for regional activities and undefined sources of financing;
7. Insufficient public knowledge about the region and regional co-operation;
8. States prefer individual approaches to EU and NATO;
9. Absence of regional mechanisms for security and stability;
10. Lack of co-operation, mutual activities and common actions for efficient crisis management (Šolaja, 2006: 285).

Conditions for EU and NATO accession would be very difficult to fulfil if they were based only on international community and its interests. Without population’s awareness about usefulness and necessity of regional co-operation for future political processes it would be seen as a dictate from abroad which would be withhold until the appropriate time from international actors’ perspective. Former European Commission (EC) enlargement commissioner Günter Verheugen<sup>6</sup> said: “If countries want to join European Union, then they must prove that they can develop regional co-operation and resolve their problems in co-operation with their neighbors” (Cit. to Altman, 154). Euro and Euro-Atlantic integrations will bring disunited region to harmonization of interior economic-political situation (unfinished market reforms, weak and unstable political systems and unfinished democratic structures, organized crime supported by ruling elites, high levels of corruption). This would enable faster achievement of requested standards in region’s countries. International

---

<sup>6</sup> Until 2004, during the Romano Prodi (Italy) presidency of the EC, Günter Verheugen was EC enlargement commissioner. Since then he was s commissioner for enterprise and industry and Vice-president of EC.

actors insist on more coordination and interconnections in the region on its path towards European integrations. For consequent diplomatic strategy regional states have to define precise activities and steps:

1. More precisely defined genuine regional goals;
2. Enhancing available multilateral mechanisms and instruments in order to build efficient permanent institutions based on state systems, that would enable achievement of negotiated goals less dependently from international actors and more of their own co-operation;
3. Enrich bilateral and multilateral co-operation not only on regional but also sub-regional level in order to resolve concrete issues in particular in Western Balkans, such as return of refugees and property, reconstruction and building of communication infrastructure, protection of minorities and joint projects;
4. Creating economic space which will improve industrial and agricultural production in order to speed up economy through free movement of a capital, goods, labour force, investments and financial harmonization with CEFTA standards, World Trade Organization rules and EU standards in close coordination with EU;
5. Improvement of education and health protection;
6. Creation of mechanisms for connecting with other regions in order to improve economy;
7. Establishment of own transnational regional collective security programs and projects in order to raise security and prevent evolving of eventual armed conflict as well as preventing effects of new security challenges;
8. Creating specific instruments in a framework of NATO, PfP, OSCE and Council of Europe for regional crisis management.

EU and USA as NATO leader consider support to regional initiatives, in particular economic, which are important pre-condition for Euro-Atlantic and European initiatives. Some states have possibility to shorten the path due to increased effort and some of them can significantly prolong the same. In this case diverging regional co-operation would find itself in a cleavage.

One of questions which have to be addressed is regional identity that usually is not a part of regional policy and on actual agenda. This need has deep roots:

1. Numerous and huge economic, political, national, ethnic, religious and cultural differences in the Balkans;
2. Line of division between civilizations as Samuel Huntington, Valter Laker and other claim is stressed even today;
3. Absence of one political and economical centre which does not exist in the region as a political entity;
4. Lack of stronger sense of regional identity;

5. Absence of common strategies of economic and political development;
6. Lack of common views on strategies of diplomatic activities (Šolaja, 2006: slide 18).

To conclude, regional co-operation is not replacement either for NATO nor for EU or for any other organization. The main goal is improvement of political and economic environment in order to maximally use interior potentials to reach European standards. Unfortunately, the interest in regional co-operation is greater abroad and in most cases initiated from abroad rather than from the region's countries. It is quite obvious that improvement of regional co-operation is a benefit for countries of the region but question is whether they are ruled by elites keen and ready to guide their states as well as if they do have a vision and feel mission to realize it. What is necessary? Facilitation of achieving security and economic standards, faster and broader development, developing and strengthening security environment, learning and preparing for European and Euro-Atlantic integrations, facilitating EU and NATO operations in the region and take part in peace forces worldwide. With active participation of international community it is possible to reach NATO or EU membership. On the other hand it is necessary to collect intellectual, material and all other sorts of capital to force development, not on its own, but in the framework of regional co-operation based on regional initiatives and a will to enhance responding institutions.

#### REFERENCES

- Altman, Franz-Lothar (2003): A Scheme of Regional Cooperation in Southeast Europe in Čehulić, Lidija, ed., Yearbook Šipan 2003, Politička kultura, Zagreb.
- Anri-Sutu, Žorž (2001): Neizvestan savez, Clio, Beograd.
- Bacevich, Andrew J. (2009): The Limits of Power – The End of American Exceptionalism, Metropolitan Books – Henry Holt and Company, New York.
- Bardos, Gordon N. (2008): The new political dynamics of Southeastern Europe, South-East European and Black Sea Studies, 8 (3), 171-188.
- Barić, Robert, Cvrtila, Vlatko (2008): Europska sigurnost na početku 21. vijeka in Tatalovič, Siniša (ed.), Hrvatska i europsko sigurnosno okruženje, Politička kultura, Zagreb.
- Brzezinski, Zbigniew (2007): Europe's New South in Vuakdinović, Radovan (ed.) Međunarodne studije, 2 (7), Politička kultura, Zagreb.
- Chandler, David (1999): Bosnia - Faking Democracy After Dayton, Pluto Press, London, Sterling, Virginia.
- Čehulić, Lidija (2003): Euroatlantizam, Politička kultura, Zagreb.
- Encyclopedia of Political Culture (1993), Savremena administracija, Beograd.

Glenny, Misha (1995): Heading of War in the Southern Balkans. *Foreign Affairs*, 3 (74).

Guskova, Jelena (2002): *Istorija jugoslavenske krize 1990 – 2000*, Part 2, IGAM, Beograd.

Joseph, Edward P. (2005): Back to the Balkans. *Foreign Affairs*, 1 (84).

Kagan, Robert (2003): *Of Paradise and Power: America and Europe in the New World Order*, Alfred A. Knopf, Publisher, New York.

Meyer, Steven (2005): Između Vašingtona i Brisela, *Politika* (23 February).

Mihal, Wolfgang (1997): *Nemačka i sledeći rat*, Miroslav, Beograd.

Miršajmer, Džon (2009): *Tragedija politike velikih sila*, Udruženje za studije SAD Srbije, Beograd.

Krempton, Ričard D` (2003): *Balkan posle Drugog svetskog rata*, Clio, Beograd.

Petak, Zdravko (2003): *Politička ekonomija jugoistoka Evrope: Postoji li ekonomska suradnja u regiji?* in Čehulić, Lidija (ed.), *Yearbook Šipan 2003*, Politička kultura, Zagreb.

Petrović, Nataša, Petrović Džordže (2009): U susret šezdesetoj godišnjici NATO: bezbednost između regionalizma i globalizma in Džukanović, Dragan (ed.), *Medžunarodna politika*, 1133 (60), Beograd.

Rupnik, Jacques (2005): *Europe's Challenges in the Balkans* in *Europe South-East Monitor*, 61, Center for European Policy.

Seroka, Jim (2009): *The National Security Environment of the Western Balkans Adapting to the 21<sup>st</sup> Century*, unpublished paper at the U.S. Studies Summer Academy, Belgrade.

Simić, Dragan (2009): *Svetska politika*. Čigoja štampa, Beograd.

Šolaja, Miloš (2004): BiH i NATO: složene reforme na putu u Alijansu in Čehulić, Lidija (ed.), *Nato i novi međunarodni odnosi*, Politička kultura, Zagreb.

Šolaja, Miloš (2006): *Balkan u transatlatskoj pukotini*. Centar za međunarodne odnose Banja Luka.

Šolaja, Miloš (2006): *Regional Cooperation in South East Europe and Euro-Atlantic Integration*, power-point presentation, International Summer School NATO on South East Europe, Dubrovnik, 6. September 2006.

Todorova, Marija (1999): *Imaginarni Balkan, XX VEK*, Beograd.

Vudvord, Suzan (1997): *Balkanska tragedija*, Filip Višnjić, Beograd.

Vukadinović, Radovan (2001): *Međunarodni odnosi od hladnog rata do globalnog poreka*, AKD, Zagreb.

Vukadinović, Radovan (2009): *The Process of Stabilization of Western Balkans and Southeastern Europe* in Čehulić Vukadinović, Lidija (ed.), *Yearbook Šipan 2008*, Politička kultura, Zagreb.

House of Commons Foreign Affairs Committee, United Kingdom: "The Western Balkans", Third Report of Session 2004-05, Volume I, 1. February 2005.

## INSTITUTIONALIZATION OF REGIONAL CO-OPERATION IN SOUTH EAST EUROPE

NATO Handbook, NATO Office of Information and Press, Belgium 2006.

Politika, Beograd, 23. decembar 2003, str. A3.

The World Fact Book: available at

[www.cia.gov/library/publications/theworldfactbook/index.html](http://www.cia.gov/library/publications/theworldfactbook/index.html).

House Nations in Transit democracy ratings, 2003-2007: available at [www.freedomhouse.hu/index.php?option=com\\_content&task=view&did+84](http://www.freedomhouse.hu/index.php?option=com_content&task=view&did+84).

World Bank Easy of Doing Business ranking: available at

[www.doingbusiness.org](http://www.doingbusiness.org).



# reviews

**Izidor Cankar – A Diplomat of Two Yugoslavias**

Andrej Rahten

*Polona Mal*

**Fractured Nativity - Closed Options Open Possibilities**

Ashok Kaul

*Josef Langer*

Polona Mal

---

Andrej Rahten

IZIDOR CANKAR - A DIPLOMAT OF TWO YUGOSLAVIAS

Centre for European Perspective (CEP), Mengeš, Scientific Research Centre of  
the Slovenian Academy of Sciences and Arts (ZRC SAZU), Ljubljana 2009,  
420 pages

ISBN 9789619217382 (CEP)

ISBN 9789612541330 (ZRC SAZU)

The biography of Izidor Cankar, one of the visible personas of Slovene society between the World Wars, is a second biography from book collection *Personae* that is a part of a project *Studia diplomatica Slovenica*. As the whole book collection, the biography of Izidor Cankar is bilingual, written in Slovene and, in this very case, in English. In general, the project is aimed at the research of diplomatic history of the Central and South-eastern Europe. This systematic attempt to research diplomatic history in those regions is rather unique and reveals promising future for the historic analysis of diplomacy in the region. The current state of affairs is shown by the author's remark in the introduction, where he states that all areas of Izidor's "work has already been subject to scientific scrutiny – with the single exception of his diplomatic activity" (p. 213). In this regard this biography of Izidor Cankar by a historian Andrej Rahten

is a giant leap for Slovene diplomatic history.

At first, we should represent Izidor Cankar a little bit more in detail. As mentioned before, Dr. Izidor Cankar was one of prominent members of Slovene society between the world wars, though less known than his cousin Ivan Cankar, Slovene novelist. "[H]is main occupations" (p. 205) were literary criticism, art history, politics and diplomacy. He was born in city Šid on 22 April 1886. He grew up in a multicultural environment of Slavonian province and thanks to his life with aunt Karolina, spoke several languages from a young age. The life among wealthy families of Syrmian Germans influenced "his later life style and refined manners" (p. 220). He moved to Ljubljana in 1897 with the help of his cousins Ivan and Karlo Cankar where he enrolled in Grammar School. After graduation he decided to become a priest and enrolled to the Roman



Catholic seminary in 1905 where he met Andrej Kalan, who greatly influenced his intellectual development. Despite his scruples about this decision he read *New Mass* in summer 1907. He continued studies in history of art in Belgium in 1909 and in Vienna between 1911 and 1913. A year later he became editor of *Dom in svet*<sup>1</sup> magazine which he transformed into modern literary and art journal until 1918. Towards the end of World War I he “became actively involved in high politics” (p. 235) as one of the leading figures of Slovene People’s Party and took part in Paris Peace Conference. But already in 1920 he left politics to join newly established University of Ljubljana as “assistant professor of history of West European Arts” (p. 247) where he worked until 1936. He undertook several intellectual projects in that period, including first three volumes of *Slovenski biografski leksikon*,<sup>2</sup> establishment of Art Historians’ Society and cooperation with the National Gallery. By the summer 1926 he decided to renounce the priesthood to marry Ana, better known as Niča, Hribar from wealthy Ljubljana family. In the first half of 1930’s he travelled abroad and continued his work at university. His wife gave birth to two daughters Kajtimara, who died as a child, and Veronika. His friend and leader of Slovene People’s Party Dr. Anton Korošec secured a position

of the Royal Envoy to Argentina for Izidor in 1936.

This was the beginning of his diplomatic career. In the autumn of 1936 Izidor and his family left for Buenos Aires where he “resumed his duties on 7 November” (p. 281). Many Yugoslavians had emigrated to Argentina and with “intense engagement in emigrant community Cankar soon won its support” (p. 289). A year later he was appointed as Envoy Extraordinary to Brazil, where he presented his credentials in August 1938. In 1940 Dr. Korošec and Miha Krek agitated for his transfer in one of the European capitals, but they did not succeed. Instead of return to Europe Cankar was transferred to Ottawa in spring 1942. During the first years of war Cankar actively cooperated with the leaders of Slovene People’s Party who emigrated to London. In Ottawa Izidor’s task was to open an embassy. During the next war years the position of Yugoslav diplomats was difficult and unclear due to the internal political affairs. Cankar had considered the possibility of withdrawal for several times and resigned in February 1944. Later that year he became a minister in a newly formed Yugoslav government under Ivan Šubašić in London. He soon offered his resignation that was accepted in October 1944. After the return to Belgrade in February 1945 Izidor was eventually named Envoy to Greece, where he presented his credentials in December. In March 1947 he was pensioned and “was obviously pleased

---

<sup>1</sup> Literally *Dom in svet* could be translated as Home and the world.

<sup>2</sup> Slovene bibliographic encyclopedia.

to withdraw from politics” (p. 406). He lived his last years travelling, writing and translating. In 1953 he “was elected regular member of the Slovene Academy of Sciences and Arts” (p. 410). After the divorce in 1954 he lived a lonely life and died on 22 September 1958 in Ljubljana.

Besides the Acknowledgements, Foreword by Igor Grdina and Introduction the book is composed of eleven chapters, presenting Cankar’s life with special emphasis on his diplomatic carrier path. Every chapter also represents the political history of Slovenia, Yugoslavia and the world. Chapter one presents the Slovene society, especially the relations in Slovene People’s Party, in Cankar’s youth before and during World War I. Next two chapters are dedicated to Izidor’s first engagement with high politics and his withdrawal from it. The 1930’s are represented in chapters four and five, the latter also representing Izidor’s diplomatic work in Argentine and the first war years in Europe. Political relations within Yugoslavia before the German attack in 1941 and the first year of war in Yugoslavia is represented in chapter six. Izidor’s work in Canada and further development of world and Yugoslav affairs are described in chapters seven and eight. Chapter nine on the other hand presents Cankar’s return to high politics, return to Belgrade and the end of World War II. Last two chapters are dedicated to his time as an ambassador in Athens and his final years of life.

Rahten uses typical methods of historical research, including analysis of different documents and personal correspondence of Izidor Cankar and his friends and family. In the biography he also includes some sources from national archives of states, where Cankar served as Yugoslav ambassador. Inclusion of new sources reveals new aspects of Cankar’s work. Besides valuable biographical information the biography of Izidor Cankar offers significant presentation of Slovene and Yugoslav political dynamics in one of the most important periods of Slovene history and of the 20<sup>th</sup> century in general. Special emphasis is put on the Slovene issue, a search for Slovene position in the Yugoslavia and preceding Austro-Hungarian Empire, in international point of view. This is represented through correspondence of Slovenes who worked as Yugoslav diplomats.

The book is written in a lucid style which enables the reader to easily follow the life of Izidor Cankar as well as social, political and historic background of his life. The style of writing is maintained throughout the biography and is noticeable in both languages. Despite many areas of life in which Izidor Cankar was actively involved, the author maintains clear ‘story arc’. Structure of all chapters mainly follows the same pattern, which includes presentation of more general events followed by Izidor’s involvement in those events, his opinions on the matter and the events in his personal

life. This form of chapters is especially useful for easier understanding of Cankar's life while it describes the circumstances of his life and work.

This book is an important piece of literature for historians who research diplomatic history on one hand and the general political history of Central and South-eastern Europe and the Balkans in particular. With the above mentioned new sources of research and the author's analysis of Cankar's work and his position in Yugoslav political society this biography is important professional historic point of reference for further research. On the other hand this book is also interesting for individuals that are interested in Slovene, Yugoslav or diplomatic history. For this circle of readers of Izidor Cankar's biography the above mentioned style of writing and structure of chapters is a strong advantage.

To conclude, biography of Izidor Cankar is important contribution to the development of Slovene diplomatic history, biographic genre and Slovene history in general. Due to author's style of writing and the composition of the chapters enables the reader with comprehensive understanding of Izidor Cankar's work and professional life.

Josef Langer

---

Ashok Kaul

**Kashmir: Fractured Nativity - Closed Options Open Possibilities**

VDM Verlag, Saarbrücken 2009, 444 pages

ISBN 9783639176827

**K**ashmir, since independence of the Indian sub continent (1947), has remained the central point of discourse in the process of nation building and the state formation of India and Pakistan. It has traversed the path of the global transition from the Cold War strategic depth to the post Cold War secular traction. Similar to Yugoslavia in Europe, Kashmir became worldwide news and a concern for the international community in the post Cold War conflict; even more, it was thought to be a nuclear flash point. Kashmir has been on the boil for years. Pakistan considers it as a core issue to its nationalism, while India regards it as the crowning content to its secularism. Political analysts visualize it as ethno nationalism, an upsurge after the demise of ideologies. Despite a perceptible level of development, freedom of expression and the majority's dominant status in the valley, the Kashmiri Muslims have remained in

the realm of estrangement. No theory of nationalism fits to the Kashmir problem and no amount of freedom would cure Kashmir's ailment. For its sickness and frozen estrangement lies in its historicity. The book tries to understand the dialectical relationship of the structuration of its actors and structures, identifiable with consensus. It is a discourse on the historical formation of the social and its fragmentation.

The book is compiled of eleven chapters. The first two chapters try to understand the formation of social capital and its argumentative stride. The third chapter sees the break in the process of continuity with non native actors working on the fusion of religion and culture. This is the period, when power shifts into the non-native sphere. It introduces a rupture in the public sphere. The dialogue is broken, causing an epistemological break. This rupture is seen and vividly addressed

in the 4<sup>th</sup> chapter. The emergence and unfolding of the native movement and its possibilities and limitations are discussed in the 4<sup>th</sup> and 5<sup>th</sup> chapters. The sixth chapter reveals the dilemma of nativity and the confessional pure; compounded in the Cold War era, it is a byproduct of the mystification syndrome. The seventh and 8<sup>th</sup> chapters go on to depict the dynamics of the Cold War and the fragility of the neighbourhoods' nationalism that produced the confessional recoil. The 9<sup>th</sup> and 10<sup>th</sup> chapters show why the Kashmiri are disillusioned masses and how the new emergent formations are taking shape in the post September 11<sup>th</sup> epochal shift. The concluding chapter provides the reflective observations in summing up the connected and unconnected episteme. That episteme states that coexistence is possible in a multicultural society while accepting the difference rather than hankering for pure religion or pure consumerism. The native tradition has the capacity for overarching the universal traditions, if identified and groomed by a fresh leadership.

Kashmir did not refuse any religion, yet it has not accepted every thing. It has been an evolving society forming its own social episteme, while absorbing the approving components of the other traditions. The dialectical relationship of Aryans with aborigines produced a Hindu form of worship with domestic mode of production. This evolved formation, when encountered by Buddhism was dialogic

in the public sphere and produced a powerful episteme of Kashmiri Shai-vism with a well depicted ritual world. And with the later encounter of Islam, it moved into the public space with a common synthetic culture fused with spiritual episteme. This was the blending of the trite philosophy of Shai-vism, Buddhism and Islam, moulded in a Rishi culture. Its harbinger was the native source, which overarched into the Bhakti movement of the 14<sup>th</sup> century in the plains of India, emphasizing devotion and practice above ritual. The indigenous tradition had its continuity in the public sphere that had a dominating superstructure of the Rishi tradition.

With the annexation of Kashmir by the Mughal empire (1586) the Rishi mystical folk tradition remained segregated in the collective memory, whereas the political discourse shifted to the referent beyond borders. It brought fracture to the continuity of evolving episteme and segregation to the masses. That frozen estrangement and comprehension of the other remained a collective memory of the masses after invasions and a shift of the power elite from nativity to non nativity. The Quit Kashmir Movement was its dialectical emergence in the early 30s of the previous century. Its actors were two natives, Jawaharlal Nehru and Sheikh Mohammad Abdullah; the one whose grandfather had left the valley for security and better life chances and the other whose grandfather, a Brahmin, converted to

Islam for life and better life chances. Both these actors, who enjoyed exceptional acceptance by the masses, were set to make the process of correction to restore the nativity and its dignity. The Quit Kashmir movement was a dialectical structuration of the estrangement phenomenon against non-nativity. And the Nehru Abdullah combination was successful in taking Kashmir safely from monarchy, which the British established in 1846, and non nativity of two nation theory, which considers Hindu and Muslims as two separate nations by every definition (ideology of Pakistan).

But before the masses could be taken out from the estrangement phenomenon in free India, Kashmir became a strategic region in the dynamics of the Cold War era. The Cold War era was a mystification of religion and polity to suit the dynamics of the bipolar world. The estrangement realm was overlapped by the realm of mystification. The mystification was followed by the disillusionments. The demise of the Cold War and the bankruptcy of ideologies led to a weakening of the nation states giving impressions of the cultural resurgence of religious ethno movements. The 90s was its testing decade. It became a part of the confessional agenda and witnessed an open armed insurgency against the Indian state, which drove out its minority, causing structural changes to its social formations with a huge loss of human life. The changing social geography and emerging

new landscapes in a fluid modernity have altogether made the previous debates on Kashmir shockingly unrelated. Kashmir does not come under the purview of post colonial social formation. It is a case of unidentified epistemological links that blur the diagnosis of its state of stagnation, which is lost in the competing power politics of a new rich class and traditional elites. Despite better life chances, sufficient resources from outside, excessive political process in motion, Kashmir has remained unmoved in its mind set. The studies and political analysis place Kashmir in the post colonial debate, which does not deal with the historicity of the estrangement phenomenon. The book attempts to understand the occurrence of rupture, while deconstructing the historical knots in a narrative method in the sphere of cultural studies using impressionistic model and case studies.

Therefore, the book reveals this unique problem of Kashmir in the holistic debate, internal formations and external pressures that have made Kashmiri society, unaware of its state of social stagnation, which refuses to get well. Many of the current options might seem hidden in the recent history. When addressed to these issues, it looks beyond the remedies. What actually has been the subjectivity of Kashmir that has not been identified and what caused the rupture to the argumentative debate that has made Kashmir a tragic place in the world.

“Kashmir: Fractured Nativity” bears some similarity with “Imagining the Balkans” by Maria Todorova, although its spiritual-cultural analysis goes deeper. For the Western reader it can be mind-boggling to recognize how similar the historical and strategic parameter between the two regions appear. In both cases political Islam historically plays a pivotal role. Kashmir and the Balkans were subjugated by Islamic rulers around the same time in the 16<sup>th</sup> century, the Mughal empire in the first and the Ottoman empire in the latter case. And this heritage lingers on in our times. However, whereas in the case of Kashmir the conflict is visibly flaring, in the case of the Balkans it remains smoldering in the ashes, a dangerous potential for the future, if a scenario “Eurabia” should ever unfold. More obvious for contemporaries are the tensions between ethnic groups. Kashmir and the Balkans both witnessed ethnic cleansing in the aftermath of the Cold War. It is such startling parallels, which make the book useful for European readers, even if special interests in the affairs of the Indian subcontinent are lacking. For the Western reader in general the distinct language in which the book is written is particularly intriguing, while lack of familiarity with Hindu and Islamic culture can be a barrier.





**sarajevo**  
**2014**

**Manifesto:**  
**Closing a Century of European Civil Wars**  
**by Getting the Balkans into the EU on July 28th 2014**  
*Franck Biancheri*

# Manifesto:

## Closing a Century of European Civil Wars by Getting the Balkans into the EU on July 28<sup>th</sup> 2014

---

Franck Biancheri<sup>1</sup>

If there is one possible enlargement, which directly fits with the original rationale of the European integration process started after World War II whose aim was to prevent European wars to come back, it definitely is the enlargement to the Balkans. And on July 28<sup>th</sup> 2014, in Sarajevo, the EU and the Balkan countries may have a unique opportunity to conclude the currently unfinished business of closing a century of European civil wars. It was indeed in this very town where the deadly spiral of European 20<sup>th</sup> century wars was initiated on July 28<sup>th</sup> 1914. It may, in my opinion, bring it to its end in this very same town, exactly 100 years later, by celebrating the decision to accept all remaining Balkan countries within the EU, and by doing so achieving the original EU dream of bringing together all former European enemies within a single common peaceful political entity.

History does not serve meals twice. Therefore with my friends of Newropeans and my colleagues of LEAP/E2020, in the next five years, I will systematically push forward this objective of Sarajevo 2014: Closing a century of European civil wars by getting the Balkans into the EU on July 28<sup>th</sup> 2014. Two key objectives will be targeted:

1. A trans-European referendum on the question of Balkan countries accession at the occasion of the next elections to the European Parliament in June 2014
2. A major historic celebration of this enlargement, in Sarajevo on July 28<sup>th</sup> 2014, celebrating in the meantime the end of a century of European civil wars, one of the core rationale of the whole European Union project.

---

<sup>1</sup> President of Newropeans and Director of Research of LEAP/E2020, <http://www.europe2020.org>

Of course, the road till Sarajevo 2014 is full of obstacles. But I believe that all of them can be overcome provide people on both sides, in the EU and in the Balkan countries, decide to fight for getting this political agenda implemented. And I know that there are many such people, which we will try to identify and bring together in the coming months. These people will recognize themselves by assessing the following points about the current situation in the EU/Balkans relationship.

1. A complete lack of EU political ambition regarding the Balkans, which directly threatens the young generations' ability to drive this region out of its violent past. Indeed without a crystal-clear message that they share the same common future as the rest of European youth, they are unable to successfully resist nationalistic leaders and parties. The only thing the EU is doing so far is to show that it can replace militarily NATO to preserve the very instable peace of the region. Sending troops, consultants and funds is not a long term policy; though it seems that the EU intends to keep on doing that for ever at least when one looks at its lack of long term political projects for the Balkans.
2. The current lack of public support to the EU directly relates to the inability of its leaders to cope with historic challenges facing the EU: it is by proposing audacious solutions to get out of historic dead-ends that the EU elevates itself to its original nature, being a tool allowing the Europeans to solve together what they could never solve alone. By addressing head-on the Balkan enlargement issue, it connects the origins of the European process (bringing together former European enemies) with a current problem (peacefully integrating the Balkan diversity).
3. It is very possible to "sell" the enlargement to the Balkans to EU public opinions. Indeed contrary to what the majority of politicians and EU institutions think, it is possible to "sell" Balkans accession to the EU to the majority of European citizens because the region embodies the only arguments which can still convince voters to support a new enlargement:
  - the opinion on such a question is not established at all within European public opinions (so everything is possible). Contrary to Turkey or Ukraine, there is no consistent and organized opposition to Balkan countries accession;
  - the reasons for their membership are simple to understand;
  - and they are extremely effective arguments.

Essentially they are two main arguments:

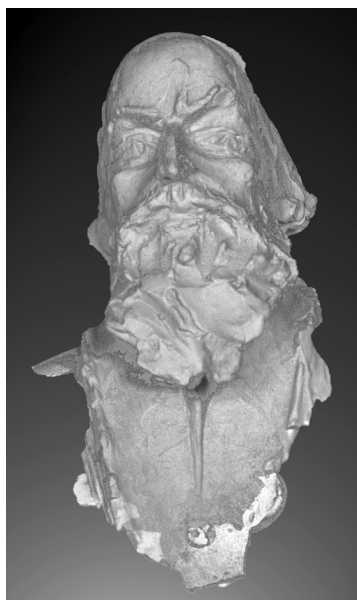
- a. The Balkans already is a major problem for the EU and will stay so in the future. Therefore the only question for the European Union is to know whether it wants to deal with the Balkans issue externally or internally. The accession of Balkan countries does not modify the internal and external strategic balances of the EU. These countries are already within the EU boundaries and their total population is small (about 25 million people). It is not like Ukraine and Turkey whose accession would deeply modify the EU and its relationship with its geopolitical environment.
- b. Therefore, the EU is only left with two choices. Either it continues doing what it does right now: choosing no clear option, talking of possible membership but on an individual basis with each state of the region, with neither clear deadlines nor process; while keeping on acting upon the status quo inherited from Dayton. By doing so, it prevents all the forces wishing to establish sustainable democracies and peaceful relations in the region to gain power because it depends on current nationalistic forces (often anti-democratic as well) to preserve the fragile peace. *In short, to preserve peace in the short term, it has to support the very forces, which are against the objective of peace and democracy in the region on the long term. Tactics in place of strategy: a very good image of today's EU political course.*

Either the EU chooses to set up a crystal clear political vision, saying essentially three things:

1. *The EU deals with the region as a whole.* Even though every country will have its own objectives to meet, each country will also depend on its neighbours results. European solidarity has to be learned from the very beginning of the accession process, especially in this region. And we all know that enlargements are in the end a political question, mostly dealt with 'big bangs' as was in the case of the most recent ones.
2. *The EU sets up a clear cut agenda with a symbolic deadline, July 28<sup>th</sup> 2014, and a symbolic place where the accession ceremony for all the involved country will take place: Sarajevo.*
3. *The EU makes the pledge to do everything it can to convince its citizens to accept the Balkans in the EU at that date and links it to a trans-European referendum on Balkan countries accession at the occasion of the 2014 European elections.*

**So, for me and many in the organizations I work with, the agenda is clear. Let's get to work to be able to celebrate together on July 28<sup>th</sup> 2014 in Sarajevo the accession of the Balkans countries to the EU, putting a final stop to a century of European civil wars!**

## CROQUIS



MIRSAD BEGIĆ: PRIMOŽ TRUBAR

Primož Trubar is a pioneer of Protestantism and the father of the Slovenian written word. He is the truest bearer of progress and the founder of Slovenian literature and written language. His name is full of symbolism: Primus literally means »first«, while Trubar comes from the archaic profession of herald trumpeteers. He was, after all, a messenger of the transformation in the soul of Evangelism and of the Slovenian cultural independence.

Trubar was among the first in Europe who saw that the solution to the hostilities with the Turks and Islam lies in God's teachings rather than the sword. In 1567 he met captured Turkish commander Usraim-Beg in order to get acquainted with Islam and the Quran. This was yet another affirmation of his visionary abilities.

One can achieve that which greats can understand in spirit by seeking the feeling of sanctity, in which truth, goodness and beauty are united in one – in art. That is why art was, is and will continue to be a direct connection with the supreme – for which logical explanations are not needed. Is that what sculptor Mirsad Begić sensed when, combining the traditional and the contemporary, he incorporated the three fundamental principles in a bust of Primož Trubar, in what is a manifestation of his most poignant style? Does this almighty universal nature stem from the bubbling Balkan cauldron of creativity and contradiction?

Could there be an even greater message in all of this – a message of the universal nature of reconciliation among nations and religions? Only through coexistence, tolerance and peace among the peoples can we build a common creative future.

If this is so, we must hold the message of Protestant ethic, of self-control and of restraint rather than unbridled greed associated with human crudeness dear to our hearts. This message is common to virtually all peoples, regardless of their race, religion, national origin or other grouping. That is why Begić and Trubar, united in a common image, are artists with a visionary message.

Anja Fabiani

Gorjup Gallery collection, Božidar Jakac Gallery, Kostanjevica na Krki, Photo: Goran Milovanović

## GENERAL SUBMISSION GUIDELINES

### ARTICLES

European Perspectives is a scientific journal that publishes original, peer-reviewed manuscripts that provide scientific articles focusing on relevant political, sociological, social, security, economic and legal as well as ethnic, cross-cultural, minority and cross-ethnic issues related to European and Euro-Atlantic integrations and South-Eastern Europe.

Manuscripts should be written in English, normally not exceed 8,000 words in length (including footnotes) and submitted in electronic version via e-mail to [info@europeanperspectives.si](mailto:info@europeanperspectives.si), in the .doc format.

The journal reviews received manuscripts on the assumption of an exclusive submission: by submitting a manuscript for consideration, the author(s) warrant(s) that it is not simultaneously being considered by any other publication and that it shall not be sent to another publication until a response is received from the journal.

All texts submitted to the journal must be original works of the author(s). By submitting a manuscript, the author(s) warrant(s) to the journal that it does not infringe the copyright or any other rights of third parties.

When submitting the manuscript, please also attach:

- an abstract of 150–200 words, in English, stating precisely the topic under consideration, the method of argument used in addressing the topic, and the conclusions reached
- a list of up to six keywords suitable for indexing and abstracting purposes
- a full postal and e-mail address of the author. If the manuscript is co-authored, then please provide the requested information about all the authors.

### PEER REVIEW

All manuscripts are checked by referees by means of a double-blind peer review. Two external referees review each manuscript. European Perspectives reserves the right to reject any manuscript as being unsuitable in topic, style or form without requesting an external review.

### REFERENCES

In the text, refer to the name(s) of the author(s) (without initials, unless there are two authors with the same name) and year of publication. Unpublished data and personal communications (interviews etc.) should include initials and year. For example: Since Bull (1977) has shown that ... This is in results attained later (Buzan - Jones - Little 1993: 117). As contemporary research shows (Wendt 1992), states are the ...

Publications by the same author(s) in the same year should be identified with a, b, c (2005a, 2005b) closed up to the year and separated by commas. Publications in references that include different authors should be separated by a semicolon: (Miller 1994a: 32, 1994b; Gordon 1976). If the year of first publication by a particular author is important, use the form: (e.g. Bull 1977/2002: 34). If there are two authors of a publication, separate the names by ' - ' (not ' and ' or ' & '). If there are more than two authors, put the name of the first author followed by ' et al. ', or write all names separated with ' - ' (four authors maximum).

References to unauthorized data from periodicals may be given in brackets in the text together with the exact page(s). For example: '(quoted in International Security (Summer 1990): 5)'. If such a reference is included in the reference list, the title of the contribution referred to must be provided, and a short title without inverted commas and a year of publication is used for in-text-referencing (e.g. short title year). As a general rule, an exact web address of a particular article can be substituted for its exact page(s).

List of References should appear at the end of the manuscript, listed alphabetically by author's surname.

## **BOOK REVIEWS**

European Perspectives welcomes reviews of recently published books (i.e. those published in the year in which the current issue of European Perspectives was published or in the previous year). Authors should submit reviews of works relating to political science and other social sciences with the themes focused on (East) Central European issues.

When submitting a book review, authors should abide by the following requirements:

- A book review should not exceed 1,500 words.
- State clearly the name of the author(s), the title of the book (the subtitle, if any, should also be included), the place of publication, the publishing house, the year of publication and the number of pages.
- If the reviewed book is the result of a particular event (a conference, workshop, etc.), then this should be mentioned in the introductory part of the review.
- Review authors should describe the topic of the book under consideration, but not at the expense of providing an evaluation of the book and its potential contribution to the relevant field of research. In other words, the review should provide a balance between description and critical evaluation. The potential audience of the reviewed work should also be identified.
- An exact page reference should be provided for all direct quotations used in reviewing the book.

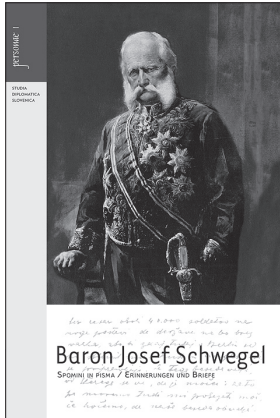
For further instructions on submission of manuscripts, please visit the journal website at <http://www.europeanperspectives.si>.

Franc Rozman

**Baron Josef Schwegel – spomini in pisma /  
Baron Josef Schwegel – Erinnerungen und Briefe**

2007 / 376 pages / ISBN 978-961-92173-0-6

Price: € 34



The book *Baron Josef Schwegel – Memories and Letters* contains an autobiography of Baron Josef Schwegel and his notes from the Congress of Berlin. The book sheds light on Schwegel's work in diplomacy and foreign affairs based on his memoirs and the letters he wrote his wife when he was a member of the Austro-Hungarian delegation at the Congress of Berlin. The book was published as part of the *Personae* series of the *Studia diplomatica Slovenica* collection.

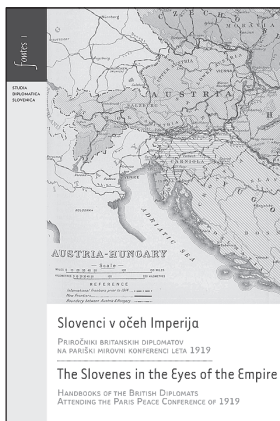
Ernest Petrič (chief editor)

**Slovinci v očeh Imperija - Priročniki britanskih diplomatov na Pariški  
mirovni konferenci leta 1919 /**

**Slovenes in the Eyes of an Empire – Handbooks of the British Diplomats  
Attending the Paris Peace Conference of 1919**

2007 / 524 pages / ISBN 978-961-92173-1-3

Price: € 35



The book *Slovenes in the Eyes of an Empire – Handbooks of the British Diplomats Attending the Paris Peace Conference of 1919* includes a collection of handbooks prepared by the Historical Section at the British Foreign Office for the Versailles peace conference in 1919. Political analyses, texts containing historical and general information (Slovenes, the Yugoslav movement, the Austrian Primorska (Littoral) and Kansan (Carniola) regions, Koroška (Carinthia), Štajerska (Styria)) that were intended to help shape British policy on Central and Southern Europe following World War I. The book was published as part of the *Fontes* series of the *Studia diplomatica Slovenica* collection.

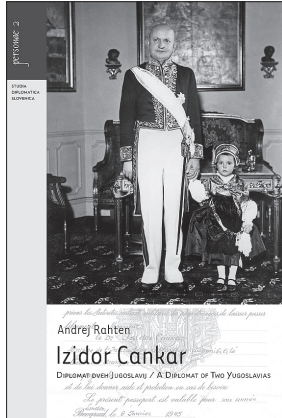


Andrej Rahten

**Izidor Cankar – diplomat dveh Jugoslavij /  
Izidor Cankar – A Diplomat of Two Yugoslavias**

2009 / 420 pages / ISBN 978-961-92173-8-2

Price: € 40



The biography *Izidor Cankar – A Diplomat of Two Yugoslavias* is an account of the diplomatic career of Izidor Cankar in the first and second Yugoslav states. The book outlines Slovenia's progress from the end of the 19th century to the late 1950s in broad social terms as part of the Austro-Hungarian Empire and the monarchist and communist Yugoslavias. Special attention is given to the international point of view – debates on the Slovenian issue in correspondence involving Slovenian diplomats serving at Yugoslav missions. The book was published as part of the *Personae* series of the *Studia diplomatica Slovenica* collection.

The *Studia diplomatica Slovenica* is a collection of books divided into three series: the *Fontes* series – a collection of sources and international diplomatic documents; the *Monographiae* series – a collection of key periods of development of Slovenian diplomatic heritage; and the *Personae* series – biographies of prominent Slovenian diplomats working for multinational states (the Habsburg Monarchy, the Kingdom of Yugoslavia and Socialist Yugoslavia).

ARTICLES

COMPOUNDING THE CRISIS? INTERNATIONAL  
ASSISTANCE IN THE WESTERN BALKANS

*Paul Stubbs, Moises Venancio*

INSTITUTIONAL REIMAGINATION OF THE SOUTH EAST EUROPE

*Matjaž Nahtigal*

VICTORY FOR EUROPEAN ALBANIA: DEMOCRATIC  
ELECTION AS A STEP TOWARDS 'STRONG STATES'

*Tom Hashimoto*

EU'S CONDITIONALITY MECHANISM IN SOUTH EAST EUROPE –  
LESSONS LEARNED AND CHALLENGES FOR THE FUTURE

*Sandro Knezović*

INSTITUTIONALIZATION OF REGIONAL CO-OPERATION  
IN SOUTH EAST EUROPE – STRATEGIES AND OBSTACLES

*Miloš Šolaja*

ISSN 1855-7694



20,00 €