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# Southeastern Europe: Moving Forward

An International Conference (January 23-24, 2003, Ottawa)

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#### ABSTRACT

This report provides general information on the international conference "Southeastern Europe: Moving Forward," which took place in Ottawa on January 23 and 24, 2003, and on its main organizer, the Canadian Forum on Southeastern Europe (CFSEE) at Carleton University. It focuses on the proceedings of the conference, offering summaries of 27 presentations. This section is followed by policy recommendations emerging from the discussions, organized along several key areas of interest for both Canada and the countries of Southeastern Europe. In the appendixes are biographies of 27 participants, the conference program and available texts of comments made by 7 representatives of governments and the European Union.

A separate volume contains the academic papers.

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### INTRODUCTION

The international conference "Southeastern Europe: Moving Forward" represented a cooperative effort between the Canadian Forum on Southeastern Europe (CFSEE) and the embassies located in Canada of the following countries: Albania, Bosnia-Herzegovina, Bulgaria, Greece, FYR Macedonia, Romania, Serbia-Montenegro and Turkey. Financial support was provided by the Canadian Centre for Foreign Policy Development (Department of Foreign Affairs and International Trade, Government of Canada); the European Commission; the Partnerships for Tomorrow Program (Association of Canadian Community Colleges and Canadian International Development Agency); and Carleton University

The Canadian Forum on Southeastern Europe is part of the Centre for European Studies (CES) at Carleton University. CFSEE was founded by the Centre for European Studies in March 2002 with the following goals:

- To improve understanding within Canada of the changing situation in the countries of Southeastern Europe, particularly Albania, Bosnia-Herzegovina, Bulgaria, FYR Macedonia, Romania and Serbia-Montenegro. Following a decade of political and economic turmoil, all of these countries have entered or are poised to embark on new stages of stabilization and reconstruction. On various timetables, they are deepening their relations with countries of Western Europe and North America, and aspire to be integrated into the European Union, as well as NATO.
- To create a network of Canadian expertise relating to Southeastern Europe (SEE). The changing situation in SEE has brought the need of a redefinition of Canadian foreign policy and has created new opportunities for cooperation between Canada and the countries in the area. CFSEE strives to bring together Canadian and SEE specialists from a broad variety of backgrounds: government officials, NGO representatives, international organization representatives, academics and private sector representatives.
- To serve interested students at Carleton University and other Canadian universities by involving them directly in the Forum's various initiatives and by providing access to resources necessary for further study of the region.
- To organize a series of public events in Ottawa. Involving academics, policymakers, embassy personnel, practitioners, students, and civil society, CFSEE events will aim to address key issues in SEE and to recommend possible ways of further promotion of Canadian interests and values in that region as well as to lay the grounds of mutually beneficial partnerships in the political, academic and economic fields.
- To develop partnerships with academic institutions in each country of the region in order to facilitate communication, cooperation and joint projects.
  - To encourage research initiatives relating to the region.

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The Canadian Forum on Southeastern Europe works closely with embassies of the region, including those of Greece and Turkey. Among its associated partners are: the Association of Canadian Community Colleges, the Canadian Centre for Foreign Policy Development, the Canadian International Development Agency, the Delegation of the European Commission to Canada, the Department of Foreign Affairs and International Trade, and the Parliamentary Centre of Canada.

The international conference "Southeastern Europe: Moving Forward" gathered over 150 scholars, diplomats, government officials, NGO representatives, business people and students at Lord Elgin Hotel, on January 23 and 24, 2003. The conference was organized around five panels and included speakers from the Government of Canada, the Delegation of the European Commission in Ottawa, the Presidency of the European Union and the governments of participating embassies. In addition, it included participation of leading Canadian experts on Southeastern Europe.

### SUMMARY OF PROCEEDINGS

The objective of the conference was to identify and analyze current political and economic trends with the goal of drawing attention to positive achievements, cooperative efforts and current challenges, as Southeastern Europe enters a new phase of development which should bring improved prospects for political and economic development, and a more conducive environment for business activity.

### Perspectives from the Government of Canada

"Now there is real, tangible hope for progress. We've clearly turned a corner," said **Paul Dubois, Assistant Deputy Minister for Europe, Department of Foreign Affairs and International Trade of Canada**, referring to the countries of Southeastern Europe. He argued that the key to this change was the consensus on integration into Euro-Atlantic structures, such as the EU and NATO, and full acceptance of the values these institutions represent. In his opinion, the question is not where the region is going, but only "how fast." Mr. Dubois underscored that Canada strongly encouraged this evolution: Prime Minister Jean Chrétien was the first NATO leader, for example, to argue for a robust enlargement of the North Atlantic Treaty Organization.

Canada thinks that institutions such as NATO and the EU should embrace all Europe, this process promoting peace and prosperity and reinforcing the democratic values Canada lives by. Canada's interest is well served by this development, said Mr. Dubois: to the extent that Europe's economy, for instance, expands, Canada's can grow too. The countries of Southeastern Europe can become new motors of a new, broader Europe, adding diversity and vigour to it: a New Europe would, thus, be constructed. Canadian businesspeople could take advantage of new markets and the political and security partnership with Europe would be strengthened.

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CIDA has reflected this evolution by moving from emergency assistance to post-conflict reconstruction to support for transition to open, stable and prosperous societies. According to Ms. Gesnot, CIDA's programming in Southeastern Europe has been based on three main ideas: economic rehabilitation, peace-building and security, and social sustainability. She said that the challenge now facing CIDA was to mature its aid program in the region and to systematically gear it towards economic, social and political transition. Reflective of the increased regional convergence of issues and challenges, CIDA's Eastern and Western Balkans programs were brought within one single program last summer.

According to Ms. Gesnot, CIDA seeks to develop a long-term vision for its program in Southeastern Europe: it has developed a regional discussion paper called "Charting a Course to 2010," which was submitted to public consultation over the last few months.

Dr. Rob McRae, Director General of the Central, East and South European Bureau of the Department of Foreign Affairs and International Trade of Canada, made closing comments at the conference. The European Union enlargement is a positive development for the countries of Southeastern Europe, he said. According to Dr. McRae, Canadian assistance in their accession endeavours towards EU membership is both in their interest and Canada's interest. Canada will have more friends, countries that have strong bilateral ties with Canada, when these countries join the European Union. The new EU members will have a say in a number of important issues in discussions between Canada and the EU (e.g. the Kyoto Protocol, genetically modified foods, agricultural and fishing interests, and immigration).

There is a growing consensus, according to Dr. McRae, that there should be fewer international actors in the Balkans and that their roles need to be redefined. He said that what is needed today is less "brick and mortar" and more assistance in building governance structures and helping developing economies and economic structures, rule of law and tax systems, for instance. These do not require huge budgets, but rather smart aid budgets and delivery. The move away from dependency, encouragement of creativity, and a focus on local needs and aspirations are key elements Canada's role in the Balkans.

### Perspectives from the European Union

Speaking in his capacity as **representative of the Greek Presidency of the European Union, H.E. Leonidas Chrysanthopoloulos** noted that all Southeastern European countries have a real chance of becoming members of the EU. He expressed his satisfaction with the degree of progress the countries in the region have achieved towards integration into the European Union, but underlined that there were still Nitoble Gesnot, Manager, Social and Economite Development Programs in the Balkana, Canadian International Development Agency (CIDA), noted that despite the challenges and the still open wounde, Southeastern Europa is a region that seeks and explores paths to a brighter and more stable future. The very fact that policy makers from across the region stood side by side in a conference discutaing their countries/ challenges and opportunities, Ma. Gesnot adged, was a reflection of the positive evolution of Southeastern Europe.

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In his presentation, H.E. Chrysanthopoloulos divided the Southeastern European countries into several categories: (1) Greece achieved full EU membership twenty years ago; (2) Slovenia is an acceding state to the EU, its membership being, presumably, only months away; (3) Bulgaria and Romania are formal candidates to EU membership, the target date for their accession being 2007; (4) the accession negotiations with Turkey could start in 2005; (5) Albania, Bosnia-Herzegovina, Croatia, FYR Macedonia and Serbia-Montenegro have not yet been recognized as EU candidate countries.

The Greek Presidency of the European Union has set the following six priorities for its work in Albania, Bosnia-Herzegovina, Croatia, FYR Macedonia and Serbia-Montenegro: (1) consolidating peace, stability and democratic development in the region; (2) carrying forward the EU's Stabilization and Association Process (SAP) with individual countries; (3) developing the SAP and adapting it to the new environment after the current enlargement of the European Union; (4) launching a so-called Balkan European Integration Process; (5) focusing on specific horizontal issues of significance for the region; and (6) strengthening regional cooperation and the Stability Pact. The SAP includes individual agreements between the European Union and the countries in the region on stabilization, community assistance and trade measures.

A glance at the map makes the importance of Southeastern Europe for the European Union easy to understand, said **H.E. Eric Hayes, Ambassador and Head of the Delegation of the European Commission to Canada**. From 2007, the Western Balkans (Albania, Bosnia-Herzegovina, Croatia, FYR Macedonia and Serbia-Montenegro) will become an enclave of non-members of the EU, completely surrounded by the European Union. The EU, H.E. Hayes maintained, has therefore a deep vested interest in their stability, security and prosperity.

H.E. Hayes noted that the five countries of the Western Balkans were formally recognized as potential candidates for EU membership by the heads of state and government of the European Union and the President of the European Commission two and a half years ago. He added that the Stabilization and Association Process is the motor for reform in the countries of the Western Balkans. This is a step-by-step process, based on four major ideas: (1) trade liberalization through so-called Autonomous Trade Measures (ATMs); (2) significant financial assistance for reconstruction, democratization and stabilization; (3) a new contractual relationship between the EU and the countries in the region; and (4) promotion of cooperation among the countries of the Western Balkans themselves.

In its relations with the countries in the region, the European Union can learn from the enlargement process, and the countries of the Western Balkans can learn from the current candidate countries. H.E. Hayes said that the SAP should be the anchor for reform in the region just as the accession process has been the anchor for reform in Central Europe.

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### A Perspective from the region

**Dr. Mladen Ivanic, the Minister of Foreign Affairs of Bosnia-Herzegovina**, delivered the keynote address to the conference. While his remarks focused on problems facing his own country, Dr. Ivanic set the stage for a positive evaluation for future prospects of the region as a whole. He noted that, compared to other countries in the region, Bosnia-Herzegovina is dealing not only with transition issues, but also with post-war reconstruction. He emphasized that Bosnia-Herzegovina has a democratically elected government and is making progress in establishing rule of law, securing rights for minority groups, harmonizing legal systems and re-establishing regional contacts. Bosnia-Herzegovina recognizes the importance of regional cooperation; for example, it has established free trade agreements and other forms of cooperation with Bulgaria, Croatia, FYR Macedonia and Serbia-Montenegro.

One of Bosnia-Herzegovina's key problems, according to its Foreign Minister, is its poor economic performance, with an unemployment rate of over 40%. Dr. Ivanic argued that his country was expected to reach its pre-war GDP growth by 2030. He added that these serious economic problems could exacerbate interethnic tensions, scapegoating being the most convenient and conventional means for rationalization of the unfavourable economic situation in the country. In addition, the economic situation is the most often quoted barrier to the return of refugees and displaced people.

On the ideological level, the three constituent peoples of Bosnia-Herzegovina are still concerned about their national identity. However, Dr. Ivanic believes that his country's integration into the European Union would reduce the "sovereignty issue" to a minimum and would alleviate the economic problems of the country.

# Panel 1. Southeastern Europe: From Stabilization to Integration

The objective of the first panel was to provide an overview of the current trends in the political development of Southeastern European countries in order to set the basis for an assessment of prospects for regional integration.

Focusing on the situation in Serbia-Montenegro and Macedonia, Jan Kickert, Minister-Counsellor with the Austrian Embassy in Ottawa, identified three issues that he perceived most challenging for these two countries: political instability, the so-called "Albanian question," and organized crime and corruption. Mr. Kickert made it clear that he was not representing the official position of the Austrian Government in his comments, but that they reflected his personal assessment.

Mr. Kickert argued that the future of Serbia-Montenegro remaines unclear, even more the final status of Kosovo. In his opinion, Serbia-Montenegro is a "very loose union of two equal states;" they are actually less integrated than EU countries are with one another. Mr. Kickert considers important the consolidation of the political landscape in Serbia-Montenegro. Although he presented the political developments in Macedonia as "mostly positive," there still exists alienation and a sensitive balance of power between

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According to Mr. Kickert, the concept of a "Greater Albania" is a myth, created mainly for propagandistic reasons; it has no significant backing among ethnic Albanian areas of the region. Still, a decision on Kosovo's final status cannot be postponed eternally.

The issue of organized crime and corruption, Mr. Kickert argued, is a significant problem in the Balkans: the region is a centre for illicit trafficking of cigarettes, arms, drugs and human beings, and corruption is intimately linked to organized crime. Still, the way forward is the integration into Euro-Atlantic structures, therefore values of transparency, public accountability and fight against the climate of legal impunity for organized crime should be promoted in the region.

Albania's post-Communist political and economic transition has been fraught with setbacks, according to **Dr. Robert Austin, Project Coordinator of the Centre for Russian and East European Studies at the University of Toronto**. He emphasized that Albania still lacks a leadership that understands democracy; and the country's political life, which is increasingly insignificant to a largely apathetic population, is still dominated by just a few politicians, formed during the Communist regime.

A weak economy and a weak infrastructure, which have led to widespread poverty, are Albania's biggest problems. In addition to this, although not being involved in inter-ethnic rivalry, Albania has needed the international community to come to its aid to mediate disputes between Albanians; in Dr. Austin's opinion, this indicates a low level of political maturity. However, a new generation of politicians could change this situation and could promote the country's integration into Euro-Atlantic structures.

According to Dr. Atanas Gotchev, Professor at the Department of International Relations Association in Sofia, Bulgaria is perceived as a country with a high level of state capture and corruption, which, along with a weak system of governance, are factors limiting investment and constraining the business climate. Some of Bulgaria's problems are the concentration of power (despite progress towards decentralization), weak legal and regulatory frameworks, weak capacity to monitor corruption and enforce laws, as well as weak overall accountability and transparency.

However, the careful assessment of the experience of the past policies, said Dr. Gotchev, can create opportunities for the future. New and better-designed policies could contribute to faster economic growth. Based on the economic improvements of the last few years, Bulgaria can move from economic stabilization to accelerated development. The political life tends to be characterized by normality and the process of accession to the EU should contribute to strengthening the rule of law and to increasing accountability and transparency.

Post-Communist Romania has had a difficult time building capitalism without capital and consolidating democracy in the absence of a civic spirit, said Dr. Lavinia Stan, Director of the Centre for Post-Communist Studies at St. Francis Xavier University in Antigonish, Nova Scotia. Even the most optimistic forecasts recognize that economic success is still out of Romania's reach. Compared to some of its neighbours, Romania scores higher in terms of inflation and corruption, and lower with respect to living standards, foreign investment and Human Development Index levels. Regional

ethnic groups. The chelienge is to restere confidence in the Macedonian authorities and to create social cohesion.

According to Mr. Kicker, the concept of a "Greater Albania" is a myth, created mainly for propagandiatic reasons; it has no significant backing among ethnic Albanian areas of the region. Still, a decision on Kosovo's final status cannot be postponed elements.

The resue of organized onime and conruption. Mr. Kickert argued, is a significant problem in the Balkans: the region is a cantre for flicit trafficling of organates, arms, drugs and human beings, and corruption is intimately linked to organized onne. Still, the way forward is the integration into Euro-Atlantic structures, therefore values of transparency, public accountability and fight against the climate of legal impunity for organized onne should be promoted in the region

Attains a post-Communist political and economic transition has been fraught with satibacks, according to Dr. Robert Austin, Project Coordinator of the Centre for Russian and East European Studies at the University of Toronto He emphasized that Albania still lacks a leadership that understands democracy; and the country's political life, which is increasingly insignificant to a largely apathetic population, is still dominated by just a few politicians, formed during the Communist regime

A weak economy and a weak intrastructure, which have led to widespread poverty, are Albania's biggest problems in addition to this, exhough not being involved in inter-ethnic rivatry. Albania has needed the international community to come to its aid to mediate disputes between Albanians; in Dr. Austin's opinion, this indicates a low level of political meturity. However, a new generation of politicians could change this situation and could shownore the country's integration into Euro-Atlantic structures.

According to Dr. Atamas Gotchev, Professor at the Department of International Relations Association in Sofia, Bulgaria is perceived as a country with a high level of state capture and corruption, which, along with a weak system of governance, are factors fimiting investment and constraining the business climate. Some of Bulgaria's problems are the concentration of power (despite progress towards decentralization), weak legal and regulatory frameworks, weak capacity to monitor comption and enforce taket, as well as weak overall accountability and transparency.

Rowever, the careful assessment of the experience of the past policies, said Dr. Gonthaw, can create opportunities for the future. New and better-designed policies could continue to faster economic growth. Based on the economic improvements of the last few years, Bulgana can move from economic stabilization to accelerated development The political life tends to be characterized by normality and the process of accelerator to the FU should optimize to strengenening the rule of law and to increasing accountability and transparency.

reserved in the rest of the start a difficult time building capitalism without capital and cosmolidating demorracy in the absence of a civic spirit, said Dr. Lavinia Stan, Ethestor of the Centre for Post-Communist Studies at St. Francis Xavier University in Antigonish. Nova Scotia, Even the most optimistic forecasts recognize that economic success is still out of Romania's reach. Compared to some of its neighbours. Romania scores higher an terms of inflation and composite forecasts recognize that economic standards; foreign investment and Human Development Index terms. Removed to living disparities between the better-off Bucharest and Transylvania and the worse-off Moldova and Southern Romania are increasingly evident.

But in many ways, Dr. Stan added, the system is working. There are signs that political officials feel accountable to those who have chosen them and act in accordance with the powers and responsibilities of their office. The legislature is no longer trying to act as a government as it did in the early 1990s, the executive stopped behaving like a debating chamber as in 1997-1998, and the head of state is less inclined to seek governmental responsibilities as in 1999. It can be hoped that the desire of an overwhelming majority of Romanians to join the European Union and NATO will extend to complying with accession requirements.

**Professor of Political Science at Simon Fraser University in British Columbia, Dr. Lenard Cohen** drew together several themes for the panel. He suggested that in Southeastern Europe we have seen a "chain" of weak and small states, most of which have declined economically compared to their position and prospects a decade ago. There is a high level of dependence on external donors. Several states are plagued by political instability or paralysis owing to the polarization of their political leaders and political parties, and most have legal systems that have yet to overcome arbitrariness and politicization. As a result of such problems, Dr. Cohen added, corruption is often rampant at levels well beyond simply those generated by routine clientelistic politics, regionally connected organized crime flourishes and in many areas human security remains highly problematic and threatened.

Still, Dr. Cohen noted, today one no longer finds the widespread violence of the early and mid-1990s. Interethnic conflict on the whole has diminished, the Balkans seem unlikely to again become a focus of big power rivalry, and the countries in the region are committed to building democracy and the development of free economies. Moreover, the process of transformation of Southeastern Europe is occurring with ample assistance from regional and international organizations utilizing a broad variety of programs to promote political pluralism and market economies.

According to Dr. Cohen, the critical lack of trust in state institutions across the Balkans suggests that the task of institution-building must be a key area on the policy agenda for the region. Southeastern Europe needs "credible leadership," especially at the highest and middle levels of the state.

# Panel 2. Countries in Transition: Building an Economic Infrastructure

The objective of the second panel was to provide an assessment of the steps being undertaken to develop the economic infrastructure required to assure improved economic performance, a rising standard of living and a fertile environment for business development, both within individual countries as well as on a regional level.

Social, ethnic and political tensions have resulted in modest economic growth in Southeastern Europe, said **Dr. Dimitar Mircev**, **Professor at the School of Philosophy, Cyril and Metodij University in Skopje**. Dr. Mircev noted several factors that add to the instability in the region: the upcoming presidential elections in several dispanties between the better-off Bucharest and Transylvania and the worse-off Moldova and Southern Romania are increasingly evident.

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Southeastern Europe, said Dr. Dimitar Mircev, Professor at the School of Philosophy, Cyril and Natodij University in Skopje. Or Mircev noted several factors that add to the instability in the region the upcoming presidential electrons in several

countries next year; the ill-defined situation concerning the relationship between Serbia and Montenegro; and the uncertainty surrounding the status of Kosovo.

Dr. Mircev underlined that the therapies and strategies of the international community aimed at addressing and resolving interethnic conflicts should not be defined only from a political perspective. These activities should be mainly socio-economic. Dr. Mircev warned that Brussels is not aware of the consequences of different statuses and positions of the countries in the region in relation to the European Union and NATO. In order to stabilize the region in the long run, the international community should harmonize the policies of even regional development.

Nicolae Ropotean, Director of the Regional Political Cooperation Division, Ministry of Foreign Affairs of Romania, stressed that his country, as other states in Southeastern Europe, occupies a strategic location on the West side of the Black Sea. Romania is a country which is both exporting and importing energy (although it can be self-sufficient in energy supplies for several decades). Its geographical location allows it to transport Russian natural gas to Western Europe and Turkey; it is also a potentially significant transit region for Caspian oil exports to Europe. Romania believes that its energy sector is attractive for foreign investment and sees possibilities for mutually beneficial cooperation.

Mr. Ropotean underlined the need for cooperation in the energy field between Canada and the countries in the region. He noted that the first Western-designed nuclear reactor in Eastern Europe was supplied by Canada to Romania. Currently, one of the priorities of the Romanian government is to ensure high standards of nuclear safety and security of nuclear materials and installations. Cooperation with Canada in this respect would be highly beneficial for Romania.

According to Dimitar Stoyanov Savov, Head of the Investment Policy Department of the Ministry of Transport and Communications of Bulgaria, the present transport policy of Bulgaria consists of three major sections. Firstly, there is the objective of integration into the European Union. In this respect, harmonization of national legislation and transport regulations with those of the EU member states is needed.

Secondly, there is a need to develop the transport infrastructure. Bulgaria's transport infrastructure should become an integral part of the Trans-European Network. The country's network has to be transformed into a competitive and effective "bridge" between Western and Central Europe and the Middle and Far East countries, as well as along the North-South direction, between the Baltic and the Adriatic Sea. The existing transport infrastructure has to be reconstructed and modernized in accordance with the standards and requirements of the European Union, as well as NATO. In addition, an environmentally friendly transport system should be created.

The implementation of the above-mentioned goals, Mr. Savov underscored, is based on the third priority of the transport policy, namely financing transport infrastructure projects. As available resources set limits on investments into infrastructure, the priority should be given to Pan-European transport corridors. According to Mr. Savov, Canada's opportunity to take part in economic development in the region is through financing transport infrastructure projects. countries next year, the ill-defined situation concerning the relationship between Serbia and Montanegro; and the uncertainty surrounding the status of Kosovo

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In conformity with its obligations as a member state of the European Union and the Organization for Economic Cooperation and Development (OECD), Greece has committed itself to allocating annually 0.2% of its GDP to international development aid. The Hellenic Plan for the Economic Reconstruction of the Balkans will provide 550 million Euro for a period of five years (2002-2006) to six countries in Southeastern Europe: Albania, Bosnia-Herzegovina, Bulgaria, FYR Macedonia, Romania and Serbia-Montenegro. Approximately half of the available funds will be made available to Serbia-Montenegro, as – according to Mr. Olziersky – this is the country with the greatest need for assistance at the moment.

The assistance provided through the Hellenic Plan, Mr. Olziersky added, is foreseen for several areas, such as infrastructure development (energy and transport), investments, public administration, democratic institutions, rule of law, welfare state, economic (in)equality and education.

Dr. David Carment of Norman Paterson School of International Affairs at Carleton University in Ottawa and Dr. Atanas Gotchev of the Department of International Relations Association in Sofia provided a critical overview of risk assessment projects on Southeastern Europe.

Dr. Carment argued that risk assessment reports, drawing on international, rather than local, experts, are too long, while policy recommendations are too broad and fragmented. On the other hand, the Government of Canada needs to develop the capacity to draft and implement recommendations formulated by organizations or departments working in this area. Still, Dr. Carment added, recommendations often rely on narrow information sources (polls and statistical data were mentioned as examples) and do not contain direct linkages to analyses of public opinion or to response strategies.

Dr. Gotchev ovserved that the need for risk assessments and early warnings on Southeastern European issues is underscored by an existing instability in some countries of the region. These instruments could serve to strengthen the capacity of public administration in Southeastern Europe to deal with crisis situations and to react to emerging threats in a stable and coherent manner. Dr. Gotchev recommended that government agencies consider developing internal frameworks for early warning analyses and early action, while the NGO sector should continue to play a significant role in this area as well.

# Panel 3. States in Transition: Building Governance Structures

The objective of the third panel was to provide an assessment of the steps being undertaken to develop effective governance structures that will assure realization As Groece belongs to the Balkans, it acknowledges its responsibility to help other countries in the region and does so, said Pavlos Obtienaty, Othector of the Press Office of the Deputy Minister of Foreign Affairs of Greece. The Hellenic Plan for the Economic Reconstruction of the Balkans is the first systematically planned effort of Greece to help its neighbours.

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### of principles such as rule of law, public accountability and an effective regulatory environment.

In the last few years, it has become clear that the political preferences of the Serbian and Montenegrin politicians have ranged from a federal solution to independence, noted **Slobodan Samardzic, Political Advisor to the President of Serbia-Montenegro**. According to him, the Constitutional Charter of the union of the two states has left almost fully up to the republics the arrangement of their constitutional matters. More precisely, the responsibility for building systems of rule of law rests with the two member states.

Mr. Samardzic noted that the Constitutional Charter of Serbia-Montenegro achieved the European Union's political goal of preserving this state and, moreover, of stopping the fragmentation of the Balkans into a number of small states. He argued that the European Union could either artificially maintain this state union as long as the EU's security interests require so or, alternatively, use its authority to demand its strengthening by supporting integration forces within Serbia and Montenegro.

In his analysis of Southeastern European countries, **Dr. Andrei Marga, Rector of Babeş-Bolyai University in Cluj-Napoca, Romania**, argued that the states in the region still show signs indicating crises of different natures: economic, social, legitimacy and cultural, as well as a crisis of creativity and motivation. The interaction of all these crises creates high demands on policy agendas, as well as internal contradictions.

According to Dr. Marga, there is a need for a type of governance that implies pluralism and democratic control, with a goal of durable solutions and efficiency. He argued that the governance systems prevailing in the former socialist countries of Southeastern Europe have been represented by "democratic populism," in contrast with Central European "pluralist democracies." Due to populism, the rhythm of reconstruction and development in Southeastern Europe has been slower than in Central Europe. Still, Dr. Marga noted, there is hope that, through EU and NATO accession, the countries in the region will be motivated to re-examine their evolution after 1989 and to change their type of governance.

Success in reconciliation among the Yugoslav successor states could be facilitated by the re-examination of dominant narratives about the war and war events (the issue of "truth") and by the successful implementation of the principles of justice, such as prosecution of war criminals, argued **Dr. Nebojsa Bjelakovic of the Directorate for Strategic Analysis, Department of National Defence of Canada**. Contemporary discourses, he added, should be examined in order to position dominant perceptions on war crimes and issues of responsibility in the post-Yugoslav "core states" of Croatia, Bosnia and Serbia. According to Dr. Bjelakovic, there is a need for the International Criminal Tribunal for Former Yugoslavia (ICTY), for the state-sponsored Truth and Reconciliation Commissions, and regional NGOs to complement each other's actions.

The relevance of reconciliation in the former Yugoslavia is pivotal, as the successor states, to different degrees and despite the efforts of national ideologues, remain multiethnic societies and will be more and more so if the freedom of movement and return of private property are achieved. In this context, ICTY should not act as the marker of democracy tests that could actually penalize entire societies for their poor performances, Dr. Bjelakovic said. Instead, it should assist the Yugoslav successor states' institution building by being a partner with their judicial branches.

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According to Dr. Lukic, from 1997 on, Montenegro has chosen – like Slovenia 10 years ago – the road to Europe as its economic future. Serbia, by contrast, has been in conflict with the Euro-Atlantic community since 1991. For Montenegro's long-term interests, this position has become untenable and a possible future stumbling block. Dr. Lukic noted that, if there is no explicit and firm commitment by both Serbs and Montenegrins to live in one country, their union cannot become a viable federal state.

If the Yugoslav successor states are to evolve from minimalist democracies sustained by vertical accountability mechanisms (such as elections) to consolidated liberal democracies, they need to be supported by agencies of horizontal accountability that can provide viable constraints on the executive branch, argued **Geoffrey Dubrow of the Parliamentary Centre in Ottawa**. Building institutions of horizontal accountability, he said, is critical to the success of democratic consolidation. Mr. Dubrow defined horizontal accountability as the capacity of state institutions to check abuses by other public agencies and branches of government.

There are numerous genres of horizontal accountability: financial accountability, administrative accountability, a professional type, a moral one, legal accountability and constitutional accountability. Horizontal agencies in this area include electoral commissions, tribunals, auditing agencies, anticorruption agencies, ombudsman's offices, administrative courts and human rights commissions.

In addition to the other speeches on the same topic, **Dr. Achilles Skordas of the Faculty of Law at the University of Athens, Greece**, noted that the Hellenic Plan for the Economic Reconstruction of the Balkans is a relatively new institutional cooperation framework in the region. It is, therefore, still early to analyze its impact on the process of building good governance structures in Southeastern Europe. Dr. Skordas understands good governance as democratic practices, rule of law, efficient use of resources, effective decision making, public accountability and transparency.

The Plan is based on six bilateral agreements, all having a common structure, concluded by Greece with Albania, Bosnia-Herzegovina, Bulgaria, FYR Macedonia, Romania and Serbia-Montenegro. According to Greek legislation, the purpose of the Plan is to modernize infrastructures, to promote productive investments, to modernize public administration and self-government, to support democratic institutions (especially cooperation between parliaments in the region), to support the principles of rule of law and welfare state, and to address economic equalities and training of labour force. The creation of the Union of Serbia-Montenegro, the successor state of the Federal Republic of Yugoslavia, does not guarantee the stability or ungently of this state, in spite of the European Union's orucial tote in its formation, noted by Remot Lukic, Professor of Political Science at Laval University in Quebec City His central contention was that this union is a temporary stage in the process of distingeration of the Federal Republic of Yugoslavia. According to Dr. Lukic, the recent constitutional agreement between Sarbia and Montenegro has not changed the process of internal dissolution of this state, it is rather an attempt to freeze it for three years. It should allow all sides, he argued, to buy time to find a definite settlement to the question of settles, he Montenegro and Kosovo.

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### Panel 4. European and North-Atlantic Integration: Implications for Southeastern Europe

The objective of the fourth panel was to provide an appraisal of the current and potential effects of the processes of European and North-Atlantic integration on Southeastern Europe and their implications for Canada's foreign policy towards the region.

According to Dr. Gerasimos Karabelias of the Department of Sociology at Panteion University of Political and Social Sciences in Athens, Greece, the European Union's strategies towards Southeastern Europe are based on three principles: conditionality, differentiation and compartmentalization. By conditionality, Dr. Karabelias understands the process though which the countries in Southeastern Europe were made aware that in order to obtain benefits they had to introduce and implement political reforms akin to the ones in the European Union. From the perspective of differentiation, the EU has relied on the same format of relations with each country, albeit with specific provisions to be negotiated separately. Compartmentalization means that the European Union has indicated that it would group the candidate countries according to its level of relationship with them and invite them to join the EU as a group.

Dr. Karabelias argued that the principles of conditionality and compartmentalization appear to have become an obstacle to the processes of institution building and democratization in Southeastern Europe. He pointed out that the application of conditionality has tended to favour those in less need and to marginalize most of the countries in need of assistance. Moreover, conditionality, as an instrument upon which foreign policy aid depends, has frequently annoyed and even produced strong feelings of resistance in Southeastern European countries.

Dr. Charles Pentland, Director of Queen's Centre for International Relations at Queen's University in Kingston, pointed out that Canada's involvement in Southeastern Europe has been primarily as peacekeeping force in the post-Dayton Yugoslav space. It has shared many of the EU's perspectives on ethnic conflict and, like the European Union, has tried to define the necessary mix of hard and soft power for ensuring security in Southeastern Europe. In addition to this, Canada has been faced with a possible Cyprus-like commitment in an intractable region, as the USA was steadily pulling out.

Canada has a large stake in the success to the Dayton agreement and is involved and committed to the Stability Pact, Dr. Pentland said. He suggested that Canada would like to see a prosperous and stable Southeast Europe to avoid having to intervene in the region once again. Canada is observing the growing importance of the EU as a stabilizing factor in the region though its trade and aid methods, in addition to the prospect of enlargement. Furthermore, the development of common European defence and security policies (affecting and involving some Southeastern European countries) may have serious implications for the role and activities of NATO; it is therefore in Canada's interest to pay attention to growing concerns regarding parallel structures within the Euro-Atlantic security architecture.

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The dejective of the fourth panel was to provide an appraisal of the current and potential effects of the processes of European and Month-Atlantic integration on Southeastorn Europe and their implications for Canada's foreign policy towards the region.

According to Dr. Geraaimos Karabelias of the Department of Sociology at Padalana University of Political and Social Sciences in Athens, Greece, the European Union's strategies towards Southeastern Europe are based on three principles: conditionality, differentiation and compattmentalization. By conditionality, Dr. Karabelias understands the process through which the countries in Southeastern Europe were made aware that is order to obtain benefits they had to infroduce and implement political reforms akin to the ones in the European Union. From the perspective of differentiation, the EU has peried on the same format of relations with each country, albeit with specific provisions to be negotiated separately. Compartmentalization means that the European Union has indicated that it would group the canadate countries according to its level of relations to with them and invite them to join the EU as a group.

where waterbears and use that the principles of conditionality and compartmentalization appear to have became an obstacle to the processes of institution building and democratization in Southeastern Europe, He pointed out that the application of conditionality has tended to favour those in tess need and to marginalize most of the departness in need of assistance. Moreover, conditionality, as an instrument upon which foreign policy aid depends, has frequently annoyed and even produced strong feelings of resistance in Southeastern European countries.

The Charles Pentitand, Director of Queen's Centre for International Relations at Gausen's University in Kingston, pointed out that Canada's involvement in Southeastern Europe has been primarily as peaceteeping force in the post-Dayton Yugoslav space it has shared many of the EU's perspectives on ethnic conflict and like the European Union, has tried to define the necessary mix of hard and soft power for ensuing security in Southeastern Europe in addition to this, Canada nas been faced with a possible Cyprus-like commitment in an intractable region, as the USA was steadily pulling out.

Contracted rate a large stake in the success to the Dayton agreement and is involved and committed to the Stability Pact, Dr. Penilland said. He suggested that Canada would like to see a proceptous and stable Southeast Europe to avoid having to intervene in the register once again. Canada is observing the growing importance of the EU as a stabilities taktor in the region though its trade and aid methods, in addition to the material security policies (affecting and involving some Southeastern European defence may have service implications for the role and admittees of NATOC # is therefore in Canada's interest to pay attention to growing concerns regarding parallel structures within the Euro-Atlantic security architecture. Murat Bilhan, Chairman of the Centre for Strategic Research of the Ministry of Foreign Affairs of Turkey, proposed that the recent policy adopted by Canada of directly involving its citizens in shaping its foreign policy be adopted by the countries in Southeastern Europe as well. He noted that the recent tensions between Greece and Turkey are not shared by the two peoples. Today, Greece is the most ardent supporter of Turkey's accession to the European Union, despite some of their disagreements. One key area where the two countries cooperate is Southeastern Europe.

Regarding Turkey's involvement in the region, Mr. Bilhan said, several policy principles should be mentioned. Turkey is a Southeastern European country, sharing the geography and history of the region. It encourages the region's integration into the EU and NATO, considering that sub-groupings such as the Stability Pact should also be supported. Moreover, Turkey has always been a multiethnic and multi-religious country, thus promoting, through its very existence the principle of peaceful cohabitation between different groups in the region.

Colonel Michael Snell, Director for NATO Policy at the National Defence Headquarters, Department of National Defence of Canada, pointed out that NATO enlargement was not a one-time event and the North Atlantic Treaty Organization would remain engaged in Southeastern Europe. He mentioned that Albania, Croatia and FYR Macedonia are working intensively on the tasks they have to complete before being invited to join NATO, similarly Bosnia-Herzegovina and Serbia-Montenegro. Colonel Snell argued that Canada could play an important role in assisting with the reform process in the defence and security fields of these countries.

According to Colonel Snell, while the EU and NATO enlargements are separate processes, they are mutually reinforcing, as markets go hand in hand with security provisions. NATO has certain responsibilities in Southeastern Europe and enlargement will not signify an end to its attempts to intensify security cooperation in the region; on the contrary, it will only deepen NATO's commitment, he noted.

#### POLICY RECOMMENDATIONS

# 1. General

1.1 Canada should continue its policy of promoting European integration to secure both stability and prosperity of the region; accession of the countries of Southeastern Europe to the European Union (EU) and the North Atlantic Treaty Organization (NATO) will strengthen these organizations and trans-Atlantic links, thus promoting some of Canada's fundamental interests.

1.2 Canada should collaborate with the European Union and its member states to identify areas of common concern and possible joint action in Southeastern Europe.

1.3 Canada should continue to encourage cooperation between the countries of former Yugoslavia and the International Criminal Tribunal for the former Yugoslavia (ICTY); Canada should urge ICTY to assist the process of institution-building in the Yugoslav successor states by being a partner with their judicial branches.

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1.5 Canada should continue to support the Stability Pact, which links economic, social and democratic political development with efforts to restore security in Southeastern Europe as the best means to achieving lasting stability and prosperity.

1.6 Canada should formulate and promote a clear position towards the future of Serbia-Montenegro (and its component entities, including Kosovo).

1.7 Canada should be aware that further readjustment of borders in Southeastern Europe may cause a chain reaction, endangering the stability of the region; nevertheless, if changes of this nature are unavoidable, the model offered by the post-Cold War creation of Slovakia and the Czech Republic should be promoted for the creation of new Southeastern European states.

#### 2. Governance

2.1 Canada should further promote, though its international development programs in Southeastern Europe, the values of transparency, accountability and rule of law (focusing on the negative effects of corruption, preferential treatment and the climate of legal impunity for organized crime).

2.2 The necessary changes in governance systems that Canada should promote in Southeastern Europe are based on multilateral action: *inter alia*, improvement of mass media systems, re-launching research in the social sciences, effective separation of state powers, establishment of de-politicized public offices and open competition for public offices.

2.3 The task of institution building and/or strengthening existing institutions in Southeastern Europe should be a key issue on Canada's policy agenda for this region.

2.4 Canada should assist the governments in Southeastern Europe in promoting faster, more balanced and sustainable policies of socio-economic development, as a prerequisite of achieving stability, security and democratic political practices and institutions.

2.5 Canada should assist in the development of an influential non-profit nongovernmental sector in the countries of Southeastern Europe.

2.6 Canada should encourage the development in Southeastern European countries of agencies of horizontal accountability that can check abuses by other public agencies and branches of government (focusing on financial, administrative, professional, moral, legal and constitutional accountability).

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2.8 As Southeastern European countries need credible leadership, especially at the highest and middle levels of the state, Canada should assist these states in recruitment and training of leaders for both governmental and non-governmental roles.

#### 3. Economic issues

3.1 Canada should encourage the sustainable development of stronger economic relations with Southeastern European countries (individually and as a group).

3.2 Canada should encourage the sustainable development of stronger economic relations among the countries of Southeastern Europe, for the purpose of economic liberalization and integration; Canada should also assist the countries in the region in overcoming the fear of economic dependence on neighbours.

3.3 In the context of the enlargement of the European Union, Canada should try to take advantage of possibilities created by EU programs for Southeastern Europe; this requires close monitoring, by Canadian representatives in Brussels and by Canadian diplomatic missions in the region; Canada should also assist Southeastern European governments in implementing and administering some of the projects that various international financial institutions allocate to development in the region.

3.4 Canada should consider opportunities for bilateral and multilateral cooperation offered by existing programs such as the Hellenic Plan for the Economic Reconstruction of the Balkans in assisting in the economic reconstruction of the region.

3.5 Canada should take part in economic development projects that focus on basic infrastructural needs in the fields of energy, telecommunications and transport.

3.6 Canada should encourage economic links between Canadian companies and Southeastern European counterparts acting in the energy field (nuclear power, oil, natural gas, coal, fossil fuel, hydroelectric resources) and the emergence of a regional energy market; for its coordination, a regional energy centre could be set up, such as the proposed Bucharest-based Regional Power Exchange.

3.7 Canada should encourage the development of integrated customs, transport and communication systems, of border and visa regimes in Southeastern Europe, allowing the free movement of goods, services and people between countries.

3.8 Canada should encourage a step-by-step approach in the development of trade links between firms in Southeastern Europe and Canada, since effective trade linkages generally precede a program of foreign direct investment (FDI).

3.9 Canada should encourage foreign direct investment (FDI) in the countries of Southeastern Europe; however, while economic experts appreciate that FDI is not a

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Southeastern Europe: however, while sconomic experts appreciate that FDI is soil a

prerequisite for reform in the region, a certain degree of progress in reform is typically a prerequisite for FDI.

3.10 Canada should develop programs to assist the governments in Southeastern Europe in simplifying the registration and licensing regimes for entry into their economic markets.

3.11 Canada should share with the countries of Southeastern Europe its experience in the area of value-for-money (VFM) auditing, should stress the non-policy nature of audits and should assist these countries in developing public accounts committees (PAC).

3.11 Canada should help setting up joint business councils and chambers of commerce with the countries of Southeastern Europe (individually and as a group).

# 4. Security and defence issues

4.1 Canada should collaborate more closely and try to coordinate its positions with the countries of Southeastern Europe in the fight against international terrorism and weapons of mass destruction.

4.2. Given the emerging development of European security and defence policies and programs, and the processes of EU and NATO enlargement in Southeastern Europe, Canada should engage the countries in the region in a discussion of the Euro-Atlantic security and defence architecture.

4.3 In the area of security and defence sectors reform, efforts to enhance policies should be approached as a common challenge for Canada and the countries of Southeastern Europe, drawing from each party's experiences.

4.4 Canada should assist the countries in Southeastern Europe in strengthening their capacity to deal with crisis situations and react to emerging threats in a stable and coherent manner.

# 5. Political and social issues

5.1 Canada should develop programs to counteract the danger of disillusionment in democracy and to diminish the levels of political apathy in the region.

5.2 Canada should promote more actively its model of multicultural cohabitation to the countries of Southeastern Europe, which would further promote opportunities for peaceful integration of ethnic minorities into their societies.

5.3 Canada should promote the concept of reconciliation as the countries of Southeastern Europe, involved in the past in various conflicts, remain multiethnic societies and have to develop and/or maintain peaceful relations with neighbouring states.

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5.5 Canada should develop programs to provide resources and/or know-how to governments in the region that are ill-equipped to identify and assist families in poverty.

5.6 Special attention should be given to the situation of ethnic minorities, e.g. transnational ethnic groups such as the Roma, including through adoption and implementation of anti-discrimination legislation.

5.7 Canada should develop programs in the Southeastern European educational sectors to upgrade curricula in terms of quality and its capacity to provide market-oriented skills; Canada should also promote the saliency of education, especially in those contexts in which the youth is convinced that schooling will not give them an advantage on the labour market.

## 6. Public participation

6.1 Canada should more actively engage citizens and permanent residents whose ethnic roots originate in the region in developing initiatives with Southeastern Europe.

6.2 European studies programs and initiatives should be encouraged in Canada, especially at the university level.

6.3 Canada should strengthen links with Southeastern European educational institutions; in particular, funding sources should be provided for student exchange programs with the countries in the region.

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# **APPENDIX 1: PROGRAM OF THE CONFERENCE**

Thursday, January 23, 2003

# 8:45 a.m. Welcome

- Joan DeBardeleben (Director, Institute of European and Russian Studies/EURUS and the Centre for European Studies, Carleton University, Ottawa)
- H. E. Leonidas Chrysanthopoulos, representing the Greek Presidency of the European Union.

# 9:00 a.m. Opening Remarks

• **Paul Dubois** (Assistant Deputy Minister for Europe, Department of Foreign Affairs and International Trade of Canada)

# 9:20 a.m. Panel 1. Southeastern Europe: From Stabilization to Integration

Chair: John Fraser (Consultant on Balkans Affairs, Privy Council Office, Ottawa) Discussant: Piotr Dutkiewicz (Deputy Director, EURUS, Carleton University) Speakers:

- Jan Kickert (Minister-Counsellor, Austrian Embassy in Ottawa): Prospects and Challenges of Development in The Federal Republic of Yugoslavia and FYR Macedonia
  - Robert Austin (Project Coordinator, Centre for Russian and East European Studies/CREES, University of Toronto): Albania Turns a Corner? Ten Years of Economic and Political Transition Evaluated
  - Atanas Gotchev (Department of International Relations Association, Sofia, Bulgaria): From Chaos to Stability and Growth: Prospects and Challenges of Development in Bulgaria
  - Lavinia Stan (Director, Centre for Post-Communist Studies, St. Francis Xavier University, Antigonish, Nova Scotia): Fighting the Demons of the Recent Past: Prospects for Romanian Reconstruction and Development
  - Lenard Cohen (Department of Political Science, Simon Fraser University, British Columbia): Weak States and Institution-Building in "Balkan Europe"

# Noon. Lunch

Keynote speaker:

• Mladen Ivanic (Minister of Foreign Affairs, Bosnia-Herzegovina)

# 2:00 p.m. Panel 2. Countries in Transition: Building an Economic Infrastructure

Chair: Carl McMillan (EURUS, Carleton University)

Discussant: Bogdan Buduru (Department of Economics, Carleton University) Speakers:

 Dimitar Mircev (School of Philosophy, Cyril and Metodij University, Skopje, FYR Macedonia): Socio-Economic Discrepancies and Sources of Security and Political Stability: Experiences of the Republic of Macedonia

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Discussant: Pietr Dutkiewicz (Deputy Director, EURUS, Cauncil Office, Ottawa) Speakers: Speakers:

- Jan Kichert (Minister-Counsellor, Austrian Embassy in Ottawa): Prospects and Challenges of Development in The Federal Republic of Yugoslavia and FYR Mecedonia
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- **Nicolae Ropotean** (Director, Regional Political Cooperation Division, Ministry of Foreign Affairs of Romania): *The Strategic Importance of the Energy Sector in Romania*
- **Dimitar Stoyanov Savov** (Head of the Investment Policy Department, Ministry of Transport and Communications of Bulgaria): *Concessions in the Transport Infrastructure in Bulgaria*
- **Pavlos Olziersky** (Director, Press Office of the Deputy Minister of Foreign Affairs of Greece): The Hellenic Plan for Economic Reconstruction of the Balkans: Implementation and Perspectives
- David Carment (Norman Paterson School of International Affairs/NPSIA, Carleton University) and Atanas Gotchev (Department of International Relations Association, Sofia, Bulgaria): Critical Overview of Southeastern European Risk Assessment Projects

# Friday, January 24, 2003

# 9:00 a.m. Opening Remarks

Nicolae Gesnot (Manager, Social and Economic Development Programs in the Balkans, Canadian International Development Agency)

# 9:30 a.m. Panel 3. States in Transition: Building Governance Structures

Chair: Carl McMillan (EURUS, Carleton University) Discussant: David Law (EURUS, Carleton University) Speakers:

- Slobodan Samardzic (Political Adviser to the President of The Federal Republic of Yugoslavia): Rule of Law and Constitutional Framework: Base for Stabilization, Reconstruction and Economic Progress
- Andrei Marga (Rector, Babeş-Bolyai University, Cluj-Napoca, Romania): Governance: Participation and Responsibility
- Nebojsa Bjelakovic (Directorate for Strategic Analysis, Department of National Defence of Canada): *Truth, Justice and Reconciliation in the Former Yugoslavia*
- Reneo Lukic (Department of Political Science, Laval University, Quebec City): The Painful Birth of a New State: Union of Serbia and Montenegro
- **Geoffrey Dubrow** (Parliamentary Centre, Ottawa): Strengthening Horizontal Accountability in the Balkans
- Achilles Skordas (Faculty of Law, University of Athens, Greece): The Greek Plan for Economic Reconstruction of Southeastern Europe: Building Good Governance Structures in the Region

# Noon. Lunch

Lunchtime speaker:

• H.E. Eric Hayes (Ambassador and Head of the Delegation of the European Commission in Canada)

1:15 p.m. Panel 4. European and North-Atlantic Integration: Implications for Southeastern Europe

Chair: David Carment (NPSIA, Carleton University) Discussant: David Long (NPSIA, Carleton University)

- Nicolae Ropotean (Director, Regional Political Cooperation Division, Ministry of Foreign Affairs of Romania). The Strategis Imperiance of the Energy Sector in Romania
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Crietic David Carment (NPSIA, Carleton University) Discussant: David Long (NPSIA, Carleton University)

# Speakers:

- Gerasimos Karabelias (Department of Sociology, Panteion University of Political and Social Sciences, Athens, Greece): European Integration and Southeastern Europe: Observations and Suggestions
- Charles Pentland (Director, Queen's Centre for International Relations, Queen's University, Kingston, Ontario): *EU Integration and Southeastern Europe: A Canadian Perspective*
- **Murat Bilhan** (Ambassador, Chairman of the Centre for Strategic Research, Ministry of Foreign Affairs of Turkey): Integration Schemes in Southern and Eastern Europe and their Implications on Turkish Foreign Policy
- Colonel Michael Snell (Director, NATO Policy, National Defence Headquarters, Department of National Defence of Canada): *Implications of NATO Enlargement* for Southeastern Europe

# 3:30 p.m. Panel 5. Roundtable on Canada's Foreign Policy in Southeastern Europe

Chair: Steven Lee (Executive Director, Canadian Centre for Foreign Policy Development, Ottawa)

Participants:

- Rob McRae (Director General, Central, East and South Bureau, Department of Foreign Affairs and International Trade of Canada)
- Robert Austin (CREES, University of Toronto)
- Lenard Cohen (Department of Political Science, Simon Fraser University)
- John Fraser (EURUS, Carleton University)

# 5:00 p.m. Concluding Remarks Rob McRae (DFAIT)

Part-time Consultant on Balkan Attains, Privy Council Office, Adjunct Research Professor, Institute of European and Russian Studies, Carleton University, Ottowa, Worked with the Department of External Affairs, Government of Canada (1958-64). Foreign Service Visitor, Carleton University (1992-4); Director General of the Foreign Intelligence, Bureau (1987-50), Anthasission to Yugoslavia with dual accreditation to Bulgana (1983-7), Ambassistor to Polenci with dual accreditation to the GDR (1980-3); Director of Middle East Division (1976-80); served in Washington, DC (1972-6), Charge d'Affaites to China – connect the Canadian Embassy in Paking (1971-2), China Desk Officer (1968-70); served in Warsow (1997-8), Hong Kong (1965-7) and Beigrade (1969-62). Has published various articles on former Yugoslavia in the International Journal of the Canadian Institute of International Journal of

## Plots Dutkiewicz

Protessor of Political Science and Associate Director of the Institute of European and Runelan Studies, Carlston University, Ottawa, Director (since 1999) of the CIDA-funded protect Women and Labour Market Reform in Russia

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Speakers:

- Gerasimos Karabellas (Department of Sociology, Pantelon University of Political and Social Sciences, Athens, Greece): European Integration and
  - sucusedanc our survisions on adming ousresamme
- University, Kingston, Ontario): EU Integration and Southeastern Europe: A Canadian Perspective
  - Murat Bahan (Ambassedor, Chairman of the Centre for Strategic Research, Ministry of Foreign Affairs of Turkey): Integration Schemes in Southern and Eastern Europe and their Institutions of Turkey).
- Colonel Michael Snell (Director, NATO Policy, National Defence Headquarters, Department of Helichel Defence of Canada); Implications of NATO Enlargement for Southeastern Europe

# hat game Parent & Robert thes on Canada'n Foreign Policy in Southanstare Earnes

Chair: Steven Lee (Executive Director, Canadian Centre for Foreign Policy Development, Ottawa)

articipants:

- Rob McRae (Director General, Central, East and South Bureau, Department of Foreign Affairs and International Trade of Oanada)
  - · Robert Austin (CREES, University of Teromo)
  - Leneral Cohen (Department of Political Science, Simon Fraser University)
    - John Preser (EURUS: Carlaton University)

Rob McRee (DF ALT)

# APPENDIX 2: BIOGRAPHIES OF DELEGATES

## Joan DeBardeleben

Director and Professor, Institute of European and Russian Studies; Professor of Political Science, Carleton University. Director, Centre for European Studies and of the Canadian Forum on South-Eastern Europe; Co-Director, East-West Project, Carleton University. Canadian Project Director, Optimization of Labour Relations in Russian Enterprises. Canadian Project Director, the Fiscal Federalism and Elections. Research interests include politics and society in the Soviet successor states; public opinion and survey research; federalism and multi-level governance; labour relations; Russia and the European Union; environmental politics and policy. Has published extensively on regionalism and federalism in Russia, electoral behaviour, environmental issues, transition, privatization and politics in Russia. PhD, University of Wisconsin, Madison, USA.

## Leonidas Chrysanthopoulos

Ambassador of Greece to Canada. In 1993, established the Greek embassy in Yerevan, Armenia, where he also represented the presidency of the European Union. He has served in Toronto, in Beijing, in Warsaw, and in his country's missions to the European Union in Brussels and the United Nations in New York. Like his father and grandfather before him, he has served as the Greek consul general in Istanbul.

## Paul Dubois

Biography not available

## John Fraser

Part-time Consultant on Balkan Affairs, Privy Council Office. Adjunct Research Professor, Institute of European and Russian Studies, Carleton University, Ottawa. Worked with the Department of External Affairs, Government of Canada (1958-94): Foreign Service Visitor, Carleton University (1992-4); Director General of the Foreign Intelligence Bureau (1987-92); Ambassador to Yugoslavia with dual accreditation to Bulgaria (1983-7); Ambassador to Poland with dual accreditation to the GDR (1980-3); Director of Middle East Division (1976-80); served in Washington, DC (1972-6); Chargé d'Affaires to China – opened the Canadian Embassy in Peking (1971-2); China Desk Officer (1968-70); served in Warsaw (1967-8), Hong Kong (1965-7) and Belgrade (1959-62). Has published various articles on former Yugoslavia in the International Journal of the Canadian Institute of International Affairs.

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(www.carleton.ca/polisci/rusgen/index.html). Member of international advisory boards to: the Helsinki Committee, Prague; the Institute for Law and Public Policy, Moscow; the Institute for Strategic Studies, Moscow. Research interests include comparative politics in Eastern Europe, socio-political transformation in Eastern Europe and Russia, social movements and ethnic politics in Eastern Europe, role of the state and globalization in transition, theory of transition. With R. Shenton (Queen's University, Kingston) and G. Williams (Oxford University), developed an approach called "politics of etatization" that

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generated international discussion (1985-9). Editor and co-editor of 18 books and author (or co-author) of 21 articles in refereed journals. PhD, Russian Academy of Sciences, Moscow.

## Jan Kickert

Minister Counsellor, Austrian Embassy in Ottawa. Educated at the Diplomatic Academy and the University of Vienna. Served as Austrian diplomat in Bratislava and Belgrade, Special Assistant to the EU Envoy in Kosovo and Political Advisor to the Special Representative of the Secretary General of the United Nations Interim Administration Mission in Kosovo.

## **Robert Austin**

Project Coordinator and Lecturer, the Centre for Russian and East European Studies, University of Toronto. Specialist on Albania and Kosovo, with special emphasis on Albania's transition and Albanian history between the two World Wars. Worked as a Tirana-based correspondent for Radio Free Europe and a news writer with the Canadian Broadcasting Corporation in Toronto. PhD, University of Toronto.

## **Atanas Gotchev**

Associate Professor of International Relations, University of National and World Economy (since 1996). Participant in ad hoc working groups of the Bulgarian Presidency and Council of Ministers (since 1992). Director and Chief Investigator for the Bulgarian Early Warning System (1997-2002), a project developed under the auspices of the UNDP. Director of International Programs (1993-9), Deputy Director of the Department of International Relations (1995-2001), University of National and World Economy. Lecturer in International Relations, Higher Institute of Economics (1978-81, 1984-94). Main research interests include risk assessment, early warning, conflict prevention and competitiveness of countries in transition. PhD, Bulgarian Academy of Science, Sofia.

## Lavinia Stan

Director of the Centre for Post-Communist Societies at St. Francis Xavier University, the newest research centre in Atlantic Canada dedicated to studies on Communism and post-Communism, democratization and politics in Eastern Europe and the former Soviet Union. Regular contributor to the Romanian section of Voice of America radio station. Won both Killam and SSHRC post-doctoral fellowships at Dalhousie University, Halifax. Research interests include post-Communist democratization, governmental performance, social capital, democratization, research methods, transitional justice and religion and politics. Editor of "Romania in Transition" (Ashgate, 1997) and author of "Leaders and Laggards: Governance, Civicness and Ethnicity in Post-Communist Romania" (East European Monographs, Columbia University Press, 2002). PhD, University of Toronto.

# Lenard Cohen

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## Mladen Ivanic

Minister of Foreign Affairs of Bosnia-Herzegovina. Worked as journalist with Radio Banjaluka and university instructor with the Faculty of Economics in Banjaluka, the Faculty of Economics in Sarajevo and the Faculty of Social Science at the University of Glasgow. Was a member of the Presidency of Bosnia-Herzegovina, of the Economic Council of Republika Srpska and several managing boards. Founder and first president of the Party of Democratic Progress of Republika Srpska. PhD, University of Belgrade, post-doctoral studies at the University of Mainheim, Germany, and the University of Glasgow, the United Kigdom.

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Professor, School of Philosophy, Cyril and Metodij University in Skopje. Was Vice-Rector of the University of Skopje and visiting professor at the Universities of Ljubljana, Zagreb, Sarajevo and New Delhi. Was a member of the Constitutional Commission of the Macedonian Parliament, a Special Envoy of the President of the Republic of Macedonia and Ambassador of Macedonia to Slovenia and to the Holy See. PhD, University of Ljubljana.

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Head of the Investment Policy Department, Transport Policy, Infrastructure and Construction Directorate, Ministry of Transport and Communications of Bulgaria. Expert in combined and accessible transport and in harmonization of the Bulgarian construction standards with those of the European Union. Member of the Steering Committee on the Development of Pan-European Transport Corridor IV.

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## Pavlos Olziersky

Director, Press Office of the Deputy Minister of Foreign Affairs of Greece. Worked as official translator with the Ministry of Foreign Affairs of Greece. Educated at Ionian University and the National School of Public Administration in Athens, and the University of Surrey, the United Kingdom.

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## Nicole Gesnot

Biography not available

## David Law

Works as project manager, educator and consultant. Has recently completed an assignment as the Director of the Consortium for Economic Policy Research and Advice. In his capacity as a teacher, lectures on Pan-European Politics at Carleton University, Ottawa, and directs the course on European and International Security for junior Swiss diplomats at the Geneva Centre for Security Policy, Switzerland. Has also taught at the Canadian Royal Military College of Queen's University, Kingston, and Universite du Quebec a Montreal. Worked on NATO's international staff as policy analyst and principal advisor to three Secretaries General (1884-94); focused on issues that ranged from NATO policy towards the Balkans and the former Soviet Union to NATO's relations with the EU, the OSCE and the UN. Before joining NATO, was associated with a number of international non-governmental organizations. Has published widely on security and governance issues.

## Slobodan Samardzic

Political Advisor to the President of Serbia-Montenegro. Professor of Political Science at the University of Belgrade. Areas of interest include political ideas and institutions, contemporary federalism, political theory and practice of constitutionalism, political system of Yugoslavia, and the European Union. Study visits in Gottingen and Frankfurt am Main (Germany), Fribourg (Switzerland) and Brussels (Belgium). Coordinator of several scientific projects and lecturer at the Belgrade Open School and the Alternative Academic Network. Member of the Centre for Liberal-Democratic Studies. PhD, University of Belgrade.

# Andrei Marga

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## Pavlos Olziersky

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Works at the Canadian Department of National Defence, Directorate of Strategic Analysis. Primary area of interest is international relations theory, with functional specialization in foreign policy analysis and conflict studies. Worked as lecturer at the Department of Political Science, Carleton University. Regional interests are primarily oriented towards Eastern Europe, Russia and the Balkans. Has published several articles on the former Yugoslavia. PhD in Political Science, Carleton University, Ottawa.

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# **Geoffrey Dubrow**

Advisor, Parliamentary Centre in Ottawa. Serves as an advisor to the Parliamentary Support Project for the Bosnia-Herzegovina Parliamentary Assembly (BiH PA), having participated in two assessment missions to Bosnia-Herzegovina in February and May 2001.

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# **Eric Hayes**

Ambassador and Head of the Delegation of the European Commission to Canada. Was Head of Unit for Relations with the United States and Canada in the Directorate General for External Relations, the European Commission, in Brussels. During his career at the Commission, which started in 1974, has, among other things, worked for Commission Vice-President Lord (Christopher) Soames and Commissioner Christopher Tugendhat. Prior to Finland joining the EU, was Head of Delegation in Helsinki. Before joining the Commission, worked for the British Steel Corporation. Munster, Frankfurt am Main University and Max Planck Institute, Stamberg (1980-2001) and Freiburg im Breisgau University and Bielefeld University (1975-6). Areas of Interest include contemporary philosophy, philosophy of European unification, American pragmatism, general logic and philosophical methodology and argumentation. PhD, Babes-Bolyal University.

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# David Long

Biography not available

## **Gerasimos Karabelias**

Worked as lecturer with the Department of Sociology, Panteion University of Political and Social Sciences in Athens. Was Director of the Turkish Department of the Institute for Defence Analysis in Athens and research assistant with the Directorate General of the European Union in Brussels and the Centre for Transnational Corporations of the United Nations in New York. PhD, University of London.

# Charles Pentland

Professor of Political Studies, Queen's University (teaching since 1969). Director, Queen's Centre for International Relations. Associate Director, Democracy Education Project for Ukraine, Queen's Centre for the Study of Democracy. Current teaching covers international organizations and theories of international relations. Has also thought courses on the politics of the European Union, Canadian foreign policy and international political economy. Current research concerns the political development and external relations of the European Union, in particular the security implications of its impending enlargement to include countries in Central and Eastern Europe, its role in the Balkans and its development of a common foreign and security policy. PhD, London School of Economics and Political Science.

# Murat Bilhan

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# Michael Snell

Biography not available

## Steven Lee

Executive Director of the Canadian Centre for Foreign Policy Development (since its founding in 1996) at the Department of Foreign Affairs and International Trade of Canada. Is a former Adjunct Professor UNESCO Chair for Human Rights and a former Research Associate at the Canadian Institute for International Peace and Security. Graduate of the American-European Summer Academy, Austria, and a Norman MacKenzie (undergraduate) scholar at the University of British Columbia. Holds an MA (Honours, Political Studies), University of Auckland, New Zealand. His most recent publication is "Real Borders in a Not So Borderless World" in Canada Among Nations (Oxford), June 2000.

# Rob McRae

## Biography not available

The creating of the European perspective has also significantly increased during the past 2.5 years in the Balkans. The EU and its member states, despite much official about show thereaucratic procedures, have demonstrated a considerable reachtess to well and and commit substantial funds for the stabilization of the Balkans, plateoularly at the funding tooletences for the Stabilization Program, in Brossels (illianch 2000) and Storarest (October 2001). Only in 2001 EU assistance to the Balkans, such as the relation European the substantial funds for eventual EU membership, such as the relation for the substantial funds for eventual EU membership, such as the relation functions, the Copenhagen criteria and the adoption of the Stabilization is well as the adoption of the substance of the acquis commuter. take, site becoming the guiding principles for possibilities and economic reform to well as for institution building at the commuter of the response.

## David Long Blography not available

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Worked as lecturer with the Department of Sociology, Pantelon University of Political and Social Sciences in Athens. Was Director of the Turkleh Department of the institute for Defence Analysis in Athens and research assistant with the Directorate General of the European Union in Brussels and the Centre for Transmational Corporations of the United Nations in New York, PhD, University of London.

## Charles Pontland

Professor of Political Studies, Queen's University (reaching since 1969). Director, Queen's Centre for International Relations. Associate Director, Demecracy Education Project for Ukraine, Queen's Centre for the Study of Democracy, Carrent teaching covers international organizations and theories of international relations. Has also thought courses on the politics of the European Union, Canadian foreign policy and international political aconomy Current research concerns the political development and external relations of the European Union, in particular the security implications of its impending enlargement to include countries in Central and Eastern Europe, its role in Europending enlargement to include countries in Central and Eastern Europe, its role in School of Economics and Political Science

> Murat Bilhan Biography not available

Michael Snell Biography not available

### Steven Lee

Executive Director of the Canadian Centre for Foreign Policy Development (since its founding in 1996) at the Department of Foreign Affairs and International Trade of Canada is a former Adjunct Professor UNESCO Chair for Human Rights and a former Research Associate at the Canadian Institute for International Peace and Security. Graduate of the American-European Summer Academy Austria, and a Norman MacKenzie (undergraduate) scholar at the University of British Columbia Holds an MA (Honours, Political Studies), University of Auckland, New Zealand, His most recent publication is "Real Borders in a Not So Borderiess Word" in Canada Among Nations (Oxford), June 2000.

Rob McRae Biography not available

## APPENDIX 3: SPEECHES

# H.E. Leonidas Chrysanthopoulos, representing the Greek Presidency of the European Union

Historically, the Southeastern edge of the European continent is widely associated with fragmentation, violent conflict, backwardness and misery. Until the last decade of the past century, the region has ruthlessly lived up to its historical notoriety.

However, important progress has been achieved in the stabilization of the region after a decade of conflicts and crises. Democratic governments are in place and free and fair elections have been held throughout the Balkans. Countries in the region are moving from reconstruction to economic recovery and sustainable development. All of them place high priority in their (EU) prospect and, as potential candidates for membership, have embarked, albeit at different paces, in the Stabilization and Association Process.

Can EU membership be achieved by Southeastern European countries? The answer is, emphatically, yes. One of the countries of the region, Greece, achieved full EU membership twenty years ago and participation to the common-currency zone of the EU, while Slovenia has become an acceding state. This is the most tangible proof that the rest of the nations in the region are also entitled to the same status and may, eventually, succeed in joining the EU.

The perspective of EU membership for Southeastern European countries was first promised in the founding document of the Stability Pact for Southeastern Europe, in Cologne, on June 10, 1999. Six months later, in December 1999, the Helsinki European Council formally recognized three Southeastern European countries (i.e. Bulgaria, Romania and Turkey) as EU candidates. This decision was further enhanced by the last EU summit, in Copenhagen, where it was decided that accession negotiations with Turkey will start in early 2005, and the target date of 2007 was set for the accession of Bulgaria and Romania.

With these three formal candidacies from Southeastern Europe, the prospect of the other countries in the region for integration into the EU structures takes a new geographic logic and strategic momentum. EU partners have by now openly accepted that the entire region is already part of Europe, that its problems are European ones and that any viable solution to them has to be a European solution.

The credibility of the European perspective has also significantly increased during the past 2-3 years in the Balkans. The EU and its member states, despite much criticism about slow bureaucratic procedures, have demonstrated a considerable readiness to pledge and commit substantial funds for the stabilization of the Balkans, particularly at the funding conferences for the Stabilization Program, in Brussels (March 2000) and Bucharest (October 2001). Only in 2001 EU assistance to the Balkans was 722.18 million Euro. Moreover, basic preconditions for eventual EU membership, such as the Helsinki principles, the Copenhagen criteria and the adoption of the *acquis communautaire*, are becoming the guiding principles for political and economic reform, as well as for institution building in the countries of the region.

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EU's central role in the peacekeeping forces of KFOR in Kosovo, the EU-led police force of Bosnia-Herzegovina (EUPM) inaugurated on January 15 and Operation Amber Fox in Former Yugoslav Republic of Macedonia are prominent examples of the presence and commitment of the European Union in the region.

Today, the European perspective is basically represented institutionally in the region by the Stabilisation and Association Process (SAP), as well as, in some respects, by the Stability Pact (SP).

The Stabilization and Association Process includes individual political agreements with each country of the region (called Stabilization and Association Agreement) plus community assistance for reconstruction, development and stabilization (CARDS), plus a program of Autonomous Trade Measures (ATM). It is more than obvious that this model bears close similarities to the accession process adopted for the recent enlargement of the EU.

The Greek Presidency has set the following six priorities for its work in Western Balkans:

# 1. Further consolidating peace, stability and democratic development in the Balkans

Having in mind the considerable progress achieved in the last two years, but also its fragility, the Greek Presidency will deploy all efforts to further consolidate peace, to promote stability, democracy, the rule of law, and respect for human and minority rights. Inviolability of international borders, peaceful resolution of conflicts and regional cooperation are principles of the highest importance in the area. Terrorism and violence, be it ethnically, politically or criminally motivated, should be unequivocally condemned.

Full implementation of Resolution 1244 of the UN Security Council on Kosovo, as well as of the Dayton agreement and subsequent Peace Implementation Council decisions, and the Ohrid and Belgrade agreements are an essential part of EU policy and a condition *sine qua non* for achieving stability and democracy.

# 2. Stabilisation and Association Process: carrying forward the process with individual countries

Carrying forward the SAP with each of the five countries concerned is of first priority in the agenda of the Greek Presidency (of the EU) for the Western Balkans. The Greek Foreign Minister, G. Papandreou, in his capacity as Chairman of the EU, visited first the five SAP countries (...) and was, in principle, satisfied with the progress that he saw.

## 2.1 Albania

Support the opening of negotiations and cooperate with the (European) Commission in order to make substantial progress towards a SAA, depending on respective efforts by Albania, and will continue the monitoring mechanism of the Consultative Task Force (CTF).

# 2.2 Bosnia and Herzegovina

Given the substantial completion by Bosnia-Herzegovina of the road map, the Commission will be invited to prepare a "feasibility study on the opening of negotiations"

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for the conclusion of a SAA, within the next few months. In the event of a positive conclusion of this study, the Council could discuss the next steps (i.e. invitation to the Commission to present draft negotiating directives). The mechanism of the CTF will continue.

# 2.3 Croatia

Encourage progress in the ratification process, in order for the SAA to enter into force and start being implemented, allowing for further deepening of relations within the SAP framework.

# 2.4 Former Yugoslav Republic of Macedonia

Within an environment of full implementation of the Ohrid Framework Agreement, conditions are ripe for further progress in the SAP, including through progress in the ratification process allowing for the entry into force and beginning of implementation of the SAA. The continued presence of the EU Special Representative will emphasize that the Union maintains its focus on the country.

# 2.5 Federal Republic of Yugoslavia (Serbia-Montenegro)

Provided the remaining conditions are fulfilled by the FRY, i.e. the adoption of the Constitutional Charter and the Action Plan for the Internal Market, the Commission could be invited to prepare a "feasibility study on the opening of negotiations" for the conclusion of a SAA. In the event of a positive outcome of this study, the Council could discuss the next steps (i.e. invitation to the Commission to present draft negotiating directives). The modalities of the inclusion of Kosovo in the SAP will have to be addressed, with full respect of resolution 1244 and within the concept "European standards before status."

# 3. Developing the SAP (Stabilization and Association Process) and adapting it to the new environment after enlargement

Uphold the SAP as the cornerstone of EU policy in the area. Enrich it with knowledge drawn from the enlargement process, in order to strengthen the accession-oriented dimension. Confirm that the additional intermediate overall contractual framework or agreement will be required from each SAP country between its successful fulfillment of the SAA and accession to the EU. Each country's progress will be assessed by its own merits.

# 4. Launching the "Balkan European Integration Process"

The mechanisms for enhanced political dialogue and regional cooperation should be further developed through the establishment of a new political scheme, the "Balkan European Integration Process," building on the success of the November 2000 Zagreb Summit and on the GAC Conclusions of May 2002, based on ideas by the Commission. The "Balkan European Integration Process" could bring together on a regular basis the heads of state or government of the region and their EU counterparts. Similar regular meetings of foreign ministers could be held, while other ministers could also meet, when appropriate.

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# 5. Focusing on specific horizontal issues of significance to the region

Ensure the follow-up of the London Conference on organized crime and implement existing or new initiatives on Justice and Home Affairs issues in the area. Explore ways to address the issues of refugees, to ensure protection and rehabilitation of historic and religious monuments, and to ensure collection of small arms. Enhance regional cooperation on energy and infrastructure in general. Improve investment support, with a particular view to reducing unemployment. Follow-up promotion of free trade, including bilateral Free Trade Agreements

## 6. Regional cooperation and the Stability Pact

Promotion of regional cooperation is a key objective of the SAP. Integration with the EU is only possible if future members can demonstrate that they are willing and able to interact with their neighbours as EU Member States do. Also, the Stability Pact for South-Eastern Europe (SP), where the EU has a leading role, promotes regional cooperation in the broader Balkan region. Regional cooperation is not a substitute, but a necessary complement and stimulus to the road towards Europe.

Following the GAC conclusions of November 2001, a review of the priorities, activities and working methods of the SP was initiated. These issues were addressed by the Special Coordinator in a number of reports in the course of 2002; they were further discussed in the annual Regional Table on December 16, 2002, in Thessaloniki. The EU has asked the Special Coordinator, in consultation with the Informal Consultative Committee, to present a report on the achievement and further strengthening of SP-SAP complementary nature in advance of the Thessaloniki Summit of June 2003. The Greek Presidency intends to carry this exercise forward so that the EU, in close co-operation with the Special Coordinator and other participant states, will be able to reach consensus on the orientations of the Stability Pact.

The EU has emphasized that the impetus for regional cooperation must come from the region itself. It has acknowledged the role of the South-East Europe Cooperation Process (SEECP) which is gradually showing itself to be the voice of the region. Following the November 2001 General Affairs Council decisions, the SEECP has been participating in the Informal Consultative Committee (ICC) established to ensure coordination between EU and SP activities in the broader Balkan area.

The Greek Presidency will work for further EU commitment and support to regional cooperation initiatives in the Balkans, in particular to the SEECP, with a view to deepen regional ownership of these processes. The mechanism established through the ICC should be strengthened.

As previously mentioned, the Presidency intends to organize a Summit on June 21, 2003, in Thessaloniki between the EU and the countries of the SAP. This decision was welcomed by the Copenhagen European Council.

The Thessaloniki meeting will mark a new milestone in the special relationship between the European Union and Southeastern Europe. It will offer the opportunity for the Heads of State or Government of the five SAP countries to meet their counterparts from EU Member States, as well as the representatives of EU institutions. The leaders of the 10

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The Thessaloniki meeting aims to send a strong political message to the countries and peoples of the region, namely that:

- Southeastern Europe remains a priority for the European Union, high in its agenda;
- The EU is committed to the European future of all countries of the region and the ongoing enlargement in no way affects adversely the prospect of EU integration for Southeastern Europe.

At the same time the meeting will reconfirm the commitment of the SAP countries to rapprochement and gradual integration into the Union and their determination to work for the fulfillment of all related criteria and conditions, including democratic and economic reforms and development of regional cooperation.

In this effort of the EU towards the Balkans, there is a role for Canada. Within the priorities of the Greek Presidency vis-à-vis Canada, we intend to identify areas of common concern and possible joint action in the Balkans. The fact that DFAIT is a main sponsor of this conference clearly shows the interest of the Canadian Government in Southeastern Europe. And I am sure that within the ongoing enhanced dialogue between the EU-Canada, joint actions will be agreed upon.

# Paul Dubois, Assistant Deputy Minister for Europe, Department of Foreign Affairs and International Trade of Canada

It gives me great pleasure to provide opening remarks to this forum today and to add my welcome, especially to those who have travelled from Southeastern Europe and from across Canada. I extend a special welcome to Dr. Mladen Ivanic, who has just been named Bosnia-Herzegovina's Deputy Prime Minister and Minister of Foreign Affairs.

I would like to thank Carleton University's Centre for European Studies and its Director, Dr. Joan Debardeleben, for their work in putting the conference together. Our Department has been pleased to support this initiative, including through the Canadian Centre for Foreign Policy Development, and I want to acknowledge others, including the European Commission, which have also lent their support.

I would like, in particular, to extend my congratulations to the embassies of Southeastern Europe whose vision is responsible for making this conference a reality.

And, indeed, what they have accomplished is visionary. Only a short time ago, much of Southeastern Europe was at war, or mired in war's aftermath. That today many of its representatives are here in Ottawa not only to discuss the region's future, but also to project a new, positive image of the region, is truly an impressive statement about how dramatically – and constructively – things are changing.

Of course, the region still has unresolved problems. It will take time to heal wounds. There are political questions that must be addressed. Refugees and displaced persons accepting states will also be invited as well as those of the three candidate countries (Bulgena, Romania and Turkey).

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have to find durable solution and many war criminals have yet to be sent to The Hague. And the people of the region remain far too poor.

But now there is real, tangible hope for progress. We've clearly turned a corner. The key to this change is the new consensus on the way forward. That way is towards the EU and NATO, and full acceptance of the values of the trans-Atlantic community those institutions represent. Of course, Greece is not only an EU member, but its current president. Both Greece and Turkey are NATO members. But two other countries taking part here today, Romania and Bulgaria, received invitations to NATO at last November's Prague Summit and are looking forward to EU entry well before the end of this decade. Most other countries are working on or towards NATO Membership Action Plans and Partnership for Peace. Several have or will soon have Stabilization and Association Agreements with the EU or are in talks towards accession. The question is not, therefore, where is the region going, but only "how fast."

Canada strongly encourages this evolution. As you know, Canada has taken its responsibilities towards the region very seriously. From the Prime Minister on down, we have tried hard to help bring peace and stability. For more than a decade we have had in the region between 1500-2000 peacekeepers, first under UN and then NATO command. It remains by far our largest troop deployment, and a number of our soldiers gave their lives while serving. We have sent hundreds of police, most recently to the new EU police mission that began this month in Bosnia-Herzegovina.

We have worked to restore respect for the rule of law and human and minority rights, including through support to the International Criminal Tribunal at The Hague. We have accepted over 30,000 refugees, people who have enriched a Canadian community from the region that numbers in the hundreds of thousands. Mainly through CIDA, we have spent over \$400 million for humanitarian aid, security sector projects, economic and social reform, and health care. We have provided very significant debt relief. And we have deployed Canadian experts to assist with constitutional change, public administration and education.

When we add this up, our effort in your region arguably amounts to our largest single foreign and security policy initiative of recent years, engaging Canadians from all parts of government, NGOs, and private citizens. Underpinning all of this has been strong public support – Canadians demanded that we do what we could to end the conflicts and address the human suffering.

It is because of this effort that we are so encouraged by the conference. Your discussion and your presence here validate the approach we have taken. Major conflict in the region and the humanitarian crises it created now seem ended. Southeastern Europe is embarked on building democratic, multiethnic and free market societies. Increasingly, Southeastern European countries will start to resemble the transition countries further north, who are now entering the expanding EU and NATO.

Canada has been a strong proponent of this expansion: Prime Minister Chrétien was the first NATO leader, for example, to argue for a robust NATO enlargement. He did so because we think that these institutions should embrace all Europe: we believe that this is good for European peace – for the sake of which we have sent soldiers three times in the last century to the continent. It is good for the continent's prosperity, as the EU, already with an annual GDP of \$12 trillion (versus the US with \$15 trillion), and a

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It is because of this enon that we are so encouraged by the conference. Your discussion and your presence here validate the approach we have taken. Major conflict in the region and the humanitatian crises if created now seem enced. Southeastern Europe is embarked on building democratic, multistimic and the market societies increasingly, Southeastern European countries will start to resemble the transition countries further north, who are now entering the expanding EU and MATO.

Contada has been a strong proponent of this expansion: Prime Minister Chrétien was the first NATO leader, for example, to argue for a robust NATO enlargement. He did so because we think that these institutions should embrace all Europe: we believe that this is good for European peace – for the sake of which we have sant soldiers three times in the last century to the continent, it is good for the continents prosperity, as the EU, alteady with an annual GDP of \$12 trilion (versus the US with \$15 trilion) and a population of 375 million (versus 280 million in the US), embraces new consumers and markets, adding 9% to its GDP with the next group of 10. If enlargement goes ahead as expected, there could be 450 million people in the EU by decade's end. And this expansion is also good for reinforcing the democratic values – including respect for political, cultural, linguistic and religious diversity – we live by.

Canada's interest is served very well by this development. After the US, the EU is our largest trading and investment partner by far: in 2001, we had \$53 billion in two-way merchandise trade; in that year, almost a quarter of the FDI stock in Canada was from the EU, totalling \$76 billion. To the extent that Europe's economy expands, Canada's can grow too. To that end, at the December 2002 Summit here in Ottawa, leaders looked at how we might take to a new level this already impressive economic relationship, possibly through a new trade instrument.

And, as the EU evolves into a political and security actor, something we see starting to happen in Southeastern Europe, we foresee acting with it in these areas as well, while continuing to work with member states and common institutions, such as NATO and the OSCE, on joint initiatives based on our shared values and interests.

We think that, ultimately, the countries of Southeastern Europe can become new motors for a new, broader Europe, adding diversity and vigour to it. Southeastern Europe's full inclusion in this Europe will re-establish the physical links cut by communism and war; it will also re-unite ancient and rich civilizations, helping end the psychological divide between east and west. With Southeastern Europe moving towards joining the EU and NATO, we are witnessing the construction of a New Europe. Count on our support in this exciting project.

Ladies and gentlemen, Canada is able now to look forward to a more promising engagement with your region and with each country in it, one that can centre on robust economic ties, while we build a true security and political partnership as you strengthen your relationship with NATO and the EU. One concrete example of our changing approach is the trade mission we are planning for Bulgaria and Turkey in May, to be led by our Secretary of State for Central and Eastern Europe and Middle East, Gar Knutson. We are designing this trip to introduce Canadian business to a region they may not have considered before as a possible market.

We want the businesspeople who come along to start thinking of Southeastern Europe in a new way, to take advantage of opportunities they had not considered before, and to tell colleagues about the possibilities when they return to Canada. I am sure, as well, Minister Ivanic, that during your visit here you will also be raising the need for Canada and your country to develop strong economic ties.

This conference, as you know, is intended to provide new ideas and directions for Canadian foreign policy. Over the next two days, representatives of Foreign Affairs, CIDA, and National Defence will take part. We look forward to hearing your views on how we should work together to solve the remaining post-conflict issues. But we will also be very interested in hearing your thoughts on issues such as:

 how to "modernize" Canada's approach to the region, as we move into a new phase of reconstruction and international integration. Are there better ways that we can help accelerate the movement of the region towards NATO and the EU? population of 375 million (versus 230 million in the US), embraces new consumers and markets, adding 9% to its GDP with the next group of 10. If enlargement goes ahead as expected, there could be 450 million people in the EU by decade's end. And this expected, there could be 450 million decade in the feu by decade's end. And this political, cultural, linguistic and religious diversity – we live by.

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- how we should work with the EU and NATO as they take on new responsibilities in Southeast Europe;
  - whether it is realistic to "brand" your entire region in Canada to businesspeople as an emerging market that stretches from the eastern borders of Turkey to Slovenia, bearing in mind that the total population would be over 130 million and that it could be seen as a bridge between Western Europe and the Middle East; and, finally,
  - how the cooperation seen in this room might be carried on through other activities in Canada, including follow-up events.

I know that you will have a stimulating discussion, both here in the conference and perhaps outside in our almost as stimulating Ottawa winter. I know as well that old acquaintances will be renewed and that new contacts will be made. But I hope too that visitors to Ottawa have a chance to put on some skates and try the Rideau Canal or ski in the Gatineau hills. I wish you the best in your deliberations.

# Nicolae Ropotean, Director of the Regional Political Cooperation Division, Ministry of Foreign Affairs of Romania

I want to start my presentation by expressing my deep pleasure to address such a distinguish audience like you on the importance of the topic of identifying and analyzing current political and economic trends, positive achievements, cooperative efforts and current challenges of Southeastern Europe countries. It is a challenging exercise, but very rewarding and I take pride in being a modest contributor to it.

### Radical transformations in Southeastern Europe

The breakdown of the socialist system earmarked the evolution of a period of radical geopolitical transformations in the broader European region. New independent states appeared on the map and a wind of change swept the political, economical and social structures, which constituted a status quo in the eastern part of the European continent during several decades.

The countries of Southeastern Europe have been forced to move directly from a centrally planned economy to an increasingly competitive worldwide market, with the difficult reforms that entails: macro-economic stabilization, free prices, privatization, strict budgetary discipline and technological reconstruction.

The economic situation in Southeastern Europe has gradually deteriorated because of the numerous conflicts caused by the disintegration of Yugoslavia and the slow pace of economic reform in the region. The crisis in Kosovo, in particular, has had far-reaching economic consequences: trade relations have been broken off, infrastructure has suffered extensive damage, investment has dried up, resulting in delays in structural reforms. I witnessed them all during my one year tour of duty with the OSCE Mission in Kosovo, in 2001.

These changes created, indeed serious problems, but, on the other hand, opened new horizons in the region. The need for a rapid but, at the same time, rational course towards the modernization and reconstruction of the market economies in the countries of the former Eastern Block, was raised as a major challenge. The challenge was not

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only for the countries involved, but also for the European and international economic environment, which they should cope with in the future. The vivid cultural and historical ties between the countries of eastern and western Europe, combined with the feeling of mutual interest upon the development of the new markets, oriented the European Union towards the undertaking of initiatives aiming at supporting the economy stabilization and reconstruction efforts.

It became clear that technological reconstruction, as an essential factor of economic recovery in Southeastern Europe, was very important for peace, stability and sustainable development in the region and for its full integration into Europe. The European Union has offered to share its political and economic future with the countries of the Southeastern Europe, which all one day may become full member of the European Union. But, membership of the European Union, a priority objective for the countries of Southeastern Europe, means meeting the criteria laid down in Copenhagen, which is impossible without a reconstruction strategy encompassing the whole region.

# Canadian support for reconstruction in Southeastern Europe

It is very important to stress that since the beginning of conflicts in the early 1990s, the Canadian public has consistently supported efforts to restore peace in the region. The Southeastern Europe engage many Canadian foreign policy interests, including the need to: maintain security and stability in Europe; reinforce strong trans-Atlantic relations; support multilateral institutions (e.g., UN, NATO, OSCE and G8); advance human security and democratization; strengthen the international counter-terrorism coalition; address transnational issues, such as organized crime; promote economic prosperity and develop mutually beneficial bilateral ties with the countries in the area.

After the Kosovo conflict in 1999, the international community determined that a major and integrated effort was needed to bring long-term stability to Southeastern Europe. A European Union proposal was accepted to establish a Stability Pact for the region, intended to catalyze change, act as a mechanism to coordinate donor programmes, and promote integration into European and Euro-Atlantic political, economic and security structures. The Pact was also intended to provide a means for donors and recipients to hold policy dialogue and set priorities for the further development of the region. Canada has been a full member of the Stability Pact since the Sarajevo Summit of July 30, 1999.

Acknowledging and encouraging the leading role of the European Union in rebuilding peace and prosperity in Southeastern Europe, Canada continues to support the Stability Pact, recognizing that it is the only political forum which brings together donor countries, international organizations and Southeastern European countries. Canada also believes that the Pact's approach, linking economic and democratic development with efforts to restore security, is the best means to achieve lasting stability.

# A new European identity for Southeastern Europe

Positive developments in the Southeastern Europe countries represent the measure of a new stage in synchronizing the region with the European integration process. The answer to all the problems the region is facing will depend on the national efforts, but also on the consistency of the partnerships with EU and other European and Euro-Atlantic state leaders. A new European identity for this region will depend, first and foremost, on the responsible commitment of each government toward reforms and on

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their sustained respect of European values. NGOs, the media, academics have an important role in developing a new mindset which is compatible with the criteria for the Euro-Atlantic organizations that all aspire to join.

If the region really wants to turn a page in its history, it needs to do it completely. Europe, now, more than ever in its history, must rely on the solidarity and unity of all those prepared to assume a European identity. People need to put to good use what they have gained together in the recent years; they need to strengthen good practices and constantly enhance its progressive development, synchronized with the development rhythms of the united Europe.

A new sense of self-confidence has to prevail and give energy to the common projects. Time has come for this cooperation process to be more pro-active in terms of economic cooperation, by connecting the projects that the EU and the International Financial Institutions allocate to development in Europe.

Romania and other young democracies in Europe feel a moral and historical obligation to spread the values that rescued us from the darkness of totalitarianism and communism. Our regional experience can contribute to the process of reconnecting the Western Balkans to the European spirit. We, the Romanians, are clear about our European identity. We share the same values, aspirations and responsibilities. We have the same fears about the future. And we hold the same view about how to ensure European security. But we know that moral arguments alone are not enough for sharing the solidarity of the European Union.

# The strategic location of Southeastern Europe

The countries of Southeastern Europe, including Romania, occupy a strategic location on the west side of the Black Sea, exporting electricity to much of the Balkan Peninsula and transporting Russian natural gas to Western Europe and Turkey. Southeastern Europe also is a potentially significant transit region for Caspian oil exports to Europe.

Although not a major energy dealer, Romania has the distinct peculiarity of being at the same time an important regional oil and natural gas producer, consumer, exporter, importer and transit country. It holds substantial coal deposits, has significant fossil fuel and hydroelectric resources and has the potential to be energy self-sufficient for several decades. In fact, Romania has a long history in oil and gas production. It was the first country in the world to start producing oil, commercially, in 1857, two years before the US. It was the second supplier of natural gas in Europe, until 1957, when natural gas was discovered in the Netherlands. It was, also, the third largest oil and gas drilling equipment manufacturer worldwide in the late 1980s. Its substantial energy resources and booming energy sectors allowed surplus oil to be exported and initiated major economic developments in the 1920s. Its oil reserves and refining capacity fuelled, unfortunately, much of the Second World War. Later on, the cheap and plentiful energy resources secured foreign loans and triggered the development of heavy industries and new towns. At that time, saving energy was not an issue.

Nevertheless, it is the geographic location of Romania, and its neighboring countries, for that matter, between major producers of energy in Russia and the Caspian Sea region and major consumers of energy in Turkey and Europe, that gives southeastern Europe its importance as a transit point for Russian natural gas supplies to Turkey and into the their sustained respect of European values. NGOs, the media, academics have an important role in developing a new mindest which is compatible with the criteria for the Euro-Atlantic organizations that all aspire to join

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### Oil

Romania has proven oil reserves of 955 million barrels; around 10% of it comes from the off-shore Black Sea wells. Despite a steady decline in its crude oil production over the past 25 years, the country remains the largest oil producer in Central and Eastern Europe. From 294,000 barrels per day (bbl/d) in 1976, Romania's oil production has plummeted 58%, sliding to 124,500 bbl/d in 2002. In a bid to increase the country's petroleum production, Romania is liberalizing its oil sector by privatizing the PETROM National Petroleum Company and luring foreign investment for exploration.

Oil consumption has been rising since 1994. It started falling in 1997, when electricity prices were liberalized and reached the bottom of 180,000bbl/d in 2001. In order to meet its energy needs, the country remains a net oil importer.

Romania's refining industry is the largest in Central and Eastern Europe. In the early 1990's, its 10 refineries had an annual crude distillation capacity (of about 680,000 bbl/d), exceeding by far the domestic demand for refined petroleum products. In 1992, the refining industry launched a restructuring project that closed about one third of the excess capacity. Capacity reduction was coupled with increased specialization in developing high-demand products such as lubricants, bitumen, and fertilizers. (As of January 1999, Romania's crude oil refining capacity stood at 521,715 bbl/d). There is still a great deal of over-capacity. Romania can refine more oil than it needs, has more than a third of Central Europe's refining capacity, an oil tanker terminal on the Black Sea coast, and a large domestic refined products market. Yet, years of under-investment have left the refining industry in poor health, requiring massive investment to modernize and improve efficiency. PETROM, the state-owned company, for instance, has developed a powerful investment program since it was set up five years ago. The program has not only saved the company, literally, it has also turned it into the most important taxpayer to the state budget.

### Natural Gas

The country's natural gas reserves (13.2 trillion cubic feet) are estimated to be enough for about 25 years at the current consumption rate. Natural gas consumption has fallen sharply over the past decade, but now seems to be leveling off as economic recovery is progressing. About 80% of Romania's natural gas needs are covered by the two incountry production companies, EXPROGAZ and SNP PETROM; the rest is imported.

Since 1983, when the natural gas production peaked at 1.4 trillion cubic feet (Tcf), the Romania's natural gas output has declined nearly 65%, dropping to 501.5 billion cubic feet (Bcf) in 2000. In its difficult transition to a market economy, the country's natural gas consumption decreased 55%, from 1989 to 2000, from 1.4 Tcf to 621.5 Bcf. Additional exploration has been discouraged by the country's economic woes and the poor investment climate. Also, the slow pace of reform has prevented potential investors from entering the domestic natural gas market to help boost current levels of production. As a result, Romania is reliant on imports to meet its natural gas consumption needs. In 2000, ROMGAZ, the state-run natural gas utility, was reorganized and in July 2001 Germany's

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In March 2002, a 124-mile pipeline linking the country's borders with Ukraine and Bulgaria was opened to develop the natural gas transit corridor in southeastern Europe. A shortage of funds delayed the construction until 1999, when Russia's Gazprom offered credit (in the form of natural gas) to finance the pipeline. With the Isaccea-Negru Voda pipeline now operational, the transit capacity is 988 Bcf of natural gas per year, up from 353 Bcf per year previously. In addition, by 2004, Romania will increase its underground capacity for storage of natural gas from 53 Bcf to approximately 159 Bcf.

## Coal

The coal industry has an important role in the energy output of the country. Romania is rich in coal deposits, with an estimated 4 billion short tons, much of which is lignite and sub-bituminous coal. Due to the natural reserves and the existing thermo-power plants infrastructure, this role will be maintained on medium term. Until 2004 the existing capacity is expected to produce 29-30 millions tones lignite and 3.5 millions tones hard coal yearly, destined to the energy output in the thermo-power plants. Coal will continue to be an important energy source, taking into account the reserves potential, the existing infrastructure and trends to reduce the costs per unit, especially to hard coal.

For the period 2003-2004 it is envisaged to upgrade the existing viable plants, to increase the efficiency of co-generating energy systems and to reduce polluting emissions. In order to make more efficient this sector it will aim the following objectives: improving the economic and financial performances of the viable part of the sector and environment protection; implementing the Program of closure of non - viable mines (approx. 190 mines and quarries) and environment rehabilitation; reducing the social impact in mining regions under restructuring, and strengthening mining companies management.

# **Electric Power**

With 22.2 gigawatts (GW) of installed electric-generating capacity, Romania has the largest power sector in southeastern Europe. However, approximately 60% of the existing power capacity is more than 20 years old, and about 8 GW will need to be rehabilitated or replaced by 2010. As a result, in 2000, the industry produced just 49.8 billion kilowatt hours (Bkwh), down from 71.9 Bkwh in 1989, but a slight increase over the low of 48.5 Bkwh that the country generated in 1999. In addition, technical losses in inefficient power transmission and distribution system means that an estimated 13% of all electricity dispatched is lost before it reaches any customers. Of the 49.8 Bkwh produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and coal) power plants and 34% from the country's hydropower plants, with the remainder from the nuclear power plant at Cernavoda.

Nevertheless, plummeting domestic electricity consumption, largely due to the collapse of industrial demand after the 1989 revolution and the economic woes in the mid and late 1990s, have assured the county's status of a net electricity exporter. In order to meet the ever increasing demand for electric energy in Turkey and Greece, two major customers of the Romanian electric plants, a project regarding the transportation of electricity by an underground cable is being considered. In 2000, as the national economy emerged from a prolonged recession, the country's electricity consumption Rungas became the first foreign company to invest in the national natural gas distribution network.

In warch 2002, a 124-mile pipeline initing the country's borders with Ukraine and Bulgaria was opened to develop the natural gas transit comdor in southeastern Europe. A shortage of runds delayed the construction until 1999, when Russia's Gazprom offered credit (in the form of natural gas) to finance the pipeline. With the Isaccaa Negry Voda pipeline now operational, the Banest capacity is 988 Bot of natural gas per year, up from 353 Bot per year previously. In addition, by 2004, Romania will increase its underground capacity for storage of natural gas from 53 Bot to acturate the underground

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The obsermousity has an important role in the energy output of the country. Romania is not in coal deposite, with an astimated 4 billion short tons, much of which is lighte and sub-bitumineus coal. Due to the natural reserves and the existing thermo-power plants infrestructure, this role will be maintained on medium term. Until 2004 the existing capacity is expected to produce 29-30 millions tones lighte and 3.5 millions tones hard to be an important energy source, taking into account the reserves potential, the existing infrastructure and trends to reduce the source taking into account the reserves potential, the existing infrastructure and trends to reduce the posts per unit, especially to hard coal.

For the period 2003-2004 it is envisaged to upgrade the extraining viable plants, to emissions in order to make more efficient this sector if will aim the following objectives; emproving the economic and trianicial performances of the viable part of the sector and environment protection implementing the Program of dosure of non - viable mines (approx 166 mines and quarties) and environment rehabilitation, reducing the social mpact in mining regions under restriction, and environment entraphening mining companies management.

#### Bleetric Power

Another as a solution in southreastern Europe. However, approximately 60% of the existing power sector in southreastern Europe. However, approximately 60% of the existing power capacity is more than 20 years old, and about 8 GW will need to be belien kinewet hours (Biowh), down from 71.9 8k/wh in 1939, but a slight increase over the low of 48.5 Blowh that the country generated in 1999. In addition, technical losses in inefficient power transmission and distribution system means that an estimated 13% of another that and 34% from the country's hydropower plants, with the remainder produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from thermal-fired (oil, natural gas, and produced in 2000, approximately 56% came from the sight increase of the femalnder from the nuclear power plants and 34% from the country's hydropower plants, with the remainder

of industrial domains plumments domestic electricity consumption, largely due to the collapse inte 1990s, have associat the county's status of a net electricity experter in order to accept the ever increasing camand for status of a net electricity experter in order to oustomers of the Fromatian electric plants a posiect recarding the transportation of electricity by an underground data is being considered, in 2000, as the national coonding emerged from a protongen recession, the commer's electricity entropy and for a strain a strain and the strain a posterior recarding the transportation of electricity by an underground data is being considered, in 2000, as the national increased, for the first time in more than a decade, to 45.7 Bkwh, still 39% lower than the electricity consumption of 74.7 Bkwh in 1989. The power market is now being reformed and the electricity distribution networks are being restructured. According to the government's medium-term energy strategy, by 2005 Romania is planning to rehabilitate 10 thermal power stations, with a combined capacity of 1.36 GW.

# Hydroelectric Power

With its many rivers, Romania has great potential for hydroelectric power (as much as 14,800 MWe), but the current generating capacity only contributes a relatively small amount of the domestic power needs. The total hydroelectric power potential is about 40 terawatt-hours (TWh) per year of which 12 TWh per year have already been developed.

There may be as many as 5,000 locations in Romania that are favorable for larger and smaller hydroelectric power plants. At the Portile de Fier (Iron Gates ) power plant on the Danube River, there are dozens of other hydroelectric facilities with capacities between 30 and 100 MWe. Collectively, they represent about 77% of Romania's currently-operating hydroelectric generating capacity. In addition, the Raul Mare and Strei rivers, for example, have a series of 10 and 7 hydroelectric power plants, respectively, each between 10 and 15 MWe.

Romania has an extensive interconnected power transmission and distribution network with an overall length of about 368,000 miles, and a total transformer capacity of about 172,000 MVA (Megavolt-amperes). As a member of the Interconnected Power System-Central Dispatching Organization, Romania has strong interconnections with Ukraine and Bulgaria, substantial interconnections with the former Yugoslavia, and weaker links to the Republic of Moldavia and Hungary. TRANSELECTRICA, the grid operator, has upgraded the transmission system and made it more compatible with the western European power network and is currently cooperating with the electric power systems of Greece.

# **Nuclear Power**

We believe it or not, but a nuclear renaissance is taking place. It may come quickly, it may come slowly, but it is inevitable that there will be the replacement of nuclear with nuclear in most major countries. In the next 25 to 30 years (that is if Kyoto and other agreements of that nature go forward), nuclear will continue to be part of the energy mix of any major countries that wants to develop in clean air. Nuclear is competitive economically and otherwise in deregulated markets. Nuclear is part of the sustainable energy solution and has an important role in a future global generating mix as a safe, non-emitting technology.

The Government of Romania attaches great importance to the development of nuclear power as an important contributor to the national electricity supply, and therefore the nuclear power continues to be a reliable source of energy for the country.

Several attempts had been made to have Canada the supplier of reactors to Romania, starting in the late 1960s. In November 1977, a licensing agreement was initialed between AECL and ROMANERGO, the state trading company. This provided the design of the CANDU-6 (i.e. 600 MW reactor) to Romania. The original plan for the Cernavoda facility, which was built by a consortium of the Atomic Energy of Canada and ANSALDO of Italy, called for five 620-megawatt (MWe) pressurized heavy water reactors (PHWRs). The first one, Cernavoda Unit 1, went online in December 1996, and had a capacity of

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Several key factors have determined the Romanian Government to adopt decisions to continue the construction work at Cernavoda Unit 2, but also to create opportunities for foreign investments at Cernavoda Unit 3. Firstly, high standards of nuclear safety performance were achieved in all national nuclear installations. Secondly, according to the international studies on mid-term electricity supply and demand in Romania, the expected continuation of the economic growth of about 5% will result in an energy deficit of 1000 MWe by the year 2005, which should be covered by new capacities such as Cernavoda Unit 2. Finally, but very important, Romania has a well developed nuclear infrastructure and expertise that can support effectively the construction and operation of Cernavoda Unit 2. Cernavoda Unit 2 is now approximately 40% complete. The commercial contract for its completion was signed between the National Company NUCLEARELECTRICA and its traditional partners – AELC Canada and ANSALDO Energia Italy. In addition, companies from France, USA and other states participate in the project.

Of the remaining units, Cernavoda Unit 3 is 15% complete, Cernavoda Unit 4 is 5% complete, and Cernavoda Unit 5 is 4% complete.

The national infrastructure is ready to meet the needs of the Unit 2 constructions planning, in terms of nuclear fuel, heavy water supply and specific equipment. It will cover more than 50% of the investment. Cernavoda Unit 2 operation by the year 2005 will ensure more than 20% of the national electricity production. Consequently, about 50% of electricity production in the country will be generated by clean technologies such as nuclear and hydro.

Romania considers that another priority for its Government is to ensure high standards of nuclear safety and security of nuclear materials and installations. Such concern has been confirmed both by the National Nuclear Strategy and, by overall programmes carried out for improving or adapting relevant national laws and regulations to the latest EU and International Atomic Energy Agency (IAEA) standards. One good example in this regard is the process of strengthening the activities of the national regulatory body, the National Commission for Nuclear Activities Control (CNCAN), a project which was also supported by the Agency and EU Commission.

In the aftermath of the September 11th events, Romania joined the international efforts and initiatives aimed at preventing and combating international terrorism in all its aspects. Particular attention was paid in this regard to the implementation of the IAEA's Action Plan on nuclear terrorism. Following our commitment to support these efforts and to promote international cooperation, Romania pledged in kind contributions. At the national level, CNCAN and other competent authorities reviewed the national legislative framework and regulations on nuclear safety and security of nuclear facilities and materials. As a result, new regulations on physical protection, including the use of Design Basic Threat, were issued in October 2001 and April 2002, respectively.

In addition, individual matrix were sent by CNCAN to each and every nuclear facility and operator with the view to reassess and further improve their physical protection systems against newly estimated threats, including acts of nuclear terrorism. The nuclear legislative framework was also further improved. The Framework law on nuclear safety

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Another priority for Romania is the decommissioning of the VVR-S Research Reactor. The reactor was definitively shut down in 2002, but there is still an important pending issue; the return of the spend fuel to the Russian Federation. We look forward to a positive outcome of the on-going IAEA negotiations on the safe management of the Soviet/Russian research reactor fuel.

# Southeastern European energy cooperation

Regional cooperation and interdependence are the keys to help the region flourish economically, to maintain long term regional stability and make the east-west axis successful.

Romania trusts building up regional cooperation, including a regional energy market, will improve social welfare for the local communities. The creation of a competitive regional market is a most necessary step and a general rehearsal for all the concerned parties, prior to the integration in the European Single Market. In this context, we encourage the setting up of a regional energy center, with a view to reaching out commitment to bring about a regional energy concept, involving local and extra-regional private business in the reconstruction and in regional infrastructure projects We should take advantage of our inter-regional cooperation and consider joint projects to connect oil and gas pipelines networks and improve the regional interconnections of electric power grids for the benefit of all states in the area.

The development and modernization of the energy sector essentially need the support of international co-operation processes. A strong coordination between state institutions and companies is needed, for sustaining the sector economic interests by the mechanisms of regional and bilateral co-operation. As a priority, the projects regarding interconnection to international transport systems (interconnection to the Union for Coordination of Electricity Transport) and for developing oil and gas transport systems will be supported; a regional electricity market has to be created. Another priority will be pollution mitigation, including cross-border pollution; the concept of joint implementation and estimation of Romania's capacity of emissions trading will be promoted. International co-operation in business and trade area will have to take into consideration the interests of an electricity exporting country to other countries and regions.

In 2002, regional energy cooperation made a significant step forward. The countries of the region took decisions that will determine the development of the energy sectors for the years to come. While in 2002 the focus was on the electricity sector, 2003 will see work being launched on the gas sector. The European Commission is leading the initiatives with broad international support from bilateral and multilateral donors.

Energy ministers of nine Southeast European Governments have committed themselves to creating a regional electricity market and to its integration into the internal electricity market of the European Union. By signing a Memorandum of Understanding in Athens, on November 15th, 2002, they have laid the groundwork for the electricity sector to catch up with the standards of the European Union by 2005. The common objective of the signatory countries is to stimulate economic growth and investment in South East (Law 11111396) was recently amended with the view to allowing establishment of technical support organizations and create more flexibility in terms of financing regulatory activities by using extra-budgetary resources.

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The benefits will be potentially great: increased reliability in electricity supply; reduced needs for additional capacity investments in infrastructure; opening opportunities for intra- and inter-regional trade and private investment; lower operating costs and lower prices for the end customers. In the background of the 'Athens Process' is a fundamental change of the support of the international community to South East Europe in the energy sector, shifting from emergency support and reconstruction needs to a more coordinated and long term approach with a regional perspective.

# Recent Romanian initiatives in the energy field

At the Energy Ministerial Summit in Athens, Romania submitted a proposal with regard to the establishment of a Regional Power Exchange in Bucureşti. It was based on the considerations that Romania is the most advanced country in the region in adopting the electricity acquis and has a 33% degree of electricity market openness, without gaps and negative phenomena. Romania is also aware that the establishment of the Regional Power Exchange requires and implies, at the same time, the homogenization of local legislations and procedures and the alignment to EU standards.

Also, increasing oil and natural gas production in and around the Caspian Sea, along with forecast increases of oil consumption in the European Union, means that additional oil will be transported via the Black Sea through the Bosporus Straits, which is already a major chokepoint for oil tankers. Romania may play a strategic role in the European transport corridor to bring Caspian oil exports to European markets. The difficulty in navigating the narrow straits, exemplified by a number of accidents, has led Turkey to raise environmental concerns over the increase in tanker traffic through the Bosphorus. Proposals of a number of Bosphorus bypass options have emerged.

Romania has seriously considered one of them. The Government has advocated that a pipeline to transport crude oil from the Caspian Sea to European and North American markets pass through Romania. The country has a fairly developed infrastructure and refining technology and offers the shortest route and links to major consumers in the West.

The proposed 660,000-bbl/d Constanta-Trieste pipeline would allow crude oil from Kazakhstan to be shipped via the Russian Novorossiisk port on the Black Sea to the Romanian port of Constanta, where it would then be piped to Italy, across Yugoslavia, Croatia and Slovenia. The pipeline, estimated to cost \$900 million to construct, would be used mostly to provide oil to the countries along the route.

The southern alternative of the route, Constanta – Omisalj, also known as the South-East European Line (SEEL), would transport Caspian oil from Constanta, passing through Yugoslavia to Omisalj, a Croatian port at the Adriatic Sea. In September 2002, officials from Romania, Serbia, and Croatia signed an agreement on the Constanta-Pancevo-Omisalj interstate crude-oil transportation system. It has the advantage that it uses an infrastructure that already exists and is operational (oil terminal, pumping stations, pipelines etc); it is both a transit and a direct procurement route for the customers on its way (Pitesti, Pancevo, Novi Sad refineries). The SEEL pipeline also would link to the Transalpine Pipeline (TAP) to deliver oil to customers in Austria, europa by improving the availability, efficiency and reliability of electricity service at reasonable prices.

The benefits will be potentially great increased reliability in electricity supply; reduced needs for additional capacity investments in infrastructure; opening opportunities for prices for the end customers in the background of the 'Athens Process' is a prices for the end customers. In the background of the 'Athens Process' is a fundamental change of the support of the internetional community to South East Europe in the energy sector shifting from emergency support and reconstruction needs to a more coordinated and long term approach with a regional perspective.

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In addition to serving as a transit point, Romania is interested in offloading Caspian crude at Constanta and deliver it to its own refineries in order to offset the country's declining domestic production. There already exists an agreement to refine Kazakh crude oil.

Romania has also its own distribution network to transport oil and refined products into other European lines, via barges on the Danube-Rhine Link.

Again, it has become clear that the development of a region cannot be considered outside the context of a strong energy source. Thus, the countries participating in the Black Sea Economic Cooperation decided, among other things, to have their energy systems linked, forming a real Energy Ring of the Black Sea. The elaboration of the feasibility survey is in progress. At this early stage of the project, there is an idea to use Cernavoda Nuclear Units 3, 4 and 5 to develop the electric energy supply to the Black Sea Energy Ring. It would then become the vital source of economic development for the countries in Southeastern Europe, since almost all of them are also members of the Black Sea Economic Cooperation Organization.

We have good and persuasive reasons to believe that the Romanian energy sector is becoming an attractive target for foreign direct and portfolio investment and for mutually beneficial cooperation.

# Pavlos Olziersky, Director of the Press Office of the Deputy Minister of Foreign Affairs of Greece

Ladies and Gentlemen, first of all, I would like to thank Carleton University for a greatly organized conference as well as for giving the Greek Ministry of Foreign Affairs the opportunity to elaborate on the Hellenic Plan for the Economic Reconstruction of the Balkans. It is particularly pleasant for me as a citizen of Greece and an inhabitant of the Balkans to see a conference organized here, in Canada, aiming at improving the prospects of Southeastern Europe.

Greece, ladies and gentlemen, is, on the one hand, deeply integrated into the European process, having been a member of the European Union for more than 20 years and currently chairing the EU's Presidency and, also, a long-standing member of the NATO alliance. On the other hand, we are proud to have our historical roots in Southeastern Europe and the Balkans.

It is a fact that the common history and tradition of our Balkan countries goes back hundreds of years. It is also a fact that a bright future lies ahead, if we decide to work even more closely for the peace and stability, after the devastating decade of the 1990s. Now, after years of instability in South Eastern Europe, we are in the process of reconstruction, modernization and development.

It is only in the recent years that Greece has taken the first steps in planning an integrated development cooperation policy. And, of course, in doing that, we considered

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the Balkans as our first priority. It is, in any case, quite normal for any country to promote stability, peace, and, if possible, prosperity in that country's neighbourhood.

At the same time, Greek companies have already invested in the Balkans approximately 4 billion US\$, and, approximately, 3000 Greek enterprises and 6 major Greek banks with 470 branches are active in the area.

The Hellenic Plan for the Economic Reconstruction of the Balkans is our first systematically planned effort. It integrates previous *ad hoc* efforts into a unified Plan and is expected to contribute to the efforts of the international community and assist the transition of the recipient countries to an open market economy and to the civil society.

The neighbouring Balkan countries have been the centre of attention of Greece for one more reason: as Greece belongs to the Balkans, Greeks have a proper knowledge of the *modus operandi*, the way things operate, and the *modus vivendi*, the way of living in the Balkans. This is why Greece can and does help the other Balkan countries.

Greece has committed itself to allocate annually 0,20% of its Gross Domestic Product (GDP) to international development aid and the Hellenic Plan is in conformity with the guidelines of the OECD Development Assistance Committee, whereof Greece is a full member. The Hellenic Plan also takes under consideration the commitments of the European Union, as regards the promotion and the reinforcement of the Stability Pact with each recipient country and, in general, the conventional agreements between the European Union and the countries of the region.

The Hellenic Plan for the Economic Reconstruction of the Balkans will provide 550 m€ within a period of five years (2002-2006) to six countries of the Balkans (Romania, FRY, Bosnia-Herzegovina, FYROM, Albania and Bulgaria).

Approximately half of the available funds, namely the amount of 265 m€ shall be made available to the Federal Republic of Yugoslavia (250 m€ for Serbia & Montenegro – 93% and 7% respectively – and 15 m€ for Kosovo), since it is the country with the greater needs at the moment.

FYROM	74,84 m€	
Romania	70,43 m€	
Bulgaria	54,29 m€	
Albania	49,89 m€	Chi Ing
Bosnia-Herzegovina	19,53 m€	

The remaining funds shall be made available as follows:

3% of the funds shall be used for management purposes. Greece, having assessed and evaluated the needs of the region, shall allocate the development assistance provided by the Hellenic Plan to the following sectors:

the modernization of infrastructures, particularly in

- energy and
- transports

the balkans as our first priority. It is, in any case, quite normal for any country to promote stability, peace, and, if possible, prosperity in that country's neighbourhood.

At the same time, Greek companies have already invested in the Balkans approximately 4 billion US\$, and, approximately, 3000 Greek enterprises and 6 major Greek banks with 470 branches are active in the area.

The Mallenic Plan for the Economic Reconstruction of the Balkans is our first systematically planned effort. It integrates previous *ed hoc* efforts into a unified Plan and is expected to contribute to the efforts of the international community and assist the transition of the recipient countries to an open market economy and to the civil society.

The heighbouring Balkan countries have been the centre of attention of Greece for one more researces Greece belongs to the Bulkans, Greats have a proper knowledge of the modus operandi, the way things operate, and the modus wrendt, the way of living in the Balkans. This is why Greece can and doep help the other Balkan countries.

Greace has committed itself to allocate eneurally 0,20% of its Gross Domastic Product (GOP) to international development aid and the Hellenic Plan is in conformity with the guidelines of the OECD Development Assistance Committee, whereof Greace is a full member. The Hellenic Plan also takes under consideration the commitments of the European Union, as regards the promotion and the reinforcement of the Stability Pact with each recipient country and, in general, the conventional agreements between the European Union and the countries of the region.

The Hellenic Plan for the Economic Reconstruction of the Balkans will provide 550 mE within a period of five years (2002-2006) to six countries of the Balkans (Romania, FRY, Bosnia-Herzegovina, FYROM, Albania and Bulgana)

Approximately half of the evaluable funds, namely the amount of 265 mE shall be made available to the Federal Republic of Yugoslavia (256 mE for Sarbia & Montanegro - 93% and 7% respectively - and 15 mE for Kosovoj, since it is the country with the greater needs at the moment.

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- the promotion of productive investments
- the modernization of public administration and local government
- the support of democratic institutions and the cooperation of parliaments
- the support of the rule of law and the welfare state
- addressing economic inequalities, and
- the support of education and vocational training of administrative and scientific workforce

The related bilateral agreements have been signed with all the recipient countries. 20% of the funds, namely 110 m€, shall be allocated exclusively to private investments through the Hellenic Ministry of Finance and Economy on the basis of the "Development Law" 2601/98, the Greek legislation in effect on the matter of the provision of investment incentives in Greece. The financial grant shall cover up to 30% of the total cost of the investment and regards private primary sector investments in the agriculture and manufacture and, in particular,

- greenhouse type farming undertakings
- livestock undertakings of sheltered or semi-sheltered type
- aquaculture undertakings

(for investments ranging from €300,000 to €1,500,000)

- manufacturing undertakings of all industries, solely for the establishment of productive units
  - (for investments ranging from €800,000 to €5,000,000)

Therefore, the amount of private investments to be made in the Balkans through the Hellenic Plan will amount to a total of 360 m€. The applications have started being submitted to the competent agency since 1 July 2002.

80% of the funds shall be allocated through the Ministry of Foreign Affairs to the six recipient countries, upon submittal of the related proposals for the financing of specific projects, in accordance with the countries' own priorities.

The official project proposals shall be submitted by the respective National Coordinator of each country and must be of a sufficient scale and have a significant impact on the priority areas. Some of the recipient countries have already expressed the general directions to which they wish for the development funds to be invested.

The compatibility with the priorities set out, the feasibility and the economic viability and the contribution of the works to the implementation of European Community policies are some of the criteria that will be taken under consideration by the Thessaloniki-based Monitoring Committee which will evaluate the proposals, recommend their implementation, and upon approval by the Minister of Foreign Affairs, monitor the progress of the projects and draw up the related reports.

The proposals shall have to be accompanied by relative technical bulletins and, upon approval by the Greek government, the calls for tender, the contract awarding and the signing of contracts shall be carried out by the recipient countries. The funding of the projects shall be made by stages, depending on their development.

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- The modernization of public administration and local neverment.
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The Building of Joint Institutions had suffered extensive damages throughout the civil war – and in particular during the first months. It was essentially at the front of that building that the war begun when shots were fired at the crowd during an anti-war demonstration.

We believe that there couldn't have been a more appropriate symbolism for the Hellenic Plan for the Economic Reconstruction of the Balkans than that of the reconstruction of a building of joint institutions that was destroyed by a catalytic civil war, in the heart of the Balkans, that greatly depicts the difficult position that the Balkans had found themselves in.

Since these development assistance funds of 550 m€ originate directly from the Greek taxpayers, the assurance of the transparency and the effectiveness in the management of the funds is of paramount importance for Greece.

Transparency, because the assistance funds must reach their legal beneficiaries, namely the peoples of the Balkan countries, with irreproachable procedures that will eliminate any possibility of corruption, and effectiveness because the funds after reaching their beneficiaries must be put to work, must finance growth, must function as a tool of peace and stability.

Greece wishes to promote stability, social welfare and economic and institutional development in the region, as made clear by the selection of the above sectors, thereby continuing to improve the centuries-long friendship with the Balkan neighbours. Greece intends to do that by creating additional foundations from within new, economic, this time, bonds.

In any case, the development that we wish for is not one-track. Everything that is of benefit to our neighbouring countries, everything that helps them grow both in economy as well as in society, helps, indirectly, Greece.

Greece would not have any benefit whatsoever in case that the Balkans did not find their way. Only dangers would lurk, as demonstrated by the very recent history, in an unstable region with low growth and institutional civilization indices, where markets shrink, where entrepreneurial risk increases and where isolation is almost a certainty. Tactics like economic penetration and coercive policies, requiring "developing partners," belong to post-colonial perceptions and not in modern economy. Greece has clearly rejected such policies.

We hope that the development cooperation planned for the Balkans through the Hellenic Plan will encourage other countries to also assist in the reconstruction of the region. The relationship of Greece with the other Balkan countries is a "win-win" situation. It is a relationship of mutual benefit. Greece, a Balkan country as well as a Euro zone country, a EU, NATO and OECD member state, hopes that in the short-term more Balkan countries will join in. Greece believes in an integrated and open market, in the open Balkan market. Believes in peace and stability in the region. Believes in the cooperation for the common future of the Balkan citizens. Boshia-Herzegovina is the first country to have afficially submitted the first proposal that regards the reconstruction of the Building of Joint Institutions in Sarajevo.

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# Nicole Gesnot, Manager, Social and Economic Development Programs in the Balkans, Canadian International Development Agency

It is my pleasure to be here today to present to you the programming that the Canadian International Development Agency has been undertaking in Southeastern Europe and to brush the broad vision and options for our programming after 2004.

When I took over CIDA's Social and Economic Development Program last September, I still had in mind the disturbing news and images coming from the Balkan that filled the TV screens for more than a decade at the end of the 20<sup>th</sup> century.

I have now discovered a region with indeed a painful past, but more importantly a region, and foremost its people, that seeks and explores paths to a brighter and more stable future. This, despite the challenges and the still open wounds. The challenges are enormous and are being discussed clearly during these two days.

In this context, this conference is more than just a conference where the challenges and the future of Southeastern Europe are debated. This conference is remarkable because of its participants representing policy makers from across the region. Their presence side by side and the dialogue taking place should be highlighted. The significance of such gathering should not be underestimated. It is a reflection of the positive evolution of the region. It is a testament to the fact that the region is now a very different place than nine years ago, when Canada began delivering assistance there.

CIDA's programming has reflected this evolution, moving from emergency assistance to post-conflict reconstruction to support for the transition to an open, stable and prosperous economy and society. The common theme underlying all our operations has been to contribute to peace, stability and prosperity by supporting regional and interethnic cooperation, as well as economic an political transition.

This theme demonstrates the close integration of foreign and aid policies which has been achieved where the success of one depends on the success of the other. There are few examples of such coherence. To nurture this synergy, CIDA has used innovative mechanisms, such as local funds, civil development, trust funds with international financial institutions, provision of retired company executive (CESO), etc.

The program was built around strong Canadian partnership with a mix of public, private and NGO partners. These partners reflect a large spectrum of our society with federal entities (for example, the Department of National Defence, the Royal Canadian Mounted Police, Correction Canada, etc.), universities (for instance, Queen's University, University of Calgary, École des Hautes Études Commerciales, University of Ottawa), public utilities (such as Hydro Manitoba), a provincial government (such as STEP in Saskatchewan) and NGOs (such as CESO, World Vision and CESI). These partners have developed links, ties and knowledge of the region which is quite unique. They have made a niche for Canada.

Finally, the program was organized thematically, instead of being country-based. Three themes were selected: economic rehabilitation, peace building and security and social sustainability. Such a thematic approach sough not only to build on common

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experiences across the region, but also to contribute to building (or, should I say, rebuilding) ridges among countries that have a common history, experience and, let's hope, future, and definitely a lot of common challenges (...)

The challenge now facing CIDA is to mature its aid program in the region and to systematically gear it toward economic, social and political transition. The current Canadian assistance in the region broadly reflects the dichotomy arising from the recent history in the region. In Eastern Balkans, Canadian assistance already supports the transition process with projects that have contributed to the development of a market economy and good governance.

Needs in two sectors are being addressed: environment and energy, as well as public sector reform. In contrast, the legacy of a decade of conflict in Western Balkans has meant: fist, humanitarian assistance and, secondly, since 1999, emphasis on laying the foundations for regional stability. Reflective of the increased regional convergence of issues and challenges, our Eastern and Western Balkans programs were brought within one single program, last summer.

CIDA is now mid-way through its involvement in Southeastern Europe if one accepts the working assumptions that most if not all the countries of the region will become if not EU members at least close EU associate by 2010. As a consequence, CIDA has developed a regional discussion paper called "Charting a Course to 2010," that was submitted to public consultations over the last few months (...) This paper seeks to develop a long-term vision for the program.

CIDA is cautiously optimistic about the Balkans' political and economic future. It is based on the following assumptions: no major internal or external shocks, political status issue resolved peacefully, ethnic tensions are at the moderate level and public policies contribute to soothe them if not resolve them. In summary, the upward trend continues despite the challenges. CIDA is looking at undertaking activities that respond to both peace building and transition imperatives.

Although poverty reduction is not an explicit goal within this approach, the roots of poverty can be directly traced to the outcome of conflict, immature democratic process and incomplete economic restructuring. As a result, the peace building/transition model can provide an avenue for addressing many of the structural causes of poverty. This linkage would mean addressing issues that assist with the reform process, i.e. laying the foundation while simultaneously promoting regional and/or inter-ethnic collaboration. Activities that contain some elements of shared sovereignty or mutual interests across countries and ethnic groups are useful points of intervention for this type of collaboration exercise.

Canada's assistance program will build on some of its current approaches in that respect with large sector-based programs that provide economies of scale and that achieve a critical mass in terms of policy influence: electricity markets (SEETEC), HIV/AIDS, public health and education. Potential sectors include: rule of law (i.e. security and democratization), energy, health and education, small and medium enterprises.

The evolution of the region calls for a greater emphasis on an approach based on governance for the sectors, be it the regulatory environment of the service delivery for effective public sector. It also means support to civil society to counter the strength of

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The implementation strategy will recognize the different levels of maturity or closeness to the EU of Eastern and Western Balkans. The program will work under the assumption that the timetable for EU accession is different according to countries. However, the progressive consolidation of our program means that we will be looking at being more targeted on a few countries (while adopting a regional approach) and vis-à-vis sectors. The crosscutting themes will remain: gender equality, environment, refugees, minority rights. Finally, the program would evolve from a project approach where CIDA tended to be more reactive than pro-active when the situation was fluid to a program approach allowing for active dialogue and planning with the governments of the region.

These are broad ideas that are currently being discussed and refined within CIDA. A discussion paper specifically on the Balkans building on our 2010 strategy for Eastern and Central Europe is being developed. The objective is to implement the new programming approach by 2004. It will first be reviewed by the inter-departmental community in Ottawa, then by the field (Canadian embassies and governments) before being submitted to the Canadian public for consultation.

# H.E. Eric Hayes, Ambassador and Head of the Delegation of the European Commission to Canada

#### Turkey

Ladies and gentlemen, Excellencies, distinguished members of faculty,

It is an honour for me to address this conference on behalf of the European Commission. At the outset, I would like to congratulate the organizers at Carleton University and the Embassies concerned for having gathered together such a broad range of expertise about this important region, from both sides of the Atlantic.

I would like to use this opportunity to outline briefly how we see the challenges ahead in the European Union's policy towards South Eastern Europe. But first, a few remarks on geographical perception and terminology.

"Southeastern Europe" is not a concept widely used in the EU. We tend rather to see the region in different sub-categories, defined according to the imminence of their likely EU membership:

- Slovenia: will enter May 1, 2004; no need for further comment;
- Bulgaria, Romania: EU objective is membership in 2007;
- Turkey: formally recognised as a candidate; we will review in December 2004 and decide on opening negotiations;
- "Western Balkans" (Albania, Bosnia-Herzegovina, Croatia, FYR Macedonia, Serbia-Montenegro): potential candidates, but no immediate prospect.

A glance at the map makes the importance of SEE for the EU easy to understand. From 2007, the Western Balkans will become an enclave of non-members, completely surrounded on all sides by the EU. We therefore have a deep vested interest in their

antrenoned interests and to promote the development of open and transparent governing institutions.

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stability, security and prosperity. Turkish accession would give the EU a common border with Georgia, Azerbaijan, Iran, Iraq and Syria, with all that implies for our Common Foreign and Security Policy and our border control policies.

I would like to focus most of my remarks today on the five countries of the "Western Balkan", but first a few brief remarks regarding the three existing candidate countries in the region.

# Post-Copenhagen: Keeping up the momentum for Bulgaria and Romania

Turning to Bulgaria and Romania, important decisions were of course taken in Copenhagen, even though the spotlight was inevitably more on the candidates who concluded negotiations. The European Council confirmed that the EU's objective is to welcome Bulgaria and Romania as new members in 2007. Its conclusions also affirmed that, "The successful conclusion of accession negotiations with ten candidates lends new dynamism to the accession of Bulgaria and Romania as part of the same inclusive and irreversible enlargement process."

Indeed, without much fanfare, one week after Copenhagen, at the end of December a new round of technical accession negotiations took place in Brussels with these two countries at senior-officials' level. The fact that this took place just before the holidays is a good anecdotal illustration of the determination and commitment of both sides to keep up momentum in the enlargement process.

## Turkey

Turning to Turkey, there has been a lot of discussion here in Canada about whether the outcome of Copenhagen was better or worse than could have been expected by Ankara; whether there was a snub; or whether Turkey took a significant step towards membership.

Just to remind you what was actually decided, the Heads of State and Government of the EU member states and the President of the European Commission unanimously agreed in Copenhagen that, "If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay". As you all know, the political criteria in question, which date from 1993, require a candidate country to have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.

The European Council agreed that Turkey has made important steps through its package of legislation adopted last year but also considers that there are still "shortcomings" that have to be addressed before the criteria are fulfilled. In order to help the new government address these shortcomings, Turkey is being offered a significant increase in pre-accession financial assistance. The Commission will propose a revised Accession Partnership and intensify the screening process of Turkish legislation, to help move towards conformity with EU rules.

As President Prodi put it when addressing the European Parliament on 18 December, Turkey's candidacy "will be judged on its own merits and by the same criteria as any other candidate." The rendez-vous in December 2004 "will give Turkey time to push stability, security and prosperity. Turkish accession would give the EU a common border with Georgia, Azerbaijan, Iran, Iraq and Syria, with all that implies for our Common Foreign and Security Policy and our border control policies.

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# Western Balkans: The Stabilization and Association Process

The five countries of the Western Balkans were formally recognised as potential candidates for EU membership by the Heads of State and Government of the EU Member States and the President of the Commission two and a half years ago. The EU's historic Copenhagen summit last month - which agreed that 10 new member states would join the EU in 2004 - also reaffirmed the "European perspective" of the Western Balkan countries, emphasising that they are all potential candidates for future EU membership.

To realise our objective, the European Union in 2000 developed a policy framework called the Stabilisation and Association process as the motor for reform. This remains the over-riding framework for EU policy. As many of you will be aware, this is a step-by-step process with four major elements:

- trade liberalisation through Autonomous Trade Measures (ATMs); since December 2000 the vast majority of products have duty-free and unlimited access to the EU;
- significant financial assistance for reconstruction, democratization and stabilization (under our "CARDS" regulation) - worth around € 4.65 billion during the period 2000-2006 (C\$ 7.6 billion);
  - a new contractual relationship the Stabilisation and Association Agreements; agreements already signed with FYROM and Croatia, negotiations about to open with Albania;
  - promoting cooperation among the countries of the region themselves.

Two years after the Zagreb summit between the EU and the countries of the Western Balkans, and looking forward to the follow-up summit organized by the Greek Presidency in Thessaloniki in June, now is good time to take stock: "What has been the real impact of the Stabilisation and Association process (SAP)?"

We can all agree that all the countries are much better off today than they were a few years ago. Stability is largely restored; security has improved; all of the countries have democratically elected governments. Massive reconstruction has taken place across the region, laying the foundation for social and economic development.

However, there is still work to do in terms of developing democratic culture and institutional capacity. We should always bear in mind that the countries of the Western Balkan are embarked on a process, which will inevitably take both time and political will. Our view is that the perspective of European integration will drive the reform process - as it has in Central Europe.

From the EU perspective, we therefore need to consider whether the tools at our disposal are the right ones, and if they will help the countries achieve reform. My answer is yes.

ahead with the reforms it must make to satisfy the Copenhagen criteria and implement them both in law and in practice. The Commission will report on its progress and make recommendations with complete objectivity and impartiality

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But equally, ask me if we in the EU can improve on what we do, and my answer is also yes - of course we can! For example, the SAP countries are not taking full advantage of the generous trade concessions we are offering. Various factors may play a role in this e.g. standards and certification, or control mechanisms in the veterinary and phytosanitary field, for instance. We need to continue targeting part of our assistance at helping the countries take greater advantage of our Autonomous Trade Measures.

Following the emergency reconstruction phase, our main concern is now to help put in place the framework necessary for states to function according to accepted democratic principles. We plan to support the consolidation of parliamentary structures, the promotion of civil society, and an independent and more robust media landscape. But "good governance" in the broadest sense is not simply a question of assistance - these are long-term objectives requiring fundamental changes in the culture of government, administration and citizens.

In our relations with the Western Balkan countries the EU can learn from the enlargement process, and the countries of the Western Balkans should perhaps learn from the candidate countries. The Stabilisation and Association process should be the anchor for reform in the Western Balkans just as the accession process has been and still is the anchor for reform in Central Europe.

Our efforts will only have lasting effect if they are accompanied by political will on the part of the countries. We cannot do everything for them, we can only do it with them. They have to show genuine commitment to implement reforms in order to fully benefit from them. As External Relations Commissioner Chris Patten said in November at the London Conference on organised crime in the region: "We need willing partners. We can't have a process where Balkan countries pretend to reform and we pretend to believe them!"

We are trying to turn the core values and principles that unite the European Union into real measurable change on the ground in the Western Balkans. In the end, the European Union is a union of values, and values do not change overnight. We need a concerted, long-term effort to tackle the root causes of the region's instability and weak institutions - instability and weakness that have allowed the politics of ethnicity and narrow interests to drive out the politics of rights and common public interests.

If that can be achieved, it will be possible for the much-vaunted European perspective to lead to membership. As European Commission President Romano Prodi said in Athens earlier this month, "A lot of hard work is needed but eventually all Balkan countries can become members of the Union".

### Conclusion

President Prodi also underlined that, "All European countries if they so want can accede at the right time as long as they meet the right conditions. We want members which accept our principles, the rule of law, economic and social conditions that allow them to participate in European development".

If I might conclude, this position forms the basis of our relationship with our various partners in South-Eastern Europe, whether we are already well on track with accession negotiations like Bulgaria and Romania, recognized candidate countries like Turkey or

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# Murat Bilhan, Chairman of the Centre for Strategic Research, Ministry of Foreign Affairs of Turkey

Excellencies, distinguished members of the academia, distinguished colleagues, participants, honourable ladies and gentlemen,

I would like to offer my heartfelt thanks for the opportunity you me gave to address your august gathering (...) Before starting my presentation, I would like to make one comment on the remarkable launching of a foreign policy initiative the Canadian government has put forward just two days ago, coinciding with our visit to Canada for this conference. I cannot help but express my admiration for this impressive step to shape the future foreign policy of this country, basing it on popular support and transparency by a direct democratic method. We, the Balkan peoples, should draw some lessons from this exercise. I personally believe that foreign policy decision-making processes without popular support are doomed to fail.

One of the best examples of that has been witnessed most recently in the Greek policy vis-à-vis Turkey. At least some of you might remember that Turkey and Greece have come to the brink of war in late 1990s because of some uninhibited rocky formations in the Aegean Sea. Until then, the Greek policy towards Turkey was generally guided by hostility, enmity and rivalry by any means and anywhere. As an example of the Greek policy towards Turkey, Greece acted as the major obstacle on the path of Turkey to the European Union.

But the Greek people did obviously not share this governmental or official policy. This became evident especially when the two countries passed through devastating earthquakes. Mutual affection was so high that the assistance provided by both countries for each other was incomparable to any other assistance. It was also evident in human-to-human contacts between individual Turks and Greeks. So, while the governments were aiming their guns at each other, the two peoples had already buried the hatchets. This has finally pushed the decision makers to review their policies. Now, I must underline that, despite many remaining disputes, presently, Greece has become the most ardent supporter of Turkey's membership to the EU among the 15 (member states of the European Union).

As far as the agenda is concerned, our focal point of discussion is the Balkan Peninsula, maybe together with its largest vicinity which we have referred to (...) as Southeastern Europe. If I were a Canadian, I would not be able to comprehend easily why and how so many trouble spots, irredentism and hostility could exist in such a small piece of land, not larger than one tenth of Ontario.

But we, the Balkan peoples, have lived and continue to live with it, and, thus, we know why and how. Ethnocentric selfishness with no tolerance to diversity is one of the major reasons among many others. Moldova, a mini-state, even in Balkan standards, is undergoing a self-made painful process. In this palm of the hand-big landlocked country, there are three or four major problems such as the Transdnistria problem and the "potential candidate countries" with a European perspective like Albania, Bosnia-Herzegovina, FYROM or FRY

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In the Balkans, all the monotheist religions, sects and sub-sects exist without definite and exact fault lines. In most cases, these religious identities are inseparably linked with ethnic and national identities. This constitutes the root cause of the chauvinistic and intolerant mini-nationalism. When this culture is moulded with schoolbooks full of incorrect, biased and prejudiced literature, and when this poison of hatred to neighbours is injected into the minds of the youngest members of the society, it incites a feeling of vendetta among Balkan nations.

This, in turn, creates imaginary "greater"s of each of these states, such as greater Albania, greater Serbia, greater Macedonia, greater Croatia, greater Greece (Megali idea), greater Bulgaria, greater Hungary or greater Romania. Being greater at the expense of whom? Of course, at the expense of their neighbours.

In the multiethnic and multi-religious Ottoman and Hapsburg Empires, those people have travelled and settled free of borders anywhere within the territory of the Empire. Therefore, the historic borders of these nations virtually disappeared and became fictitious. The nationalism fervour and national state phenomenon in Europe was triggered especially after the French Revolution of 1789, leading to the establishment of mini-states with controversial borders.

This was because of the fact that minorities were spread all over in each other's territories randomly. This could be called the legacy of the Ottoman Empire and also, especially in Western Balkans, the legacy of the Hapsburg Empire. The only thing to remember here is that, there was rivalry and blood feud among these nations even before the Ottomans. It is a act that they lived for at least 500 years in peace with each other during the Ottoman rule. And they have shared the power of ruling the Empire together with the Turks.

Members of all these ethnicities and religions had their representatives among the ruling elite of the Ottoman state, the last example being the Foreign Minister of the Ottoman Empire, who was an Armenian, Gabriel Noradonkyan. So, despite all its shortcomings and sometimes despotic rule of the monarchs, of course, prevailing in conformity with the expected values of those days – in fact, prevalent at that time everywhere in the world – the Ottoman Empire was not a typical oriental tyranny with a religious fundamentalist administrative system.

One of the spill over effects of the collapse of the Ottoman Empire was that, during the course of centuries, there was an internal migration in all directions within the territories of the state. There are, thus, very large minorities of all these Balkan peoples in the present territory of the Turkish Republic, some of them being larger than the population of that country itself. In return, there are smaller or larger Turkish communal pockets in all these countries.

Now, having given a brief diagnosis of my own on the root causes of the problems in Southeastern Europe, I would like to give you some kind of a résumé of the principles or pillars of the Turkish foreign policy during the course of the rest of my presentation, with special emphasis on the Balkans (...) I have to underline the two principles of the Turkish foreign policy laid down during the foundations of the Turkish Republic exactly Russian-Romanian-Ukrainian rivaity, even leaving aside smaller problems such as the minority rights of ethnic Christian Gagauz Turks.

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This very carefully drawn up map under occupation in the 1920s was called the National Charter. It was reached and accepted by the Lausanne Treaty and, thereafter, registered by the League of Nations. For the future Turkish foreign policy makers, as well as Turkey's neighbours, and the international community, this meant that Turkey would not have any territorial claims or ambitious beyond these borders, but it would protect these borders against any violations.

Equally important, the second pillar or principle of the 80 year old Turkish foreign policy is reflected by the famous words of Ataturk: "peace at home, peace in the world." This principle was also faithfully and relentlessly followed for 80 years. And Turkey is one of the exceptional countries, which stayed away from any war for 80 years in its turbulent geography, including the period of neutrality before and during the Second World War. I do not want to further elaborate on our foreign policy, but I want to underline that this straight forward diplomacy has been strictly observed for eight decades without much fluctuation and despite some criticism of not being enough proactive. Only tactical, temporary adjustments have been made when necessity arouse. But, no doubt, this policy served peace.

Turkey's Balkan policy has been closely linked with its Western-oriented traditional policies. The Balkans is the geographical link of Turkey to Europe. Therefore, it is considered that whatever is good for the Balkans is good for Turkey. Turkey's Balkan policy could be summarized as follows:

- 1. Turkey is a Balkan country, sharing the geography, history and culture of the region.
- 2. Turkey supports therefore, the accession and integration of the Balkan states into European-based institutions. In the recent past, these institutions have been the Council of Europe, the Organization of Security and Cooperation in Europe, of which Canada is also a member. More recently, Turkey's support and encouragement was announced several times for the Balkan countries aspiring to join NATO, as well as the EU. Not to mention smaller groupings like the Black Sea Economic Cooperation (BSEC) or the Stability Pact. Turkey always supported the idea that the Balkan countries should participate actively in these international institutions.
- 3. Before the Second World War, Turkey sponsored the Balkan Entente. After the war, Turkey, together with Marhall Tito's Yugoslavia and Greece, established the Balkan Pact.
- 4. Turkey considers that minorities in the Balkan countries are not liabilities, but assets for better relations.
- 5. Turkey supports the idea that if a divorce is necessary in the Balkans, it should be peaceful, preferably in the model of the Czech Republic and the Slovak Republic.

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# Southeastern Europe: Moving Forward

January 23-24, 2003, Ottawa

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# **Embracing Democracy: Weak States and Institution-Building in 'Balkan Europe'**

## LENARD J. COHEN

DEPARTMENT OF POLITICAL SCIENCE SIMON FRASER UNIVERSITY Email: <u>cohen@sfu.ca</u>

No one is born a democrat and everyone must work at it. Sometimes a lifetime is not enough to establish democracy, this may require several generations. ~Kofi Anan, November 2002

[Europe's] new partners are the 10 countries that are due to join in 2004. Then there are Bulgaria and Romania whose objective is to join in 2007; and finally there is Turkey with a membership schedule that cannot be predicted....Those will be Europe's new borders....Do we stop there, or do we go on? A proposal is going to be worked out in the coming months, but it is already very clear in mind. The Balkans, whatever the timing involving, are fated to join the European family; they are a duty to take on board. ~Romano Prodi, October 2002 When observers look back at Southeastern Europe (SEE) during the first decade of the Third Millennium, the proverbial Dickinsian adage may seem apt: "It was the best of times, it was the worst of times." On the bright side, today one no longer finds the widespread violence of the early and mid 1990s, inter-ethnic conflict on the whole has diminished, the Balkans seem unlikely to again become a cockpit of big power rivalry, and the countries in the area are committed to building democracy and the development of free economies. Moreover, the process of transformation in SEE is occurring with ample assistance from regional and international organizations utilizing a broad variety of programs to promote political pluralism and market economies.

But all is not well in Southeastern Europe. We see a 'chain' of weak small states, most of which are economically deteriorated compared to their position and prospects a decade ago, and which are dependent on external donors or the international life support system. Several states are plagued by political instability or paralysis owing to the polarization of their political leaders and political parties, and most have legal systems that have yet to overcome arbitrariness and politicization. As a result of such problems, corruption is often rampant at levels well beyond simply those generated by routine clientelistic politics, regionally connected organized crime groups flourish (a kind of "axis of crime"), and in many areas human security remains highly problematic and threatened. This standard of living in Southeastern Europe is quite improved compared to various points over the past ten turbulent years. But compared to 1991, poverty rates and the level of income inequality have risen, and primary school enrollments have declined.

Near the end of 2002, at the summit meeting of the European Union in Copenhagen, a major question that had for some time been a concern to the citizens and leaders in most Euro-Atlantic countries assumed more urgency. Namely, would the states of the West Balkans (Albania, Croatia, Yugoslavia, Macedonia, and Bosnia-Herzegovina), but also the Eastern, Danubian, or Carpatho-Balkans (Romania and Bulgaria), be able in the near future to overcome the various impediments to democratization, economic development, and human security that has left much of SEE outside, or at most at the periphery, of the free and more prosperous community of states? An affirmative answer to that question envisions the existence of an environment in which the mutually reinforcing influence of economic well-being and political freedom assists the peaceful and smooth integration of the Balkan countries into the EU and the international community over the next decade. On the other hand, a negative response contemplates the persistence of a group of institutionally weak and divided states which remain economically underdeveloped, characterized by incomplete or superficial democratic development, and also highly vulnerable to episodic violence, corruption, crime, terrorism, and ethnic conflict. Thus, the challenge of "stabilizing the Balkans," in terms of ensuring long-term and enduring military security and the containment of terrorism, remains an important issue that is inextricably linked to building sustainable law-governed democratic states and developed market economies in the region.

At Copenhagen 2002 there was considerable optimism that a "single Europe" would soon emerge. EU leaders committed their organization to an "inclusive and irreversible enlargement process," which would endeavour to establish "a continent of democracy, freedom, peace and progress." In this regard, European Commission president, Romano Prodi, observed that the "ascension of ten new member states will bring an end to the division of Europe. For the first time in history Europe will become one because unification is the free will of the people."

But though the present wave of enlargement (that will conclude in 2004 following the signing of the Accession Treaty in April 2003), will incorporate ten new states into the EU increasing its population by 25%, or approximately 75 million people, which will make the organization a 500 million person community - the process presently leaves out, or postpones, most states in Southeastern Europe. EU leaders claim to be committed to avoiding the creation of "new dividing lines" in Europe. However, a hierarchy of sorts clearly exists between those countries that are already EU members, those that will imminently enter the EU, and those that are currently outside or unlikely to be invited into the EU sometime soon. One Southeastern Europe and predominantly Slavic state, Slovenia - the Teutono-leaning Alpine exception to the Balkans - has made it into the EU as part of the current ten-country accession wave. "This is an historic event," commented Slovene Foreign Minister Rupel. "We used to be enclosed into Yugoslavia, now the whole EU will be our home, from Portugal to Sweden or Greece. It is a fantastic feeling." But the other countries of the former Yugoslavia and SEE remain "enclosed" in their traditional Balkan framework. The enlargement timetable has created a "hierarchization" in Southeastern Europe, which is expressed in a nervousness and competition among state decision-makers in the region.

The position of individual Balkan states on the EU entry ladder varies quite considerably. Romania and Bulgaria, for example, are already deemed "candidate" countries, and are scheduled for EU entry in 2007 (they will also become part of NATO in 2004). Both countries have been informed by the EU that each of them will be judged on their own merits, and that they should "seize the opportunity by stepping up their preparations - particularly judicial and administrative reforms - with EU assistance. Macedonia and Croatia have signed and ratified Stabilization and Association Agreements with the EU. Turkey - whose desire to become part of Europe has aroused considerable controversy - has been informed by Brussels that if it is judged to have fulfilled criteria set out by the EU for potential entry, discussions could begin on the matter in 2004. Meanwhile, Yugoslavia (Serbia and Montenegro), Albania, and Bosnia and Herzegovina are further behind in the EU sweepstakes (as is the rather separate case of Kosovo, which, as a UN protectorate, has an indeterminate status and is technically still appended to Yugoslavia), have not fulfilled the Stabilization and Association accord criteria, but are viewed by the Union as "neighbours" and "potential candidates" for EU membership (at least since the beginning of the Stabilization and Association process in 2000). Chris Patten, the EU's External Relations Commissioner, assured Balkan leaders that "far from getting out of the Balkans, the EU is getting more and more deeply involved in the region. Our policy amounts not to an exit strategy, but to an entry strategy to help the Balkan countries themselves to become members.... The choice for us [in the EU] is very clear: either we export stability to the Balkans, or the Balkans exports instability to us."

# noor bloov "opourd signist a self operation TABLE 1

	Favour Admissi on of	Against Admission of	Don't Know	Entry is Bad Thing	Entry is Good Thing	Trust in EU <sup>b</sup>
Candidate Countries	to avoida	lottimenco x lo strict to t			anout a	Annal Definit
Slovenia	35	40	25	14	43 <sup>a</sup>	52
Bulgaria	36	40	24	5	68	65
Romania	34	43	23	2	78	75
Turkey	31	47	22	13	65	54
Potential Candidate Countries	ALESSING BE					
Croatia	32	45	23	13	77	38.6
Yugoslavia Serbia Montenegro	30	48	22			30.8 39.1
Bosnia and Herzegovina	28	47	25	N/A	N/A	and H
Federation			- and the second second			43.1
Republika Srpska						16.6
Macedonia	28	48	24	N/A	N/A	35.3
Albania	26	51	23	N/A	N/A	N/A

#### PUBLIC SUPPORT FOR INTEGRATION OF SEE COUNTRIES INTO the EU (in %)

**Attitudes Within SEE** 

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**Attitudes Within EU Countries** 

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<sup>a</sup> By December 2002, 62% of Slovenes were in favour of EU membership, while 21% were against.

<sup>b</sup> Data on trust in the EU for potential candidate countries is from a January-February 2002 survey.

At Copenhagen in December 2002, the EU concluded that it hoped "to take forward relations with neighbouring countries based on shared political and economic values." But EU leaders, perhaps somewhat apprehensive after presiding over the imminent incorporation of ten states, also sent signals that enlargement covering all European states, albeit desirable, was not guaranteed. Thus, not every EU "neighbour" would necessarily soon become a future EU member. As Danish Foreign Affairs Minister Moller observed with respect to Ukraine, Moldova, and Belarus: "We have different plans for them and therefore we have to have different strategies." As most other EU leaders, Moller differentiated Croatia from the rest of the "Western Balkans" and advised Croatian leaders to fully implement their Stabilization and Association accord with the EU, and that "it will be negotiating as a potential member of the EU."

Political leaders in the EU – a group that collectively has been the major force behind the European enlargement process - clearly have developed specific, albeit varying, perspectives regarding the general timetable of potential candidacy and possible accession to the EU on the part of the SEE countries. On the whole, non-elite public opinion within the EU on the subject of the Balkans and EU membership is rather less enthusiastic or informed than elite views (Table 1). According to survey results from March-May 2002, for example, some two-thirds to threequarters of the citizens in the 15 EU countries were either against (40-50%) potential EU membership of the Southeastern Europe states, or did not have a view concerning the matter (a fifth to a quarter of those surveyed). Perhaps because of publicity regarding the imminent accession of Slovenia, and also the advanced candidacy of Bulgaria and Romania, there was more support for the membership of those states in the EU. But still only about one-third of citizens surveyed in the EU were "in favour" of those states taking part in EU enlargement. Survey research also reveals that most EU citizens know that the "countries of Eastern Europe" seek EU membership, but the level of popular knowledge or support for accession by the SEE countries to the EU is extremely low.<sup>1</sup> Up to Copenhagen 2002, even Slovenia, Bulgaria and Romania were infrequently mentioned by respondents as potential members, while the other Balkan countries were merely regarded as being on a list of potential members (except by Greek respondents). Interestingly, many citizens in nine of the ten candidate countries who will join the EU in 2004 (leaving Slovenia aside) regard the Balkans with a kind of aloofness, or as a backwater outside the "real Europe." Meanwhile, many Slovenes - who as a rule regard their country as non-Balkan - view their country as a potential bridge or linchpin between "Balkan Europe" and the present EU states.

The diversity of views held by EU citizens with regard to the enlargement process, and to the possible membership of the various Balkan states, is mirrored in the varied attitudes apparent within the Southeastern European countries concerning the prospect and desirability of joining the EU. Romania, Bulgaria and Slovenia – where citizens have not been unanimous about joining the EU, but which are countries that have been quite high on the EU entry ladder – naturally exhibit the most enthusiasm about EU membership among the SEE states. For Slovene supporters of EU membership, a wish for accession reflects a deep feeling of "Europeaness," and the fact that their relatively small country cannot survive as an "island in the middle of nowhere." And as already noted, many Slovenes consider their country to be a bridge between West Europe and the Balkans. Interestingly, citizens of Croatia and Bosnia and Herzegovina sometimes express the same view. This outlook illustrates how regional identification is less a geographical concept than a state of mind. For their part, a very large majority of Romanians view EU membership as a way out of their serious internal economic and political difficulties (particularly with respect to corruption and the administration of justice), and as a natural framework for their "Latin identity."

Generally speaking, most political leaders of the West Balkans express keener interest than their constituents in the advantages of EU membership. Citizen trust in the EU varies considerably from one country to another in the Balkans, depending on local mentalities, selfperception, and local experiences with the EU and other international organizations based outside the region. Croatians, for example, who as a rule prefer to be regarded as Central

<sup>&</sup>lt;sup>1</sup> Overall support within the EU for the general concept of enlargement was 66% in November 2002.

Europeans rather than as citizens of a Balkan state, stand out in their strong desire to join the EU. Indeed, the only major reservation Croat citizens express concerning the EU is that Brussels will try to force Croatia into closer ties with other countries in the region (a new and widely unacceptable "Yugoslavia"). Unfortunately, European officials often pander to Croatian non-identification with its Southeastern neighbours, and thereby also inadvertently fuel problems of regional inter-state relations. As the European Commission's Enlargement Commissioner, Geunter Verheugen told a December 2002 conference in Zagreb: "It is not fair to say that Croatia is a western Balkan country. If Croatia is a western Balkan country, then so is Germany, Croatia was never part of the Turkish Empire, rather historically it was part of Austro-Hungary, which was clearly part of Western Europe. It would be improper to tell the Croatians that they have to wait for the Albanians or the Macedonians in order to join the EU."

Post-Milosevic reformist leaders in Serbia and Montenegro have less of a problem with their Balkan pedigree than their counterparts in Slovenia and Croatia, and also more confidence in the EU than their fellow citizens in Yugoslavia. "The word 'Balkan'," observed Deputy Foreign Minister Zarko Korac, "no longer has the negative connotations it used to have. There is democracy in all states in this region now. All countries have one goal now...to move forward on the basis of democratic values and to develop regional cooperation and integration with Europe."

For time being, Kosovo/Kosova - a UN protectorate, which under UN Security Council Resolution 1244 is still part of Yugoslavia - remains a non-state and therefore presently ineligible for integration on its own right into the EU, or the international community. Almost all leaders of Albanian parties in Kosovo are focused on the goal of state independence, with varying programs and strategies on how that should take shape. And for most Albanian leaders in Kosovo, independence will naturally be followed by eventual EU entry for Kosovo. At the end of November 2002, Kosovo President, Ibrahim Rugova, observed that independence would serve to "pacify" Kosovo's population, and claimed that Kosovo was "turning into a democratic country." At about the same time, however, a visiting international task force observed that Kosovo was "not a functioning democracy." Meanwhile, Serb political leaders in Kosovo are focused mainly on a return of Serb refugees to the protectorate, and obstructing any move toward independence. For their part, international officials managing the protectorate have adopted a formula to temporarily avoid the independence issue (leave alone the question of EU integration), and are attempting to concentrate local energies on democratization and economic development. Thus "standards before status" has become the mantra of Michael Steiner, the Special Representative of the Secretary General (SRSG) in Kosovo, who simply hints of a future EU option for the current protectorate. "One of my main responsibilities," comments Steiner, "is to design a process to determine Kosovo's future status. We will not be able to get into this stage until Kosovo's society and institutions show that they are ready....This is why I have devised a series of benchmarks that will identify what needs to be done before we can launch the discussion on status...minimum pre-conditions....These standards also mirror those that are required for integration into Europe." Kosovo's Serbian leaders worry that the current UN strategy really amounts to democratic state-building for potential Kosovo statehood. But Steiner has cautioned that the "future status of Kosovo is open. No one can say at present what its final

status will be. But we already say what it will not be: there will be no return to the status quo ante 1999."<sup>2</sup>

The attraction of EU membership to Balkan political leaders can be traced to a variety of factors: identification with broader European trends, an opportunity for their countries to advance economically and politically through integration into the EU, and also the prospect that personal political credit (and in some cases economic profit) can be derived from the benefits that accrue to EU-tracked countries. A common worry on the part of many political and economic leaders in the Balkan states is that somehow - during what West and Central European leaders generally consider as an "interim stage" preceding further EU enlargement -Southeastern Europe, or at least the South Balkans, will somehow be forgotten or marginalized. Balkan elites fear their countries might linger for years as an enclave, antechamber, or "gray zone" surrounded by more prosperous EU member states. The EU has offered the Western Balkan countries the "clear prospect of accession," but many leaders in "Balkan Europe" are in a state of high anxiety regarding whether they will be able to fulfill the requirements demanded by the EU for integration, and also what may occur if they do not succeed. The Balkans seem fated to join the European family, but the schedule of accession is very soft, and subject to political whim and will. As a Turkish leader put it, the sequence and timing of EU entry is not determined by a "mathematical formula." These concerns moved the presidents of five Balkan countries -Macedonia, Croatia, Albania, Bosnia and Yugoslavia - to send a joint letter to the EU in December 2002 urging an "opening of the perspectives" with regard to their countries' membership in the EU. Such regional cooperation will continue with a roundtable of Western Balkan potential candidate states scheduled to be held in Macedonia in late January 2003. Fully recognizing that their political and economic problems are deeply rooted and not amenable to rapid change, and also that citizens already in the EU are not wildly enthusiastic about enlargement beyond 25 states, Balkan leaders have valid reasons for worrying about the future of their states in Europe.<sup>3</sup>

# TRENDS IN BALKAN EUROPE: A COMPARATIVE OVERVIEW

Can the Balkan states in the near future fit into EU plans to "make Europe a continent of democracy, freedom, peace and progress?" Is there any basis for growing perceptions in some

<sup>&</sup>lt;sup>2</sup> Serbian leaders are becoming quite worried about Kosovo's future, and also want to glean credit for defending Serbia's national interest. In mid-January 2003, Prime Minister Djindic warned the international community that "if they take away Kosovo in the name of the ethnic rights of Albanians, and the principle of self-determination, ignoring the boundaries and sovereignty of FRY and Serbia, Belgrade will ask for a new Dayton....The Serbs across the Drina River [in Bosnia] were not granted the right of self-determination....Serbia's borders, too, must be inviolable. They cannot have one set of rules for others, and another for Serbia....European leaders say it is not the time to discuss the 'final status' of Kosovo. The problems are piling up. I might even say that processes are evolving so quickly and unfavourably, that Kosovo Albanians could practically become independent while we wait for talks on the 'final status' to open."

<sup>&</sup>lt;sup>3</sup> On January 10, 2003, EU Commission president, Romano Prodi, observed in a rather promising, if somewhat proprietary tone, that "in the long run [the] Balkans belongs strictly to the EU." Prodi added that all the Balkan countries would not enter the EU on the same day, but each would follow its own course and be judged on its own merits. Prodi underlined that Turkey does not belong to the Balkans. The issue of EU entry on the part of the Balkan states will receive special attention during the first six months of 2003 owing to the fact that Greece will be holding the EU Presidency. Greek Foreign Minister George Papandreou went to the heart of the problem facing SEE when he recently referred to his own country's evolution: "We may have begun as a Balkan country in Europe, [but] now we're a European country in the Balkans."

West and Central European circles that, because much of Southeastern Europe is a zone of intractable problems such as corruption, drug and human trafficking, arms smuggling and criminal activity, unresolved war crimes, and illiberal political cultures and practices traceable to authoritarian rule, most of the SEE countries will have to wait many years, if not decades, before joining Europe?

#### **Economic Indicators**

There is no question that serious economic and political problems have affected the region, and that such problems are connected to historical/cultural factors, the direct and indirect problem associated with the former Yugoslavia's violent dissolution, and the wrenching impact of post-communist transition. For example, on the economic front (see Table 2), it is interesting to note that the ten states that will join the EU in 2004 have a combined gross domestic product (GDP) amounting to roughly 5% of the EU's total GDP, or an amount smaller than that of the Netherlands. The aspiring EU entrants in the Balkans are even poorer. One Bulgarian official remarked, for example, that his country's entire consumer market is only as big as the French city of Lyon. There are, of course, significant variations among the Balkan countries. Slovenia, a successful candidate state, has a GDP per capita of approximately \$10,000US. The equivalent figure for Croatia (US\$4380) during 2001 was less than half of that figure, while all the other states in the region were under the US\$2000 level. The GDP per capita for Bosnia (US\$1056) and Kosovo (US\$900) were the lowest in the region. The private sector share of GDP ranged from a high of 75% in the small Albanian economy, to 40% in Serbia and Montenegro, where reforms have been severely slowed by political difficulties in the two years since Milosevic's fall from power.

High unemployment in Kosovo (57%) and Bosnia (40.4%), contrast sharply with Romania (8.6%) and Albania (15%). The fact that a high percentage of the economies of the latter two countries are already privatized is associated with their favourable employment situation; but it is also worth noting that Romania and Albania are among the most corrupt states in the region. In Albania, Macedonia, Yugoslavia, Kosovo and Romania, large segments (40-50%) of the population live below the poverty level, especially when compared to the South Central European cases of Croatia (4%) and Slovenia (0.7%). Because economic development is an essential ingredient that fosters, and in turn is reinforced by the democratization process, many countries in SEE seem destined to face serious difficulties in keeping par, or catching up, with their more politically and economically advanced neighbours.

#### TABLE 2

	Real GDP Growth 2002	Annua l GDP Per Capita USS 2001	Unemplo y-ment Year End 2001	Share of Population in Poverty 2001-2002	Inflation 2001	Private Sector Share of GDP Mid- 2001 (%)	Index of Small Scale Privat- ization	Index of Large Scale Privat- ization
State/								
Protectorate	6.0	1220	14.0	16.6	2.1	25	10	2.0
Albania		1330	14.6	46.6	3.1	75	4.0	3.0
Bosnia and	3.0	1056	40.4	19.0°	3.3/11.0 <sup>f</sup>	45	2.7	2.3
Herzegovina	and the second and the							
Bulgaria	4.0	1675	19.5	18.2	7.4	70	3.7	3.7
Croatia	3.5	4385	15.8	4.0	4.9	60	4.3	3.1
Yugoslavia	3.0	1276	27.5	33.1 <sup>d</sup>	39	40	3.0	1.0
Macedonia	2.0ª	1753	30.5	43.9	5.3	60	40	3.0
Romania	3.5	1743	8.6	44.5	34.5	65	3.7	3.3
Slovenia	2.7	9509	5.9	0.7	8.4	65	4.3	3.0
Kosovo	13.0	900	57.0 <sup>b</sup>	50.3°	n.a.	n.a.	n.a.	n.a.

#### ECONOMIC SITUATIONN IN SOUTHEASTERN EUROPE: SELECTED INDICATORS

<sup>a</sup> -4.1 in 2001 due to fighting

<sup>b</sup> 74% right after 1999 war

° 16% in Federation, 25% in Republika Srpska

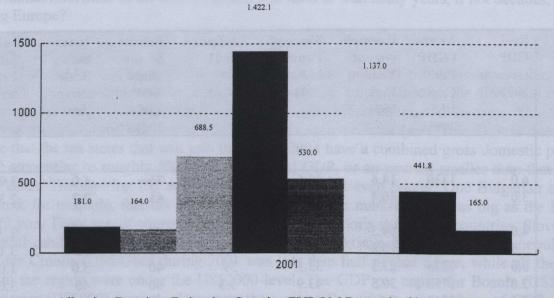
<sup>d</sup> 27% in Montenegro

e 52% rural, 47.5 urban; Albanian 49.7%, Serb 58.6%

<sup>f</sup> 3.3 in Federation; 11.0 in Republika Srpska

Reform momentum is increasingly strong across Southeastern Europe. But the relatively low level of external trade in the region is a factor in its overall slow economic growth. For example, in the Western Balkans, only Croatia has attracted substantial amounts of foreign direct investment (FDI), and that amounts to less than 10% of the country's GDP (see Figure 1). It is also interesting that the EU is already the source of most of the FDI going in to Southeastern Europe, and also the main trading partner for the countries in the region. For example, Albania's trade with Italy accounts for over 70% of its total exports, and the EU is the destination for about the same level of Romania's exports. More than 50% of the exports from Bosnia, Bulgaria, Croatia and Yugoslavia go to the EU, and the figure is over 40% for Macedonia. Meanwhile, very little SEE trade occurs among the countries of the area. Macedonia, Yugoslavia and Bosnia conduct about one-third of their trade with other SEE countries, but such inter-regional trade is only about 10% for Romania, 2.7% for Bulgaria, and miniscule for Albania. Indeed, although Bulgaria and Romania are both accession candidate countries, sharing a land border, their reciprocal trade is negligible.

Figure 1: Foreign Direct Investment Inflows 2001 (millions of US \$)



Albania Bosnia Bulgaria Croatia FYROM Romania Slovenia Yugoslavia

### The State of the Polity

The cornerstones of the EU's "regional approach" to assisting SEE as elaborated first through the Stabilization and Association Process, and subsequent the Stability Pact, has been the promotion and maintenance of democracy, the rule-of-law, respect for human and minority rights, as well as transformation toward market economies and enhanced cooperation among the countries of the area. While Balkan Europe has made major strides in all areas deemed important by the EU, and the Stability Pact partners, including Canada, there remains significant democratic deficits, and also weakness in the area of economic transformation that clearly differentiates the regions from the levels of freedom and prosperity in the "Europe of 25" that will emerge in 2004. Of course it is important to consider that much of SEE was subjected to the devastating direct or indirect impact of the wars of the Yugoslavia succession during the first part of the 1990s, and also that up until that period most states in the region lacked a tradition of democratic politics. The question today is to what degree the current problems relating to the region's traditional political illiberalism and economic underdevelopment endanger future progress and integration into the EU?

Systematic assessments of the democratization process in Southeastern Europe reveal significant intra-regional differences. For example, the "Comparative Measure of Freedom" evaluation framework developed by Freedom House for the period of January 1, 2002 to December 1, 2002, concluded that in Central and Eastern Europe and the Former Soviet Union (FSU) there are 12 "free" countries, 9 "partly free" countries, and 6 countries termed "not free." The Balkans does not include any of the latter 6 unfortunate cases, but 3 of the 9 countries deemed "partly free" are in the region (Albania, Bosnia, and Macedonia), and a fourth case, the "disputed territory" of Kosovo, is also assessed as only "partly free." A recent (2001-2002) trend

forward toward greater political rights and civil liberties was also noted for all of the "partly free" countries in the Balkans.

Freedom House "scores" for "free" countries in SEE (Croatia, Yugoslavia, Bulgaria and Romania) are rather low for cases in that category; placing those countries roughly midway (together with their "partly free" regional Balkan neighbours) between the more fully democratized cases of post-communist transition, such as Poland and Hungary, and substantially authoritarian countries ("not free"), such as Belarus and Uzbekistan. The middle level democratic status of the states in the Balkans, using the Freedom House evaluation, corresponds to many other appraisals of SEE states as "countries in-between." For example, using another tripartite categorization or continuum of democracies - high or functional democracies, low or fictitious democracies, and medium or dysfunctional democracies - the South Central European area would again fall into the mid-range, although with important differences in the nature of internal problems or dysfunctionality from case to case. One Romanian writer recently described the "hybrid" nature of his country in a manner that captures the character of the "partly free" and still only tenuously "free" Balkan states. "This is not a socialist economy. Nor is it a free and functional market economy. This is a Mafiosi-clientelistic kind of hybrid with small islands of honest capitalist economy here and there .... This is not a totalitarian state. [But] it cannot be a rule of law state either, as long as the separation of powers is treated like an obsolete concept. Justice is influenced by political factors in a percentage that amounts to three-quarters of the total, and the corruption in top positions competes with small time corruption. This is not a communist dictatorship. However it is not a solid democracy either that is capable of generating the antibodies necessary to help us resist demagoguery [and] populism."

Of course the issue really is not whether "Balkan Europe" has become – with the generous assistance provided by external donors – a region progressing toward greater freedom. Most analysts agree that by 2003 the Balkans were making considerable progress compared to the situation only a decade earlier. The question is whether and when SEE will be fully integrated or securely anchored within the "free world," or community of democratic states. The First Annual Report in 2002 of the "Stabilization and Association Process for Southeastern Europe" rather expansively proclaims "every country in the region is now a democracy." But the report also concedes that "progress has not been made without setbacks," and that political volatility and institutional fragility "pose serious challenges for the strategic goal of integrating the region into the EU." The report identifies several outstanding and inter-related challenges to the democratization process: fragile constitutional arrangements (especially in Bosnia and Herzegovina, Yugoslavia – including Kosovo – and Macedonia); weakness in applying the rule-of-law (severely hampered by corruption and a "pervasive culture" of organized crime); weakness in administrative capacity, questionable standards of political behaviour; extreme forms of nationalism; and weak civil society and media.

# The Weak State Syndrome and the Crisis of Legitimation

Many of the recent difficulties experienced by the Balkan states have their origin in an affliction that has been common to all the countries of the region for some time, and which may be termed *the weak state syndrome*. When a state suffers from institutional weakness to the point it becomes too severely incapacitated to deal with major functions or problems it can be deemed a *weak state*. The extent of weakness depends on the degree to which governmental and

administrative structures exhibit a capacity to fulfill their responsibilities. Extreme incapacitation leads to the phenomenon of the *failed state*.

The origins of state weakness in the Balkans can be traced to historical problems of state development in the region. For example, the relatively late formation of states in Southeastern Europe during the 19th and first part of the 20th centuries truncated the state-building process in comparison to most of the countries in Western Europe. The details vary from country to country, or sub-region to sub-region in SEE, but each state formation in the Balkans during the last two centuries was associated with anti-imperial (anti-Ottoman, anti-Austro-Hungarian, anti-Russian) nationalist motives, and was frequently lead by authoritarian leaders and movements. The obsession with national affirmation also overshadowed an emphasis on liberal constitutional development to a very substantial extent. Concentration on nation-building - defined as construction of a "national state" by a dominant notion or ethnic group, generally became more important than economic development, or the consolidation of effective and democratic state institutions. Frequent failures of state performance in the Balkan region (sometimes due to war or occupation), also weakened institutional development and the legitimacy of the state. The shallow legitimacy of Balkan states has also been rooted in political cultures based on traditional forms of rule (in the Weberian conceptulization "patriarchical," "patrimonial," and "sultanistic"), which made no essential differentiation between the public and private spheres, in which political recruitment was based on loyalty rather than merit, the prevalence of arbitrary rule rather than rule-of-law, and in which power-maximizing members of the political elite used public positions of authority to extract personal profit. A surfeit of corrupt political leaders and officials linked to clientalistic networks inspired little public support or trust in state institutions. In such an environment, citizens not only imitated elite behaviour, but also became cynical regarding the state and state decision-makers.<sup>4</sup>

The weak state syndrome was compounded during the communist period following World War II. In some states, such as Yugoslavia and Albania, communist elites enjoyed substantial support owing to the wartime popular anti-occupation struggle. But there also existed large segments of the population in each Balkan country that viewed the new non-democratic class of party-state officials as illegitimate, and the use of state repression against various sectors of the population during the first phases of state socialism compounded the communist legitimation problem. Early achievements in stimulating economic transformation and providing social welfare benefits created some legitimacy for the new communist regimes, but hardly the degree claimed by political leaders on the basis of artificially induced popular acclamation through animation of the populace rather than participation - in non-competitive elections. Communist reformism during the period from the 1950s through the 1980s amounted to doing too little, too late. During the period from 1989-1992 most communist regimes, including all those in SEE, would rapidly collapse - fragmenting territorially in the case of federal states when faced with inter-related economic and ethnic crises, intra-elite conflicts, and the demonstration effect of successes in the non-communist countries of the Euro-Atlantic community.

<sup>&</sup>lt;sup>4</sup> In 1945, Hugh Seton-Watson observed that it would be absurd to suggest that "contempt for the public, pompous laziness, love of formality, and fear of responsibility were the monopoly of Balkan bureaucracy....What is more especially Eastern is the corruption of officialdom...in Eastern Europe the greatest fortunes are made not in industry or banking but in politics."

Throughout the 1990s, the considerable problems of post-communist transition further undermined the institutional capacity of the Balkan states. Already plagued by an historical legacy of political illiberalism and economic underdevelopment, Balkan state-building was badly derailed and delayed by the direct and indirect consequences of the violence and international sanctions associated with the wars of the Yugoslav succession (1991-1995). In the South Balkans, destruction and dislocation owing to the 1997 breakdown of authority in Albania, the 1999 war between NATO and Milosevic-governed Yugoslavia, and the 2001 military conflict in Macedonia, compounded already existing difficulties in state-building. As in earlier stages of political development, state weakness and patterns of corruption and criminality in the Balkans proved to be mutually reinforcing. Thus, corruption both thrived on, and stimulated *poor governance*, i.e., the limited capacity and accountability of executives and institutions to deliver basic regulatory and social services (including protection from crime and violence).

## The Weak State and Balkan Corruption

Two broad areas of state-debilitating corruption have been identified in the literature on transitional states: *administrative corruption*, i.e., private payments to alter or distort laws, rules, and regulations (e.g., bribes to obtain licenses, win contracts, avoid tariffs, etc.), and *state capture*, i.e., when individuals and groups make illicit and non-transparent payments to public officials to shape or influence the basic rules of the political game to their advantage (e.g., purchase of legislative votes, executive decrees, court decisions, etc.). Balkan corruption has involved aspects of both the administrative variety and the high level or "grand corruption" associated with state capture. Indeed, the involvement of politicians and officials in both kinds of corruption often makes it difficult to distinguish between the legal and illegal dimensions of behaviour in some of the weakest Balkan states. This is particularly the case when there is very close cooperation between those involved in organized crime and those technically responsible for law enforcement. In extreme cases, police and judicial officials prove powerless to prevent, or are complicit in, the practice of state officials using criminals to commit violent acts against political opponents. Petty corruption, "grand corruption," and politically motivated violence are all symptoms of perceived weak state syndrome in the Balkans.

In some transitional countries, the state weakness-corruption nexus has proven particularly difficult to eliminate. For example, in Yugoslavia, the officially sanctioned linkage between political circles and criminal structures fostered by Slobodan Milosevic has left his political successors with entrenched problems of lawlessness and political violence. Near the end of 2002, Serbian Prime Minister Djindjic remarked that in his republic "internal security is at a very low level, and [that] is how a state's credibility is measured." Djindjic added that at times the police were "not the only force in Serbia which has force at its disposal....I would say that it is still more risky to be a policeman or a judge in Serbia than a criminal. The system is less capable of protecting its officials than the mafia is capable of endangering them."

Serbia is not alone in experiencing the negative impact of corruption on governance. Research conducted in Romania, Bosnia and Herzegovina, Bulgaria and Croatia at the end of the 1990s, indicates a very high level of corruption of the state capture variety, i.e., where powerful interests have had a strong influence on the legal and regulatory framework of the country. In Albania, Macedonia, and Romania, very high levels of administrative corruption were also detected. Romania stood out in terms of high levels of pervasive corruption of both types, and an extremely weak capacity to control corrupt practices.<sup>5</sup>

Surveys conducted in February 2001 and February 2002 in seven Southeastern Europe countries (Table 3) also provide a comparative indication of how extensive the problem of corruption has been in the area. For example, pressure on state officials to take a bribe of some sort is quite common throughout the Balkans, and particularly prevalent in Albania, Serbia and Montenegro, and Romania. In Bulgaria, persistent perceptions of the existence of corruption and patronage in the country – especially in the judicial sector – have induced strong public criticism of the political establishment. One Bulgarian report revealed that only two out of a total of 120 Bulgarian policemen who were tried in court on corruption charges during 2002 were fired.<sup>6</sup>

<sup>&</sup>lt;sup>5</sup> Romanian Prime Minister Adrian Nastase recently observed that "corruption has truly become a severe scourge in Romania over the past 13 years....Corruption is extremely flexible, it adjusts itself to any conditions. It seeks legislative possibilities too....We want to break the vicious circle that ties some businessmen to the civil servants, to the politicians."

<sup>&</sup>lt;sup>6</sup> In fact, the politicization of the Bulgarian judiciary erupted as a major scandal near the end of 2002. In December, Bulgaria's Prime Minister Simeon Saxe-Coburg suggested that Bulgarian judges belong to a "different epoch and different political system" and that the judiciary was a "combination between the old regime and some new laws." When the Supreme Judiciary Council of Bulgaria – substantially composed of members appointed by the political party (the SDS or Union of Democratic Forces) previously in power – strenuously objected to such an accusation, the government manipulated the legislative budget procedure to show its disapproval of judicial behaviour. One Bulgarian journalist suggested the government and judiciary had begun a kind of "trench warfare" and that "the administration of the state had started to fall apart." He added that "violating the Constitution" had become one of the "perks of democracy." The Chairman of the Bulgarian Assembly observed that the judiciary had "become too preoccupied with its independence. The judiciary must be independent, but not from the state. It cannot be allowed to act against the state....We should not think only about the separation of powers and forget about the opposite, namely the intersection between the powers...this would destroy our statehood."

### TABLE 3

#### **CORRUPTION IN SOUTHEASTERN EUROPE**

	Alba	ania	Bosnia & Herzegovina		Bulgaria		ı 1	Macedonia		Romania		Croatia		Serbia		Montene	
	2001	2002	2001	2002	200	1 200	02 2	001	2002	2001	2002	2001	2002	2001	2002	2 2001	21
Corruption Pressure: Asked for a Bribe (%)																	
Police Officer	52.0	54.1	27.7	30.4	24.0	) 19	.9	14.0	17.3	34.0	25.2	24.8	16.5	42.4	45.6	38.4	3'
Customs Officer	55.6	54.8	15.9	16.2	15.8	3 18	.5	21.8	25.3	20.5	29.6	10.5	7.3	42.8	52.6	5 21.6	2'
Judge Tax Official	53.1 56.8	44.3 50.4	8.3 8.8	9.1 12.1	9.1 8.3	and the second se		13.7 8.9	15.5 24.0	16.6 10.6	13.7 7.9	5.8 6.6	5.9 3.4	19.0 22.0	26.2 23.4		<i>i</i> 1
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Factors Responsible for Corruption (%)																	
Communist Legacy	20.7	19.5	17.0	13.3	7.8	4.9	10.8	10.	7 18.0	18.3	22.2	18.8	19.2	15.9	12.7	9.5	
Power Holder Making Fast Money	49.0	54.0	41.9	44.5	57.8	58.5	69.1	66.3	3 55.6	5 52.4	49.0	40.7	46.8	46.4	53.0	52.2	
Low Salaries of Public Officials	67.5	61.2	50.5	53.2	41.6	38.4	56.2	56.	1 58.0	) 55.5	48.7	41.6	52.6	43.8	53.6	59.2	
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% of Firms Making Bribes (2002)	3	6.4	22	2.4	32.	.8	2	2.7	3	6.7	12.	.9		15.9			

In most SEE countries surveyed, respondents attribute administrative corruption mainly to the fact that many of the political leaders in their states are interested in making "fast money," and also that public officials receive low salaries. The legacy of the communist regimes is also considered as an important source of corruption, but less so than the greed of politicians and the low income of state employees. Some studies of post-communist corruption have observed that the "culture of state intervention" from the communist regimes has left a residue of old habits, especially in countries that have had limited turnover in the bureaucratic ranks. When postcommunist bureaucrats "instinctively" intervene in the economy, as in earlier years, "new" economic executives often work out illicit deals to facilitate business.

Of course, the sources of corruption in individual states are more complex than survey research can often reveal, and the specific factors involved vary considerably from case to case across the region. Historical tradition of both petty corruption and grand corruption are particularly important to consider, as well as entrenched mistrust of state institutions owing in part to a legacy of authoritarian regimes, foreign occupation, and dysfunctional statism, etc.<sup>7</sup> The historical-cultural factor is also sometimes expressed in a tradition that considers it is proper to circumvent, and even "trick" the state; to "beat the system," in part by payments to public officials. Engrained habits associated with familism and patron-client networks (in which officials feel primarily accountable to senior family figures or political patrons) also may erode the impact of newly established legal norms. This is especially true of the South Balkan sub-region, which was under Ottoman rule for several centuries. In contrast, countries that were part of the Habsburg monarchy, such as Slovenia and Croatia, although not entirely free of corruption may have benefited from that empire's tradition of efficient and fair civil service and judicial administration.

The economic pain and collapse of established structures and norms associated with the post-communist tradition must also be taken into account in considering the persistence and growth of Balkan corruption. Recent research in SEE indicates that administrative corruption, while still pervasive, may be abating slightly in the business sector (Romania and Albania still stand out as the most corrupted states). However, the relationship between the weak state syndrome and current practices remains a challenge to institution-building in the Balkans. Bribing, for example, is more frequent in Southeastern Europe than in Central Europe. The states in SEE are still too weak to enforce their own rules or often to restrain their own officials. Indeed, there may be some truth in the view that the power of the mafia in SEE arose because the mafiosi were the only ones that could enforce contracts, and that the rule-of-law will not really flourish in the region until the mafia needs lawyers.<sup>8</sup>

# Elite Polarization and the Crisis of Representation

The overcharged, obstinately non-pragmatic, and obsessive struggle for power at any cost between many rival Balkan political leaders and political parties has been another factor undermining effective governance and the legitimacy of state institutions in the region. Through such political behaviour, and the previously noted widespread tendency to use official positions

<sup>&</sup>lt;sup>7</sup> In a mid-December 2002 speech discussing corruption, Romania's President, Ion Iliescu, a former communist official – often accused of many of his country's difficulties – observed that corruption had "penetrated all levels" of his society. But Iliescu tried to deflect attention from current policies. "Corruption is not a specifically Romanian phenomenon and it is not specific only to this period of our history...there are deep roots of such behaviour and such mentality." Addressing the view that an authoritarian regime might be better at stamping out corrupt policies, in the style of the rule Vlad Tepes [aka Dracula (1431-1476)] who used rather radical and unsavory methods to punish those accused of corruption, Iliescu observed that "dictatorship did not lack corruption, with absolute power generating absolute corruption."

<sup>&</sup>lt;sup>8</sup> The serious problem of organized crime and corruption in the Balkans has recently received considerable attention, partly because the threat of crime influences the EU accession hopes of states in SEE, and in part due to the post-9/11 emphasis on the terrorist activities that can emerge in lawless, weak, or failed states.

in order to amass personal wealth, many post-communist leaders have squandered the support they initially enjoyed, and also jeopardized reform efforts that were crucial to both economic development and institution-building. "Most Balkan politicians," observed the Serbian analyst, Srbobran Brankovic in early 2003, "make a constant comical mistake regarding their historical mission...they are quick to conclude that because of that messianic mission they deserve greater power than was given to them by popular support, and they are determined to get it. An inborn deficit of responsibility for the public interest, incapability for strategic thinking, an exclusive focus on political tactics, and a Machiavellian scorn regarding ethics – it is clear that these attitudes held by old guard politicians are in serious conflict with democratic principles...[T]he objective of political struggle is not compromise or a competition of good ideas, but rather the goal is destruction of opponents and the construction of absolute power."

Although periodic competitive elections have constituted a major step forward in Balkan democratization, the elections themselves cannot provide sustainable legitimation for state institutions, i.e., the process though which state structures and rules of the game become valued in their own right, or institutionalized. When leaders blatantly abuse or neglect the mandate given to them by voters, they not only jeopardize their own political fortunes, but also over time do irreparable damage to institutional development and capacity-building. Moreover, when cynicism and apathy reach dangerously high levels, especially in a context of serious problems that have accumulated due to leadership incapacity, voter turnout may drop low enough to completely invalidate electoral contests (as vividly illustrated in Serbia and Montenegro during the fall of 2002).<sup>9</sup>

Delayed reform and institutional weakness owing to intra-elite conflict and obsessive competitive politics are not unique to the Balkans, but when this leads to frequent paralysis in problem solving, such behaviour can have a detrimental impact in the takeoff stages of democratic state-building. For example, a major 2002 report on the development of Bosnia and Herzegovina concluded that "the seven post-war years and the massive injections of aid received from the international community have been to a large extent frittered away in ethnic politicking and the pursuit of vested personal and group interests ....At the root of it all has been the manipulation of the constitutional compromise required to stop the war." What the report's authors go on to term "a comprehensive failure to govern by the governing classes," has been attributed by another writer from Bosnia to a style that is typical of all ethnic communities in Bosnia, and political elites more generally in SEE, namely, a culturally-based aversion to making compromises in the civic interest, or a "non-civic political culture." This intense zero sum political competition for power, as well as "over-used" and "over-heated" rhetoric observed in Bosnia, has resulted in elite political cultures that have often impeded critical transition reforms and resolution of major problems. Evidence of a similar pattern is apparent in the on-going

<sup>&</sup>lt;sup>9</sup> Commenting on the voter apathy that led to three failed presidential elections in Serbia and Montenegro just before Christmas 2002, a Serbian journalist remarked that "there is simply no one here [in Yugoslavia] who wants to elect a president; either president. ...Behind this agony with electing Presidents are political games...the struggle for power and supremacy between individuals and political parties; the casualty is not only the institution of the chief of state which is being discredited here, but also the entire course and pace of our reforms....We have not come to the point where we have had our fill of democracy. We have not even had a real whiff of democracy." While the previous interpretation may ignore Yugoslavia's initial democratic development, it underlines the kinds of futile and exhausting power struggles and lack of civic responsibility which fuels the weak state syndrome in the Balkans.

struggle between Yugoslav President Kostunica and Serbian Prime Minister Djindjic, and Montenegrin Prime Minister (formerly President) Milo Djukanovic.<sup>10</sup>

Equally illustrative in Romania is the enmity between President Ion Iliescu and Prime Minister Adrian Nastase, both members of the country's ruling Social Democratic Party (PSD). As one Romanian writer recently observed, within the PSD the "dual dance" means all segments of the party must choose sides, "from lawmaker, local baron, municipal mayor, or small village mayor to director of the taxation office, the engineer for [the state farm] and the doorman at the local party headquarters....The bad part is that the match at the top of the administration is blocking the already stuffed aortas of the society. The ordinary Romanian faithful spectator watching the games...runs the risk of bending even further under this new burden."

The "non-civic" culture apparent in Balkan elite circles tends to not only block needed reforms, but to delegitimate the state by contributing to a rupture between the political class and its constituents; an elite-mass cleavage, or "crisis of representation." Thus, a combination of corruption, persistent and obsessive conflict for political control, and a lack of civic responsibility, can undermine citizen trust in representative institutions. Legislative institutions are also weak in a structural sense. For example, one 2001 study regarding the effectiveness of the Assembly of the Republic of Macedonia observed that its activities are seriously flawed. In part, such problems derive from the fact that legislators do not use information services available to them. Moreover, in most cases legislators did not have any contact with their constituents, or only presented information to "stakeholders," rather than listening to citizens. Legislators also had not developed the habit of consulting experts in order to inform themselves and control the bureaucracy. The study concluded that legislators did not execute their office on a professional basis. Additionally, representatives, who are themselves professionals in other sectors of the economy, only work temporarily in the legislature. Such amateurization of the legislative role may be an improvement on the pre-pluralist period when "professional" socio-political activists from the single ruling party dominated legislative life. But today, information-deprived and distracted legislators who are busy with their non-legislative careers find it almost impossible to act as a check on the bureaucratic-executive wing of government. Beyond the fact that legislative

<sup>&</sup>lt;sup>10</sup> Kostunica describes Djindjic and Djukanovic as a kind of axis of corruption who seek power and profit without regard for the rule of law and institution-building. The "gamblers" in Belgrade and Podgorica, as he terms Djindjic and Djukanovic, have approached the issue of constitution-making in the country "from the belief that the state can be shared in the same way that the feudal barons shared it in the Middle Ages....[T]he state, emerging from 10 years of sanctions and wars, like many others in the Balkans, has been gripped by organized crime and black marketeering. In our country the inter-linking of business and political interests became almost inevitable....So we have a philosophy of governance that is increasingly holding sway in both Serbia and Montenegro: that it is important to have as much power as possible, even if it is over less and less territory....Serbia needs good and democratic institutions, and if they exists, the names of those holding the posts simply do not matter." Djindjic, in contrast, claims the problem is a need for dynamic, pragmatic leadership, and that the obstacle to reform is Kostunica's lack of decisiveness along with the mentality and laziness of his people. "Leadership at a time of change is not swimming downstream and pandering to the majority.... The political mentality or character is the basic bone of contention between myself and Kostunica....This society needs the energy of motivation... it is a great pity when a nation has at its helm somebody who cannot motivate it .... The problem with our institutions is a long-running one, and it is nothing new to say that they don't have enough capacity .... There is not enough support from the people....We are important people who are not very fit .... [T]he system is paralyzed. That paralysis happens if we have a weak government, endless discussion on the political scene, pandering to the voters... In order to succeed we must do an average of 10 hours a day without many weekends or holidays .... [But] people work on average two or three hours a day in Serbia....We need to work three times as hard."

politics is not a vocation, and indeed not a very accountable position, most legislators in Macedonia play a passive role vis-à-vis the government and its officials. The deeper problem of institutional weakness, for both the legislative and executive sectors, was found to be a political environment in which the electorate, media, or non-governmental organizations, put little pressure on state bodies, therefore allowing "room for the indolent attitude of the Assembly towards its obligations and of the Cabinet toward the result of its activities."

A study of the Albanian parliament in 2002, indicated that the legislature had only limited capacity to formulate policies, to analyze the national budget, or to monitor public expenditures. Besides being mired in personal feuding, the Parliament was without a technical staff. In mid-2002, projects were launched with the assistance of external donors to develop outreach activities for legislators to inform the public, receive feedback, and strengthen the Albanian legislators' accountability to their constituents.

# State Weakness by Constitutional Design, and in Multi-ethnic Settings

In some cases of Balkan transition, a weakened state has resulted in part from constitutional design, that is, institutions are established that make it very difficult to consolidate an effective state. This sometimes happens as part of a transition to a post-conflict situation, such as in Bosnia during 1995. The Dayton Agreement ending the war in Bosnia was designed as a constitutional compromise to minimize the risk that key political actors would refuse to participate in peace-building. Their participation in the process was accomplished by creating a weak central authority that dispensed power. The danger in such power dispersion - in the case of Bosnia across two entities, ten Federation Cantons, 149 municipalities, and since 1999 one special district (Brcko) - is that it may create a very incoherent and ineffective state. When such a situation is combined with political segmentation among three major constituent ethnic communities and ethnic political spokesmen strongly opposed to the creation of effective central institutions, or disinterested in genuine power sharing, it becomes even more likely that the state will be incapacitated and unable to face significant challenges such as corruption and crime control, poverty eradication, revenue collection, and economic development. In a vicious cycle such incapacitation leading to economic and human insecurity feed back into the polity through low levels of support for the state and a growing disaffection with the democratic process (sometimes expressed in the desire of young people to emigrate).

A weak state structure owing to constitutional design can also be observed in Bulgaria, the first post-communist state to adopt a new constitution in July 1991. Bulgarian fears of recreating a repressive state led to restraints on centralized executive power. Ivan Kratsev has referred to the Bulgarian Constitution as a "book of fears" that contributed, along with many other factors, to an ineffective state. "What we have discovered after 10 years," he noted, " is that not only a strong state can be repressive. The fact that the police are not beating you is not going to help you if a mob is [beating you] and there are no police to protect you...we had a constitution before having democratic politics. It played an important role, but also had the negative side."

As discussed earlier, the overall problem of state weakness, which in varying degrees has afflicted all the Balkan countries, may prove harmful to the legitimation of states, and the process of representation. Such problems, however, are especially threatening to democratic state-building when one group or region either dominates, or is perceived to dominate, the state. In such cases – for example, the complex case of Bosnia, where inter-ethnic antagonism has led to political segmentation and state weakness – the very cohesion of the territorial entity may end up at risk.

A rather different pattern that illustrates how ostensibly democratic initiatives by a single region that feels oppressed – indeed a branch of the dominant ethnic group – can erode state effectiveness, is apparent in the Federal Republic of Yugoslavia. In Yugoslavia, Milosevic's concentration of power in Belgrade, and the eventual disaffectation of his previous allied politics forces in Montenegro, finally led to a breakdown of the political and economic intra-state bonds between the two units of the federation, i.e., Serbia and Montenegro. The links between the two federal units became so tenuous that even after the fall of Milosevic, it would prove nearly impossible to reconstitute a genuine federation. A highly decentralized model of sovereignty association between Serbia and Montenegro was only constituted in 2002, and by early 2003 was still in an initial and tenuous phase. But as a senior Montenegrin official put it in early December 2002: "the adoption of the constitutional charter will create a state union rather than a state...a union with 'derived' rather than authentic sovereignty." Although the Montenegrin-Serb difficulties might be regarded as an intra-ethnic dispute to a large extent, it still represents a case of perceived group subordination and group domination that has substantially fragmented a multi-ethnic and multi-region state.

Meanwhile, the not surprising refusal of Kosovo's Albanians to contemplate a future of self-government within a renewed federal union with Serbia and possibly Montenegro, and also of Kosovo Serbs promising the refusal of their support to any post-protectorate independent state of Kosovo, are other examples of how post-conflict constitutional design and a new symmetry of group domination, can fan political division and ethnic distance in an already strained interethnic environment. If Montenegro, Serbia, and Kosovo each go their own way, a situation will probably emerge in which – due to unusual circumstances and external constitutional engineering (on the basis of well-intentioned humanitarian intervention) – three small weak states will take the place of one collapsed federation.

In Macedonia – even after the August 2001 Ohrid Agreement designed to enhance power-sharing between Macedonian Slavs and Albanians – ethnic tensions continue to weaken state cohesion. Prior to the 2001 fighting in Macedonia there had been a certain "ambiguity" in the constitutional definition of the country. On the one hand, the constitution emphasized the "one national character" of the state, acclaiming the role of ethnic Macedonians in the state's creation. On the other hand, citizens, as individuals and not as members of any particular nationalist group, were deemed the basic actors in the state. This constitutional confusion between the ethno-national and civic perspectives, together with other factors (inconsistent laws about the use of languages and the use of ethnic symbols by different communities, inter-ethnic conflict regarding representation, the educational system, etc.) exacerbated ethnic tensions in the country.

The Ohrid Agreement on power sharing and language use, and the presence of NATO troops in Macedonia (soon to be a mainly EU force), has gone a long way to dampen tensions and advance the possibilities for peaceful transition. But the country's cohesion and institutional

capacity remains fragile. Turning up the rhetoric, leaders of the radical Albanian National Unification Front (FBKSh) in Macedonia recently claimed, "because the Albanian issue in the Balkans was not resolved, we are ready to continue the war on the political and military fronts until there is unification of all Albanian-inhabited areas." FBKSh's guerilla arm, the Albanian National Army (AKSh), warned of a "hot" spring in 2003 if "Albanian provinces in the Balkans where political agreements following armed conflicts have not shown satisfactory results." However, other formerly militant Albanian leaders, such as Ali Ahmeti, of the Democratic Union of Integration, indicated there was no reason for renewed conflict. Surveys and episodic violence indicate that Macedonia is still not a stable state in which its two principal ethnic communities are successfully integrated. The constitutional architecture of the country was considerably improved in 2001, but a large majority of Macedonian Slavs indicated in survey interviews conducted during early 2002, that they strongly felt that minority groups in their country have too many rights (responses on the same issue are also quite high in Republika Srpska, Kosovo, Serbia, Croatia, and Romania, but Macedonia exhibits by far the highest level of reservations about minority rights). Meanwhile, even moderate Albanians worry that the implementation of the Ohrid Agreement is going too slowly. When Macedonian President Boris Trajkovski was asked whether his country would enjoy security in 2003, and have "tourists or terrorists," he responded that 2003 would be "tough" going.

# Trust in the State: Comparative Data on Southeastern Europe

Recent empirical research on SEE provides some interesting insights into the persistence of the weak state syndrome. The survey data represents the results of some 10,000 face-to-face interviews conducted on behalf of the International Institute for Democracy and Electoral Assistance during the period from January to December 2002.

The degree of citizen trust in state institutions such as the post of president, the government, local authorities, courts, and the police is quite low (Table 4). The army stands out as one of the most trusted institutions in almost every Balkan country or political entity in which survey interviews were carried out (Albania was not included). An exception was Montenegro, where many citizens view the military negatively, as they consider the army part of the federal or central Belgrade apparatus. In most countries and political units the dominant ethnic group generally expressed greater support for the army as an institution than did minorities. Minority non-support for the army was particularly apparent in Macedonia, where only 5% of the 150 Albanians who were interviewed expressed trust in the military branch of the state, and only 3.1% in the police. This is hardly surprising given that the survey was conducted roughly six months after an intense conflict between Albanian insurgents and the predominantly Slav Macedonian security forces. Trust in the army was also quite low in Croatia.

	President	N STATE INST Parlia-	Govern-	Local	Courts	Police	Army	
		ment	ment	Authorities	Courts	LOHEC		
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Herzegovina			to stand in	and interior	Second Street	Contractor States		
Federation(n=610)	21.0	18.0	19.7	18.4	32.0	44.3	50.0	
Croat	13.0	11.0	13.7	19.9	27.4	40.4	41.1	
Muslim	26.0	22.1	26.0	19.3	42.5	52.5	59.1	
Bosnian	21.9	18.6	18.6	16.2	27.9	39.3	49.8	
Other	27.3	27.3	22.7	18.2	22.7	59.0	45.5	
Republika Srpska (n=1034)	36.2	30.0	31.5	20.5	31.9	34.9	54.0	
Serbian	37.1	31.0	32.2	20.7	32.8	35.3	55.4	
Other	16.8	13.1	14.9	16.7	11.3	26.0	25.0	
Croatia (n=1010)	42.1	24.4	25.9	21.9	17.2	30.8	42.8	
Croat	40.9	23.2	25.2	22.0	17.6	30.4	43.0	
Serbian	61.1	28.8	23.7	20.5	21.4	40.5	37.0	
Other	62.5	48.1	42.5	20.9	2.7	34.1	48.0	
Serbia (n=1523)	50.6	21.2	29.9	18.7	21.5	23.5	54.6	
Serbian	52.6	20.6	28.8	17.6	21.6	23.0	56.6	
Hungarian	34.5	35.6	42.4	40.9	32.6	27.8	41.7	
Muslim	31.2	35.4	58.0	34.8	20.4	37.2	35.6	
Other	43.6	18.0	26.6	15.6	18.0	24.3	45.9	
Montenegro	40.7	31.4	33.4	30.8	35.4	27.2	30.9	
(n=1012)								
Montenegrin	47.9	32.9	37.7	28.8	36.2	25.6	21.3	
Serbian	9.7	13.2	7.7	20.3	17.2	9.4	58.1	
Muslim	83.3	73.9	76.4	70.7	73.8	72.9	8.7	
Other	52.3	32.1	43.6	27.2	46.5	42.5	19.7	
Kosovo (n=1017)	55.0	66.0	57.5	57.5	68.8	75.6	82.7	
Albanian	54.8	66.0	57.4	57.1	68.6	75.7	82.8	
Other	62.9	61.8	65.9	75.7	76.9	71.5	78.2	
Macedonia (n=1031)	23.5	12.5	11.7	6.9	19.6	38.9	55.2	
Macedonian	25.8	11.7	13.3	15.5	20.6	48.1	66.0	
Albanian	14.3	16.2	4.2	18.4	14.7	3.1	5.0	
Other	19.4	14.6	12.0	27.6	20.3	24.9	42.0	
Bulgaria (n=1148)	53.2	19.1	30.7	27.2	12.0	33.0	53.2	
Bulgarian	53.4	18.2	30.1	25.7	12.0	33.0	53.5	
Turk	53.3	25.0	30.0	38.3	6.7	35.0	51.7	
Roma	45.6	17.8	30.0	15.6	13.3	26.7	50.0	
Other	66.7	44.4	66.7	44.4	22.2	33.3	55.6	
Romania (n=1553)	52.6	31.9	44.3	49.5	37.8	46.4	79.0	
Romanian	54.0	32.3	44.8	48.2	37.9	46.7	80.0	
Hungarian	37.7	28.7	35.4	60.2	40.7	50.3	69.0	
Other	48.5	27.4	53.4	61.7	25.5	30.7	72.0	

Generally, the post of president or the presidency is also the recipient of considerable trust. This is not the case, however, in the Muslim-Croat Federation where there is quite a low level of trust for the presidency of Bosnia and Herzegovina, particularly among ethnic Croats. The high level of support in Serbia for the presidency of Yugoslavia reflects the popularity of Vojislav Kostunica at the time of the poll. The respect for Kosovo President Rugova among that protectorate's Albanian population also contributed to the substantial trust for that post. Minorities seem to have considerable faith in the presidency in some areas (Croatia, Montenegro, Bulgaria) possibly because they view the incumbent as a fair-minded and tolerant figure who can prevent discrimination by the majority ethnic group.

There is very weak trust in legislatures and governments across SEE relative to other institutions, perhaps because these institutions are most associated with the partial process of transitional reforms. In some countries or political units, minorities indicate slightly more support for legislative institutions, perhaps owing to provisions for minority representation in assemblies or the success of minority political parties at the ballot box. As a rule, the courts and police are less trusted – as one might expect from the data on corruption discussed above – relative to other institutions, particularly on the part of the dominant ethnic communities. In Serbia, trust for the police is extremely low.

Considered comparatively, from a regional perspective, trust in state institutions was highest in Kosovo. That may be due to the fact that it is an internationally ruled protectorate and its institutions are rather new and considered far more fair than those controlled by Serbian authorities prior to mid-1999. Whether trust would be as high if the institutions were those of an independent state dominated by a Kosovo Albanian majority is impossible to say, although its new status would undoubtedly help its initial legitimation. Certainly the institutional capacity of such a potential state would likely not be as high as the present international protectorate (although Kosovo Albanian impatience and disaffection with external officials has been growing). Meanwhile, in Macedonia, the near paralysis of state institutions in 2001 is reflected in the very low level of support expressed by citizens.

#### **CONCLUSION: CREDIBLE LEADERSHIP FOR DEMOCRATIC GOVERNANCE**

The critical lack of trust in state institutions across the Balkans suggests that the task of institution-building must be a key area on the policy agenda for leaders in the area, and also for external actors hoping to assist the region move forward relatively quickly toward improved governance and integration into the EU. Although most countries in SEE are moving into the post-transition phase of their post-communist development, the entire region is still in the takeoff stage of democratic consolidation and the strengthening of state institutions. Since the collapse of the communism at the end of the 1980s and early 1990s (or in the case of Serbia-Montenegro near the end of 2000), each of the Balkan countries has had quite varied fortunes in democratization and the state-building process. Clearly freedom has expanded in the area, and all the Southeastern European states have expressed a wish to join the EU and NATO. However, the evidence suggests that the development of broad-based, popular trust in state institutions – and more generally the processes of legitimation and institutionalization – will be very difficult and protracted. Indeed, in this regard it may be useful to remember the old story about the American who was visiting an exquisite English estate. Impressed with the beauty of the grounds the visitor

asked the English gardener how such beautiful lawns were established. The gardener responded that it was easy: "Just plant some good grass, and roll it every day for 600 years."

Circumstances have, of course, changed. The leaders and citizens in the new democracies need not wait six centuries in order to enjoy the fruits of established democratic practices. One reason for this is the "advantages of backwardness," that permit latecomers to democracy the luxury of utilizing the structures and rich lessons elaborated by earlier participants in statebuilding. Equally important is that now there are a host of organizations and programs involved in assisting post-authoritarian and post-communist capacity building, and offering guidance for improved governance, and in promoting democracy. These organizations and programs - known by a "blizzard of acronyms" - are based in all the capitals of the Euro-Atlantic community, their staffs are on the ground throughout Southeastern Europe, and their reports are easily available and "on line." It is a better and somewhat easier world for transition states today than it was during the 20<sup>th</sup> century and earlier periods. Indeed, it is not really imperative to conjure up "original suggestions" for assisting Southeastern Europe, although our dialogue and efforts at this conference may offer some new ideas. There are myriad reports, a mind-boggling number of policy suggestions, and proposals already available for consideration and implementation, not to mention funding. Meanwhile, the will and resources by actors and external donors to assist areas that require support in Balkan Europe waxes and wanes, as does the will of the indigenous actors in the countries of the region, who are the individuals who most need to act effectively, and to use the resources available honestly and productively.

EU enlargement to the south and east is, of course, a very significant process that has certainly focused the attention and energies of Balkan elites and citizens. Recognition of the imperative of overcoming endemic institutional incapacity and poor governance is apparent in all the regions' relatively weak states. Currently, there are considerable differences among the members of the EU with respect to the potential integration of the Balkan states. Some states in SEE now have fixed dates for EU entry. But most do not. There is also, however, considerable elite and popular support within the EU for creating a single and united Europe. It is probably fair to observe that within EU elite circles those who advocate a more integrated and unified European structure are less likely to support rapid enlargement, since such expansion would be cumbersome and possibly problem-ridden with respect to states that have traditionally been behind West European standards. In contrast, those who favour a politically and economically loose or highly decentralized Europe tend to show more enthusiasm for broader and faster enlargement. There is a close connection between political perspectives regarding the question of Europe's limits, and Europe's nature.

What happens within Southeastern Europe will, of course, have a direct impact on attitudes in the present EU towards integrating SEE into their community. If the states of SEE make little or no headway in achieving the relatively high standards and goals that have been set by EU officials for enlargement, or should there be new outbreaks of violence and turbulence in Balkan Europe, enthusiasm in the "EU 15" and soon to be "EU 25" for enlargement to the South will certainly wane and become controversial.<sup>11</sup> In turn, disappointment in the Balkan countries

<sup>&</sup>lt;sup>11</sup> For example, in mid-January 2003, Eneko Landaburu, the head of the Enlargement Directorate of the European Commission, commented that Romania lacks the administrative capacity to attract and absorb EU funds: "The problem lies with the weak administration that Romania will absolutely have to reform in order to join the EU in

with respect to their current high expectations and high anxiety about completing EU entry in the near future, could generate sympathy for policies, activities, and even populist extremism that might reinforce the traditional position of SEE as an area hovering on the margins or the periphery; a region somewhere "in between" first world democracy and prosperity on the one side, and third world authoritarianism and poverty on the other.

The discussion of empirical research in this paper indicates that the strength or support of democratic institutions is still very shallow and even superficial in some quarters. Improving governance and strengthening institutions related to the various issues and problems discussed here should be a priority for policy makers. For example, anti-corruption efforts, increasing transparency and accountability at all levels of government, strengthening legislative monitoring of the executive branch, reforms of the public sector, and improving judicial administration, are particular areas that require further attention and financial assistance. Some reports, such as a recent one that emanated from the Wilton Park Conference this past October have suggested that "a new policy window" has opened for SEE, and that "new instruments," "new principles," "new models," and "new target dates," should be elaborated to create political and economic stability in the area. It was also recommended that "unlocking locally held resources" (e.g., \$5 billion worth of Euros in savings allegedly held by Serbs, or from the high liquidity of Croatian banks) as part of the answer to future Balkan development, and also "building democratic structures from the ground up." All such suggestions, though well-meaning, really boil down to an appeal for a continued "serious commitment" to the SEE from the EU and other international actors. That kind of appeal is very important at a time when maintaining the previously high level of donor support to the region is becoming rather problematic. Devoting more attention to the Balkans, and looking for new ways to build on the track record thus far, must be encouraged.

My own concluding point of emphasis, however, is that in every area of capacity building, Southeastern Europe desperately needs "credible leadership," especially at the highest and middle levels of the state. Beyond simply generational change, this will require the training and recruitment of leaders for both governmental roles and non-governmental areas. The strengthening of local communities suggested in many reports is a fine idea. But the grassroots-up approach takes a very long time. In that regard, programs that focus on training both young and mid-level political and economic leaders would seem to be a particularly good investment. State-building and the nurturing of a new elite culture – both in terms of leadership values and behaviour – are clearly intertwined if democracy in Southeastern Europe is to successfully advance.<sup>12</sup>

<sup>2007.</sup> The country will obviously not have to strengthen this aspect just to get more access to EU funds, but the administrative capacity is needed for the good functioning of the Romanian state as a whole." He added that Romania will receive more than one billion euros in pre-accession aid during 2006. "If the money is not properly spent," Landaburu said, "the European Commission will also be held accountable by the European Parliament and by the EU member states."

<sup>&</sup>lt;sup>12</sup> Joseph Ingram, the director of the World Bank office in Bosnia, recently pointed out in an interview with the Sarajevo-based *Dani*, that one of the most important imperatives for successful reform and transition is competent political leadership. For example, with respect to the economy, Ingram emphasized "you need a certain number of people who understand market reforms....Too many [leaders] acquired their education in pre-war Yugoslavia, and belonged to that older generation that does not have that instinctive understanding of the way the market economy works...they think in an abstract way....We [also] need politicians who don't think about yesterday, but about tomorrow, who don't carry the baggage of the past. People like this should be brought into positions where they can make decisions and have some influence." The Belgrade politician, Dragoljub Micunovic made a related point about

Serbia: "We have very weak institutions that lack independence, are politicized, and without clear jurisdictions. In such a situation, it is very important who will be at the helm of those institutions. Only with 'strong' people acceptable to the domestic and foreign publics can we raise the reputation of those institutions."

# Fighting the Demons of the Recent Past : Prospects for Romanian Reconstruction and Development

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**Summary**: More than a decade after the collapse of communism, Romania still registers one of the most hesitant and least successful political and economic transitions in the region. This paper will take stock of that country's progress in moving away from authoritarianism and planned, command economy and closer to democracy and free market economy. It first lays out the initial conditions of the Romanian post-communist transition and the considerable handicap that the country had to overcome relative to other Eastern European countries. The paper then maps out the efforts of successive post-communist governments of center-left and center-right persuasion to build new democratic political institutions and enact the economic reforms that would allow the country to move from stabilization to reconstruction and development. This will provide the basis for the evaluation of Romania's progress detailed in the last section. The discussion will outline the major problems that country must address, with particular attention being given to pervasive political corruption, legislative instability and governmental inefficiency.

Fourteen years after the collapse of communism, Romania continues to lag behind other Eastern European countries in terms of political and economic transformation. In mid-2001, for example, The Economist placed Romania last in the region with respect to reform progress, (political) stability and government cleanliness, three indicators that mirrored each other closely. According to the classification, the most advanced Eastern European countries were Hungary, Slovenia and Estonia (each with a 4.5 point average across all indicators), followed closely by the Czech Republic, Poland and Latvia (with a three point average). With a score of only one point across all indicators, Romania ranked even lower than its rival neighbor, Bulgaria, evaluated on a par with Slovakia and Lithuania (each with a 2.5 point average).<sup>1</sup> Romania's handicap at the beginning of the new millenium is hardly a surprise, as almost every year since 1989 the country scored lower than the regional average, and set some unenviable records. It was the last to overthrow its communist dictatorship in the region's most violent revolution, the last to opt for political and economic change, the first to be rocked by bloody inter-ethnic clashes (months before the onset of the Yugoslav war), the last to replace a government of former communist officials with a government of opposition members, the last to stabilize its currency and bring inflation down to manageable levels, the last to lift the ban on homosexuality, the last to consider cleanning its political class of corruption, and the most hesitant in allowing foreign companies to buy state-owned enterprises. While Romania was the first Eastern European country to adhere to the Council of Europe and to ratify the Partnership for Peace program in the early 1990s, soon afterwards it lost momentum and interest. Thus, even when a leader in the region, the country was unable to maintain its advantage.

Romania's procrastinated and halfhearted reforms cannot be attributed solely to the extreme variant of communist rule it experienced under the leadership of President Ceausescu, since other countries in the region had highly repressive communist governments but engaged in more sustained post-communist transformations (e.g., the Czech Republic). Nor do they seem to be the result of Romania's atypical mode of extrication from dictatorship, since violent revolutions are more likely to bring resolve in embracing a quick pace of reform that would guarantee an irreversible break with the authoritarian past (e.g., Latin America). Neither is Romania's slow reform explained by the lack of political will on the part of its post-communist leaders, since even when political leaders showed determination to enact reforms the country was unable to bridge the gap that set it apart from the result of systemic factors which need longer periods of time and greater effort to be addressed in a satisfactory manner. These factors include a history of governmental inefficiency and over-bureaucratization, the acceptance of corruption and clientelism as part of every day life, the reproduction rather than replacement of elites following the December 1989 uprising, and the continued presence of an uncivic and highly distrustful political culture. It is only through long-term strategies of improving its institutional framework and opening up its politival culture to democratic ideas that Romania can entertain hopes for any significant political and economic development.

#### The Long Hand of the Past

Initial conditions for political and economic reform were extremely difficult. Not only that of all Eastern European countries Romania had one of the longest ways to go toward a consolidated democracy and a market economy, but was also the least equipped to get there.

Politically, the repressive nature of the late Ceausescu dictatorship inhibited the growth of democratic alternatives to communist rules, and generated an intolerant and paternalistic political culture easily distorted by extremist groups. The communist authorities' ambivalence over human rights provisions agreed in documents that Romania signed with communist and non-communist states alike suggested that international agreements were not necessarily binding. Despite strikes in Brasov in 1987 and discontent within the party in the run-up to the last Communist Party Congress held in November 1989, political change was ruled out and the liberalizing trends of the *glasnost* and *perestroika* type were condemned. While Central European countries allowed at least some space for organized opposition, in Romania there were no autonomous career paths in the state apparatus and opposition and dissent were extremely weak and highly fragmented. The 1980s saw growing personalism centered around "socialism in one family" that treated the country as its personal domain and, with its extreme nepotism and patrimonialism, made Romania a showcase of sultanism-cum-totalitarianism, to use Linz and Stepan's terminology. As a result, the country became resistant to non-violent change, and was unable to have a pacted transition allowing political power to be transferred peacefully either to organized democratic groups or soft-liners in the regime.<sup>ii</sup>

Socially, the country was devastated by decades of irrational policies condemned by the international community. Best known was the village systematization program, which luckily President Ceausescu did not have time to complete. Romanians were also afflicted by pro-natalist policies encouraging procreation in the absence of adequate means of child support, 'scientific' rationalization of basic food staples that left the population starved and the children malnutritioned, covert unemployment in its massive industrial sector, and growing disparities between the main beneficiaries of the system, the communist officials and their families, and the rest of the population. Many of Ceausescu's social policies had no rational foundation and no sensible explanation, except for the desire of the ruling family and its zealous sycophants to maintain their power at any cost.<sup>iii</sup> By the late 1980s, Romania was also facing exacerbated ethnic tensions between the Romanian majority and the Transylvanian Hungarian minority. Echoing pre-communist and communist national sentiment, there was "an exaltation of the nationally homogeneous community and exploitation of volkisch themes: a hostility to (or distrust of) market relations and intense cultivation of collective identities and attachments."iv The German and Jewish minority groups chose to leave the country even when being forced to abandon their property, while the Gypsy were subjected to increased discrimination and segregation and the Hungarians saw their individual and collective rights dramatically reduced.

Economically, communist Romania consistently failed to implement significant reform, championing instead an undeviating adhrence to central planning, strict autarchy, isolationism and industrial policy choices ignoring comparative advantages. In the 1980s, President Ceausescu's obsession with getting rid of the external debt was the single most important factor driving Romanian economic policy, with no effort being spared to reach that goal as soon as possible. The welfare loss for the population was tremendous, the result of a limited potential to raise exports coupled with heavy cuts of hard currency imports and Western equipment. Draconian austerity measures unexplainably continued even after the communist regime announced in March 1989 the completion of foreign debt repayment. By December that same year, the Romanian economy was one of the most isolated, tightly controlled and centralized in the region, with a highly distorted economic structure based on obsolete fixed assets, low managerial skills, and declining economic competitiveness. Around 90 percent of national economic assets were in state hands, one of the highest percentages in the region. Ceausescu's policy choices resulted in severe structural imbalances, created a monetary overhang and left the economy vulnerable to external shocks. Compared to its neighbors, the country lagged behind in terms of the institutional prerequisites for facilitating transition to a market economy, the preparedness of the population for such a change, and the social base for reforms."

Another impediment for a speedy and successful post-communist transformation was the country's political culture. Forty-five years of communist rule had rendered Romanians excessively divided along regional and ethnic lines, and intolerant of ethnic, religious and life-style differences. State paternalism and the habit of relying on the government to provide such daily items as food, employment, health care and education went hand in hand with endemic clientelism and crass political apathy and dejection. Personal success had come to be measured in terms of "stealing from the state," the blatant use of public assets for private gains, and thus enrichment and entrepreneurship were met not with congratulations and praize but with condemnation. Unacustomed to accountable, representative and responsible politicians, Romanians had come to view life and human interaction as a zero-sum game in which some individuals could benefit only at the expense of others. Social solidarity, activism and voluntarism for pursuing common goals and for avoiding common losses were derided, and the virtues of risk-taking and political pluralism remained poorly understood.

Fuelled by pre-communist and communist misconceptions, since 1989 the population has entertained unrealistic expectations both of the government's potential to solve socioeconomic problems and the country's situation and geo-political status. Romanians deplore their poverty in a country which, they believe, had been blessed with extraordinary natural resources far above those of any other European country. The continued depletion of national resources, which left Romania with only meagre deposits of low-quality oil and coal at its disposal, is conveniently ignored. Romanians have applauded their health care and university systems and the exceptional qualifications of their physicians and teachers, at a time when a simple appendicitis can bring death and only a fraction of teachers have the qualifications needed to pass tenure exams. Despite a wish to enjoy the prosperity associated with private entrepreneurship, most Romanians still seek employment with a poor state that can offer job safety but only meager wages. Paradoxically, continued reliance on the government has been accompanied by deep distrust of its institutions. Even today, a keen desire to become 'Western' and 'European' goes hand in hand with a lack of understanding the requirements for European Union accession.

## Political Transition: From Procedural to Consolidated Democracy?

Despite its huge initial handicap in terms of both political institutions and political culture, and the bloodiest transition in Eastern Europe, Romania eventually did manage to establish the pre-requisites of procedural democracy. True, it took her longer than its neighbors to secure the irreversibility of the transition process, and many cultural traits unconducive to liberal democracy still linger on more than a decade after the collapse of the communist regime. Political actors and interest groups have given up street violence in favor of more peaceful bargaining methods, but the democratic system remains fragile, as the executive still makes decisions important for the country without consultation with the legislators representing the electorate. For better or for worse, however, important qualitative differences separate the Romania of year 2003 from the Romania of year 1989.

Constitution. In late 1991, a new constitution was adopted through a national referendum and shortly afterwards a Constitutional Court was set up to uphold it. The document aimed to teach Romanians democracy, being less a social contract between the people and their government than a model for the future. With an eye to the Hungarian minority, the basic law recognized Romania as a national, unitary state with indivizible territory and Romanian as the official language. Citizens enjoy the freedom of opinion, religion, movement and association, and ethnic minorities have the right to their own ethnic, cultural, linguistic and religious identity. State power is divided among a relatively weak Parliament, an overreaching executive and a powerful President. Bicameralism has brought few benefits to Romania, but rendered the legislature less efficient and more divided than other branches of government, a fact accounting for its unpopularity with Romanians. Up to now, the electoral vote for chambers has not differed significantly, rendering the lower Chamber of Deputies and the upper Senate indistinguishable from the viewpoint of popular legitimacy. Because chambers have identical lawmaking roles, legislative proposals are discussed twice, with opinion differences between deputies and senators being settled in timeconsuming mediation sessions. Following the constitution, the executive enjoys powers that may thwart democratic guarantees. It may rule by decrees and ordinances, and enforce emergency ordinances by tabling them before Parliament rather than seeking their approval. While legislators may ask cabinet to detail its activity, in practice the executive is unaccountable to the legislature as long as it enjoys a majority

in the house. Questions remain unanswered, and ministers prefer to delegate their deputies to face Parliament. In 1997 and 1998, for example, 150 questions raised to cabinet members by senators and deputies were left unanswered.<sup>vi</sup>

Against the wishes of the opposition and shortly after toppling the most personalized Eastern European dictatorship, Romania became a semi-presidential republic. Badly drafted provisions and deliberate ambiguities resulted in a potentially dangerous concentration of power in the President's hands. He is elected directly by the people, for two four-year terms that can be easily extended, and cannot belong to a political party while in office. It is the President - not Parliament - who designates the Prime Minister and nominates and dismisses cabinet members at the premier's recommendation. Both President Ion Iliescu (1990-1996 and 2000-present) and President Emil Constantinescu (1996-2000) have availed themselves of this prerogative. Iliescu summarily dismissed Premier Roman in late 1991 without consulting the legislature, which ignored Roman's claims that the dismissal was illegal. Many regarded Constantinescu's dismissal of Premier Vasile in April 1998 as at best problematic and at worst unconstitutional. The President may also participate in and preside over cabinet meetings, dissolve Parliaments that fail to approve the government within 60 days, and appeal directly to the nation by calling referenda on unspecified issues of 'national importance'. The Presidency has been over-staffed by state and personal councilors grouped in departments shadowing the responsibilities of government ministries, with few, if any, figures representing the opposition, though supposedly the presidency must be neutral and above all parties. Defying criticism from various social groups Iliescu accepted old Securitate officers and communist ideologues as presidential councilors, while Constantinescu appointed his old friends and their children.

The new written constitution does not amount to constitutionalism, and the rule of law remains fragile in Romania. The basic law entrusted legal supervision not to a supreme court of immovable and impartial judges, but to a council of legal experts appointed by President and Parliament.<sup>vii</sup> The institution of the prefect, central government's representative in the territory, can negate local democracy, and the separation of powers principle is not even mentioned in the basic law. The right of information is recognized, but governments have been reluctant to grant access to public data widely disseminated in other countries. The executive occasionally created new state bodies and only later asked Parliament to legislate for their creation. For example, the secret police was revived through an unpublicized decree a year before Parliament legislated its activity, and the old Interior Ministry troops reappeared as the Geandarmerie more than 18 months before Parliament started discussing a bill regulating their powers. While chambers were debating a law on government ministries and their spheres of competence, in 1994 the executive created new ministries without the appropriate legislation. The governmental decision making process remains untransparent, although it gradually became more accountable to Parliament than during the early 1990s when no state and ministry budgets were undertaken. In the name of 'national interest' the nation takes precedence over individual rights, and judges routinely rule in favor of the government and against ordinary citizens. As a result, more and more disatisfied Romanians turn to the European Court for Human Rights, which by mid-2002 had already ruled against the government in 16 cases. The Constitutional Court has occassionally fell under the influence of political leaders (it did not object for Iliescu to run, and win, three presidential votes), and its decisions on the unconstitutionality of legislative proposals can be overturned by Parliament with a two-thirds majority when not being simply ignored and left unimplemented.

Party System. The country moved from the one-party rule of the late 1980s to a party system dominated by a handful of political formations espousing different ideological and policy preferences, facing in between a period of high fragmentation of the party system. The first few months of postcommunism saw the emergence of miryad political parties, encouraged by permissible legislation for official recognition and access to a share of the national budget. But political competition was more apparent than real, since the National Salvation Front towered unchallenged in terms of numbers and organizational structure (inherited from the Communist Party) and popular appeal and political capital (based on its claim of being the sole representative of the ideals of the Romanian revolution). Whether a deliberate attempt to weaken the opposition or an expression of the new democratic propensities of the Romanians, party system fragmentation led to dozens of enthusiastic but insignificant political formations to contest the first post-communist elections. The way was opened for political pluralism, but the Front's decision to register as a political party caused considerable misgivings. Months later, the opposition began to aggregate when the most powerful groups set their differences aside and formed the Democratic Convention as an electoral coalition offering an alternative to the Social Democrats, the revamped Salvation Front. While taking advantage of the split within the Social Democrat camp, opposition parties were unable to overcome differences of policy options and ideological orientation, stem out their distrust toward each other, and alleviate the periodical personality clashes pitting their leaders against each other. For a brief period in mid-1990s, opposition groups taken together matched the Social Democrats in strength and appeal, making Romania a bipolar system where blocs of center-left and center-right dominated politics and roughly balanced each other out. But soon afterwards the party system re-became asymetrical, with a powerful Social Democrat party dominating a weak and divided opposition.

While the Social Democrats dominate the center-left in terms of electoral support, the National Liberal Party and the Democratic Party act today as the pro-democratic opposition, while the Democratic Union of Magyars in Romania commands the loyalty of the Transylvanian Hungarians. The Social Democrat Party contains something of everything - socialists, nationalists, populists, reformists and many former communists, to whom it gave shelter and an avenue of rehabilitation. viii The party is bound to remain a strong political force akin to Latin-American movements like Argentina's Peronistas and Mexico's old Institutional Revolutionary Party, and even without leaders Ion Iliescu and Adrian Nastase it could stay united based on the perquisites and patronage it dispenses. The only pro-Western parliamentary alternative to the Social Democrats, the Liberals and the Democrats have been struggling to distance themselves from the unpopular Democratic Convention rule of the 1996-2000 period, revamp their public image by promoting leaders untainted by charges of corruption and mismanagement, and increase their social base in an effort to win the 2004 elections. Despite some clarifications in these parties' political platforms, liberal leader and ex-premier Theodor Stolojan and democrat leader and Bucharest mayor Traian Basescu enjoy more popular support than the parties they represent.<sup>ix</sup> An unbrella organization of both reformist and radical elements, the Democratic Union of Magyars has joined forces with the rulers of the day in an effort to have its demands for collective autonomy honored. Since 1989, the Union has constantly polled seven percent of the national vote, a predictable outcome that also reflects its limitation.

Constant features of the Romanian post-communist party system have been nationalist and xenophobic parties which reject the democratic principle of acommodating the country's ethnic minorities and accepting them as full members of the political community. Although nationalist sentiments still run higher in that country than in most of its neighbors, during the last decade many extremist parties fell into oblivion (e.g., the Transylvania-based Party of Romanian National Unity and the Movement for Romania, whose main support came from the southern regions). The most important surviving nationalist party, the Greater Romania Party, has won an increasingly greater share of the national vote (19.5 percent in 2000, compared to only 4.5 percent in 1996), managing to become the official opposition as a result of the 2000 general elections. Despite its apparent popular appeal, the party has polled fewer votes because of what it actually represents and more votes because of some misguided attempts of the electorate to punish both the Social Democrats and the Democratic Convention for their disappointing performance while in government. Nationalists have thus taken advantage of discredited government and democratic opposition when a third alternative was missing. While still an important political force, today they do not imperil the political order as they did in 1990.

*Electoral System.* The general and local elections that post-communist Romania organized in 1990, 1992, 1996 and 2000 were regarded as meeting international standards of freedom and fairness. Reservations were raised concerning the first two parliamentary elections, because of procedural irregularities, allegations of fraud and the Front's drastic curtailment of the opposition's access to mass media and campaign funds. Romania was the only communist country where former high communist officials won the first elections not only in the countryside, as in Bulgaria, but in every major city. The 1992 elections were the first paving stone in the long road to stability. Previously it was disorder and instability, with most political battles being fought in the street.<sup>x</sup> Four years later Democratic Convention candidates secured the Presidency and a majority of parliamentary seats, a historical victory that for many was marking the consolidation of the Romanian democracy not only because it was the first time since 1937 that political power had changed hands through the ballot box but also because the Social Democrats accepted to step down without serious opposition.

Parliamentary seats are allotted according to a complicated system of proportional representation based on party lists in each of the forty-one counties and the city of Bucharest, and seats distributed among counties according to the population (70,000 for a lower chanber seat and 160,000 for the upper chamber). As many as 15 deputy seats are set aside for ethnic minorities, which are thus guaranteed representation in the house. Over the 1990-2000 period, the national threshold for parliamentary representation raised from zero to five percent for single parties, and up to ten percent for multi-party coalitions. In early 1990s, Parliament was divided between an uncompromising Social Democrat plurality and an equally uncompromising and vociferous pro-democratic minority. Meanwhile polarization has diminished to the point that today parties represented in the house resemble each other in terms of their policy options and willingness to strike pragmatic political alliances cutting across ideological lines. Party consolidation and maturity make for a less fragmented Parliament. Over the years, the number of parties represented in the legislature decreased from more than 15 in 1990 to only five a decade later. However, to date governments have been formed by parties commanding a plurality, not a clear majority, of votes in the legislature. This has called for coalitions in a country where compromise and negotiation remain unappreciated.

Government-Opposition Relationships. The first years of post-communist rule led to limited relaxation and change, and pluralism was not particularly welcomed. Paradoxically, given its bloody character, the Romanian revolution created a hybrid of democracy and authoritarianism and did not signify a break with the communist past. The new leaders tolerated the existence of other political groups, but refused to engage them in meaningful dialogue, and were reluctant to share power. Even after their overhelming electoral victory in 1990, Iliescu and his Front chose to intimidate their defeated opponents by calling the Valea Jiu miners to Bucharest and by congratulating them on the devastation of opposition party headquarters. Remnants of the ancien regime's authoritarianism were evident not only in the President's willingness to use force and violence against political opponents but also in the survival of the political police, state control over radio and television, and the Romanians' longiness for strong leadership. Assumed by the Salvation Front, political power was delegated in turn to a tight executive committee with both executive and legislative functions. Ministers were made responsible to the Front, not to the newly appointed Premier Petre Roman, while the executive committee dominated by Iliescu, Roman and Silviu Brucan issued 'decree-laws' without reference to the cabinet. While allowing other political parties to function, the new leaders claimed that Romania required 'consensus' within one Front, a notion akin to democratic centralism.xi By 1992 politicians had given up the use of mob violence to settle scores with their political enemies and instead chose to exert their control in more subtler ways. Since then, the country has had a relatively limited government and its political leaders have at least tried to rule within the confines of the law.

Relations between the government and the opposition have progressively become smoother. In 1996, the Democratic Convention discontinued the practice of allowing government-appointed prefects to dismiss democratically elected mayors belonging to the opposition, which in the 1994-1995 period made more than a hundred casualties. The opposition may introduce motions of non-confidence against the government, a prerogative of which it availed itself quite frequently. During the 1992-1996 period the Democratic Convention tried eight times to provoke a no-confidence vote against the Social Democrat government, while during the next four years the Social Democrats introduced as many as six motions against the three successive Democratic Convention cabinets. The topics ranged from the slowness of reform and the deterioration of the living standards to the problems faced by the national education system and the government's incapacity to come up with viable programs for the revival of the Romanian industry. None of the motions introduced in Parliament after 1989 gained enough parliamentary support to force the government to step down, as each time the government's voting machine (dominated by either the Social Democrats or the Democratic Convention) mobilized its allies without seriously discussing the opposition's arguments.

*Reform of the Judiciary.* There has been enhanced access to justice, as today people bring to courts many more cases than they brought at the onset of transition. The number of civil and penal cases has increased from 589,660 in 1990 to 1,369,976 in 1999, while the number of judges ruling out cases has more than doubled from 1,513 in 1990 to 3,479 in 1999. The criminality index (number of convictions per 100,000 inhabitants) has also gone up, from 160 in 1990 to as much as 496 in 1997 and 390 in 1999.<sup>xii</sup> But

bringing civil proceedings against state agencies remains a costly proceedure few Romanians can aford, the judiciary has not yet emancipated from the executive's control, judges remain open to political and economic pressures while their nomination and dismissal is determined by politicians, and the clerical staff continue to be poorly prepared. Attempts to ban the possibility that members of Parliament who are lawyers act as defense councilors in trials brought against notorious figures of the interlope world have met with staunch opposition. The judiciary has launched successive campaigns to stem out corruption from within its ranks, but not until year 2000 did anti-corruption campaigns reach the highest levels of the legal system. There has been some concern with strengthening enforcement mechanisms, but these are yet to achieve any measure of real effectiveness.

Human Rights. Post-communist Romania's human rights record has improved steadily over the twelve years. Violence against ethnic minorities, the hallmark of the early 1990s epithomized by the anti-Hungarian Tirgu Mures and anti-Gypsy Hadareni incidents, has died off. It is important to stress that there is still a long way to go before the majority will accept the country's multi-ethnic character as factual and will regard it as an advantage, not a drawback. Real inclusiveness will not be achieved unless the constitution is amended to guarantee national minorities the right to use their own language in judicial proceedings and to recognize Romania as a multi-ethnic state. The status of homosexuals has improved after the ban on homosexuality was lifted in the year 2000 at the request of the European Community, but homosexuals and transexuals still face social disapproval. Journalists investigating public figures are no longer thrown in jail and fined, although the law remains restrictive and provides for measures against those who engage in calumny, without defining the term. A serious threat to the independence of the media remains the legislation of press offences. The law on state secrecy, adopted under the Democratic Convention rule, considers almost every organization and every bit of information as being of 'strategic' importance for the state and therefore prone to be veiled in secrecy. The law on access to public information adopted by the current Social Democrat government is yet to be fully understood by public servants, who are reluctant to follow its spirit. According to the constitution, civil liberties such as inviolability of domicile or access to information may be limited for reasons of 'national security', freedom of speech does not extend to 'defamation of the country and the nation', and laws imposing unspecified restrictions on rights or freedoms are permitted in order to 'defend the national interest'.

Respect for religious freedom has improved markedly since 1989, but religious life continues to be ruled by old laws that reinforce government discrimination in favor of the Orthodox Church, the country's dominant religious group. In the absence of a new law, the communist-era Decree 177 of 1948, which allows considerable state control over religious life, remains in effect. Articles stipulating the state's control over religious life and activities were not repealled, although, according to the State Secretariat for Religious Denominations, they have been nullified in practice by the post-communist Constitution and governmental decrees. Not even a single religious denomination has succeeded in receiving official recognition since 1990, so post-communist Romania allows only the 15 religions that communist authorities previously recognized to function on its territory. While extolling the virtues of private property, successive post-communist governments have joined forces with the Orthodox Church in denying the Greek-Catholic Church restitution of its property, and procrastinating the restitution of private dwellings, industrial plants and shops abusively confiscated by communist authorities. xiii The constitutional provision stipulating respect for property is enforced unevenly. The January 2001 law on restitution of property confiscated by communist authorities was judged as coming extremely late, and only as a result of European Union's pressures. Its formulation contains unclear clauses that could ultimately harm the interests of former owners and protect the state.

*Mass Media*. One of the first laws adopted by the first post-communist Parliament regulated the broadcast media by granting licences to private radio stations and allowing Romanians to access alternative viewpoints. A free press has flourished, despite complaints about government favoritism and intimidation, shortage of resources for the opposition press, and lack of professionalism or skills needed for true investigative journalism. Today, there is acerbic competition for market share among newspapers of national and local coverage, radio and television stations, and cable companies. There is great disparity between mass media providers, with wealthier stations and press trusts from main cities being more independent from political and economic interests than local providers. But this apparent diversity is deceiving, as the largest networks are owned by businessmen with strong ties to political parties and with a

desire to ingratiate the rulers of the day. Frequently, these private networks will offer free advertising for ruling politicians and distribute news reports damaging to their competitions in exchange for legislation giving networks a monopoly or unwarranted competitive edge over selected market segments. The national television remains underfinanced, overstaffed, unprofessional and under the firm control of the government and the parliamentary majority, which still appoints its leadership from among sympathizers. Although since the mid-1990s the television began to be slightly more objective in its coverage of politics, it remained a tool (and a formidable weapon if need be) in the hands of the President.

#### Economic Reform: Between Scylla and Charibdis

After initial hesitation resulted from the new leaders' desire to maintain power rather than draft policy, Romania opted for a reluctant and gradual economic transition under the Social Democrat leadership of the 1990-1996 period and for a speedier reform, though still not a 'shock therapy' of the Central European kind, after the Democratic Convention won the 1996 general elections. Policy drafting has been more vigorous in late 1990s, a result of greater political will, though not necessarily greater technical skill, to solve the country's manifold socioeconomic problems. Note, however, that both regimes have met with only partial success in their efforts to meet electoral promises and enact meaningful economic reform without loosing popular support, illustrating once again the gap between policy pronouncements and policy implementation.<sup>xiv</sup>

Up to 1996 Iliescu and his political allies sought an elusive middle ground that would allow for limited reform without much social unrest. The choice for slow reform was only partly due to the leaders' desire to retain power, as popular feelings ran against profound changes and reform policies were met with social protests and massive anti-governmental protests occasionally supported even by self-avowed pro-reformist political parties. Ultimately hesitation had its price: escalating inflation cycles and ever lower conversion rates for the Romanian currency, loss of confidence in markets, huge enterprise arrears accompanied by decreased productivity, and fuzzy property rights coupled with poor management and the appropriation of state assets by former communist officials, post-communist political leaders or individuals closely connected to them. As a result, instead of moving from communist planning to a free market economy, Romania moved from plan to clan.<sup>xv</sup>

Following the 1996 change in government, a more vigorous transition process was implemented, starting with the '100 laws' package that provided the legal framework for the creation of institutions needed for speedier privatization, labor and product market reform, changes to the tax system and social security, public administration restructuring and stricter financial discipline. These microeconomic policies were accompanied by macro-level changes calling for tightening of monetary policy to control inflation and stabilize the currency, and reducing governmental deficits. Such fiscal policies reduced available credit and funds, leading to a downturn in economic activity, a rise in unemployment and the closure of many debt-ridden state enterprises. Instead of supporting macroeconomic policies, structural adjustments limited the ability of institutional change to take place and restructure the economy. Promising inroads made during the first twelve months of the Democratic Convention mandate came to a standstill in late 1997 due to lack of consensus among coalition partners, and frictions between government and Parliament. Afterwards, reform was implemented at the expense of democracy, with the cabinets of Radu Vasile and Mugur Isarescu issuing an unprecedented number of ordinances (close to 600) in an effort to bypass a reluctant legislature.

After the 2000 general elections, real power has rested with Prime Minister Adrian Nastase, "an instinctive Thatcherite," as a western diplomat labelled him not so much for his choice of neo-conservative policies but for his pragmatism.<sup>xvi</sup> The head of the Social Democrat Party, Nastase is the first post-communist Premier to head the majority party in Parliament thus, if determined, he may have the support to deliver on his promises. Up to now, the government has stated its willingness to keep the course of economic reforms, but the measures it adopted only partly substantiate such claim. Indeed, in terms of economic protectionism, Romania has reverted back to and even surpassed its pre-1996 levels, as the Heritage Foundation Index of Economic Freedom shows (see Table 1). While Nastase has pursued a cautious reform policy allowing state gants to be privatized only to the extent that employment levels were not threatened, his tight grip on the government has meant that he seldom had to cave in to the demands of its junior partner in government, the Humanistic Party, known for its oligarchyc penchant.

Stabilization and Liberalization. After Ceausescu's downfall there was a decentralization of decision-making, with the economy becoming a very loosely coordinated system with only limited market elements. The old planning system was weakened without being eliminated, while the state's control over the production and distribution of products was reduced but not eradicated. The economy quickly became a shambles, caught between the Scylla of the inadequate command structures and the Charibdis of non-existent market structures.<sup>xvii</sup> A number of formal institutional changes took place during the last twelve years, allowing Romania to liberalize its economy and stabilize its currency. In 1990 a two-tier banking system was created, with a National Bank in charge of setting reserve and interest rates replacing the mono banking system. Parliament granted the National Bank independence from the executive, but refused to give up its right of issuing directives to the Bank, whose political independence was thus curtailed. Private commercial banks were created as early as 1990, but the commercial banking system remained weak and did not generate enough capital to finance new investment. Several pyramid schemes coordinated by individuals with strong ties to the political class weakened the overall financial structure and drained savings away from legitimate commercial banks.

By 1995 gradual liberalization was introduced, with prices being freed on most consumer goods, and the tax system revamped through the introduction of a profit tax and of a Value Added Tax. At the same time, state-owned import-export company monopoly over foreign trade was dismantled, and foreign trade was opened to private and state firms. While central planning as a mechanism for allocating investment and directing economic activity had entirely collapsed, the government steadfastly resisted comprehensive reform of the industrial sector. In late 1990 Parliament gave state enterprises financial autonomy, meaning that the latter could draw up contracts with private businesses. Unfortunately, financial autonomy was not accompanied by greater financial discipline. National Bank credits were granted on a universal basis to state firms without regard to their ability to produce for domestic or external demand, the result of political pressures to keep bankrupt enterprises alive to avoid social upheaval following massive lav-offs. Four year later, the Romanian government announced, on paper, an impressive and forwardlooking plan for reform and macroeconomic stabilization.xviii As part of the drive, the National Bank increased interest rates, devaluated the currency and imposed stricter controls on the money base in an effort to control inflation. Increased interest rates slowed down inflationary pressures but made financing and access to credit more difficult, hampering production and investment. After reaching a staggering level of 300 percent in late 1993, inflation decreased to 45 percent in 1999, still exceeding the 25 percent laid down by the International Monetary Fund. Today Romania remains the only country with relatively high inflation, while the rest of Eastern Europe (including Bulgaria) has kept inflation below 20 percent since 1998.

Privatization and Restructuring. Romania has been preoccupied with restructuring its state owned enterprises, given the vested interests concerned with their survival coupled with a relatively low level of outside interest. While in Poland the Solidarity movement had some influence over the privatisation process, in Romania the nomenclature retained control without any threat to its legitimacy. As such, the policy response reflected a muddled strategy followed by an institutional vacuum where market institutions struggled to get established in an environment that had not sufficiently prepared for their imposition.xix Initially, mass privatization gave ownership rights to the population without solving the issues of asset sale and new fundraising. The new owners had little knowledge of acquired firms and of how to restructure them, and did not risk their assets to implement control mechanisms. Other privatization methods were management-employee buy-outs (the so-called MEBOs), the selling of hand-picked 'strategic' enterprises to foreign investors, and the offering of small- and medium-size companies against a dollar and the promise of restructuring. None of these programs resulted in significant state devolution in the economy. Instead of bringing money to state coffers, the transfers required an impoverished state to cover the huge arrears accumulated by companies slatted for privatization. Instead of imposing financial constraints, the transfers perpetuated reliance on state hand-outs in the case of large enterprises on which the livelihood of entire towns depended. Instead of creating the new bourgeoisie, privatization allowed nomenclatura to obtain de jure ownership rights of assets it already de facto controlled.

Needless to say that change in ownership structure did not result in better management. Former state enterprises now comprise 'recombinant property' which, with its lack of well-defined rights of private

property, reproduces old forms of state ownership under a different management. Today there are new property forms that are neither statist nor private. Enterprise managers use legislation to establish joint stock and limited liability companies, and split enterprise assets into many satellite units that keep the state enterprise captive. Ties with the state are retained through managerial links with high-placed government officials and the prominence of governmental privatization agencies in shareholding. The network between ministries, central departments and large enterprise managers has also reproduced itself. The laws seeking to undo these ties were constantly opposed by ministries and enterprise managers who still harker for the safe bureaucratic diktat that reduced the need for managers to make decisions or take initiative.<sup>xx</sup> The main state agency responsible for undertaking privatization was the State Ownership Fund, criticized as an organization bent on discouraging reforms through favoritism and using privatization for the benefit of its members and political patrons. In 2002, the Fund's former leaders came under investigation for priviledging some potential buyers over the others, and for drafting contract agreements detrimental to state interests.

Romanian privatization has been carried out at an extremely slow pace because of a fluid legislative framework, disinterest in investing in loss-making industries that were still heavy subsidized and controlled by the state, pressures exerted by politicians eager to convert their control over state enterprises into money for their political parties, and corruption and power relationships that restricted the implementation of economic policies. In the absence of bancruptcy laws, inefficient organizations carried on in business without fear of exiting the market. While formal institutional change was attempted, little attention was paid to the need to improve business practices and working habits. According to some estimates, as much as 80 percent of the economy was still in state's hands in 1999, at the time when state banks with portfolios consisting of many non-performing loans reportedly controlled some 70 percent of banking activity.<sup>xxi</sup> The country registered progress in its efforts to allow for the creation of new private firms, despite the financial constraints plaguing its impoverished population. However, of the thousands of new private firms established after 1989, many had short life cycles and carried out their activity in areas where entry (and exit) was relatively easy, most of them undertaking exchange rather than production. Private firm contribution to national GDP has increased over the last twelve years, from around 10 percent in 1989 to around 65 percent in 2002.

Foreign Investment. Foreign companies were allowed to enter the Romanian market and associate with local firms in joint ventures as early as 1990. While nationalists voiced their concern that the country will ultimately be taken over by foreign parties and lose its Romanian character as a result, foreign investment was slow to arive to the country. Compared to its neighbors, Romania registered paltry foreign investment levels, reaching only \$4.1 billion in 1999 (compared to \$26 billion in Poland), after new legislation for the first time allowed foreign investors to buy land.xxii The UNCTAD-prepared World Investment Report ranked Romania 57th in terms of the ration between the foreign investment it attracted during the 1998-2000 period and national GDP, well behind Central Europe, the Baltic states, the Republic of Moldova or Bulgaria. xxiii Among the factors impeding foreign investment are cumbersome and timeconsuming rules governing company and tax registration, frequently-changed labor regulations that are often contradictory and difficult to follow, a weak court system allowing for extremely long court procedures and highly unpredictable judgements, and widespread corruption affecting the custom, judicial and administrative systems. It is not an exaggeration to say that Romanian red-tape belongs to a league of its own. According to a September 2002 report of the Ministry for Small- and Medium-Sized Enterprises and Cooperatives, around 450 pieces of legislation stipulate that private firms wishing to conduct business in the country must obtain a total of 477 permits, of which 133 must be renewed annually, from 91 different state agencies.xxiv

#### **Persistent Problems**

Despite progress in laying down the framework of a democratic government and in implementing economic reforms aimed at achieving stabilization, liberalization, privatization and restructuring, the country faces important difficulties which, if improperly addressed, will continue to place it well behind other Eastern European countries. Let us discuss each one of them in turn.

Over-Bureaucratization. Post-communist Romania emulated the French centralized administratitive model, which also informed the country's pre-communist civil service. Romania has an over-staffed central bureaucracy and parallel regional governmental and administrative structures with overlapping and ill-defined responsibilities. Whereas the Toronto city council, for example, is formed of six councilors, the smallest Romanian village elects 17 local councilors, with Bucharest, the country's twomillion-inhabitant capital, electing as many as 45. At county level, the elected council functions alongside government-appointed prefects, both overseeking the same domains of activity and allocating the same county share of the national budget. Prefects and elected councilors are helped in their activity by large non-elected administrative structures. At the national level, a complicated and ever-changing governmental structure has included up to 28 ministries (almost twice the European Union average) and more than 50 central agencies responsible for overseeing activities as diverse as customs, nuclear energy and religious life. Each central agency is headed by a deputy minister, with every minister of state being seconded by up to seven deputy ministers at a time. Since late 2000, the Nastase government has increased the numbers by appointing two deputy ministers responsible for European integration and government-Parliament relations for each ministry, besides the deputies responsible for traditional ministerial compartments. The number of public servants has steadily gone up to reach some 14 percent of labor force in 1997.xxv

Over-bureaucratization has generated red-tape, strengthened Bucharest's dominance over the country's economically and culturally diverse regions and impeded economic transformation. What aggravates the problem is the multiplicity of institutions responsible for structural change. For example, over the years a number of different institutions has been involved in the process of privatization and restructuring. Initially, there was the National Privatization Agency, which in some areas shared responsibility with the Romanian Development Agency. In late 1991 a national State Ownership Fund and five regional Private Ownership Funds were also established, but previously set-up agencies continued to function although a clear division of labor among these governmental structures was never operated. In its efforts to speed up privatization, in late 1996 the Democratic Convention created a Ministry of Privatization whose activity and tasks unfortunately did not differ significantly from those of the State Ownership Fund. Nominations to all these structures have been influenced more by political criteria than by the candidates' technocratic skills or familiarity with macro- and micro-economics. Results have been commensurable, translated in slow progress, and the predominance of soft-budget constraints and political and group interests over privatization.

Corruption. One of the hardest tasks facing Romania is to tackle corruption. In the aftermath of the Ceausescu era, patronage remained a way of life. Compared to the indispensible network of personal connections, individual merit and initiative stand little chance. Despite electoral promises, the launching of successive anti-corruption campaigns and the setting up of numerous agencies responsible for tracking down and bringing to justice perpetrators of corruption acts, patrimonialism, cronysm and nepotism continue to plague the country. Corruption is so widespread in Romania, that in it participate not only high ranking state dignitaries and politicians, but also the members of the business class, the medical personnel, the academics, and the larger population. The shadow economy reportedly amounts to 40 percent of the annual GDP. xxvi Since 1989, the press has reported almost daily on the ties between government members and inviduals close to interlope groups, with members of none of the seven cabinets being spared allegations of favoritism and misappropriation of public funds for particularistic interests. Today the opposition insists that the Social Democrats have benefited the most from shaddy privatization deals, but the truth is that almost all politicians have ended their term richer than they started it. Economist Ilie Serbanescu, and cabinet member for a few months, echoed popular sentiment when he stated that Romania's leaders "do not want privatization - they want the assets for themselves so they can supply their parties with money."xxvii A vast share of government revenue leaks into the pockets of well-connected businessmen who choose to lend financial support to sympathetic political parties.

The most notorious cases of corruption have been related to privatization and the advantage enjoyed by former communist officials and enterprise managers relative to the rest of the population. "Cardboard millionaires," mostly ex-apparatchiks turned businessmen, have feasted on preferential credits and government favors. They also took advantage of insider information to gain ownership rights for their close family members, friends and political clients. When not openly rigging tender adjudication in favor of specific firms, state officials responsible for privatization have turned a blind eye to friendly companies that failed to fulfil the promises for reorganization, refinancing and restructuring assumed by contract. In fact, the reproduction of communist-era political and economic elites is viewed as one of major factors responsible for Romania's continued handicap, as these elites have little interest to pursue a sustained reformist agenda that would threaten their priviledge positions. Corruption weakens the framework of newly reintroduced capitalism, and popular confidence in the transition process. But stemming out corruption is unlikely to take place as long as the law is never used against friends and political allies, but always against enemies.

The anti-corruption campaign has also succumbed to heavy bureaucratization. Today, there are several governmental agencies responsible for the fight against corruption, but their unclear mandates have slowed the process of identifying and bringing to justice the perpetrators. The central Control Department is responsible for bringing to the Prime Minister's attention those cases where government officials are found in conflict of interest. Following public outcry, in 2002 the department disclosed the names of Social Democrat governmental councilors, deputy ministers and prefects who, contrary to legal stipulations, were engaged in private business while occupying top state positions. While presenting the list, department head Victor Ponta stressed that he had no way to bring the cases to justice or to force officials to choose between their state office and their businesses.<sup>xxviii</sup> Each ministry has its own Control Department, which generally sanctions bureaucrats only after their involvement in corruption scandals has already been uncovered by the press. It was only with the establishment of the National Anti-Corruption Division in early 2002 that the corruption campaign has taken off, and cases involving large sums of embezzled money have been investigated.

Legislative Loopholes and Instability. In Anglo-Saxon law systems whatever is not expressly prohibited by the law is within legal confines, but Romanian laws must provide for every conceivable situation. As a result, the country has a cumbersome legislation that covers each matter of detail and requires complicated methodological norms for its implementation and greater legislative instability than regional standards. Laws are discussed and adopted by Parliament, only to be amended by subsequent governmental ordinances that can change their meaning. In a recent survey undertaken by a Bucharest newspaper, it was found that specific laws okayed during the post-communist period were amended sometimes up to 13 times. This greatly complicates the task of implementing and observing the law, as amendments are usually not included in the text of the law, but have to be traced down individually. Difficulties also arise when it comes to cabinet decisions. Governments can work through ordinary or emergency ordinances, whose process of coming into effect is minutiously detailed. However, requirements for their annulment are far less clear, leading to great disparities among regions and governmental agencies. A case in point was Ordinance 22 issued by the Victor Ciorbea cabinet. Once deemed unconstitutional by the Constitutional Court, the ordinance should have been repelled in favor of the law which it sought to amend. But in practice nobody was made responsible for overseeing the change, and as a result some counties continued to consider the ordinance to be in effect, while others overturned it. A private entrepreneur I interviewed in the summer of 2002 alleged that occasionally the government issued ordinances that were repelled immediately after well-positioned individuals benefited from them. He cited an ordinance offering generous early retirement packages that was introduced in early 1998, he alleged, at the time when many relatives of high-ranking politicians sought to terminate their careers.

Governmental Inefficiency. Over-bureaucratization and corruption, together with frequent governmental reshufflings and the preoccupation of civil servants and political leaders with promoting their own personal interests rather than those of the country, have led to systemic governmental inefficiency. In the last twelve years, post-communist Romania has had as many as seven successive cabinets, only one of which has fulfilled a four-year mandate and therefore had the time available to implement its working program. More than 700 individuals have occupied ministerial and deputy ministerial positions, and the number of directors, state and personal councilors, advisors, ambassadors and high ranking state officials continues to grow exponentially. The balance between the legislative and the executive remains tilted in favor of the latter, and communication channels linking different ministries, the three branches of government, and the government and the public remain inadequate and generally more adapted to transmit orders from the center down to the periphery rather than allowing the center to receive feedback from lower echelons. Although it improved significantly over the last twelve years, bureaucratic responsiveness to citizen demands is still low, and the public finds out information about governmental activity more from gossip tabloids than from government public awareness campaigns.

Parliament has been the least efficient governmental structure, not only because of the way it was set up (bicameral rather than unicameral) but also because represented political factions have had a hard time to give each other the benefit of the doubt. The legislature has faced lack of quorum, delays in discussing and adopting crucial pieces of legislation, and sterile debates ignoring substantial issues. It tended to behave more like an autonomous body accountable only to an undefined 'people' it claimed to represent, while ignoring the everyday concerns and interests of the Romanians. As a reader's letter addressed to newspaper *Adevarul* poignantly remarked

"there is a consensus among Parliament members to increase their salaries, bonuses and perks, set exorbitant sums of money aside for their travels abroad, buy cars and furniture for their use, and improve their protocol residencies. But they oppose the lifting of their immunity for [crimes done] outside Parliament as simple citizens, the introduction of compulsory psychiatric evaluation for electoral candidates, the obligativity to disclose their personal assets, the adoption of house operating cost levels comparable to country poverty, the reduction of the total number of parliamentarians, the introduction of a unichamber house, and the prohibition for members of Parliament to engage in business and abstain from using their influence to obtain personal advantages."<sup>xxix</sup>

Post-2000 reforms launched by the Democratic Convention and continued by the Social Democrats brought about a major improvement in the operation of the executive and legislative branches of the government. The structures for managing the European Union accession process have been strengthened and limited consultation campaigns with social partners was initiated for improving the coordination of political action. The government has cut down on the use of decrees and ordinances in order to safeguard legislative procedures and align political and economic reform, rather than pit one against the other. For the first time, in 2001 the national budget was drafted by the executive and discussed and approved by Parliament before January 1. This is not a small accomplishment, since up to that year the budget obtained legislative approval only in May or June, with funds being released weeks afterwards. As a result, the activity of public authorities was practically paralyzed during the first six months due to lack of money, and urgent projects could not be completed in the remainder of the year. Under the Democratic Convention rule the Parliament was deadlocked as a result of animosity between government and opposition and bickering among ruling coalition partners, but since 2000 the house has undergone a reform of the two chambers, with a view of accelerating the procedure for adopting priority legal acts.

Civil Society. Any level of activism would have signified a big leap forward for a country with almost no state-free, politically conscious part of society as communist Romania once was. In the last twelve years, no only that independent groups started to organize themselves, but civil society become stronger, better organized, more assertive and more discriminating in its political strategies. Sultanistic rule left behind a flattened political and social landscape and the weakest civil society in the region. Bucharest intellectuals rushed to declare themselves the true representatives of the society, despite the abyssmal divide between them and ordinary Romanians in terms of lifestyle, prospects and possibilities. In the early 1990s, civil society remained incipient as nationalism became rampant, political coalitions turbulent and most political tendencies compromised. The country was polarized along geographical, political, social and cultural lines, and little constructive dialogue was conducted among political actors, between civil society representatives and government officials, and between representatives of major ethnic groups. As polarization and radicalism decreased and it became apparent that the state was incapable to solve social problems, non-profit organizations were set up first in urban and then in rural areas. Thus, civil society came to represent less the intellectuals and their concerns and more the larger social groups of Romania. Note, however, that two major ingredience of democracy -- public activism and social capital -- remain far below Western European levels.

The development of Romanian civil society is impeded by the country's political culture, which retains a number of features more akin to authoritarianism and collectivism than to liberal democracy. Romanians have always believed that common problems should be addressed by the state rather than by the

community of people coming together. Thus, Romanians do not recognize the ability they have as private citizens to mobilize and act on their own behalf. Opinion poll after another has showed that the public has the greatest confidence in the army and the Church, two hierarchical organizations whose performance is not related to social and economic policy and whose internal organization is not necessarily democratic. There is continued reliance on the state, and despite deep distrust in government because public expectations for economic transition were not met. Distrust affects not only the relationships among citizens, who treat each other as patrons and clients rather than equal partners, but also relationships between civil society groups and public authorities, which have tended to view non-profit organizations more as 'pressure groups' than partners capable to help solve real socioeconomic problems. Though the role of social partners was strengthened by the establishment in 1998 of the Romanian Economic and Social Council with committees in all central ministries and prefectures, the committees are seldom consulted on matters relating to economic restructuring and privatization, and non-profit organizations still have no possibility of engaging in formal talks with the government before strategies are drafted.

#### Conclusion

Post-communist Romania has had a difficult time building capitalism without capital and consolidating democracy in the absence of a civic spirit. Even the most optimistic forecasts recognize that economic development is still out of that country's reach. According to estimates, it would take more than ten years of uninterrupted growth in real GDP of three percent per year to return the economy to its 1989 level.<sup>30</sup> Compared to its neighbors, Romania scores higher in terms of inflation and corruption, and lower with respect to living standard, foreign investment and Human Development Index levels (see Table 1). Regional disparities between the better-off Bucharest and Transylvania and the worse-off Moldova and Southern Romania are increasingly evident, average wages remain bellow \$120 a month (less than half of the Czech Republic's), and the lei is among the least loved European currencies, to be swapped for almost anybody else's as quickly as possible. Unemployment has grown steadily to close to 12 percent in 1999, with some Moldovan regions registering as much as 20 percent. Economic hardship has taken its toll, resulting in increased poverty and growing social inequality between the rural and urban population, between men and women, and between the unemployed and those who could keep their jobs. According to the 2002 Heritage Foundation index of 'economic freedom', Romania ranked 131st in a list of 155 countries (see also Table 1). The index measured county performance with respect to trade policy, taxation policy, level of privatization, monetary policy, property rights, antitrust regulations and the extent of the black market. The authors pointed to the strong correlation between economic freedom and development, the implication being that Romania was not likely to prosper economically.

But in many ways the system is working. There are signs that political officials feell accountable to those who had chosen them. Officials behave in accordance with the powers and responsibilities of the office, and are worried about the problems of the electorate in general and how such issues might affect their own reelection. The legislature is no longer trying to act as a government as it did in the early 1990s, the executive stopped behaving like a debating chamber where individual ministers could publicly oppose the premier's proposals like in 1997 and 1998, and the head of state is less inclined to seek governmental responsibilities like in 1999. It remains a matter of debate whether the Romanian democracy has truly consolidated itself. While many commentators hailed the late 1996 elections as the moment that marked consolidation, I am inclined to join more sceptical voices who note that Romania is on the right track but has a lot more ground to cover. Points of optimistic forecast are not only Romania's November 2002 inclusion on the list of countries invited to adhere to the NATO in the near future, but also the fact that an overwhelming majority of Romanians seem bent on joining the European Union and be recognized as 'Europeans'. It can only be hoped that this desire will extend to complying with accession overcome their chronic inability to agree on the timing and sequencing of economic and institutional reforms.

#### Table 1: Romanian Development, 1990-2002

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP real growth	-5.6	-13	-8.8	1.5	3.9	7.1		-6.6	-4.9	-2.3	1.6	4.9	5.3*
Unemployment (%)		3.0	8.4	10.4	10.9	9.5	6.6	8.9	10.4	11.8	10.5	9.0	8.5*
Inflation (end of year) (%)*		223	199	295	62	28	57	151	41	55	41	30	22*
Private sector/GDP (%)	16.4	23.6	26.4	32.0	38.9	45.3	54.9	58.1	58.3	63.3	alonda De swar	1016 01 60	bellow
CPI	-	1929 <b>_</b> 03%	1/2	1997 <u>-</u> 1997	-	-	-	3.44	3.00	3.30	2.90	2.80	2.60
HDI	0.020.0	anu" ann	-	0.73	0.73	0.75	0.76	0.74	0.77	0.77	0.77	-	-
Economic Freedom Index	A <u>a</u> cos sintes	100 <u>1</u> 00 1555 c	a fist	1314	in and	3.60	3.65	3.40	3.30	3.30	3.30	3.65	3.70
Press Freedom	19/25		-	- 65-10-1	55	50	49	47	39	44	44	44	35

GDP = Gross Domestic Product. 2002 figure forcast.

Unemployment. (\* figure corresponds to August 2002).

Inflation figures are rounded to the digit (\* target figure).

CPI = Corruption Perceptions Index, Transparency International, available at www.transparency.org. Maximum 10 points.

HDI = Human Development Index, available at hdr.undp.org.

Heritage Foundation Index of Economic Freedom, available at <u>www.heritage.org</u>. Maximum of 5 points. A score of 1 signifies an institutional set of policies most conducive to economic freedom.

Freedom House Annual Survey of Press Freedom, available at <u>www.freedomhouse.org/research/ratings.XLS</u>. Ratings: 0-30 Free; 31-60 Partly free; 61-100 Not free.

#### NOTES:

<sup>1</sup> The Economist (23 June 2001).

<sup>2</sup> Juan Lonz and Alfred Stepan, Problems of Democratic Transition and Consolidation. Southern Europe, Southern America and Post-Communist Europe (Baltimore: Johns Hopkins University Press, 1996), pp. 344-365, and Katheryn Verdery, "Nationalism and National Sentiment in Post-Socialist Romania," Slavic Review vol. 52, no. 2 (Fall 1993), pp. 179-203.

<sup>3</sup> Daniel Nelson, « Romania, » in *The Legacies of Communism in Eastern Europe*, ed. by Zsoltan Barany and Ivan Volgyes (Baltimore: Johns Hopkins University Press, 1995), pp. 198-226.

<sup>4</sup> Vladimir Tismaneanu, "The Quasi-Revolution and Its Discontents: Emerging Political Pluralism in Post-Ceausescu Romania," *East European Politics and Societies* vol. 7, no. 2 (1993). Also G. Ibrahim and V. Galt, « Bye-bye Central Planning, Hello Market Hiccups : Institutional Transition in Romania, » *Cambridge Journal of Economics* vol. 26 (2002), Katheryn Verdery and Gail Kigman, "Romania After Ceausescu: Post-Communist Communism," in *Eastern Europe in Revolution*, ed. by Ivo Banac (Ithaca: Cornell University Press, 1992), and Andrei Marga, "Cultural and Political trends in Romania Befor and After 1989," *East European Politics and Societies* vol. 7, no. 1 (1993).

<sup>5</sup> It must be noted, however, that in the 1970s the country introduced a pale imitation of the self-management system and allowed joint ventures to be set up. Initial prospects for stabilization efforts were favorable. Relative to population and output, Romania's external debt of nearly \$4 bn was slight compared to that of Hungary, Poland and Bulgaria. The 1993 World Bank report on the Romanian economy noted that a significant portion of the industry was viable and that in areas such as furniture, textiles and food processing, the country could compete in international markets. See Lavinia Stan, *Romania in Transition* (Aldershot, UK : Ashgate, 1997), Tom Gallagher, « Ceausescu's Legacy, » *National Interest* no. 56 (Summer 1999), pp. 107-111, J Jeffries, *Socialist Economies and the Transition to the Market. A Guide* (London: Routledge, 1993), especially pp. 307-316 and David Turnock, *The East European Economy in Context. Communism and Transition* (London: Routledge, 1997), pp. 228-238.

<sup>6</sup> See Monitorul Oficial, partea a II-a, the 1997 and 1998 collections.

<sup>7</sup> It was only in 1993 that the Supreme Court of Justice was organized. Its members are appointed by the President at the proposal of the Superior Council of Magistrature.

<sup>8</sup> P. Ronnas, "The economic Legacy of Ceausescu," in *Economic Change in the Balkan States*, ed. by O. Sjoberg and M. L. Wyzan (London: Pinter, 1991), pp. 47-68.

<sup>9</sup> See the quarterly Opinion Barometers conducted by Metromedia Transilvania.

<sup>10</sup> J. F. Brown, *Hopes and Shadows. Eastern Europe after Communism* (Durham: Duke University Press, 1994), pp. 93-105.

<sup>11</sup> Jonathan Eyal, « Romania, » in *The New Institutional Architecture of Eastern Europe*, ed. by Stephen Whitefield (London: St. Martin's Press, 1993), pp. 121-142.

<sup>12</sup> Mircea Maniu, Ella Kallai, Dana Popa, « Explaining Growth. Country Report : Romania (1990-2000) » paper presented at Rio de Janeiro, December 13-14, 2001.

<sup>13</sup> See Lavinia Stan and Lucian Turcescu, « The Romanian Orthodox Church and Post-Communist Democratization, » *Europe-Asia Studies* vol. 52, no. 8 (December 2000), pp. 1467-1488, and also « Romania - Religious Freedom Report 2000, » available at atheism.about.com/library/irf/irf00/bl\_irf\_romania00.htm.

<sup>14</sup> See Lavinia Stan, « Comparing Post-Communist Performance : A Case Study, » Journal of Communist Studies and Transition Politics vol. 18, no. 3 (September 2002), pp. 77-109.

<sup>15</sup> For the plan and clan metaphors, see David Stark, "Privatization in Hungary: From Plan to Market or From Plan to Clan?," *East European Politics and Societies* vol. 4, no. 3 (Fall 1990), pp. 351-392.

<sup>16</sup> The Economist (28 July 2001).

<sup>17</sup> Quoted by Michael Simmons, The Guardian (15 March 1991), p. 21.

<sup>18</sup> Poirot, "Macroeconomic Policy in a Transition Environment."

<sup>19</sup> Conform Ibrahim and Galt, "Bye-Bye Central Planning," p. 109 and David Stark, "Path Dependence and Privatization Strategies in East Central Europe," *East European Politics and Societies* vol. 6, no. (1992), pp. 17-54.

<sup>20</sup> Vladimir Pasti, *The Challenges of Transition: Romania in Transition* (New York: East European Monographs, 1997).

<sup>21</sup> The Economist (23 December 1999), p. 49.

<sup>22</sup> See Theodor Stolojan, « Elaborarea, coordonares si aplicares politicilor guvernamentale in Romania, » *CRPE Occasional Papers* no. 18 (October 1999), p. 11.

<sup>23</sup> Ziua (23 September 2002).

<sup>24</sup> Ziua (23 September 2002).

<sup>25</sup> Cornelia Lefter, « Civil Services and State Administrators » (Bucharest : SIGMA Country Report, 1999).

<sup>26</sup>Alina Mungiu-Pippidi, "Romania: From Procedural Democracy to European Integration," in *Democratization in Central and European Europe*, ed. by Mary Kaldor and Ivan Vejvoda (London: Pinter, 1999), p. 146.

<sup>27</sup> The Economist (27 June 1998), p. 52.

<sup>28</sup> See the Ziua, the October-November 2002 collection, available at <u>www.ziua.ro</u>.

<sup>29</sup> Adevarul (21 October 2002).

<sup>30</sup> Clifford Poirot, "Macroeconomic policy in a transitional environment: Romania, 1989-1994," *Journal of economic Issues* vol. 30, no. 4 (December 1996).

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#### 1990 - 1992: Registratings of Transition

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## ALBANIA'S ECONOMIC AND POLITICAL TRANSITION

## **Robert Austin**

Project Coordinator Centre for Russian and East European Studies CREES University of Toronto Email: Robert.austin@utoronto.ca The political and economic transition of Albania, which really only started with any seriousness in 1992, has been fraught with setbacks – it had been, at least until 1998, without any substantial gains and very much one step forward – two steps back. Albanians found that there were always new lows the country could sink to and that while they had obtained substantial new freedoms, poverty, emigration and corruption defined their existence. It remains to be seen if Albania's has finally embarked on what can be called a serious transition. I remain generally pessimistic about Albania's future for a number of reasons.

For the purposes of my talk today, which offers an overview of the political and economic transition in Albania, I will use the following periodization: 1992 to 1997 and 1997 until now.

#### 1990 – 1992: Beginnings of Transition

Albania, as we know, was the last domino to fall in the region and many seasoned observers felt that Albania might well hold out against the tide of change. Albanian communists had some real advantages: they did not rely on the USSR for support and more importantly, there was no real dissident community to speak of. This latter fact, which means that all Albania's post-communist leaders are in fact extracted from the communist elite, has done more to stall real change in Albania than any other factor. In short, Albania still lacks a leadership that understands democracy. Political life, which is increasingly insignificant to a largely apathetic population, is still dominated by two men – Sali Berisha and Fatos Nano - who earned their stripes in the most bankrupt period of Albanian communism. Young generation leaders must still work within two archaic political parties and a much needed third force in Albania is non-existent. I am citing the dominance of these two parties as a fundamental problem as they are both dominated by politicians with very dubious credentials.

There were few serious indigenous roots to the Albanian revolution in late 1990 in that what happened there was very much a result of external elements. Student demonstrations at the University of Tirana "Enver Hoxha" on December 8 proved decisive in shifting the balance of power in Albania. The protest was at first modest, focusing on students' miserable living conditions; when the police attempted to end the demonstration, the students responded by calling for political pluralism. Hoping to avoid further unrest, then communist leader Ramiz Alia agreed to their demands on December 11<sup>th</sup>. A new Draft Constitution, which guaranteed civil rights and recognized private property, was presented for discussion on December 30. The end of 1990 also witnessed an increasing lawlessness in the country, as people stopped showing up for work, city streets became host to noisy and sometimes violent demonstrations, and state property was looted and vandalized.

Following the legalization of independent political parties, five parties registered to contest in the March 1991 elections: the Democratic Party, the Republican Party, the Ecology Party, the Agrarian Party, and Omonia, which claimed to represent the interest

of ethnic Greeks. The Democratic Party (DP) was the most significant of these parties, claiming some 60,000 members. The DP platform was articulated around an aggressive transformation of the economy into a market economy and the establishment of a pluralist society. Furthermore, the DP expressed a desire to promote the rights of Albanians in Kosovo and to work towards unity. The APL, for its part, advocated a more gradualist approach to economic transition, while also affirming its commitment to a pluralist society. The period leading up to the elections witnessed an increase in unrest, prompting Alia to declare a state of emergency and appoint a nine-person presidential council to help him rule the country.

Taking advantage of its privileged position and the resources at its disposal, the APL conducted an effective campaign, and was able to limit the amount of exposure for the DP, particularly in the countryside. The APL won 56.2% of the vote and obtained 169 out of 250 seats in parliament, and the DP won 38.7% and 75 seats. (Pano 1997: 311) These results highlighted the dominance of these two parties, and indeed they have dominated Albanian politics ever since.

None of the opposition parties was willing to form a coalition with the APL, but it was clear that the APL government headed by Fatos Nano would be unable to govern without their support. Faced with pervasive unrest, Alia acquiesced in the creation of a multiparty Government of National Stability comprising 12 APL members, 7 DP members and 5 members of other parties, signaling the end of one-party rule in Albania. Elections were also scheduled for June of 1992. The new government faced important challenges in the stabilizing the foundering economy and restoring law and order. It took measures to democratize the country, replacing the ill-famed Sigurimi with the National Information Service and de-politicizing the military. The APL made attempts to renew its image, changing its name to Socialist Party (SP) in June 1991 and purging its leadership of hard-liners. Despite the SP's efforts to satisfy the demands of its partners, DP leader Sali Berisha became increasingly unwilling to share the spotlight with the SP. On December 4, 1991, he called for the resignation of the DP members of cabinet. In response, Alia appointed a caretaker cabinet and scheduled early elections for March.

According to the new election law, 100 in the new 140 seat parliament were to be decided by majority vote, and the remaining by proportional representation. The law also banned parties representing ethnic groups, prompting the demise of Omonia. That party was soon replaced by the Human Rights Party, which does not claim to serve an ethnic group although in practice it represents the interests of ethnic Greeks. The DP was much better equipped to conduct an election campaign than it had been its first time out, in part because of substantial financial support from the Albanian diaspora and international donors. The party based much of its campaign on the promise of attracting foreign aid and of obtaining an increase in immigration quotas for Albanians in European Community countries, highlighting the dire situation in Albania. The voter turnout was high (90.5%) and Albanian voters overwhelmingly chose the DP, which got 62.1% of the vote and 90 seats. This time DP obtained strong support all over the country, both from rural and urban constituents. The SP got 25.7% of the vote, and 38 seats. (Pano 1997: 319)

#### The era of DP hegemony and political polarization-1992-1997

The main legacy of five years of Democratic Party rule in Albania was poverty, pyramids and polarization.

In the face of popular rejection of the SP, Alia chose to resign, and Berisha was elected to replace him on April 9, 1992. Alexandër Meksi was appointed Prime Minister shortly after. The government focused its efforts on implementing a shock-therapy economic reform program, and on reestablishing law and order. Victims of persecution under the communists also obtained a significant voice within the DP.

The growing influence of victims of Communism within the party, a perceived ideological drift to the right, and Berisha's domineering leadership were among their grievances. For voicing their concerns, seven prominent members of the DP were either expelled or resigned from the party. They were to form the core of the Democratic Alliance Party under the leadership of Neritan Ceka and Gramoz Pashko. There were also those for whom the DP was not far right enough; their defection resulted in the creation of the Democratic Party of the Right. Overall, however, the DP continued to enjoy the support of the majority of Albanians.

The victory of the DP in 1992 was a missed opportunity for Albania. Berisha enjoyed tremendous credibility, both in and out of Albania, and the population was really prepared to make the sacrifices necessary to bring about radical change. They did not want more slogans and class warfare which unfortunately is what they got.

Berisha chose the politics of division and focussed on a backward looking fight to destroy the Socialists. His policies, which were increasingly authoritarian, used the courts and extra-legal methods to limit opposition in a multitude of aspects of Albanian political life.

His biggest mistake was the trial of Socialist leader Fatos Nano on corruption charges. Nano's subsequent imprisonment – which Berisha hoped would destroy the Socialists – merely destroyed Albania's political life. Berisha, who was possibly the only politician not tainted by corruption, allowed the people around him to plunder the country. Berisha remains, fortunately or unfortunately, the country's most skilled politician. However, his time has long past and the sooner he recognizes this the better for Albania. A workaholic by nature with an inability to delegate, his legacy is a poor one especially since most people associate him with the loss of their funds in 1997 pyramid debacle.

By the end of the first DP term in the mid-1990s, Albania's infant democracy still faced important challenges, some of them coming from the DP itself. They country still had not adopted a constitution, relying on the provisional one approved by the first elected government in 1991. Berisha tried, unsuccessfully, to push through parliament a constitution that vested considerable power in the presidency, resorting finally to calling a national referendum to approve the constitution. The result of the November 1994 ballot was negative; with 84.3% of the population voting, only 41.7% of voters approved

the constitution, while 53.9% rejected it. (Pano 1997: 328) Berisha's authoritarian tendencies became more pronounced as his term advanced. He attempted to use legislation and the courts to muzzle press critical of the DP. He also made efforts to oust Supreme Court Chief Justice Zef Brozi because of his outspoken criticism of corruption in government and of civil rights abuses. The DP also pursued a policy of prosecuting former Communist leaders, and in September 1995, parliament passed a "Law on Genocide and Crimes against Humanity" to that end.

The 1996 election campaign, by all accounts, was a dirty one. The DP could have legitimately won the elections but lacked the political maturity to take the risk - after all, they had jailed or harassed their main opponents and prolonged Albania's purge-counterpurge atmosphere - a loss of power could well mean the loss of liberty. The failure of the referendum was a serious blow to Berisha's prestige, and created the impression that the DP hegemony was under threat. Fearful of losing power, the DP attempted to stigmatize the SP with the label of "Communist". There were bitter debates over changes to the electoral law, which raised the number of majority vote seats to 115, with proportional representation choosing only 25 seats. The DP's aggressive campaign culminated in serious irregularities on voting day: SP supporters were systematically intimidated and harassed, and the tally of votes was manipulated. The DP won by a wide majority, obtaining 55.5% of the vote and 122 seats, leaving the SP far behind with a meager 10 seats. (Pano 1997: 343) The triumph of the DP was overshadowed by widespread condemnation of the irregularities. Berisha's agreement to rerun the election in seven constituencies did not put to rest international observers' concerns that democracy was being flouted.

The SP refused to recognize the results of the national elections, choosing instead to boycott parliament. The boycott, possibly one of the main features of Albania's transition, is used so often by both the SP and the DP that Albanians have never actually had a responsible opposition party.

## The political consequences of the collapse of the pyramid schemes

Following the 1996 elections, the DP appeared to have a firm hold on popular sentiment, and nothing seemed to be able to challenge its hegemony. But stability eluded Albanian society and public authority was at best fragile: the legal system was weak and subject to pressure from above, tax-collection was ineffectual, police forces were understaffed, illtrained and ill-equipped. Albania remained an extremely polarized society as the two major party's militants fought battles over the past while the Albanian people became isolated and disenchanted with the political process. Tirana, for most Albanians, was just theatrics.

Furthermore, the state had made no effort to develop the kind of political culture necessary to creating and sustaining a democratic society. Rule of law remained weak and corruption was rampant. There was no forum in which to discuss social and economic issues of importance to Albanians. Opposition was systematically bullied into silence rather than accepted as a healthy part of society. Like citizens of other postCommunist states, Albanians were also inclined to look to the state for all their answers, and blame it for all their problems. Thus, democracy in Albania was fragile, such that any economic crisis threatened to de-stabilize it.

The collapse of pyramid schemes beginning in January of 1997 set back Albania's transition considerably. By early February, there were on-going protests in several cities, including Tirana, Lushnje, Vlorë. Opposition parties seized on the opportunity to mobilize the population and to act as spokespersons for their grievances. Soon the unrest turned into an outright uprising throughout Albania. Some of the violence was uncontrolled: angry Albanians vandalized banks and governmental buildings and libraries, and there was widespread looting and frequent shootings. In short, the country appeared on the verge of civil war. Arms depots were raided, and armed bands appeared in the countryside. However, there was also political element to this insurgency, with "salvation committees" appearing in various towns, whose membership reflected all walks of life and political persuasions.

The DP government tried and failed to put down the insurgency with military might. In spite of the declining popularity of the DP, Berisha was reelected to the presidency on March 3<sup>rd</sup>. He agreed to the formation of a Government of National Unity in cooperation with the opposition. An influx of Albanian refugees in Western Europe attracted the attention of the West to the increasingly unstable situation in Albania. Concerned that the unrest would spread to neighboring Macedonia, the European Parliament began to consider intervention. By the end of March the UN Security Council approved a multinational intervention force of nearly 6,000 soldiers. Under pressure from the West, on May 16<sup>th</sup> Berisha called early elections in the hope of quieting the unrest.

Fatos Nano led the campaign for the SP, and Berisha did the same for the DP. Despite the tense atmosphere, elections took place on June 29 without major incident. The SP did extremely well, receiving 52.7% of votes and 101 seats, while the DP only garnered 25.82% of votes and 27 seats, and ceded 3 of the proportional seats to three smaller parties. (Biberaj 1998: 337) The vote was ultimately a rejection of the DP and Sali Berisha who most blamed for the loss of their funds. Berisha resigned as president, and was replaced by Rexhep Meidani. Nano became prime-minister. The Socialists' first priority was the restoration of law and order and re-gaining the confidence of the international community.

#### 1997 - 2003

The Socialists governed for four relatively successful years until new elections in June 2001. The main legacy had been improved stability and security. However, organized crime, criminality and corruption still dominated the scene. Intra-party relations between the Socialists and Democarts were terrible as neither Socialist Party Chairman nor Sali Berisha seemed able to "bury the hatchet." After the murder of DP founder Azem Hajdari in 1998, Berisha's militants briefly attempted a coup of sorts and Nano feld to neighboring Macedonia.

The elections in the summer of 2001 did mark a turning point of sorts. First of all, the Socialists won easily in what were not exactly "free and fair" elections. However, as one analyst noted, it was the most tranquil election campaign in ten years of transition. This alone merits some praise. The Democrats cried foul, counting took weeks and in the end, since both sides cheated so much, the result likely reflected the political scene accurately. Voter turnout was surprisingly low reflecting the general apathy that characterised much of the population.

Three big questions loomed after the elections that would determine if Albania could remain on a path that was inching the country ahead: what was the future role for Socialist leader Fatos Nano, would the Nano-Berisha conflict continue to dominate Albanian political life and would the election of a president in 2002 spell the end of the Socialist government and force new elections.

Amazingly, Albania solved all three without chaos although it would be better if one could say that they did it without crucial intervention from the European Union.

Nano, who endured challenges to his leadership from within managed to emerge as the country's prime minister.

After considerable pressure from the international community, both major parties agreed on a candidate for President.

And finally, Nano and Berisha, after years of not speaking, basically called a truce.

That said, at least on the political level, Albanians had achieved a level of stability that had eluded them to date.

### Assessing the health of Albania's political life

#### a) Social marginalization

Albania is not alone in having suffered as a result of its transition – there has been a pattern of poor economic performance and impoverishment in all countries that emerged from communism, if only in the first few years. Albania's experience, however, has been exceptionally difficult. Pervasive unemployment, which is anywhere between 17 and 40%, underdeveloped infrastructure, weak governance and the generalized break-down of order have resulted in a degree of human insecurity unparalleled among East European countries, save perhaps the former Yugoslavia. While insecurity has an impact on the lives of most Albanians, a number of groups have been identified as being particularly vulnerable to social marginalization.

Hoxha's regime had claimed to eliminate gender discrimination, as in other communist countries, and while it did succeed in integrating women into the workforce, it did not tackle traditional attitudes about women's role in the home. This resulted in a double burden for women of household chores and child-rearing, on the one hand, and gainful outside employment on the other. The end of Communism brought a general worsening in women's status. As unemployment rose dramatically following the end of communism, Albanian women by and large chose to stay at home – only 16% work outside the home. (De Soto et al.: 97) The resurgence of traditional values has also meant that women are now seen primarily as caretakers for their family. Divorced women and women abandoned by their husbands, an increasing concern because of mass migration, are at particular risk: they are left without income, become vulnerable to violence and are sometimes forced into prostitution. The elderly are in a similar position of helplessness. Young women who are unable to marry or to find employment are also at high risk of becoming prostitutes. (La Cava et al.: 34-36)

#### b) Governance and Accountability

Considering that the state has not been able to ensure a minimal standard of living, and that its control over some parts of rural Albania is at best tenuous, it is not surprising that most Albanians are wary of government and of political parties. Government is overwhelmingly perceived as corrupt; Albanians expect to pay bribes in order to obtain regular government services. There is also a perception that those regions that support the political party in power are treated preferentially. According to a survey published in 2002, only 21% of those asked if "government works well" agreed with this statement. Despite this dissatisfaction, 62% of Albanians claimed that they always participate in elections and referendums, with a further 12% participating "quite often". Still, nearly half (47%) feel that politics and political parties have no impact on their lives. (De Soto et al.: 81-82) Thus, while most Albanians appear to value the chance to participate in political life, many are becoming disillusioned with the ability of politics to address the problems they encounter.

The print and electronic media also have an important role in fostering a sense of accountability towards voters by acting as a government watchdog. Under Berisha, media hostile to the regime were systematically bullied. The Press Law passed under the DP was heavily criticized by journalists because its vague wording gave the state too much power. This law was abolished in 1997.

#### c) Compensating for a weak state

Albanians have had recourse to a number of mechanisms to stay afloat in the last decade. In the economic realm, emigration has been an essential ingredient in providing families with enough income to survive. The reemergence of traditional institutions such as the *Kanun* and the *fis*, especially in the rural North, have helped to provide a measure of social order, which the state has been unable to ensure. *Kanun* law is attributed to Leke Dukagjini, a feudal lord from the 15<sup>th</sup> century. It is administered by the *fis*, a council composed of all the direct male descendants of a clan elder. When dealing with a community matter, several *fis* may meet to deliberate. They address issues ranging from land reform disputes, land use, irrigation, and other conflicts. The re-emergence of traditional practices has been considered a generally negative development; it has been associated with the reappearance of blood feuds and the strengthening of traditional values, including a decrease in status of women. For all its failings, this system of law has allowed the reestablishment of order in communities that use it, by offering a body through which to resolve conflict. Furthermore, far from being competition to state governance, it seems that the *fis* are mainly active in areas where the state is absent, and have sought to cooperate with the state where such a possibility arises. (De Soto et al.: 89)

The non-profit sector has only to a limited degree been able to compensate for the weak state, to monitor its behavior and participate in state-building. International philanthropic organizations and NGOs, such as the Soros foundation, run a variety of programs in Albania. While there are examples of successful domestic NGOs, by and large the non-profit sector in Albania is not sufficiently developed to have a substantial impact on vulnerable populations. The small size of the non-profit sector is also a result of its relative novelty, compared to other East European countries, such as Poland and Hungary, whose transitions were fueled by grassroots movements which later provided the backbone of the non-profit sector. Albanians are not very informed by the activities of NGOs, and do not share a common view of what role the non-profit sector should play in influencing governmental policy. (La Cava et al., 40-41)

#### **The Economic Dimension**

The primary legacy of Albania's twentieth century economic development is dependency. In the inter-war period, Italy emerged as the country's main benefactor while in the communist period, Albania shifted alliances from Yugoslavia to the Soviet Union and finally to China before embarking on a catastrophic period of self-reliance. Transition Albania has once again been forced to rely on outsiders, especially the United States and the European Union. The economic viability of Albania, along with Kosovo, is doubtful. For both, it is remittances and international aid that provide sustainability.

# 1992-1997: "transition": the prodigious rise and fall of the Albanian economic miracle

The Democratic Party was elected to power in March of 1992 on the promise of carrying out a Polish-style "shock therapy" transition. The popular saying in Albania was that they received all shock and no therapy. I would argue that they received neither shock nor therapy. What keeps Albania and Albanians going is remittances.

The new government immediately set about stabilizing the economic situation by applying restrictive monetary policy, liberalizing prices and foreign trade, and building the embryonic institutions of a market economy. The objectives of these policies were to monitor inflation, minimize the budget deficit, solve the foreign debt problem, and create a two-tier banking system. These measures were in line with the program advocated by the IMF and World Bank for East European countries in transition. By the end of 1992, Albania's macroeconomic indicators not only stabilized, but showed signs of growth, leading international financial institutions and observers to qualify Albania as an economic miracle. Signs of trouble – declining production, unemployment, a fragile banking sector, the near absence of FDI and slow privatisation were ignored. What the DP essentially gave the Albanians was an economy based on trade, fueled by remittances with almost no production. It was a bazaar economy based on kioskism.

#### a) Privatization of land

The government also pursued and accelerated the privatization process begun under the previous leadership. The first sector to be privatized was land, with legislation being put in place in 1991. Peasants had already of their own volition taken over much of the land and seized machinery during the unrest of the first years. Cooperative land was distributed among the members of each cooperative. An attempt was made to transform some state farms into joint-ventures, but most of these enterprises failed, and a decision was made to sell the land to the farms' workers. The progress of land privatization was swift. While only 3% of land was in private hands in 1989, by 1993 this percentage had increased to 93%, with private farms providing 95% of the total agricultural output (Hashi, 108).

The approach taken to ownership transformation has resulted in the creation of very small properties: more than 95% of the land was divided up among some 490,000 individual private farms in at least 1.9 million parcels, with an average of 3.3 separately located parcels per farm, such that the average property size is only 1.0 hectare. (Cungu et al.: 611) Farms of such small size cannot make use of economies of scale; 42% of farms operate with only human and animal power. The prospects for improvement are slim since the institutions that could promote growth, such as credit-lending institutions, are by and large absent. Legislation freezing the right to buy and sell land hampered the consolidation of small plots into potentially more productive units. Thus Albania's agricultural industry is crippled by the small scale of farms and their low productive capacity, in contrast to other East European countries in which large-scale cooperatives, joint-stock companies, and limited liability companies play an important role.

Unlike other East European countries, individuals who owned land prior to communist land reforms were unable to obtain restitution of their land. A full restitution of land to former owners is political suicide as until World War II Albania was essentially a feudal state. The 'Property with Justice' movement representing the interests of pre-1945 owners has only succeeded in obtaining financial compensation, and physical compensation in the form of seaside and tourist-site properties. A complete return of land to pre-war owners would have spelled disaster for Albania since the country was essentially feudal prior to 1939.

#### b) privatization of industry

The new government also launched the process of privatizing industry. Different strategies were employed depending on the size of the business. Small businesses (primarily retail trade, services, restaurants, warehouses, and independent smaller units of

manufacturing firms) were in majority privatized by allowing their employees to purchase them. The privatization of small and medium enterprises (SMEs), defined as enterprises with a book value of up to US\$500,000 or 300 employees, was overseen by Privatization Boards. And was carried out through various means, such as auctions and informal arrangements. The approach adopted resulted in the appearance of a large employee-owned sector, with all its associated problems.

In May of 1995, it was decided to use a simplified voucher scheme in the privatization of the large state owned enterprises (SOEs). A number of enterprises were selected on the basis of their relatively healthy financial status and operation in the more promising sectors of the economy. All citizens over 18 years of age were eligible to receive vouchers. Plans were made to distribute the vouchers in three installments, originally with the stipulation that vouchers must be used before the next batch was issued, allowing the state to monitor the flow. The program was at first popular: 76% of the eligible population collected their vouchers in the first installment. However, the percentage decreased to 64% for the next installment, partly because of the unrest following the collapse of the pyramid schemes in 1997 and the very low market-value of the shares. Moreover, the voucher system was fraught with irregularities. Few enterprises slated for participation were ever put up for sale, resulting in a significant voucher overhang. A full list of the companies involved was never published, such that buyers were not informed about potential alternatives. The first group of companies was put up for sale before all participating buyers had received their vouchers. Undoubtedly scuttled by the breakdown of order which accompanied the end of the pyramid schemes, voucher privatization was a conclusive failure. By the end of 1997, only 5% of all SOEs had been privatized in this fashion (Hashi: 113-116).

In November 1996, the government altered its strategy, putting up large packages of shares in auctions to single buyers. This approach was expected to attract the interest of foreign investors. In March 1998, a law setting out the procedure for the privatization of important branches – such as utilities, telecommunications, and mining – was passed. Strategic partners have been sought, with payment in vouchers limited to a maximum of the value of each company. According to this scheme, partners hold a majority stake. Employees in the companies have been allocated vouchers, different from those already on the market, allowing them to buy shares. This evolution has rendered the vouchers distributed prior to the law worthless. (Hashi 116-8)

#### c) other reforms and initiatives

Another sector which the new government chose to privatize was housing. The housing which had been produced under communism was of low quality, with most houses lacking running water and central heating. By 1992, there was a chronic housing shortage, and several generations typically lived together in a crowded apartment. The January 1993 Law on Privatization of Housing in Urban Areas provided for the transfer of ownership of some 230,000 flats to their tenants (34% of all houses and flats). One-room flats built before 1970 and two-room flats built before 1965 were given to their occupants free of charge. Larger or more recently built flats were transferred to their

occupants for a fee of 2600 lek to 40000 lek (\$US26-400). By November 1993, the ownership of 97% of flats had been transferred to residents. (Hashi, 109, 110)

Efforts were directed at encouraging investment, both from Albania and abroad. As part of its bid to encourage growth in the private sector, the government offered some financial support to SMEs. New policies were introduced in an attempts to attract foreign direct investment (FDI): in August 1990, a law on joint-ventures was introduced, allowing foreign partners to hold up to 99% and giving them foreign trade rights, legal protection against expropriation and nationalisation, and substantial tax incentives. The need to simplify bureaucratic procedures was also acknowledged. Confusion over landownership and general instability in the Balkans hindered foreign investment further.

The Albanian government recognized that measures were needed to set up the institutional framework necessary to a capitalist economy. In 1991-1992, a two-tier banking system was put in place. The Central Bank of Albania was given exclusive control over monetary policy, the issuing of money and the setting of the exchange rate. Three second-tier banks were created to offer commercial banking services: the National Commercial Bank, the Rural Credit Bank, and the Savings bank. New banking legislation in 1996 reaffirmed the Central Bank's role in shaping macroeconomic conditions, through a tight monetary policy and a hard-budget constraint

### d) Behind the facade, a weak economy

Because of their tendency to rely on macroeconomic indicators to evaluate the economic health of a country, international organizations had only praise for Albania, ignoring more worrisome indicators that painted a much bleaker picture of the Albanian economy. Much of the industrial sector had not survived restructuring and privatization, creating massive unemployment. Many of those enterprises which continued to operate officially kept the same payroll, but put many of their employees on part-time or unpaid leave.

To make matters worse, Albania had difficulty in attracting the capital necessary to revive its economy. Despite the government's extremely favorable policy toward foreign investors, FDI trickled in much more slowly than it has into other East European countries, and was concentrated in export-oriented activities which do little for the growth of the Albanian economy. FDI was hindered by the perception that Albania is a deeply corrupt country and its correspondingly poor international image, the bad conditions of the infrastructure, bureaucratic obstacles and general instability in Southeastern Europe. For example, Italian investors have taken advantage of the cheapness of Albanian labor, importing Italian textiles to be made into clothing, then exporting them back to Italy. Remittances have played a much larger role in the Albanian economy than does FDI; revenues from emigrant workers for the period 1992-1996 alone have amounted to roughly US\$1.6 billion, compared to US\$270 million in cumulative FDI by May 1996. (Vaughan-Whitehead: 171) Investment has taken place primarily in the service sector, particularly in the establishment of restaurants and bars and small trade, prompting observers to warn that Albania has developed a "kiosk economy". The gap between Albania's weak export economy and its imports has

increased yearly. Albania's main trading partner have been EU countries, accounting for 78.8% of their imports and 85.5% of its exports in 2000. (UNCTAD: table 3.3, 3.4)

Because of the government's policy of tightly controlling wages while liberalizing prices, the wages of employed Albanians were not been able to keep up with the cost of living. 80% of household income was spent on food for a low-quality diet. Poverty is most exacerbated in rural and mountainous areas. Furthermore, Albania suffered from high unemployment. While the official figures are 17% for 1995 and 12% for 1996, the real percentage of unemployed was most certainly nearer 30-40%. Albania lost some of its youngest, most skilled and flexible labour as Albanians flooded out of the country to find jobs. They were estimated to number nearly 400,000 in 1993, 90% of which worked in Greece (Vaughan-Whitehead: 14, 95) The "brain drain" has hit Albania particularly hard as some of the country's best and brightest have left the country. Remittances, totalling some 300 – 400 million US per year, were the basis of the economy.

Efforts at institutional development to support a market economy have not been wholly successful. The banking sector has not been able to keep up with the demand for credit, which encouraged the flourishing of informal credit, such as the pyramid schemes that proliferated until 1997. It appears that the informal credit sector has also been used for illegal activities such as money laundering. Indeed, in part as a result of the sanctions placed on Yugoslavia from 1992-95 and again from 1998-2000, Albania has become a hub for illegal activities, ranging from smuggling to the drug trade to prostitution. The NGO "Useful to Albanian Women" estimates that there are 10,000 Albanian prostitutes in Italy and Greece alone. Albania is also an important transit zone through which goods and prostitutes make their way into Western Europe. (La Cava: 32, 25) The international community has attached considerable importance to the strengthening the rule of law and ending Albania's pivotal role in the illegal trafficking of arms, people and drugs.

Albanians have shown themselves unwilling to form associations or interest and lobby groups, seeing them as an extension of the hated collective, thus perpetuating another institutional weakness. The agricultural sector, already weakened by the extreme fragmentation of arable land, is kept back by farmers' unwillingness to form associations which could make irrigation, processing and marketing feasible and affordable. Similarly, trade union activity, which could play an important role in voicing workers' concerns, is very weak.

# e) Collapse of the Pyramid Schemes

The reforms implemented by the government and the changing nature of Albania's economy provided the conditions for the flourishing of pyramid schemes, which would spell disaster for the country. Encouraged by the lax banking rules, pyramid schemes began to multiply throughout the country in the early 1990s, as they did in many other East European countries. Some of the funds marketed themselves as charitable organizations; that is the case of Xhaferri, Populli and Sude, while others such as Vefa, Gjallica and Kamberri invested some of their earnings into legitimate business activities.

Attracted by phenomenal interest rates, Albanians from all social classes invested their savings, mostly remittances sent by their relatives employed abroad, into these schemes. In fact, the pyramid schemes were driven by remittances to a large extent.

The government did not condemn these schemes, nor did it prevent them from operating by using existing banking legislation. Both the Democratic Party and the Socialist Party have been linked with pyramid schemes, which may help to explain why there was no political debate around the schemes. It seems the government was also afraid of the impact that an action against the schemes would have on the economy, which had become increasingly dependent upon the schemes. Pyramid schemes were allowed to operate unhindered for several years. At the time of the collapse, it is estimated that almost all Albanians were involved in one way or another with the pyramid schemes.

Finally, on January 12, 1997, responding to pressures from the increasingly concerned IMF and the World Bank, the government made its first move against the funds, freezing USD 255 million in state-owned banks belonging to Populli and Xhaferri. A week later, it formed a commission to investigate the schemes. Over the next few months, the various funds stopped their operations, some declaring bankruptcy and their managers were arrested or fled the country. The assets of the companies were found to be much lower than their liabilities, in some cases less than 10%.

The popular reaction to the government's decision was immediate. A week later, 3,000 people marched in Tirana to protest the freezing of the funds. Most of the anger was directed at the government; the popular perception was that if the state hadn't intervened they would not have lost their savings. The opposition capitalized on this anger, articulating it into political demands, but failing to quell the fury. However, unrest quickly spread through the country. Widespread rioting resulted in property damage and the loss of some 500 lives in the following 6 months. The state lost effective control of the country, leaving some regions at the mercy of armed bands. Albanians fled the country in large numbers, estimated at 14,000. The extent of the crisis garnered international attention, and an international humanitarian intervention force was sent in. Twice in just a decade, Albania's turned on their state and destroyed much of what had been built and the country's already dubious international image was made worse. The victory of the Socialist Party in the June 1997 elections signaled a return to normalcy (Vaughan-Whitehead, 210-216).

The collapse of the pyramid schemes and the ensuing chaos had profoundly impact on the already fragile Albanian economy. The amount of money lost in the funds has been estimated between US\$300 million and US\$1.2 billion (Bezemer: 10). Damage to businesses caused by the riots amounted to USD 2,713 million, while nearly half, or 43% of enterprises had to interrupt their activities, either partially (28.6%) or entirely (14.5%) (Vaughn-Whitehead: 222, 246). FDI, already weak, dropped sharply both in real terms and as a percentage of the Gross Domestic Product and has yet to recover. (Secretariat of the ECE: 191)

# Balance sheet of transition: weak economy, weak infrastructure, widespread poverty

The collapse of the pyramid schemes and the ensuing civil disorder captured worldwide attention, changing perceptions of Albania from the poster-child for shock-therapy to the basket case of Europe. However, for Albanians the transition from the very start was a difficult experience. The high unemployment and underemployment that resulted from the breakdown of the industrial sector, and the inability of most farmers to translate their land ownership into meaningful economic gain have meant that most Albanians must look to other sources of income to earn enough to support their families. Such sources include: government pensions, unemployment benefits, private business, remittances, as well as whatever foodstuffs they can grow on their land.

Not all Albanian families are able to muster sufficient income to remain afloat. According to a 2002 World Bank technical report, 29% of Albanians say that they do not make enough to feed and house their families, and a further 29% that estimate that they can attend to these needs, are not able to secure clothing and shoes for their families. (De Soto: 101) Poverty is direst in mountainous and rural areas, particularly in the North, but is also becoming a major problem in the slum-like peripheral-urban areas that have formed around major cities as a result of the massive rural exodus since the early 1990s. The range of income in Albania is very narrow, such that the non-poor are hard to distinguish from the poor. Not only are poor Albanians more likely to suffer from malnutrition, poorer health and inferior living conditions, their condition is also psychologically stressful, bringing feelings of hopelessness, despair and vulnerability, and isolates them from both the social and economic life of their peers. As elsewhere in the region, the transition has been very uneven and a huge gap has developed between rich and poor. Many people, especially the youth, opted for the fast-money available in various illegal sectors.

The Albanian government is ill-equipped to identify and assist families in poverty. The Ndihme Ekonomike, created by the government in 1993 as a cash assistance program to assist poor families, reaches only a fraction of those in need, and is very low in value. Albanians have developed coping mechanisms to stave off poverty. One such system is the 'list': Shopkeepers allow customers on the list to purchase items on credit, in the expectation that they will pay their debt when they receive some sort of income.

Another very significant strategy, which enables the list to function, is the migration of massive numbers of Albanians in search of employment. Migrants are overwhelmingly young males between the ages of 14 and 40. Migration occurs internally, from the countryside to the city, and externally to Italy and especially Greece. Most migrants consider migration to be temporary and indeed most return to their village with their earnings after less than 6 months, only to migrate again when the money runs out. Most emigration abroad is clandestine. This strategy allows families to supplement their income substantially. While much remittance money was sunk in the pyramid schemes that collapsed in 1997, today remittances go towards consumption (especially construction and the purchase of household appliances) rather than investment. But

emigration is not an option available to all; it is an expensive proposition, such that wealthier families are more likely to be able to afford it. Larger families with more ablebodied men are also at an advantage.

While migration allows Albanian families to make ends meet, it comes at a substantial social cost. The encroachment of poverty, combined with the de-stabilizing effect of mass migration on Albanian social structures, has created a number of vulnerable groups. The departure of able-bodied men from a family leaves women and the elderly vulnerable during their absence. The marginalization of women has manifested itself in the increasing numbers of women drawn into prostitution. Furthermore, youth convinced that schooling will not give them an advantage on the labour market choose migration over education.

# Conclusion

As I noted, transition Albania is a dismal failure and the blame for that falls on a class of politicians who opted for quick wealth instead of the country's interests. In 1992, Albanians were, like Poles, ready to suffer some terrible economic pains for the sake of a better future. The government offered polemics and kiosks and the same type of rhetoric that had characterised the communist past. Given the people that rose to the top in Albania, that was really the best they could do having been raised in the worst period of Albanian communism. It is unique that Albania, which as the most homogenous country in the region did not suffer ethnic war, needed the international community to come to their aid just as often to mediate disputes between Albanians. It indicates an astonishingly low level of political maturity.

However, there may well be light at the end of the tunnel – the compromise between Nano and Berisha has calmed thing considerably. However, their continued dominance in Albanian political life cannot last much longer as the poisoned political atmosphere virtually devastated the country's transition. For ordinary Albanians, life has not improved that much especially since the state still cannot meet their basic needs – water and electricity.

# BALANCING THE SOCIO-ECONOMIC DISCREPANCIES AS A SOURCE OF SECURITY AND POLITICAL STABILITY: Views and Experiences in the Republic of Macedonia

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University "Sts.Cyril and Methodius" Skopje, Macedonia Email: dmircev@ukim.edu.mk An attempt is made in the following text at developing and providing evidence for a hypothesis on the present and future position in the SEE-region, which has not been, so far, so frequently and profoundly considered. The departing point is that the social, ethnic and political tensions, disputes and conflicts in the region are, in recent time, really calming down, that developments signalize indeed modest economic growth and democratic consolidation. Nevertheless, this is not a trend yet, there is no guarantee for lasting favourable developments. In the near future, the region will meet new challenges and temptations: new round of parliamentary and presidential elections in several countries, the decision on the status of the Serbian-Montenegrin federation, the implementation of the Ohrid Framework Agreement in Macedonia, the status of Kosovo, the position in Albania, Bosnia-Herzegovina etc.

What is undoubtedly needed in the region as well as in each country individually is a faster, more even and balanced socio-economic development, a development in which all social and ethnic groups will have an active role and share the benefits. So far it is not a case down there. Certainly, both the European Union and NATO are doing their hard field work in the region, in efficient and careful prevention of conflicts and undesirable developments, in peace-keeping and monitoring, in advising and even investing in the social and humanitarian area.

However, a profound resolution of the difficulties in the region, requires a serious reconsideration of the assessments of the troubles and their causes as well as of the policies and remedies applied. First of all, it requires reconsideration of the image and stereotype of the region, particularly of the Balkans as a trouble making, risky and anarchical region. It is well known that historically and traditionally, the Balkans is considered as a powder keg and a trembling area in Europe. Over the last two centuries, there has not been any serious crisis in Europe and the world, without the Balkans being in its focus or epicenter. To remind only to what was called a Great Eastern Crisis in 1870-s, to the Russian-Turkish war 1877, to the two Balkan wars 1912-1913, to the two world wars and last, to the six wars reflecting the disintegration of Yugoslavia, 1991-2002. This includes also the last, Macedonian amplitude of the Balkan crisis in 2001. However, the list would be much longer if national liberation wars are added as well as the numerous bilateral armed conflicts, for instance the Serbian-Bulgarian, the Greek-Turkish etc.

Indeed, these wars and conflicts themselves reflected and further created an enormous quantity of negative and destructive energy, ethno-nationalism, chauvinism and hatred almost an intrinsic tendency towards fragmentation, separatism, divisions and self-isolation. These features and trends have been and still are in sharp contrast with developments prevailing in the modern world: universalism, unification, globalization, interconnection, collective self-reliance. Even in glossary sources, Balkans, balkanism and balkanisation, have become a synonym of conflictuality, fragmentation, ethno-egoism and ethno-primitivism, a synonym of endless divisions and demarcations.

The Random House Dictionary defines that balkanism means to divide a country, territory, etc. into small, quarrelsome, ineffectual states (The Random House.. 1966, .113). The historian F.Schevill recently coined the notion of the Balkans as a country Balkania, which contrary to other parts of Europe urged by the forces of geography toward racial, economic and political unification, "is split into many geographic divisions separated from one another by natural barriers, the different peoples settled on the soil have been greatly aided in an instinctive desire to maintain their separate individualities and down to this day have successfully resisted all efforts made to bring about their political unification". (Schevill, 1995, p.13).

In 1993, the Carnegie Foundation has republished its own report on the Balkan Wars 1912-13, introduced by the ambassador G.Kennan, specialist in Balkan affairs, reffering to the current conflicts. Kennan in his introduction wrote of the same Balkan world where "ancient hatreds" persisted in production of inter-ethnical violence and wars with only differences in war tecnologies (Kennan, ed., 1993, p.9). The British sociologist J.Allcock quotes and analyses many recent sources and statements, especially referring to the Bosnian conflict but also to the entire region which name had become synonymous for violence, fragmentation, disorder and inter-ethnic rivalries leading to fanatical nationalism and hatred. Hatred, writes Allcock, is alleged to have been endemicin the Balkans stretching back into an almost antediluvian past...it would be tedious to document fully the repetition of assumptions about the incorrigible irrationality and violence of Balkan societies (Allcock, 2000, p.2-3).

Nevertheless, serious sources and research studies indicate that such views are a rather negative stereotype and even basically racist, that the violent history and presence of the Balkans could be interpreted in alternative ways if a profound academic discourse is employed. V. Friedman, a specialist in Balkan linguistics and cultural history, in several of his studies demonstrates that public and political stereotypes of the Balkans are nothing but an attempt to project the modernity of the region on the basis of the past. "Balkanism", he writes, is not predominantly a notion and synonymous of "political and ethnic fragmentation". "There exists a widely accepted meaning of the term "Balkanism" which is totally different of the fragmentation. In linguistics, Balkanism is a property shared by unassociated languages at the Balkans. The grammatical structure of languages at the Balkans confirms for centuries long multilingual and multiethnic coexistence even at most intimate levels" (Friedman , 2001/2, p.152).

Friedman's point, similar of that of many other scholars is that Balkanism should be studied and considered not as essentially mental or ethno-mental phenomenon but rather as social and sociological phenomenon. Behind this proposition is the conviction that the interpretations of the tensions and conflicts at the Balkans do not appear productive if a simple matrix of Balkanic mentality as designed for conflicts and violence is used. This simple matrix **involves prejudices and stereotypes created earlier and converted then into inadequate policies** of the international community. Friedman himself describes this in the case of the statistical census in Macedonia, 1994, organized and financed by the European Union, which converted the usual counting of the population into first class ethno-political phenomenon. Apparently, in many cases , the international community engineers policies of conflict resolution in the Balkans that are not grounded on understanding of the complexities and social fabric of the conflicts. Intellectuals are not responsible for these policies but it is true that they are not innocent in articulation and implementation of the therapy of conflicts' resolution.

In analyzing the social factors and sociological aspects of the crisis in the region, one can not avoid departure from its overall backwardness, poverty and low development. In most important economic indicators, SEE-countries do not reach half value of the indicators of EU-countries, while Balkan countries without Greece reach less than one fourth of that level. It is strange if one takes into account the central and most suitable strategic geopolitical position of the Balkans in Europe on one side and its backwardness on the other. However, this strategic position was relevant mainly in the medieval period, when the region was a crossroad and a bridge between the European West and the East, between its North and the Mediterranean, between the Occidental and Oriental religions, cultures, economies. But later on, it lost its strategic significance, particularly after the transfer of the development centers and agents from the East to the West (Maleski, 2002). The Balkans remained on the periphery.

This refers not only to the interpretation of the Balkans position in Europe as a whole, but also to interpretation of developmental gaps caused by center-periphery relations inside the Balkans and even in each individual country (Palairet, 1997). Indeed, the Balkans had, for a long time been a periphery of the large European empires: the Ottoman Empire, the Habsburgh Empire, the Russian Empire etc. Ethnic minorities or communities within individual Balkan countries are positioned as a rule in their border and peripheral regions, again backward and poor. Such regions are, for instance- Western Macedonia, Northern Greece, Western Bulgaria, Southern Serbia with Kosovo etc. To some extent, this explains the uneven, slow and unbalanced development pattern of and within the region as well as the specific position of individual countries and ethnic groups.

Balkan countries as Europe's periphery, have relatively late won their independence and established their national states, the first one being Greece (1822), the last Macedonia and Bosnia-Herzegovina (1944). Their later development and present position depended not so much on their ethnic mentality or religion, but on emergence or delay of industrialism, open market, modern education and communications, on the rise of civil society, civic culture and elites. In most of them, agrarian society and structure prevailed, producing traditional patterns of organization, patriarchal culture, cultural isolationism, authoritarian position of the leading elites. The late formation of the nation states in many cases resulted in preservation or rebirth of ideologies of national romanticism, of ethno-state hegemony, territorial claims and pretensions, particularly associated with the leading elites. Adding this factor to the existing socio-economic discrepancies and differences appeared to be a fatal cause of the dissolution of the former Yugoslav federation but also of the later conflicts among the newly born states or ethnic communities on its soil.

The rates of development of individual republics in former Yugoslavia as well as differences in their main economic indicators (GDP per capita, industrial production,

unemployment, living standard etc.) have had ratios of 3 or 4 to 1 between most and least developed. Matched with the strife and tensions among ethno-political elites in the country, that factor had a decisive effect on the dispersion of the federation (Mircev, 1993).

Certainly, it is not disputable that the more prosperous, socially balanced, sustainable and democratic development of the region would have considerable impact onto the security, peace and stability, and would be a significant factor of integration of the whole region in the European Union and the Euro-Atlantic structures. This is a clear objective of the EU, of NATO, of all other European integrative institutions; not less is it an expressed interest of USA, Canada, of UN and the regions around the continent. Naturally, it is as well, an interest of all countries in the region itself and of their governments. However, the policies applied so far, have not produced appropriate effects. Some developments are even regressive. What is needed in the Balkans is a strategy of a balanced, more even, sustainable and faster socio-economic development as a prerequisite of achieving stability, security and democratic political practices and institutions.

The current position is unfavourable in this respect. Most countries have different and even contrasting statuses in the international community, not to speak of the social conditions of population groups within individual countries and among the countries.

**Regarding the international, political and security status,** some of the countries, Greece, Turkey and Hungary for instance, are full members of NATO, some others as Slovenia, Romania, Bulgaria are invited to join NATO; Croatia, Macedonia and Albania are only members of Partnership for Peace and potential invitees, while Kosovo and Bosnia-Herzegovina are security protected by NATO and UN; Serbia and Montenegro are outside any structure. This differentiated status of each country, raises many dilemmas and no doubt influences their mutual and multilateral relations. As to the European Union membership, Greece is a full member, Slovenia and Hungary full members from 2004, Bulgaria and Romania from 2007, Turkey negotiating for 2007, Croatia and Macedonia have association and stabilization agreements with EU, Albaniatrade agreement, Serbia and Montenegro no agreement, Kosovo and Bosnia-Herzegovina are UN protected areas. (See- T-1 in the Annex).

These different statuses altogether do not contribute too much to the intra-regional cooperation, communications, open and common market or to building up institutions or cooperation of equal partners. Trade regimes within the region differ despite the fact that free trade agreements are preferable; custom and tax systems also differ, transport and communications systems are not well connected, border and visa-regimes prevent free traffic of population and the business. There operate several regional pacts and initiatives to encourage the harmonized regional development and more intense intra-regional exchange: the American supported SECI, the EU supported Pact of Stability, the Central European Initiative in addition to some regional programs of the EU, UNDP etc. Nevertheless, economic gaps have not decreased over the past decade.

Statistical evidence (Human Development...2001) speak that GDP p.c. varies from around 3000\$ in Albania to almost 16000\$, Life expectancy from 69 years of age in Romania to 78 years in Greece, Adult literacy rate from 84% in Albania to almost 100% again in Slovenia. The overall Human development index (HDI) has a value of 0.881 in Greece, 0.874 in Slovenia, 0.829 in Hungary etc. to 0.725 in Albania. Indirect data on Serbia, Montenegro and BIH indicate a little higher values than on Albania, data on Kosovo are with absolutely lowest values.( See T-1, T-2 in the Annex). These UNDP figures correspond with similar but updated from the EC in Brussels. Reporting on the transition in the Western Balkans, the Commission describes the GDP pc in the region as well as in individual countries as 5-15 times lower than the average of the EU, the inflation rate as much higher than the average, the unemployment rate reaching 29, 30 and even 42% in some countries. The projected rates of growth in the region do not make it possible for the countries mentioned to get closer to the EU in any reachable periods shorter than 10 to 15 years. (See T-3, T-4).

A more detailed analysis of the comparative statistics of the whole SEE region, the Balkans including, shows an indicative regularity: indicators on the human potential and resources (education for instance, health protection etc.) are everywhere favourable, while economic effects are weak or lacking. It is well known that between these two groups of factors, the mediating factor is the political and managerial structure. This structure, sometimes called leadership, has rarely in the Balkans been a group which recruitment, cultivation, selection and replacement was grounded on the principles of democracy, knowledge, professionalism and responsibility. In achieving this, the region and each country individually need profound commitment, investments, assistance and experience. But, first of all- they need policies of employment of the leaderships in transformative and development programs that actively involve and are of benefit for all relevant social groups.

The Republic of Macedonia is a typical example of successes and failures in this sense. Since its dissociation from former Yugoslavia and the acquisition of the independence in 1991 until 2001, Macedonia was recognized in the region and in larger community as a country keeping its internal stability and democracy, as a state highly respecting and protecting civic liberties and human including ethnic rights, as well as a partner developing good neighbourly relations and international practices. Macedonia experienced hard times in isolation and suffering from the Greek blockades, UN sanctions against Miloshevic regime in Serbia, then the campaign in Kosovo etc.

Nevertheless, in the spring and summer 2001, Macedonia experienced an amplitude of the Balkan and Yugoslav crisis, being terrorized on a smaller part of its North-Western territory from ethnic Albanian groups trained and armed in Kosovo. This was a clear spillover of violence from the territory of Kosovo, followed by several months fighting with the security forces of the Republic. The conflicts terminated in the autumn, after political talks and an agreement of political parties involved on improvement of the legal and political position of the albnian community in the republic. The international factors, particularly EU, NATO, OSCE etc. gave their full contribution to the peace-process and restoration of the constitutional order of the republic. Hundreds of victims on both sides and considerable material and economic losses were put on the records of he country. The truth is that the conflict was caused from outside, that many participants came from other countries, and that the state was a victim of aggression. But it is also truth that the extremist groups have been supported by hundreds or thousands of local Albanian population, that in the course of the conflict they had shaped a sort of political program as a result of an amount of dissatisfaction of ethnic Albanians with their social position and conditions of living.

The conflict in Macedonia is now well behind, amendments to the Constitution adopted providing more righteous representation of the Albanian community in the public administration, education, defence and security as well as in local governance.

However, these arrangements have more or less legal and declarative meaning. Real problems faced by the community are of social and developmental nature. The rates of the demographic reproduction of the Macedonian and Albanian groups have a ratio of 1:3. This is a result partly of religious and traditional factors but also of the predominant involvement of the Albanian group in agriculture which has and still needs more manpower. Living and working mainly in depressed agrarian ambient, the Albanian community often has substandard conditions in education, health protection, employment in the public sector etc. The surplus of the agrarian population most often either temporarily emigrates to European countries or presses upon the neighbouring regions for land, properties, settling etc.

All these issues are issues of development policies but as they, because of variety of reasons do not work or provide results, the issues become political, inter-ethnic and ethno-conflicting. This is the reason why the faster and more balanced development of the Republic as well as of the region as a whole is a prerequisite for the peace, stability and security.

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## ANNEX

# T.1 EEC-s STATUS RELATING TO EU/NATO

COUNTRY	EU	NATO
ALBANIA	TRADE AGREEMENT	PfP
BOSNIA-HERZEGOV.	NO	NO
BULGARIA	FULL MEM. 2007	INVITED MEM.
CROATIA	STAB./ASSOC.AGR.	PfP
GREECE	FULL MEM.	FULL MEM.
HUNGARY	FULL MEM. 2004	FULL MEM.
MACEDONIA	STAB./ASSOC.AGR.	PfP
ROMANIA	FULL MEM. 2007	INVITED MEM.
SLOVENIA	FULL MEM. 2004	INVITED MEM.
YUGOSLAVIA	NO	NO

COUNTRY	LIFE	GDP per	EDUC.	HDI	HDI	
conditions of list	EXPECTANCY	cap.(ppp)	INDEX		RANK	
ALBANIA	73.0	3,189 US\$	0.80	0.725	85	
BOSNIA-H	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	
BULGARIA	70.8	5,071 US\$	0.90	0.772	57	
CROATIA	73.6	7,387 US\$	0.88	0.803	46	
GREECE	78.1	15,414 US\$	0.92	0.881	23	
HUNGARY	71.1	11,430 US\$	0.93	0.829	36	
MACEDONIA	73.0	4,651 US\$	0.86	0.766	60	
ROMANIA	69.8	6,041 US\$	0.88	0.772	58	
SLOVENIA	75.3	15,977 US\$	0.94	0.874	29	
YUGOSLAVIA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	

# T.3 WESTERN BALKANS COUNTRY SUMMARY (MACROECONOMIC INDICATORS 2001-02 EC AND IMF SOURCES)

T.2 EEC s Human Development Index- 1999 (of 162 countries)

Mana	2001	2001 20	002 <sup>p</sup>	2001 20	002 <sup>p</sup>	2001 2002 <sup>p</sup>	2001 2	002 <sup>p</sup>
Albania	3.4	6.5	5.0	3.5	3.9	-25.0 -22.1	-6.3	-5.9
BiH	4.3	2.3	2.5	3.3	2.3	-36.9 -33.5	-22.3	-20.7
Croatia	4.4	3.8	4.0	2.6	3.0	-21.0 -21.5	-3.1	-3.6
FRY	8.6	5.5	4.0	39.0	15.0	-26.0 -25.8	-5.5	-8.2
Kosovo(FRY)	2.0	11.0	7.0	11.3	6.5	-47.3 -50.2	9.1	-2.0
FYRoM	2.0	-4.1	0.5	3.7	3.0	-11.7 -11.4	-10.6	-9.7
Western Balkans	\$ 24.7	4.1	3.8	12.0	6.1	-24.4 -24.1	-6.0	-7.1

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COUNTRY	EUR
ΔΙ ΠΑΝΠΑ	A Boall
ALBANIA	1350
BOSNIA-HERZEGOVINA	1175
CROATIA	5140
FRY	1412
KOSOVO(FRY)	941
MACEDONIA	1885
WESTERN BALKANS	2026

# T.4 WESTERN BALKANS- Per capita GDP, 2001

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Professor Pior Dutterwicz, Carleton University, for his commany on the theoretical sough each discognization of any will be and the commany intermediate the two his is beringston of any will also of yearsoned of "disconting" in the Source Commany and the second and the of yearsoned of "disconting" in the mediately commany and the second and the of yearsoned of the second of the based of the second of the second of the second of the second of the based of the second of the second of the second of the mediately second and the second of the second of the second of the based of the second of the secon

# Strengthening Horizontal Accountability in the Balkans

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### Introduction

Corruption is threatening democratic consolidation in many of the former Yugoslav Republics in Southeast Europe. If these former Republics are to evolve from minimalist democracies sustained by vertical accountability mechanisms (such as elections) to consolidated liberal democracies, they will need to be supported by agencies of horizontal accountability that can provide viable constraints on the executive branch. The first section of this paper argues that the building of institutions of horizontal accountability is critical to the success of democratic consolidation. The paper delves into three definitions to make this argument— democracy (minimalist vs. maximalist or liberal), democratic consolidation and horizontal accountability. Focussing on empirical experience and academic sources in Croatia, Serbia and Bosnia-Herzegovina, the paper then examines the role of supreme audit institutions in strengthening horizontal accountability, and at (the challenges that limit) the support role that legislatures can provide in acting upon the supreme audit institution reports.

#### Definitions

#### Democracy

Establishing the criteria for what constitutes a democratic regime is not as simple or evident as one would think. Larry Diamond points to a serious "conceptual disarray" and "lack of consensus" regarding what constitutes a democracy. <sup>i</sup> He cites a recent study by two political scientists which identified 550 subtypes of democracy based on a review of 150 studies, most of them recent. <sup>ii</sup> For our purposes, distinguishing between a minimal or procedural democracy and a maximalist definition of democracy (or liberal democracy) is critical.

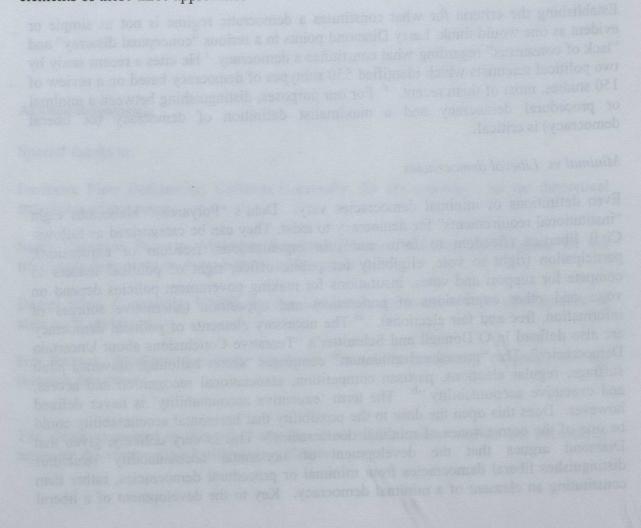
### Minimal vs. Liberal democracies

Even definitions of minimal democracies vary. Dahl's "Polyarchy" elaborates eight "institutional requirements" for democracy to exist. They can be categorized as follows: Civil liberties (freedom to form and join organizations, freedom of expression); participation (right to vote, eligibility for public office, right of political leaders to compete for support and votes, institutions for making government policies depend on votes and other expressions of preference) and opposition (alternative sources of information, free and fair elections). iii The necessary elements of political democracy are also defined in O'Donnell and Schmitter's "Tentative Conclusions about Uncertain Democracies". The "procedural minimum" comprises "secret balloting, universal adult suffrage, regular elections, partisan competition, associational recognition and access, and executive accountability."<sup>iv</sup> The term 'executive accountability' is never defined however. Does this open the door to the possibility that horizontal accountability could be one of the cornerstones of minimal democracies? This is very unlikely, given that Diamond argues that the development of horizontal accountability structures distinguishes liberal democracies from minimal or procedural democracies, rather than constituting an element of a minimal democracy. Key to the development of a liberal

democracy is the development of constitutional constraints on executive power—these powers must be other autonomous government institutions—that help to "protect constitutionalism, legality and the deliberative process". <sup>v</sup> Liberal democracies are also distinguished from their minimal counterparts in numerous other ways, such as the absence of non-reserved domains of power to non-accountable officials, and provisions for extensive civil and political pluralism as well as group and individual freedoms. These provisions are designed to ensure that "contending interests and values may be expressed and compete through ongoing processes of articulation and representation, beyond periodic elections".<sup>vi</sup> Linz and Stepan refer to the "continuum that exists from "low to high" consolidated democracies. The evolution from a minimal to a liberal democracy is very much consistent with this continuum.

# Definition and Approaches to Democratic Consolidation

Several academics delineate between the behavioural, attitudinal, and constitutional/structural approaches to democratic consolidation. As Andreas Schedler argues, these three approaches "differ in the objects of observation as well as in the causal assumptions they rely upon to assess degrees of democratic consolidation". <sup>vii</sup> Linz and Stepan argue that a definition of democratic consolidation must include elements of these three approaches.



## Structural/constitutional

The structural/constitutional approach appears to have the most to say about horizontal accountability. Structural foundations are concerned with both institutional factors and socioeconomic factors that lead to the consolidation of democracy. Literature on constitutional/structural foundations has focused on institutional design and electoral systems, looking upon formal institutions as "incentive structures" ("that either encourage or discourage antidemocratic behaviour)", and secondly as structural constraints ("that either allow or prohibit antidemocratic behaviour"). <sup>viii</sup>

Political institutionalization is critical to developing these incentive structures and structural constraints. <sup>1</sup> One of three "generic tasks" required to achieve democratic consolidation, political institutionalization entails strengthening political institutions, the state administrative apparatus/bureaucracy, institutions of democratic representation and governance (including political parties and legislatures <sup>2</sup> and the rules that govern them) and structures that ensure "horizontal accountability, constitutionalism and the rule of law".

In his elaboration of the elements of horizontal accountability, Diamond focuses on the importance of an independent and professional judiciary and effective legal infrastructure. The judiciary can also "play an important role in punishing and deterring corruption and abuse of office", but require specialized audit agencies to do so. <sup>ix</sup> These are the agencies of horizontal accountability.

From a structural perspective, agencies of horizontal accountability, if functioning properly, should be serving as "structural constraints" to discourage antidemocratic behaviour, which could include (based on the O'Donnell/Schmitter definition of democracy) electoral commissions uncovering electoral fraud, and human rights commissions denying associational recognition and access.

Regarding the socioeconomic aspect, Seymour Martin Lipset's "original probabilistic dictum still holds...The more well-to-do a nation, the greater the chances that it will sustain democracy".<sup>x</sup> Przeworski *et al* for example argue that "the level of economic development has a very strong effect on the probability that democracy will survive". <sup>xi</sup>

## Behavioural

Behavioural approaches to democratic consolidation focus on behaviour of political elites in respecting the "democratic the rules of the game". Behavioural foundations look primarily for instances of anti-democratic behaviour to detect threats to democratic consolidation. In essence, this entails ensuring that the "rules of the game" are adhered

<sup>&</sup>lt;sup>1</sup> Political institutionalization is one of the three "generic tasks" that new and fragile democratic regimes face if they are to become a consolidated democracy. See Larry Diamond, "Developing Democracy: Toward Consolidation".

<sup>&</sup>lt;sup>2</sup> In this paper, the term 'legislature' is used generically, while the term "parliament" describes a type of legislature operating under the Westminster system

to. The use of violence by the state and the rejection of elections are two such measures of anti-democratic behaviour.<sup>3</sup> A third is transgression of authority. Of the three operational criteria Andreas Schedler proposes, the "anti-democratic behaviour" that can be rectified by agencies of horizontal accountability is the transgression of authority. Schedler asks "which kinds of violations of the law are serious enough to alert us that democracy might be in danger?" He replies:

Isolated transgressions may have little impact on democratic stability. But as violations of rules and meta-rules develop into a recurrent practice in salient cases, the prospects of democracy darken...[A]larm bells go off when public officials start ignoring the legal boundaries of their office. When they start violating prevalent rules of rule making, rule enforcement or conflict settlement...

#### Attitudinal foundations

Attitudinal foundations focus on preferences and perceptions of actors, both elites and masses. A democratic regime is seen to be consolidated from an attitudinal perspective when a strong majority of public opinion believes that democratic procedures and institutions are the best way to govern, and when those who advocate an alternative are meagre in size. As Przeworski observes, "democracy can only survive when all major actors acquire a stake in its survival". <sup>xii</sup>

#### Horizontal accountability

Horizontal accountability is defined as the "capacity of state institutions to check abuses by other public agencies and branches of government". xiii Why is horizontal accountability necessary in a democracy? After all, (vertical) accountability is exercised in a democracy "through the means of reasonably fair and free elections (whereby) citizens can punish or reward incumbents by voting for or against them...in the next election". xiv Aren't periodic elections sufficient to ensure that the executive spends public funds prudently and with integrity? While elections certainly do play an important role in evaluating the performance of elected officials, Larry Diamond, Mark F. Plattner and Andreas Schedler argue in "The Self-Restraining State: Power and Accountability in New Democracies" that elections, assuming that if they are competitive, free and fair, cannot provide assurances that governments will be decent or act with integrity. \*\* First of all, elections apply only to public officials. They do not hold senior bureaucrats to account. Second, assuming that the criteria for election of a government was based solely on how diligently the government expended the state budget (which is not the case), information about how well the government performed this function would have to be presented in a timely (i.e. prior to the election) and accurate (i.e. objective) fashion. If word of fiscal mismanagement did not get out until after the election or was suppressed altogether, elections as an accountability mechanism would fail. Third, people vote for a

<sup>&</sup>lt;sup>3</sup> Regarding the latter, the well-known "one-turnover test" and the more challenging "two-turnover test" are designed to measure democratic resilience, and to "measure the willingness of political actors to accept democracy not just as a route to power but as 'a system in which parties lose elections" (Przeworski).

multiplicity of reasons not necessarily connected to accountability, including personality.

# Corruption as the basic threat to Democratic Consolidation in the Balkans

A fourth reason why vertical accountability is insufficient is that it does not constrain executive power. Lenard Cohen cites research conducted in Romania, Bosnia-Herzegovina, Bulgaria and Croatia at the end of the last century that "indicates a very high level of corruption of the state capture variety". xvii Referring to Bosnia-Herzegovina, Robin Skulrak argues that "without an effective system of checks and balances, crime and corruption are beginning to undermine the legitimacy of Bosnia's democratic government, and are weakening most of Bosnia's institutions". xviii Elections will change little in this respect. If, in the Balkans, as Ivan Krastev argues, "the state appears to be merely a prize that players try to capture rather than a guarantor of law and the basic services necessary to civilized and decent life", elections are likely only to throw one set of thieves out in favour of another. Defeat of one corrupt government in favour of another will merely fuel "widespread perception(s) that everybody and everything in public life is corrupt". Krastev argues that "this perception is the basic danger to Balkan democracies". xix After all, corruption stands to undermine the very attitudinal foundations of democratic consolidation. That is why Diamond et al argue that: it is becoming increasingly clear that without working systems that can provide 'credible restraints' on the overweening power of the executive, democratic regimes tend to remain shallow, corrupt...and incapable of guaranteeing basic civil liberties. xx Assessing Horizontal Accountability

Horizontal accountability mechanisms provide those 'credible restraints' on the executive. There are numerous genres of horizontal accountability. While this paper focuses on financial accountability, namely "the use of public money by state officials to norms of austerity, efficiency and propriety", other types of horizontal accountability include administrative accountability, professional accountability, moral accountability, legal accountability and constitutional accountability. <sup>xxi</sup> Horizontal agencies of accountability include electoral commissions, tribunals, auditing agencies, anti-corruption agencies, ombudsman's offices, administrative courts and human rights commissions.

#### State Audit Institutions

As national agencies responsible for auditing government revenue and spending, supreme audit institutions (SAIs) are a critical institution of horizontal accountability. Their primary *raison d'etre* is to "oversee the management of public funds and the quality and credibility of governments' reported financial data" and then report to the legislature which has the ultimate responsibility for acting upon and/or following up on findings, opinions or recommendations of the SAI. <sup>xxii</sup>

SAIs can conduct up to three types of audits—financial or attest audits, verifying the accuracy and fairness of the governments financial statements; compliance audits, which verify "whether government revenue and spending have been authorized and used for

approved purposes", and, performance or value-for-money auditing.<sup>4</sup> The latter, while in the mandates of SAIs in Croatia and Bosnia-Herzegovina, is not yet being conducted.

For a Supreme Audit Institution to be successful, it is crucial that agencies of accountability be independent from the public officials and government agencies that they are reporting upon. Specifically, agencies of accountability should "not stand in a relation of formal subordination" to the accounting party. As Schedler argues, "horizontal accountability presupposes a prior division of powers, a certain internal functional differentiation of the state". xxiii As concerns SAIs, the Lima Declaration of Guidelines on Auditing Precepts was adopted by delegates of the International Conference of State Audit Institutions (INCOSAI) in October 1977. The chief aim of the Lima Declaration (the Declaration) is to set the standards that will ensure the independence, efficiency and effectiveness of the SAI. According to the Declaration's preamble, "a Supreme Audit Institution which cannot live up to this demand (independence) does not come up to standard ... "xxiv Part II of the Declaration calls for the establishment of SAIs and the independence of the institution and its members (including the appointment and removal process) to be prescribed in the constitution and detailed in the relevant legislation. A reference is also made to financial independence. Other important aspects for success of an SAI include a supportive environment by other branches of government, a clear mandate (including defining who gets audited, the scope of the audits), adequate funding, facilities, and staff, and adhering to international standards as defined by the International Organization of Supreme Audit Institutions (INTOSAI). XXV

# SAIs in Serbia-Montenegro, Bosnia-Herzegovina and Croatia

Presently, there are supreme audit offices in Bosnia-Herzegovina and Croatia. In Bosnia-Herzegovina, the Office for Auditing the Financial Operations of the Institutions of Bosnia-Herzegovina (SAIBiH) was established in 1999. Similar audit offices were also established in 1999 in the two entities. In Croatia, the State Audit Office was established in 1993, and its law was amended in 1999. Neither SAI is entrenched in the constitution, but rather in legislation. In Serbia-Montenegro, there is no audit office at the federal level or in the Republic of Montenegro. Draft legislation has been recently prepared in Serbia to develop a State Audit Office, and will be considered by the National Assembly of Serbia by middle of 2003<sup>5</sup>. A constitutional clause spelling out the existence of the State Audit Office has been prepared and will likely be included in the upcoming constitutional changes in the Republic of Serbia. In Croatia, while an independent SAI does exist, the State Audit Office suffers from weak capacity, and therefore does not review the government's budget expenditures, although it has the mandate to do so. This is the case because about 60% of its time is spent on auditing privatization transactions, a source of substantial corruption. <sup>xxvi</sup> Alternately, the Ministry of Finance conducts the

<sup>&</sup>lt;sup>4</sup> According to the Office of the Auditor General of Canada (OAG), VFM auditing "assesses whether programs are run economically and efficiently and whether the government has the means to measure their effectiveness". See "2001 Report of the Auditor General of Canada - February - Reflections on a decade of serving Parliament".

<sup>&</sup>lt;sup>5</sup> Conversation with Daniel Blais, Consultant, UNDP.

"evaluation" of government expenditures, as is the current practice in Serbia. <sup>xxvii</sup> There is therefore no independent financial assessment of government expenditures, since the Ministry of Finance is an internal audit body in formal subordination to the Government of Croatia. It is the Ministry of Finance, not the State Audit Office that submits a biannual report on the implementation of the state budget to the Sabor. This information is statistical in nature, and contains no analysis. It is consequently very difficult for the Budget and Finance Committee of the Sabor, the main committee charged with reviewing the reports on expenditure of the state budget, to use. This drawback is known and is being addressed by the EU through its strengthening programs targeting external state auditing.

# Legislatures and SAI relationship to Legislatures

#### Reporting to Legislatures.

Legislatures must play a role in strengthening horizontal accountability by mandating public officials and government agencies to explain their decisions and by appealing, through the media, to public opinion. In Westminster-style systems, agents of accountability are institutions that report directly to the legislature and therefore form part of the legislative branch. These agencies of accountability often report back directly to the legislature rather than to the executive branch in order to ensure that they retain a degree of autonomy from the institutions that they oversee. In some systems following the Latin tradition, some oversight agencies are part of the judiciary and have their own enforcement powers.

Part VI of the Lima Declaration recommends that regardless of the type of audit system in place, the Supreme Audit Institution shall:

be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the Supreme Audit Institution.

Nonetheless, the reporting relationship between an SAI and a legislature varies according to the type of audit system. The systems can be categorized into three types—Napoleonic, Westminster and board. The Napoleonic system, used in Latin countries of Europe <sup>6</sup> is usually called the *Cour des Comptes*. The *cour des comptes* often forms part of the judicial branch and both conducts audits and has the judicial and administrative authority to seek redress. As a result, the SAI is not reliant upon the legislature to take action on the findings of its audits. Reports submitted to the legislature are therefore more for informational purposes.

In the Westminster system, the "relationship between Parliament and its SAI is at the core of the objectives and purpose of Parliament's oversight function." SAIs provide legislatures with objective information about government expenditures of the state budget, and the legislature follows-up (usually with a dedicated public accounts

<sup>&</sup>lt;sup>6</sup> France, Italy, Spain, Portugal, among others.

committee) by examining reports on government expenditures and programs and making the institutions accountable often by calling representative individuals before the legislature to account for their actions. In seeking an explanation, the right of the Public Accounts Committee of the Canadian House of Commons to order that a civil servant be "compelled to testify on any issue, answer any questions or produce any document" is an example of how public officials or government agencies might be mandated to explain their actions or decisions. The board system resembles the Westminster system, but is run by a collective audit commission rather than a single auditor general. Bosnia-Herzegovina and Croatia have each developed an audit system that leans in the direction of the Westminster model rather than the *cour des comptes* model. Serbia's model is also expected to lean in the direction of the Westminster model as well but will be run by a commission (according to the board model) rather than a single auditor general. xxix The implications of developing a system based on the Westminster model is that since the SAIs are created as independent bodies and therefore responsible directly to their respective legislatures, their reporting relationship to the legislature and the legislatures' ability to act on the reports is considered an important aspect of the work of the SAIs. Second, sanctioning/punitive powers are non-present or extremely limited in the Westminster model, thus increasing the SAIs reliance upon the legislature to react to the SAI reports by placing pressure on the appropriate ministry for redress. For example, while the Croatian State Audit Office can levy fines on auditees for failure to furnish documents, and for providing incorrect information, it does not have the power to seek redress for misspending xxx. This, of course, increases the need for collaboration between the SAI and legislature.

# The Capacity of Legislatures to Consider the SAIs Reports

A few words about the political institutionalization of legislatures, since they figure prominently in this paper. Diamond underscores that legislatures require "sufficiently elaborated and resourceful organizational structures so they can engage, challenge and check executive officials and state bureaucracies". Legislatures require, among other things:

legal and technical skill in writing legislation and reviewing budgets; a system of functional committees with professional staff who have specialized expertise in various areas, from macroeconomics and environment to national security; a library and information service; a research support function... <sup>xxxi</sup>

While the Lima Declaration recommends that SAI reports be submitted to the legislature, the assumption that legislatures will have the political will, time and capacity to read and react to the SAI reports is often not addressed. There are several reasons for this. First, in a parliamentary system, when the governing party holds a majority of the seats in the lower house of the legislature, or there is a coalition government, the domination of committees by members of the governing party or parties significantly limits the effectiveness of legislative oversight. <sup>xxxii</sup> This is the case in Croatia, where until its collapse in June 2002, the 151-member Sabor was ruled by a five-party coalition, occupying about 88 seats. The second-largest grouping in the coalition, the Social Liberal Party (HSLS), pulled out amid political wrangling. <sup>xxxiii</sup> Against such a backdrop,

members of the coalition are hesitant to deal with the type of controversial issues that can arise from a controversial audit report that might further destabilize an already fragile coalition and provide fodder to the opposition. Where the political opposition is concerned, the use of such tools as audit reports as political weapons is intensified by what Lenard Cohen, quoting a Serbian analyst, calls a goal of many 'old guard politicians' for the "destruction of opponents and the construction of absolute power".

Herein lies one of the dilemmas of strengthening horizontal accountability—while strengthening horizontal accountability mechanisms can contribute to the consolidation of democracy, they can, if misused, undermine political stability and threaten the political survival of a sitting government by causing coalitions to collapse and governments to be defeated. In the same way, horizontal accountability mechanisms can be used to undermine public confidence in democracy, thereby undermining the attitudinal foundations of democratic consolidation. After all, Richard Rose argues that:

What unites those who feel most ready to turn their backs on democracy and look for undemocratic alternatives is not income, party affiliation, or former communist ties, but a conviction that their country is totally corrupt. <sup>xxxv</sup>

Therefore, one could argue that while developing agencies of horizontal accountability strengthens democratic consolidation from a structural perspective, it is critical from a behavioural perspective to ensure that the politicians use this information in a manner consistent with the rule of law and in the spirit of the "democratic the rules of the game". After all, as Cohen argues:

the overcharged, obstinately non-pragmatic, and obsessive struggle for power at any cost between many rival Balkan political leaders and political parties has been another factor undermining effective governance and the legitimacy of state institutions in the region.

Such bitter partisan struggles undermine confidence in democracy, and thereby weaken democratic consolidation from an attitudinal perspective.

Second, given that legislative committees are one of the "most important ongoing instruments of effective parliamentary action on the budget cycle", <sup>xxxvii</sup> the fact that legislatures in Southeast Europe are plagued by an underperforming committee system weakens legislatures in performing its oversight role. Why should legislatures be immune from the "weak state syndrome"? As Lenard Cohen argues:

when a state suffers from institutional weakness to the point [which] it becomes too incapacitated to deal with major functions or problems it can be deemed a weak state. The extent of weakness depends on the degree to which governmental and administrative structures exhibit a capacity to fulfill their responsibilities.

In many Southeast European legislatures, including in Serbia, the legislature is only beginning to define the roles of committees. As a result, committees have yet to take on a substantial role. <sup>xxxix</sup> Furthermore, the absence of a dedicated public accounts

committee places increased demands upon the finance committee's time to review the SAI reports. Neither the Croatian nor the Bosnia-Herzegovina Parliamentary Assembly (BiH PA) have a dedicated public accounts committee, but rather deal with their respective SAI reports through their respective Finance Committees. Yet another problem in the BiH PA is that the capacity of the Finance Committee to deal with SAI reports is limited because members of the BiH PA meet only on a part-time basis—approximately two days per month. <sup>7</sup> This is also the case with the Serbian National Assembly, which is unlikely to begin with set up a public accounts committee immediately following the passage of the draft law on the State Audit Office.

Third, many of the legislatures in Southeast Europe have very weak legislative infrastructure to assist parliamentarians in understanding the SAI reports. This relates directly to Diamond's arguments (discussed above) about the political institutionalization of legislatures in order to ensure that legislatures have proper resources to check the executive branch. Staff support to committees to perform their oversight role tends to be severely lacking. In the BiH PA, there is no research service or legislative library. Some legislative committees share a committee secretary, but that secretary is responsible for administrative and logistical duties as well, and has little time left over to perform the work required to prepare parliamentarians to discuss the State Audit Office report. In Croatia, where the Budget and Finance Committee is served by three expert associates and a committee secretary (dealing with logistical and administrative issues), the staff lack training to bring them up to date in the areas of public finance and macro-economics. <sup>xl</sup> In Serbia, committee secretaries serve up to three committees, and there is no additional staff support provided by the legislature. <sup>xli</sup> None of the three legislatures have a research library or research service.

## **Policy Recommendations**

When it comes to agencies of horizontal accountability and their linkages to legislatures, Canada has the following experience to share with/ export to Southeast Europe. Of course, given the specificities of political culture, not all aspects of Canadian experience will be useful. Nonetheless, when it comes to democratic development, Canada should share the following:

1. Value-for-money (VFM) auditing. Although developing capacity to perform compliance and attest audits is usually a prerequisite, the use of VFM auditing by a state audit institution can be a useful tool to focus on the effective delivery of public services. Such a tool can shift discourse away from witch hunts against individuals to a collective concern about the improvement of public services. The Office of the Auditor General of Canada (OAG) has been conducting VFM audits since 1977, and has significant experience in sharing experience on how it made the transition to VFM auditing (as does some of the provincial auditors general).

<sup>&</sup>lt;sup>7</sup> While there was some discussion about having committee chairs work on a full-time basis, ordinary parliamentary deputies would continue to work on a part-time basis.

2. Stressing the non-policy nature of audits. Supreme audit institutions such as the OAG exist in a difficult environment whereby they are constantly posing potential threats to the government (in terms of uncovering damaging news about government spending, for example). Canadian experience regarding how auditors general walk the fine line between auditing and interfering in policy-making is just one example of how Canada can share its experience in managing the often potentially difficult relationship between the auditor and the auditee.

In Canada, it is not the duty of the OAG to comment on policy choices, but rather to examine how these policies are being implemented.

3. Developing Public Accounts Committees (PAC). Canada can share the experience of public accounts committees of the House of Commons and provincial legislatures in carving out an oversight role in an executive-dominated parliamentary system. Focus can be on the fact that the Chairman of the PAC is a member of the opposition and that the mandate of the PAC (as described by Canadian Public Accounts Committee Chair John Williams) is not to persecute individual politicians, but rather to formulate "recommendations to improve the management of taxpayers' money, and to increase transparency and accountability". <sup>xlii</sup>

4. The Library of Parliament Model. An attractive option to strengthening staff capacity to serve parliamentary committees is the Canadian Library of Parliament model whereby staff work as researchers for a centralized library, but can also be seconded to serve parliamentary committees. This model kills two proverbial birds with one stone, providing parliamentarians with a centralized research branch, but also with specialists who can serve parliamentary committees. A delegation of staff that visited the Croatian Sabor last summer found this model attractive.

#### Conclusion

Creating and strengthening agencies of horizontal accountability such as supreme audit institutions is critical to the consolidation of democracy. Given that the supreme audit institutions (both existing and proposed) discussed in this paper lean in the direction of the Westminster model, the strengthening of legislative capacity is critical in order to ensure that legislatures can respond to SAI reports. SAIs, such as the Croatian State Audit Office, face resource shortages which leave the Sabor without an independent assessment of the government's expenditures. Balkan legislatures also face numerous challenges in creating the capacity and political will to deal with these reports. First, governing parties in parliamentary systems remain hesitant to provide fodder for the opposition, especially when that fodder is likely to be used in a personal and malicious Democratic consolidation entails not just the creation of institutions of manner. horizontal accountability, but also the use of the information they provide in a judicious manner. Second, as part of the state institutional framework, legislatures are not immune from "weak state syndrome". Committees generally lack clout. In Bosnia and Serbia, parliamentarians work only on a part-time basis, and are just beginning to explore the role of committees and their roles as parliamentarians. Overloaded budget committees are expected to perform the role of both a traditional budget committee, and to take on the responsibility of a public accounts committee. Third, consistent with the "weak state"

argument, legislatures lack the appropriate infrastructure to assist parliamentarians in utilizing the reports produced by agencies of horizontal accountability. Research libraries, committee staff and adequate levels of staff training are all lacking. While many positive steps are taking place, there is much to be done to strengthen the important relationship between SAIs and legislatures in Southeast Europe. Internation-Building to "Dallan Danight", Paper for presentation at International Conference, "Dallanding & Europe Making Forward," Carlolan University, Ottawa, Canada, January 21-24, 765.

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<sup>29</sup> Audreas Schedier, "Massuring Democratic Consolidation", p. 77.

"Larry Diamond, Marie F. Planner and Andreas Scholler, "Horizontal Accountability in New Domicracies", in Andreas Schodler, Larry Diamond and Mark F. Platner, eds. The Self-Restraining Stats. "Swatered Accounted" to in Mer Dismucratics, Larry Branest Bublishers, and Baulder 118984 and 5 of The

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### Footnotes

<sup>i</sup> Larry Diamond. "Developing Democracy. Toward Consolidation". The Johns Hopkins University Press. Baltimore: 1999, p. 7.

<sup>ii</sup> See David Collier and Steven Levitsky, "Democracy with Adjectives: Conceptual Innovation in Comparative Research", World Politics 49, no. 3, 1997, pp. 430-51.

<sup>iii</sup> Robert Dahl. "Polyarchy". New Haven, 1971, p. 3.

<sup>iv</sup> Guillermo O'Donnell and Philippe Schmitter, "Tentative Conclusions about Uncertain Democracies", in Guillermo O'Donnell, Philippe Schmitter, and Laurence Whitehead, eds., *Transitions from Authoritarian Rule: Prospects for Democracy* (Baltimore: Johns Hopkins University Press, 1986), p. 8.

<sup>v</sup> Larry Diamond. "Developing Democracy. Toward Consolidation", p.10.

<sup>vi</sup> See Larry Diamond. "Developing Democracy. Toward Consolidation", pp.10-12.

<sup>vii</sup> Andreas Schedler. "Measuring Democratic Consolidation". Studies in Comparative International Development. Spring, 2001, vol. 36, no. 1, p. 69.

viii Andreas Schedler. "Measuring Democratic Consolidation", p. 81.

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xi Adam Przeworski, et al. "What Makes Democracy Endure?" Journal of Democracy 7,1. January 1996.

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<sup>xiii</sup> Larry Diamond, Mark F. Plattner and Andreas Schedler, "Horizontal Accountability in New Democracies", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *eds, The Self-Restraining State. Power and Accountability in New Democracies.* Lynne Rienner Publishers, Inc. Boulder: 1999, p. 1.

<sup>xiv</sup> Democracies or polyarchies do not thrive on elections alone, and a free media (based on the criteria of freedom of expression and availability of alternate information) is just one of the other critical attributes required for the functioning democracy or polyarchy. The attributes for an ideal-type democracy, or polyarchy, is the following: (1) elected officials; (2) free and fair elections; (3) inclusive suffrage; (4) the right to run for office; (5) freedom of expression; (6) alternative information; (7) associational autonomy. See Guillermo O'Donnell. "Horizontal Accountability in New Democracies", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *The Self-Restraining State. Power and Accountability in New Democracies*. Lynne Rienner Publishers, Inc. Boulder: 1999, p. 29.

<sup>xv</sup> Larry Diamond, Mark F. Plattner and Andreas Schedler, "Horizontal Accountability in New Democracies", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *eds, The Self-Restraining State. Power and Accountability in New Democracies*, p. 2.

<sup>xvi</sup> Seymour Martin Lipset, Editor in Chief. The Encyclopaedia of Democracy, vol. 1. Congressional Ouaterly. 1995, p. 10.

<sup>xvii</sup> Cohen defines state capture as a system whereby "powerful interests have a strong influence on the legal and regulatory framework of the country". See Lenard J. Cohen. "Embracing Democracy: Weak States and

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<sup>xviii</sup> Robin S. Skulrak. "Crime, Corruption and Endangerment of Bosnia's Statehood". University of Pittsburgh. Online at: <u>http://www.southeasteurope.org/documents/Robin\_Skulrak.pdf</u>.

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<sup>xx</sup> Larry Diamond, Mark F. Plattner and Andreas Schedler, "Horizontal Accountability in New Democracies", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *eds, The Self-Restraining State. Power and Accountability in New Democracies*, p. 2.

<sup>xxi</sup> Andreas Schedler. "Conceptualizing Accountability", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *eds, The Self-Restraining State. Power and Accountability in New Democracies*, p. 22.

<sup>xxii</sup> The World Bank. "Features and Functions of Supreme Audit Institutions". <u>Findings.</u> June 2002. Online at <u>http://www.worldbank.org/afr/findings</u>.

<sup>xxiii</sup> Andreas Schedler. "Conceptualizing Accountability", in Andreas Schedler, Larry Diamond and Mark F. Plattner, *eds, The Self-Restraining State. Power and Accountability in New Democracies*, p. 24.

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<sup>xxvi</sup> Conversation with Ritva Heikkenen, Project Manager, European Union, Delegation of the European Commission to the Republic of Croatia. October 2002.

<sup>xxvii</sup> Conversation with Bosko Ristic – MP- Chair Administrative Committee, Serbian National Assembly, November 2002.

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<sup>xxx</sup> INTOSAI EDP Directory 2001. Croatia State Audit Office. Online at http://www.nao.gov.ua/intosai/edp/mandates\_oct2001/writeups/croatia.htm.

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<sup>xxxii</sup> Geoff Dubrow. "Systems of Governance and Parliamentary Accountability", in "Parliamentary Accountability and Good Governance—A Parliamentarian's Handbook". Published by the Parliamentary Centre and the World Bank Institute, 2001, p. 25.

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<sup>xxxiv</sup> Lenard J. Cohen. "Embracing Democracy: Weak States and Institution-Building in 'Balkan Europe'", p. 24.

<sup>xxxv</sup> Richard Rose, William Mishler and Christian Haerpfer, "Democracy and Its Alternatives: Understanding Post-Communist Societies". Baltimore: Johns Hopkins University Press, 1998.

<sup>xxxvi</sup> Lenard J. Cohen. "Embracing Democracy: Weak States and Institution-Building in 'Balkan Europe'", p. 24.

<sup>xxxvii</sup> Steven Langdon. "Parliament And The Budget Cycle", in "Parliamentary Accountability and Good Governance—A Parliamentarian's Handbook". Published by the Parliamentary Centre and the World Bank Institute, 2001, p. 51.

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<sup>xxxix</sup> Conversation with Natasa Milojevic-MP-Member-Committee Foreign Affairs, National Assembly of Serbia, October 2002.

<sup>xl</sup> Interview with Jadranko Mijalic, then Chairman of the Finance and Budget Committee, Croatian Sabor, October 2002.

xli Conversation with Andjelka Dimitrijevic- Secretary General, National Assembly of Serbia, October 2002.

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# The Painful Birth of the New State -"Union of Serbia and Montenegro"

# **Reneo** Lukic

Department of Political Science, Laval University Email: reneo.lukic@hst.ulaval.ca "In the end, this was the only compromise that could have been reached. It was impossible to achieve more, but I would like to note that things can and should be improved in time. There are examples of such states that were loose unions at first, but have since grown stronger. The United States is one such case. After all, with the passage of time it may turn out that the existing joint powers are insufficient, and that they should be expanded."

"If I was sure that we had a sufficient majority and that we could without risk obtain Montenegrin statehood, I would do just that. Unfortunately, we do not have a convincing majority, therefore it was more important to preserve the current level of Montenegrin statehood than to take the risk of losing everything if the results of the referendum were unfavourable to us".<sup>2</sup>

#### THE FORMATION OF THE FRY, HISTORICAL BACKGROUND

When in December 1991 the European Community announced its intention to recognize Slovenia and Croatia by 15 January of the next year, the Serbian government quickly declared (on 26 December 1991) that "a 'third Yugoslavia' had been formed with Serbia, Montenegro, and the Serbian Krajina in Croatia."<sup>3</sup> The territory of Krajina was seized by force from Croatia in June-December 1991, and was prepared to be annexed to the newly re-emerging Yugoslavia. Serbia and Montenegro did not submit a formal request to the European Community for international recognition of this so-called "third Yugoslavia." The Republic of Serbian Krajina did submit an application for recognition, but it was turned down. The Badinter Commission decided that only the former republics of the SFRY (Croatia, Slovenia, Bosnia-Herzegovina, Serbia, Montenegro and Macedonia) were entitled to statehood. On 12 February 1992 Serbia and Montenegro agreed to remain in the same state, which claimed continuity with the SFRY. Montenegro, one of two federal entities, then hastily organized a referendum on 1 March 1992. Of the 66 percent of the population that voted (the Montenegrin Albanian and Muslim populations refused to participate), 96 percent answered "yes" to the following question: "Do you agree that Montenegro, as a sovereign republic, should continue to exist within the common state - Yugoslavia, totally equal in rights with other republics that might wish the same?"<sup>4</sup> Serbia did not organize a similar referendum and none of Yugoslavia's four remaining republics ever expressed any intention to join this Yugoslavia.

The final step in forming the new state was taken on 27 April 1992, when the republican parliaments of Serbia and Montenegro and the rump Yugoslavia Federal Assembly issued a "Declaration on the Formation of the Federal Republic of Yugoslavia," which proclaimed the transformation of the SFRY into the FRY. Since then, the FRY has celebrated 27 April as a state holiday, the "Day of Statehood." The Badinter Commission, in its Opinion No 11, also recognized 27 April 1992 as the date of succession for the FRY.

The international community rejected the Belgrade government's efforts to achieve for the FRY the same successor status *vis-à-vis* the SFRY as the Russian Federation achieved *vis-à-vis* the USSR. On 19 September 1992, U.N. Security Council Resolution 777 declared that the FRY could not automatically assume U.N. membership as the successor state to the former Socialist Federal Republic of Yugoslavia. The General Assembly was asked to require the FRY to apply for U.N. membership and in the meantime exclude it from the work of the General Assembly. On 16 July 1993 the Badinter Commission ruled that none of the six successor states of the SFRY (Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, and Macedonia) could claim for itself alone the membership rights previously enjoyed by the former SFRY. The Badinter Commission also decided the dates of succession for each recognized successor state of the SFRY. Slovenia and Croatia became independent on 8 October 1991, when their declarations of independence of 25 June 1991 came into effect. Macedonia became independent on 17 November 1991, when it adopted its new constitution. Bosnia-Herzegovina became independent on 6 March 1992, when the results of the 29 February – 1 March 1992, referendum were officially recognized.

The four former SFRY republics — Slovenia, Croatia, Bosnia and Herzegovina, and Macedonia — decided to apply for membership in international organizations and since then have been recognized by the international community and admitted as members of the United Nations. But while President Milošević was in power, first as the President of Serbia (1989-1997), then as the President of the FRY (1997-2000), the FRY refused to apply for membership in international organizations. The FRY considered itself the sole successor state of the SFRY, and therefore believed that it was automatically entitled to positions in international organizations previously occupied by the SFRY. The result was partial exclusion from the activities of the U.N. and suspension from other international organizations (including the CSCE, now OSCE).

For eight years the FRY was in legal limbo. The flag of the defunct Socialist Federal Republic of Yugoslavia continued to fly outside U.N. headquarters in New York, since it was the last Yugoslav flag used by the U.N. Secretariat, but this was not the flag of the FRY. This absurd situation of perpetuating the memory of a non-existent state had repercussions in the FRY. Between 1992 and 1997, the state holiday of the FRY was 29 November, referring to the founding day of the Tito's Yugoslavia in 1943. In 1997, the FRY decided to continue to celebrate 29 November, but in reference to the year 1945, when the monarchy was abolished and replaced by the Republic.

After Milošević's ouster, the new FRY President, Vojislav Koštunica adopted a policy aimed at integrating the FRY into international organizations and particularly into the United Nations. On 27 October 2000, Koštunica wrote to U.N. Secretary-General Kofi Annan and formally applied for U.N. membership. Koštunica had been encouraged in this matter by Russia and France, Serbia's historic allies, who promised him support.<sup>5</sup> The FRY's request was processed very rapidly with no country raising any objection, and on 1 November, it became a member of the U.N. On 23 July 2001, a European Union-FRY Consultative Task Force was inaugurated as the first step towards reaching a Stabilisation and Association Agreement with the EU.<sup>6</sup>

In this article, I shall argue that the creation of the "Union of Serbia and Montenegro", the successor state of the FRY, does not garantee the stability of longevity of this state in spite of the European Union's crucial role in its formation. My central contention is that the "Union of Serbia and Montenegro" is a temporary respite to the process of disintegration of its predecessor, the FRY, which did not come to its term. The signing of the "Union of Serbia and Montenegro" on 14 March 2002 has not changed the process of internal dissolution of the new federal/confederal state. The "Belgrade agreement" is rather an attempt to freeze if not the debate then the process of disintegration of the FRY for three years (the agreement is provisional and either party can review the arrangement after three years). It should allow all sides to buy time to find a definite settlement to the question of statehood of Serbia, Kosovo, and Montenegro.

#### THE CONSTITUTION OF THE FRY

The constitution of the FRY was adopted on 27 April 1992, together with the "Declaration on the Formation of the Federal Republic of Yugoslavia." According to the new constitution, the FRY is a federal state composed of citizens and member republics. In Serbia and Montenegro, the new FRY constitution was adopted without any public debate. Only 73 of 220 deputies from Serbia and Montenegro in the last SFRY parliament (*savezna skupština*) voted for it. In effect, as Nebojša Čagorovic, a political analyst from Montenegro, wrote, "the constitution was adopted illegally, without a quorum, by the dead legislature of a dead state."<sup>7</sup> As in 1918, Montenegro was once again annexed by Serbia. If the new constitution was to establish legal continuity between the SFRY and FRY, it had to be adopted by 147 deputies of the Federal Chamber of the SFRY; only in this case could the transfer of authority from the SFRY to the FRY be considered legal.

The constitution of the FRY was adopted after the constitution of Serbia (September 1990) and before that of Montenegro (October 1992). A cumbersome document (144 Articles) with many overlapping clauses, it attempts to reconcile two competing claims for sovereignty — one claimed by the federal units (republics), the other by the federal state. In this regard, the FRY constitution contains the same contradictions and tensions, as had the 1974 Yugoslav constitution, oscillating between a federal state; the absence of clarity over the respective jurisdictions of the federal units and the federal state was balanced until March of 1997 by the close similarity of the interests between political elites in Serbia and Montenegro. The Montenegrin constitution (1992) was adjusted to accord with the federal constitution, but the Serbian constitution (1990) never was. In fact, the constitution of the FRY was an urgent response to the political vacuum created by the disintegration of the SFRY and was adopted in the aftermath of the diplomatic recognition of Slovenia and Croatia in January 1992.

Legislative power in the FRY is exercised by a bicameral parliament (Federal Assembly) representing the citizens (Chamber of Citizens) and the member republics (Chamber of Republics). According to the federal electoral law, 108 deputies to the Chamber of Citizens are elected from the Republic of Serbia. The Republic of Montenegro (with about 5 percent of the population of the FRY) has safeguarded its

interests through a constitutional clause (Article 80), providing it at least 30 federal deputies. The Chamber of Republics consists of 40 deputies, 20 from each republic. This power-sharing agreement was created to avoid the complete domination by Serbia of its junior partner Montenegro. In both republics, federal deputies to the Chamber of Republics were elected by the respective parliaments, taking into consideration the parliamentary representation of political parties as well as independent deputies. In reality, the political party that controls the national parliament also controls the federal parliament. Until the 24 September 2000 elections, the power base of former FRY President Slobodan Milošević was the Socialist Party of Serbia (SPS). Similarly, Momir Bulatović's Democratic Party of Socialists (DPS) had a majority in the national parliament of Montenegro until the May 1998 elections. Thus, the federal assembly reflected the balance of political forces in the national assemblies of Serbia and Montenegro. The federal deputies were delegated by the parliaments of their respective republics and were responsible to them.

Federal political power in the FRY is exercised through the relationship between the federal assembly and the federal government, whereby the federal assembly elects the federal government. The Federal Prime Minister is the central figure in the federal government and personifies it. The candidate for this post is proposed by the President of the FRY and has a free hand in selecting the members of the federal government. However, a parliamentary majority in both chambers of the federal assembly must approve the program of the government and the composition of the federal government.

## THE ROLE OF THE PRESIDENCY IN THE FEDERAL CONSTITUTION

The President of the republic exercises executive power in the FRY jointly with the federal government, and the federal assembly elects both. Although the constitution holds that the President of the FRY and the federal Prime Minister should not be from the same republic (Article 97), Serbia has not always respected this rule. The first President, Dobrica Ćosić, and the first federal Prime Minister, Milan Panić, were both from Serbia. Zoran Lilić, the President until 15 July 1997 was from Serbia, while Prime Minister Radoje Kontić was from Montenegro. Slobodan Milošević, who engineered their elections through the SPS and its Montenegrin counterpart, placed all four in power. When Ćosić and Panić went beyond the limits defined by Milošević, they were immediately deposed by the federal assembly, which, at that time, was controlled by the Socialist Party of Serbia and its allies. On 18 May 1998, Milošević orchestrated the dismissal of the Prime Minister Radoje Kontić and the federal government, which then lost a vote of confidence in the upper house of the Yugoslav parliament. Mr. Kontić had fallen out of favor with Mr. Milošević by opposing his plan to impose a state of emergency in Montenegro as a way of blocking the inauguration of the new President Milo Djukanović, a Milošević critic.<sup>8</sup> Milošević then picked up Momir Bulatović as a Federal Prime Minister. The latter had just lost the presidential elections to Milo Djukanović and was eager to work with his old ally Milošević to keep Djukanović in check. During his tenure as a Federal Prime Minister (May 1998 - October 2000), Bulatović and Milošević used all means available short of military intervention to undermine Djukanović and his government. Bulatović's political loyalty to President Milošević did not waver throughout Milošević's presidency. In February 2000, Bulatović

deemed that "President Milošević was at this moment the best choice to defend the state and national interests of the FRY. Due to the hostility of the international community toward the FRY, we have no alternative but to follow the road chosen by President Milošević."<sup>9</sup>

Constitutionally, the President of the FRY has rather limited state power in comparison to classical presidential political systems such as the American and the French (not to mention the Russian). Article 96 of the constitution regulates the President's prerogatives. The most important functions of the President are: representing the FRY at home and abroad, calling elections for the Federal Assembly, nominating a candidate for Prime Minister of the federal government and issuing instruments of ratification for international treaties. Article 136 gives the President of the federation the power to "promote and dismiss officers of the Army of Yugoslavia." Milošević used this right very often to purge the Army of allegedly unloyal high-ranking officers. Milošević conducted a spectacular purge of the federal army in the 1991/1992, when he was the President of Serbia. According to retired admiral Branko Mamula, himself purged by Milošević, 130 generals and high-ranking military officers were sacked from the army in 1991/1992.<sup>10</sup> Milošević's control over the army was assured through the promotion of officers loyal to him (e.g., Generals Nebojša Pavković and Dragoljub Ojdanić), and by control over the defense budget. Milošević deliberately reduced the influence and strength of the army and built up powerful police forces (the Sluzba državne bezbednosti, SDZ). In late 1998, Milošević dismissed Chief of Staff General Momčilo Perišić, who had opposed open confrontation with NATO during the Kosovo crisis. Personal authority, however, was the most important building block in Milošević's pyramid of power, and rested on the formal and informal networks he had built since 1997. As Attila Agh wrote in 1998, in the FRY "the real power is concentrated in the hands of an omnipotent President without any 'checks and balances'."11

It is important to bear in mind that Milošević deliberately tailored the constitution of the FRY to fit his personal needs. As long as he was the President of Serbia he wanted the Yugoslav Federation to have a constitutionally and politically weak President. A balanced relationship between the two was not in the autocratic Milošević's interest. But the situation changed after Milošević completed his second mandate as President of Serbia in June 1997 and was elected as President of the FRY on 15 July 1997. Barred by the Serbian constitution from seeking a third term as President of Serbia, Milošević succeeded in getting elected by the federal parliament as President of the FRY, with a four-year mandate. The 138-member Chamber of Citizens of the federal parliament elected Milošević by 88 votes to 10; the vote in the Chamber of Republics was 29 to 2.

In preparation for assuming the position of President of the FRY, Milošević had already transferred a group of his most trusted aides from Serbian to federal institutions in spring 1997. These included Zoran Sokolović (Minister of Internal Affairs) and Nikola Šainović (Deputy Prime Minister). These appointments show that Milošević had already reinforced the power of federal institutions without actually changing them.

For Milošević, the Serbian and FRY presidency became interchangeable institutions. When Milošević was elected the President of the FRY, political power shifted from the Serbian presidency to the Federal presidency without any institutional changes on the federal level. Milošević's proxies, directly accountable to him, controlled the Serbian presidency and deprived the parliament of its political autonomy. Thus, Milošević preserved the facade of federalism while assuming de facto dictatorial powers. Milošević's federal presidency lasted from 15 July 1997 until 6 October 2000. Under his tenure, the FRY de-facto lost Kosovo, which became a UN protectorate for an indefinite period of time when the Security Council adopted Resolution 1244 in 1999. As the President of the FRY, Milošević strained relations with Montenegro to the breaking point. By the summer of 2000, when Milošević announced his intention to seek a second term as President of the FRY, the Yugoslav federation had become completely dysfunctional. In a constitutional "coup" engineered by Milošević on 6 July 2000, the parliament hastily changed the federal constitution (Articles 97 and 98) and adopted a constitutional amendment regarding the procedure for election of the President. The Montenegrin government rejected the constitutional amendments and its Parliament declared them null and void. The parliament's resolution provided the Montenegrin government with a legal base for refusing to participate in the federal presidential elections held on 24 September 2000. This is the reason why the Montenegrin government does not consider Koštunica the legal President of the FRY.

Milošević opted for the election of the federal President by direct popular vote in general elections scheduled for 24 September 2000. His intention was to enhance the legitimacy and visibility of the post. A new mandate would have allowed Milošević to stay in power for another eight years. The United Nations War Crimes Tribunal in The Hague had indicted Milošević on 27 May 1999, following the campaign of ethnic cleansing in Kosovo, which he had orchestrated. Staying in power was the safest way for him to avoid extradition and trial in The Hague.

## CONFLICT AND COOPERATION BETWEEN SERBIA AND MONTENEGRO

Because of the ethnic, religious and linguistic similarities between Serbs and Montenegrins, one would expect that the new federation would be more harmonious than the previous one, which included six different nations. But as Elizabeth Roberts writes, "the distinguishing feature of Montenegrin history is the way it has engendered a dual sense of identity — both Serb and Montenegrin — giving rise to bitter divisions that erupted into civil war previously this century and continue to cast their shadow today."<sup>12</sup> This division in Montenegro is better known as a division between the zelenaši [Greens], the advocates of the Montenegrin independent statehood and the bjelaši [Whites], the proponents of unilateral unification with Serbia.<sup>13</sup> Srdja Pavlović, a historian from Montenegro, argues that the current debate between governing and non-governing elites in Serbia and Montenegro over the identity of Montenegrins and the future of the FRY "greatly resembles the debate that was going on in the early 1920s." He continues: "Greens and Whites are confronting each other [today] not with books but with political slogans, mass rallies, and arms."14 The cultural closeness between the Serbs and Montenegrins makes relations between these two political communities (federal units) very delicate. The political interests of the two are not necessarily or always compatible

with their cultural and religious closeness. After World War II many Montenegrins moved to Serbia, particularly to Belgrade, where they assumed high positions in the federal administration. Because of its similarities with the Serbs and its complete integration into Serbian society, the Montenegrin community in Serbia (140,000 according to the census of 1991) is categorically opposed to the independence of Montenegro. It goes the same for the Serbian community living in Montenegro (57,000 people according to the census of 1991). This community is also well integrated into Montenegrin society. It is the author's view that although Serbians and Montenegrins share many commonalities, they are two distinct nations like, for example, the British and American nations or the German and Austrian nations.

Milošević's family reflects well this dual identity of many Montenegrins. Milošević's father was Montenegrin, but Milošević himself was born in Serbia and he has made his entire political career in Serbia. His brother Branislav, former FRY ambassador to Russia,<sup>15</sup> declared himself Montenegrin and made his diplomatic career as a cadre from Montenegro, climbing the ranks of League of the Communists of Yugoslavia (LCY).

The conflict of interests between Serbia and Montenegro was preceded by a conflict within the Montenegrin leadership. From 1988 to 1996, two politicians, Momir Bulatović and Milo Djukanović, dominated Montenegrin politics. They came to power in Montenegro by staging an internal "coup" in the League of Communists of Montenegro (LCM) in 1989. In January 1989, Milošević's supporters in Montenegro organized demonstrations against the local communist leadership, which resigned under pressure from the streets and yielded to those politicians (Bulatović and Djukanović) who supported Milošević's policy of reshaping Yugoslavia along the lines of a tightly centralized federation. Both men were associated with Milošević's "anti-bureaucratic revolution" and closely cooperated with the Serbian leadership during the disintegration of Yugoslavia. In 1990, the LCM changed its name to the Democratic Party of Socialists (DPS). Momir Bulatović became the chairman of the party and later the President of Montenegro. Djukanović was picked up by Bulatović to be his Prime Minister. On 12 February 1991, at the age of 29, Djukanović became the youngest Prime Minister in Europe. As Prime Minister, Djukanović served two terms. In 1998, he became the President of Montenegro. The DPS under the leadership of Bulatović and Djukanović became a loyal satellite of Socialist Party of Serbia, led by Milošević.

Cracks between Belgrade and Podgorica which had been carefully hidden during the war in Croatia and Bosnia-Herzegovina appeared in 1996. The new fragile peace in the Balkans has revealed differences between the national interests of Montenegro and Serbia. With war-time solidarity gone, Montenegro realized that Serbia as ruled by Milošević remained a pariah state within the international community despite the Dayton agreement. Montenegro felt that the "outer wall" of international sanctions imposed on the FRY, banning it from membership in international financial organizations, was harming its own economy and international standing. In response, Montenegro began to display a "Slovenian syndrome" — to use an analogy from the previous Yugoslav Federation — in its relations with Serbia, namely, to press for greater political autonomy from its senior partner. I would argue that the conflict between Serbia and Montenegro

strongly resembles the conflict between Serbia and Slovenia between 1987 and 1991.<sup>16</sup> Like Slovenia and Croatia in 1990/1991, Montenegro initiated a process of dissociation from the federal institutions in 1997. The conflict between Belgrade and Podgorica is primarily political and does not have an ethnic dimension,<sup>17</sup> unlike the conflicts in Croatia and Bosnia-Herzegovina. Slovenian President Milan Kučan acknowledged the legitimacy of Montenegro's right to the self-government when he declared (in late 2000) that Slovenia "will respect the democratically expressed will of Montenegro." <sup>18</sup> In November 2000, while receiving President Djukanović, Kučan stressed that "10 years ago Slovenia used the right to self-determination," and that Montenegro also enjoyed this same right. Kučan was one of the first statesmen in the region to insist on the positive correlation between people's right to self-determination and the establishment of a democratic polity and respect for human rights. In the case of Slovenia, independent statehood went hand-in-hand with membership in international organizations. President Kučan said, "Montenegro must not remain a hostage in Yugoslavia. It has the right to live democratically and become a European state."<sup>19</sup>

Croatia will also recognize Montenegro as an independent state, if its citizens so decide in a referendum supervised by the international community. The Croatian foreign minister Tonino Picula suggested this possibility when he stated that Croatia became an independent state by urging the international community to respect its right to self-determination, which in his view is "one of the fundamental democratic rights." Picula thinks that Montenegrins should benefit from the same rights as Croatia did ten years ago.<sup>20</sup>

In 1996, a pro-western faction of the political elite within the Montenegrin ruling party, the DPS, under the leadership of Prime Minister Milo Djukanović, began openly propounding a different economic and foreign policy from that of the federal government led by the Milošević puppet, Radoje Kontić. Djukanović suddenly broke politically and ideologically with Milošević and Bulatović to lead the reform-oriented wing within the socialist party. In contrast to Bulatović (then DPS chairman, Montenegrin President and Milošević's closest ally), Djukanović almost overnight adopted western values and came to lead a new generation of young technocrats. Željko Ivanović, an independent journalist from Montenegro, offered the following explanation of the sudden political transformation of Milo Djukanović:

Thanks to his frequent contacts with foreign diplomats and officials, he [Djukanovic] realized that stubborn defiance and nose-thumbing at the world powers, the trademarks of Milošević and his yes-men, amounted to a masochistic and suicidal policy. Thus, for purely pragmatic reasons, Djukanovic decided to change his tune and put an angel's mask over his tarnished face.<sup>21</sup>

Djukanović's prime objective was the economic development of Montenegro through cooperation with and eventually integration within Western European international organizations such as the European Union, the Council of Europe and others. Djukanović presented Montenegro's new orientation in following terms: "Europe is our only possible choice. This country can only have a future if it follows that road. Our place is in Europe, both geographically and historically, we belong to European civilization, and we have to remain a part of it, economically, politically and culturally."22 While Bulatović supported Milošević's hard-line policy towards neighbors even after the signing of the Dayton agreement, Djukanović advocated speedy normalization of diplomatic relations with former Yugoslav republics, now independent states. Between 1998 and 2000, Montenegro's government considerably improved relations with Croatia (opening the border crossing at Debeli Brijeg and the Croatian Council in the town of Kotor) and also with Slovenia. The latter represented informally the interests of Montenegro at the UN Security Council. During the June 2000 Security Council session which discussed the situation in the Balkans, the Slovenian mission in the Security Council distributed to the other members a document entitled, "Montenegro and the Balkan crisis."23 The document was presented as a "non-paper" (i.e., it did not have the status of an official document, but the Security Council chairman brought it to the attention of other members at the beginning of the session). In this document, the Montenegrin government denied the legitimacy of the FRY's practice of providing diplomatic representation for the interests of Montenegro in the U.N. and other international organizations.

At the end of 1996, Djukanović argued that Montenegro should distance itself from Serbia in both foreign and economic policy. In December 1996, the Serbian government, in an apparent attempt to mute the unrest caused by its cancellation of election results, decided to pay pensions, salaries, student grants and social welfare which had been in arrears. Prime Minister Djukanović and his economic advisers feared that such payments could be made only by printing more money without the reserves to back them. This in turn could trigger a disastrous hyperinflation, as in 1993. Should hyperinflation return, Djukanović threatened, Montenegro would introduce its own national currency, the perper.<sup>24</sup> However, Djukanović's main offence was that he dared to express open criticism of Milošević. According to Djukanović, the international image of Milošević was so bad that his election as President of the FRY could only further damage the interests of the Yugoslav federation, and thus of Montenegro. Djukanović and his economic advisers realized that Milošević's alliance with the hardliners in Republika Srpska in Bosnia-Herzegovina, and the growing violence in Kosovo fueled by Milošević and his entourage, threatened to keep the FRY excluded from support of western financial institutions such as the International Monetary Fund and the World Bank for the indefinite future.

The long-simmering conflict over politics and personalities between Djukanović, on the one-side, and Bulatović and Milošević on the other came to a head in March 1997. Djukanović made this rift public after he realized that his faction within the DPS could not impose its views over those of Bulatović's wing, which still dominated the party's upper echelons. By going public, Djukanović took a considerable political risk. As expected, he immediately became a target of the Milošević -controlled Belgrade media. Surprisingly, he survived the first attempt by Milošević and Bulatović to eliminate him politically. During his protracted battle with Milošević and Bulatović, Djukanović won significant support within the DPS and even among the opposition Liberal Party led by Slavko Perović and the Popular Party of Novak Kilibarda. Djukanović's resistance was supported by independent media in Belgrade and also by the Serbian opposition organized in the *Zajedno* coalition. On 24 June 1997, at a meeting of the Main Board of the DPS, 56 of 97 members supported Milošević's candidacy for the presidency of FRY; 10 abstained and 31, led by Prime Minister Djukanović, voted against Milošević. Although Djukanović lost this political battle with Bulatović and Milošević, he managed to retain a high profile in Montenegro. In the summer of 1997 Djukanović decided to challenge Bulatović in the presidential elections scheduled for October 1997. During the presidential campaign, Djukanović sought to build up his image as a "modernizer" and a "technocrat," who could make use of his international contacts to salvage Montenegro's sinking ship. Bulatović's campaign rhetoric drew on the symbols and traditions of Serbian nationalism, which British analyst Robert Thomas called a "strategy of national puritanism."<sup>25</sup> Bulatović portrayed Djukanović as a blackmarketeer whose wealth came from the trafficking of cigarettes.

The first round of the presidential elections in Montenegro took place on 6 October 1997. The rate of participation was 67.38 percent. According to the official results released by the Republic Election Board, the incumbent President Momir Bulatović received the plurality of votes: 147,615 or 47.45 percent. Bulatović's challenger, Djukanović, received 143,348 or 46.72 percent. As neither candidate won an absolute majority, a second round of voting was held on 21 October. In the second round Djukanović won 174,176 votes and Bulatović 168,864. A victory based on such a slim majority foretold a difficult presidency for Djukanović.<sup>26</sup>

#### DJUKANOVIĆ VERSUS MILOŠEVIĆ (1998-2000)

After becoming President of Montenegro, Milo Djukanović sought to consolidate his power. Between January and May 1998, his main task was to mobilize his supporters for the forthcoming parliamentary elections in Montenegro, scheduled for May 31. Meanwhile, a split occurred within the Democratic Party of Socialists. Bulatović created the new Socialist People's Party (SNP), while Djukanović's wing retained the party name. In order to increase Bulatović's visibility and that of his new party in Montenegro, Milošević appointed Bulatović to the post of federal Prime Minister in May 1998. Djukanović, in preparation for the parliamentary elections, formed a coalition named "For a Better Life" (DZB). It was a coalition of three parties: the Democratic Party of Socialists (DPS), the People's Party (NS), and the Social Democratic Party (SDP). As the leader of this pro-reform coalition Djukanović portrayed himself as a political alternative to pro-Milošević coalition.

In the parliamentary elections held on 31 May, the "For a Better Life" coalition won 42 of 78 seats in the National Assembly of Montenegro, while the Socialist People's Party led by Momir Bulatović won 29. Having won the parliamentary elections, the DPS candidate should have held the post of federal Prime Minister. Instead, as we mentioned earlier, President Milošević chose the loser, Momir Bulatović, for this post, whose party, SNP, went into opposition. The DPS considered Bulatović's appointment unconstitutional. From that moment on, the Montenegrin government and President Djukanović refused to acknowledge the legitimacy of the federal institutions; thus, the federation became dysfunctional. This was the root of the conflict between the coalition "For a Better Life" and President Milošević.

Djukanović's double victory represented the most serious challenge to Milošević's rule since he had become President of the FRY. When asked what he thought about the FRY President, Djukanović stated that:

There are two opposing concepts in Yugoslavia. There is the one that I stand for — full democratization — which undermines the other concept, that of the charismatic leader. I stand for radical economic change and privatization, an open state toward the world. As opposed to this, Milošević's option is marked by [his] strong autocratic personality, quite counterproductive. Time is on my side.<sup>27</sup>

Under Djukanović's leadership, Montenegro wanted to assume important state competencies at the expense of the federal institutions. This political strategy was forced upon Montenegro by the openly hostile attitude of Milošević and the Montenegrin elite led by Bulatović. Milošević considered the federal state to be in the service of Serbian state interest. He simply ignored Montenegro's attempts to carve out separate interests, to which it was entitled as an equal member of the federation.

The "cohabitation" between Milošević and Djukanović was, thus, uneasy, particularly after the Montenegrin government submitted to the federal government a document, "The Basis for defining the New Relationship between Montenegro and Serbia," the aim of which was to restructure the FRY and radically transform it into an asymmetric federation with elements of confederation. This document, also called the "Platform," contained many legal provisions similar to the proposal submitted by Croatia and Slovenia in October 1990.<sup>28</sup> The proposal called for the creation of "two sovereign states" linked by a common currency and the exercise of some joint responsibilities in defense and foreign affairs. The sovereignty of the republics as defined in the "Platform" implied the exercise of internal sovereignty only. This is why the proposal envisaged the preservation of a single state, with one U.N. seat. The FRY, the document suggested, should be renamed the "Association of the States of Serbia and Montenegro." The "Platform" was presented on 5 August 1999, after NATO's occupation of Kosovo. At that moment, the FRY was in complete international isolation and the Montenegrin initiative was a desperate attempt to escape the sinking ship. The federal government and Milošević completely ignored this document and did not bother to reply.

From that moment, the Montenegrin government has accentuated its strategy of dissociation with regard to the federal institutions. Learning from Croatian and Slovenian experiences, the Montenegrin government and parliament decided not to adopt a formal Declaration of Sovereignty or to proclaim outright independence, since these legal steps would have triggered open military intervention by the VJ (Vojska Jugoslavije). Instead, the Montenegrin leadership opted for an indirect approach, or as some analysts have called it, "creeping independence." The aim of this strategy was the gradual build-up of a nation-state. In two years Montenegro has succeeded in taking over most of the functions

of federal institutions. It also began to implement the economic reforms, thus inching towards market economy.<sup>29</sup> President Kostunica recognized this reality when he stated that Montenegro is practically not under the sovereignty of the FRY.<sup>30</sup> The Montenegrin government also took over the monetary and banking system, foreign trade, customs and taxation. Montenegro did not introduce its own currency - the perper - as it threatened in 1996, but instead, on 2 November 1999, introduced the German Mark as a parallel currency to the Yugoslav dinar, thus reducing the influence of the Yugoslav Central Bank on its economy. On 13 November 2000, the dinar was completely withdrawn from circulation in Montenegro, and the DM was used for all payments and transactions and thus serves as the official currency. In 2002, after the Euro became a legal tender in the majority of EU countries, Montenegro switched to the Euro. With that, a Yugoslav unified market and monetary union ceased to exist. Other attributes of sovereign polity were taken as well, such as control of the customs regime, creation of a distinct visa regime, and internal security. In order to neutralize the intimidations coming from the federal army, the Montenegrin government built-up a police and paramilitary force of some 20,000 men to counter the 14,000 federal army troops based in Montenegro, along with 900 Milošević and Bulatović loyalists in the 7th Military Police Battalion. On 2 October 1999 the Montenegrin parliament passed a Law on Citizenship creating a new legal category of citizenship distinct from that of the FRY. The law grants Montenegrin citizenship to individuals either on the basis of parental citizenship (jus sanguinis) or place of birth (jus soli).

To defend the acquired attributes of sovereignty threatened by the federal government, Montenegro has also relied heavily on the support of the international community (European Union, U.N., NATO and U.S.). In the aforementioned document "Montenegro and the Balkan Crisis," the Montenegrin government argued that Montenegro should have access to international political and financial institutions in order that it can achieve positive change despite the existing barriers. In this way, Montenegro could represent a positive model for democratic struggle and pro-democracy forces in Serbia. When the conditions are ready, this could lead to an agreement with democratic Serbia on the shape and content of future relations, which would be most acceptable for the peoples of these two countries, for peace, stability of the region and the whole Europe.<sup>31</sup>

The gradual take over of the functions of the federal state on the territory of Montenegro has created a situation of Montenegrin semi-independence, which the current FRY leadership is not willing to concede. These are, as Montenegrin politicians used to say, the "acquis" of sovereignty that the new leadership in the FRY and in Serbia has to accept. While building a democratic polity, Montenegro has made real progress in the area of human rights, protecting the rights of minorities — both ethnic and religious — and in building a civil society. It would be fair to say that Montenegrin society to its credit has become in the last four years a distinct society from that of Serbia, which is after 13 years of Milošević's rule at the very beginning of the process of democratization.

## THE RELATONS BETWEEN MONTENEGRO, SERBIA AND THE FEDERAL AUTHORITIES AFTER THE OUSTER OF MILOŠEVIĆ

President Koštunica has stated on many occasions that one of his main priorities is to restructure the federal state and accommodate Montenegro. In his interview with the Serbian daily Politika, Koštunica said that Serbia and Montenegro should stay together because "every link that connects Serbia and Montenegro historically, spiritually and culturally, is stronger and deeper than what divides them."<sup>32</sup> Kostunica envisages the adoption of a new federal constitution to get rid of the current bogus federalism and, in more general terms, of Milošević's political legacy. In Koštunica's view, the new constitution should give a clean slate to the federal state and should enshrine a new federal arrangement between Montenegro, Serbia and the federal government. According to Kostunica, the Union between Serbia and Montenegro should have a single legal personality in international relations and one seat in the U.N. The Union should also have a joint federal government and the President, a single army, a single currency and common foreign policy. These are, in Koštunica's words, "the minimal standards of a federal state." These views were expressed in the "Platform," authored by Koštunica and Djindjić and formally approved by the DOS. The "Platform" was formally proposed to the Montenegrin government on 10 January 2001, and thus represents the official view of the federal government and the Serbian government in the negotiations with Montenegro. Koštunica wants to build a strong federal state (Bundesstaat), reminiscent of American or German federalism. The question is whether Montenegro, with its strong state tradition, is ready to accept this brand of federalism. Koštunica's vision of the federal state, in its ideal version, may look like Canadian federalism with Montenegro playing the role of Quebec or British Columbia (two politically "incorrect" Canadian provinces). The new federal state should change its name and abandon any reference to Yugoslavia. Kostunica asserts, and on this point he is in agreement with President Djukanović, that the "Yugoslav idea" is dead, and that it lost any meaning when two constitutive nations, the Slovenes and Croats, seceded from the "second Yugoslavia."<sup>33</sup> The new name of the federal state should make explicit reference to the Union or Commonwealth of Serbia and Montenegro. If the citizens of Montenegro accept Koštunica's vision of the federal state, a big carrot, namely a quick entry into European international organizations and a place in the European Union, awaits them. This promise was in turn made to Koštunica at the Zagreb summit of the European Union in November 2000 in Croatian capital, Zagreb. Koštunica went on say "if we stay together, all doors in Europe will be open to us." If not, and Koštunica brandishes a stick, "if we separate in an ugly way, with enormous problems, many new questions will be opened and the whole region will be ieorpardized."34

The positions of President Djukanović and Montenegrin government concerning a new union are quite different in content and in form from those of Koštunica and the DOS (Democratic Opposition of Serbia). The Montenegrin side initially favored direct negotiations between Serbia and Montenegro, thus bypassing the federal President and the federal government. The Montenegrin government wants Serbia and Montenegro to constitute themselves into two independent sovereign states subject to international law before entering into negotiations on restructuring the federal state. In addition, Serbia and Montenegro should have two seats in the UN and separate memberships in international organizations. According to President Djukanović "an independent Montenegro does not exclude the possibility of forming a union with Serbia. This initiative means a contribution to the improvement of our relationship with Serbia, and therefore an improvement of regional stability."35 Kostunica and Djindjić received these two demands, separate statehood and a separate membership in the international organizations, with hostility. In reality, Montenegro wants a Staatenbund with Serbia; i.e., a confederation with some elements of federation. President Djukanović wants the new Union between Serbia and Montenegro to have only three functions in common: defense, monetary policy, and foreign affairs. These demands were presented to the citizens of both federal units, by the Montenegrin government, on 28 December 2000. The new platform of the Montenegrin government, entitled "The platform concerning the essence of the new relations between Montenegro and Serbia."36 represents the official position of the Montenegrin government for the forthcoming negotiations with Serbian government and the federal presidency. At the end of the negotiation process between the two federal units, Montenegro will organize a referendum to seek approval for an agreed solution, or, if the negotiations fail, to seek independence. The formal negotiations about restructuring the federal state started on 17 January 2001. The first negotiating session between Koštunica, Djukanović and Djindjić was inconclusive. Both sides clung to their respective "Platforms."<sup>37</sup>

The first casualty of the "Platform" was the stability of the Montenegrin coalition government. The Peoples Party (NS), which was a member of the coalition "For a Better Life" from its inception, left the government and joined the opposition. The People's Party refused to support the "Platform" and has boycotted work on drafting new legislation for a referendum to be organized, after the agreement on constitutional restructuring of the FRY is signed, between Belgrade and Podgorica. Dragan Soč, the chairman of the People's Party and the former Minister of Justice, wanted the government to cling to the "old Platform," which was submitted to the federal government and to Milošević on August 5, 1999. With the People's Party out of government, the polarization of political parties in the Montenegrin parliament over future ties with Serbia and the federal government was complete. Two of them, the People's Party and the Socialist People's Party (SNP), rejected the "Platform" of the Montenegrin government, and now both of them support the "Platform" that President Koštunica and DOS offered to Montenegro. Three political parties: the Democratic Party of Socialists (DPS), the Social Democratic Party (SDP), and the Liberal Party (LSCG), have all accepted the "Platform" of the Montenegrin government as a basis for negotiations with Serbia and the federal government.

#### THE RESULTS OF THE PARLIAMENTARY ELECTIONS (22 APRIL 2001)

Thus, early elections to the National Assembly of the Republic of Montenegro was the only way out to break the political jam caused by the disintegration of the ruling coalition "For a Better Life." The National Assembly was dissolved in February 2001, followed by a call for new elections (April 2001). President Djukanović set the tone at the opening of the electoral campaign when he declared in February 2001: "The state of Serbia and the state of Montenegro are well and alive. We have to define them constitutionally, provide them with international recognition and to integrate them into Europe. The Serbian nationalists will be indeed disappointed with this outcome. However, in acting so, Montenegro will finally bury the tragic idea of Greater Serbia.<sup>38</sup> The election campaign was characterized by a narrow focus on the central question of Montenegro's legal status and the future of the federal state. This crucial question mobilized 82 percent of eligible voters, who took part in the elections held on 22 April 2001. The DPS and SDP considered the elections to be a rehearsal for the referendum to follow a few weeks later.

A total of 16 parties and coalitions registered candidate lists. The major contestants in this election were the following pro-independence and pro-federation blocs respectively: (1) the "Victory for Montenegro" coalition of the DPS and SDP; and (2) the "Together for Yugoslavia" coalition of the NS, the Socialist People's Party (SNP) and the Serbian People's Party (SNS). Individually registered parties took a more radical stance on each side of the pro-independence/pro-federation divide, shadowing the coalitions. The Liberal Alliance of Montenegro (LSCG) was committed to unqualified independence while the newly formed People's Socialist Party (NSS), an offshoot of the SNP representing former Prime Minister of FRY Momir Bulatović, was strongly profederation.<sup>39</sup>

The pro-independence coalition "Victory for Montenegro" led by President Djukanović won the election. However, the margin of the victory was very narrow. In addition, Djukanović's coalition failed to win an outright majority. This result came as a surprise. Svetozar Marović, a Vice-President of the DPS, expected that the pro-Yugoslav bloc would not win more than 30 percent of the votes.<sup>40</sup> The real winner of this election was the pro-independence Liberal Alliance (LSCG), which found itself in the position of a guarantor of political stability. The "Victory for Montenegro," in order to form a government, needed the support of the LSCG. The complete results of the election are shown in the following table:

Political Party or Coalition	For/Against Independence	Votes Won	Seats <sup>1</sup>	Special Constituency <sup>2</sup>	Total Seats
Victory For Montenegro (DPS+SDP)	For	42	33	3	36
Liberal Alliance of Montenegro (LSCG)	For	7.8	6	C INT A CONSTRUCTION	6
Together for Yugoslavia (SNP+NS+SNS)	Against	40.6	33	Water and	33
People's Socialist Party (NSS)	Against	2.9	ad-granolati	10 ( <u></u> 02 , 624	
Serbian Radical Party (SRP)	Against	1.2			
Democratic Union of Albanians	For	1.2	וסד שמאניקולגמון מרכז אראיניקול במודי	na <sup>1</sup> a od isade	1
Democratic League in Montenegro [ethnic- Albanian	For	1	n main shire		

## Results of Parliamentary Elections, 22 April 2001

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Others	and Waller egend	3.3	Line Brand bea		polestin	
Total	Chi an Tarra ang akin	100	72	5	77	

Source: Republic of Montenegro/Federal Republic of Yugoslavia, Parliamentary Election 22 April 2001, OSCE/ODIHR Election Observation Mission Report, Warsaw, 12 June 2001. See also "Montenegro: Resolving the Independence Deadlock," ICG Balkan Report, no. 114, Podgorica/Brussels.

Notes: 1- The threshold to gain seats in Parliament was three percent of the total ballot cast. 2- Special five-seats constituency covering areas where ethnic Albanians form a majority.

According to the OSCE/ODIHR Election Observation Mission Report, the election "was conducted generally in accordance with OSCE commitments for democratic elections and the Council of Europe standards."41 Although the coalition "Together for Yugoslavia" was defeated, its leaders were satisfied with the outcome of the election. Together with President Koštunica and Prime Minister Djindjić, they submitted, in August 2001, a new platform to the coalition "Victory for Montenegro" to reform the federal state. The new platform is almost identical to that presented by Koštunica and DOS in October 2000. On 28 August, the foreign minister of Montenegro notified to his counterpart Goran Svilanovic that he and his ministry, following a decision of Montenegrin Government, had cut off all contacts with the Federal Ministry of Foreign Affairs.<sup>42</sup> The election results showed that popular support for Montenegro statehood and independence is well and alive. This support had grown considerably from an estimated 15 percent of the population in the aftermath of the creation of the FRY in 1992 to approximately 55 percent in 2001.43 After the elections in Montenegro, the most important point of contention between the two political blocs, "Victory for Montenegro" and "Together for Yugoslavia" was the referendum law. Pro-Yugoslav opposition parties insisted that the February 2001 law must be changed to allow Montenegrins in Serbia to participate in the referendum. The request was also made that a majority of all registered voters should cast ballots if the pro-independence results were to be valid. The pro-Yugoslav parties have also threatened to boycott a referendum unless the DPS agrees to form a "concentration government" including representatives of the SNP. Predrad Bulatović, a leader of the SNP, after the meeting with Djukanović, stated that certain preconditions must be met before the referendum can be held, such as fair media coverage, the role of police and problems with the electoral rolls.<sup>44</sup>

## INTERNATIONAL DIMENSION OF THE CONSTITUTIONAL CRISIS IN THE FRY

Until December 2000 it looked like the two-sided negotiations between Montenegro and Serbia (the Djukanović approach), or the three-sided negotiations, involving Montenegro, Serbia and the federal government (Koštunica's approach), would decide the future of the federal state. Then a new actor emerged, namely the U.N.'s Kofi Annan, whose main concern is how to resolve the status of Kosovo; he suggested on 21 December 2000 that a U.N. sponsored conference be held in the year 2001 about the constitutional restructuring of the FRY. Annan suggested that the FRY should be transformed into a confederation, encompassing Serbia, Kosovo and Montenegro.45 President Koštunica and Branko Lukovac, in charge of Montenegrin diplomacy, both rejected out of hand Annan's proposal, though for different reasons. Koštunica wants to preserve Milošević's legacy with regard to Kosovo. In 1989, Milošević abolished Kosovo's constitutional autonomy as defined in the 1974 constitution (as will be discussed in the chapter by Frances Trix in this book). He then created a unitary Serbian state enshrined in the Serbian constitution of 1990. Koštunica does not want a new federalization of Serbia. In March 2000, a few months before becoming the president of the FRY, Koštunica stated that "the idea of a Federal Serbia is a dangerous one. We have had some legal precedents, which allowed the breakdown of the federation [the SFRY]...Our party [the DSS] is advocating the creation of a state composed of the regions, which should have strong elements of self-rule. Some regions may have a higher degree of self-rule than others."<sup>46</sup> In the same article, Koštunica lumped together the following politicians: Nenad Čanak, chairman of the Assembly of Vojvodina and the chair of the League of Social Democrats of Vojvodina, as well as the author of the document "Vojvodina Republic", Milo Djukanović, and Slobodan Milošević, saying that "all three are interested in having maximum power on limited territory."47 Basically, Koštunica accused them of being power-hungry and harboring a political culture of the medieval lords, thus encouraging the atomization of the FRY. Čanak is one of the most respected opposition leaders in Serbia and a strong supporter of the federalization of Serbia.<sup>48</sup> He advocates the creation of five republics in Serbia: Vojvodina, Kosovo, Sandžak, Šumadija, and Beograd. Čanak and his party do not support Koštunica's "Platform". At the meeting of the DOS held on 14 January 2001, Čanak's party abstained from the vote on the Koštunica-Djindjić "platform".

Koštunica's "Jacobin" concept of the state is at odds with constitutionally defined decentralization as advocated by Čanak and Djukanović. Koštunica seems to favor for Serbia the French administrative division of territory into "departments" and "cantons." In my view, however, this cannot be a solution for governing multiethnic Serbia. The regionalization of Serbia, if this means its "departmentalization," is not the proper answer for managing its heterogeneity. It is rather the Swiss model of decentralization that Serbia should follow. Branko Lukovac, in rejecting Annan's proposal for a three-sided confederation, wanted to dissociate Montenegro's future from that of Kosovo. The latter risks remaining a permanent crisis spot in the region, for years to come.

## THE IMPACT OF MONTENEGRO'S INDEPENDENCE ON KOSOVO

Serbia, the federal government, and the international community are afraid that independence for Montenegro will open the way to independence for Kosovo. The U.N. Security Council resolution 1244 refers to Kosovo as part of the FRY, and not of Serbia. Thus Koštunica and Djindjić fear that the international recognition of Montenegro will lead to the formal disintegration of the FRY and the subsequent loss of Kosovo. Serbian political parties in power and in opposition want to avoid at any cost a situation whereby Albanians from Kosovo could find themselves able to convince the international community to terminate the U.N. protectorate over Kosovo. The 14 March 2002 agreement, also known as the "Belgrade agreement" (see the provisions of re-examination), addressed the question of Kosovo in the following way: In the event Montenegro was to leave the Union, Serbia will be the successor state, and explicitly so regarding the implementation of the UN Security Council Resolution 1244 for Kosovo. In other words, if the Union disintegrates and Montenegro becomes an independent state, Kosovo will automatically stay within Serbia. To keep Kosovo from independence, and from Belgrade de facto control, is also the goal of the Bush administration, which has recently stated that "Kosovo is not ready for independence or for any degree of control by the new, democratic government in Belgrade."<sup>49</sup> The linkage between the fates of Montenegro and Kosovo is vigorously rejected by President Djukanović. In a speech at a conference in Brussels on 26 February 2000, dedicated to Montenegro, Djukanović stated that "it would be politically immoral and unjust to tie the destiny of a people, in this case the people of Montenegro, to this regional problem for which no one has a solution at this time."<sup>50</sup>

To accommodate Montenegro and other players in the present constitutional crisis, Miodrag Isakov, the chairman of the Reformist party of Vojvodina (a member of the DOS), has suggested that Serbia and the federal government accept the Montenegrin "Platform." Isakov proposes that the constitutional changes requested by the Montenegrin government should be met by Serbia and the federal government and should be codified in the new federal constitution. However, he insists that Montenegro should wait 2-3 years, (with international recognition), hoping that during these years Kosovo's legal status will be sorted out. Isakov went on to say "at this moment Serbia does not fulfill the conditions for international recognition, because no one knows what the borders of Serbia are today, and because of the unsettled legal status of Kosovo."<sup>51</sup> These observations made by Isakov were later taken into consideration by the EU and its High Representative Solana when they decided to tackle the relations between Serbia and Montenegro in December 2001. Veton Surroi, editor of the Kosovo daily Koha Ditore, has argued that the independence of Kosovo should be preceded by the built-up of its institutions. Surroi wrote, "I've suggested before that the final act in the disintegration of former Yugoslavia could be played out in 'a Taiwan scenario', in which all three states, going through a process of internal consolidation, will necessarily focus more on the function of the state then on its international recognition."52 The current political strategy of mainstream Kosovo Albanian leaders such as Ibrahim Rugova is to participate actively in the build-up of Kosovo institutions, as undertaken by the UNMIK administration. As long as the UNMIK administers Kosovo, not a single state will recognize a unilateral declaration of independence announced by Kosovo's political parties. Albanian President Majdani thinks that Kosovo could become an independent country when it joints "the European Union together with other Balkan states."53 It seems to us that the "Union of Serbia and Montenegro" was created in the first place to give the international community time to find a permanent solution for Kosovo, and in second place to sort out the relations between Serbia and Montenegro. In this respect, the "Belgrade agreement" has effectively bought time, thus the UN has three more years to think how to solve the Kosovo dilemma. In this sense, the independence of Kosovo is a new "Balkan ghost" gliding over the "Belgrade agreement".

## THE ATTITUDE OF THE UNITED STATES TOWARD MONTENEGRO'S INDEPENDENCE

Since 1997, the United States has provided to Montenegro considerable political and economic aid. While Milošević was in power the U.S. supported Montenegro, which was seen as a democratic alternative to the authoritarian Milošević regime. The Clinton administration has urged the unity of all opposition in Serbia and Montenegro to topple Milošević's regime. It was the secretary of State Madeleine Albright who, though unsuccessfully, tried to convince President Djukanović and his allies to participate in the federal presidential elections in September 2000 to remove Milošević from power. According to Goran Svilanović, the Foreign minister of the FRY, it was Madeleine Albright who was the first in January 2001, a few months after the fall of Milošević, to advocate the policy of "democratic Montenegro within a democratic Yugoslavia".<sup>54</sup> After Milošević was removed from power and Koštunica consolidated his hold on the federal institutions, the Bush administration decided to continue with the policy of a "democratic Montenegro within a democratic Yugoslavia." Thus, the U.S. now opposes the independence of Montenegro. In the entourage of Javier Solana, the opinion prevails that the role of Secretary of State Colin Powell was decisive in convincing Djukanović to postpone the holding of the referendum scheduled for May 2002. Powell believed that the independence of Montenegro would have created further instability in the Balkans, particularly in Kosovo and Macedonia. After his meeting with Powell in February 2002, Djukanović understood that the United States would not to recognise the independence of Montenegro even if the results of the referendum were favourable to the "Victory for Montenegro" coalition. During his meeting with Djukanović, Powell reiterated U.S. support for the EU policy of a "democratic Montenegro within a democratic Yugoslavia", by stating without ambiguity that Javier Solana represents the "international community" and that Montenegro should therefore not count on the division between the United States and the EU regarding the question of independence. It is rather ironic that after Serbia voted Milošević and his cronies out of power, the international community believes that the Montenegrin "way" should now end, and merge with the Serbian road to a democratic polity, in order to build together a new federal state. Joseph R. Biden, Senator from Delaware (D) and chairman of the Senate Committee on Foreign Relations, disagrees with the Bush administration and the EU on the issue of a Montenegro referendum on independence. Biden thinks that "the idea of a plebiscite, the idea of a vote on independence in Montenegro" will not be "per se an absolute, total disaster." He added, "I think we have become, as we Catholics say, more catholic than the Pope on Montenegro."55

In fact, as Biden's declarations suggest, Montenegro has found some of its greatest supporters in the U.S. Congress. The Congress has earmarked or recommended substantial aid to Montenegro over the past few years: \$41 million in Fiscal Year (FY) 1999 and \$42 millions in FY 2000. For FY 2001, the estimates are that Montenegro will receive around \$89 millions of aid. The House Appropriations Committee, in its report about the FY 2002 foreign operations appropriations bill (passed 10 July 2001), has "strongly supported" aid to Montenegro and has recommended that the Bush administration provide \$60 million worth of aid to the Republic.<sup>56</sup>

## The Role of the European Union in the Creation of the "Union of Serbia and Montenegro"

After the pro-independence parties formed a government in Montenegro following the parliamentary elections of April 2001, the dynamic pointing towards a referendum has gained momentum. Between March and July the negotiations between the leaders of Montenegro and Serbia were suspended. Meanwhile, the Liberal party, whose support to Djukanović was crucial in order for his new-old Premier Vujanović to form a government, has energised the public debate in favour of the independence of Montenegro. The public opinion poll conducted in Montenegro by the agency DAMAR between 27 September and 4 October revealed that 55.4 percent of the population favours independence.<sup>37</sup> These results have probably encouraged the Montenegrin negotiating team to stick to its agenda during the negotiations with President Koštunica and Premier Diindiić on 26 October which ended in failure. This prompted President Koštunica to declare: "We were unable to bring our stance closer, which means only one possible route remains - and that is for the public of Montenegro to voice its view".<sup>58</sup> At the same time, Premier Vujanović publicly declared that the best way out of the current constitutional crisis would be the dissolution of the FRY. Vujanović's recommendation was to repeat the Czechoslovak scenario of 1992-1993, which was a consensual separation (velvet divorce).

It was at this point that the European Union decided to step in and prevent the referendum in Montenegro that seemed inevitable. The European Union asked its High Representative, Javier Solana, to undertake a diplomatic mission whose aim was to prevent further disintegration of the FRY. Solana's task was to persuade Montenegro to reach an agreement and to preserve the federal union while creating through negotiations a new state community that would better preserve the national interest of Montenegro. The first step in the three-sided negotiations aimed to postpone the referendum in Montenegro scheduled for Spring/Summer 2002.

During his visit to the FRY in December 2001, the French President Jacques Chirac clearly stated in Belgrade that the European Union might not recognise the independence of Montenegro even after a referendum. The EU had built its argument in favour of the federal state on economic grounds. Solana warned the political leaders of Montenegro in an "op-ed" article published in the Montenegrin daily Vijesti that if their highest priority was for the Republic to join the European Union, then the idea of independence was a bad one. "My impression is that the Montenegrins need to take the new developments in Europe into account", wrote Solana. "The prosperity of the people of Montenegro will be determined by the level of inward [domestic] investments not by a seat at the United Nations or a network of embassies. Employment and career prospects for youth will likewise depend on education and training, not on having one's own army. And the dynamism of the economy will depend on its openness and the level of regional integration, not on a separate customs service".<sup>59</sup> With these words, Solana sent a strong message to the Montenegrin leaders by emphasising that the nation's economic wellbeing would be jeopardised if Montenegro adopted unilateral steps leading towards independence. Being the recipient of international assistance from the European Union and the United States, Montenegro could not ignore Solana's warnings. In addition, the

European Union insisted that "the progress toward a Stabilisation and Association Agreement (SAA) between the EU and the FRY could be held up by the separation".<sup>60</sup>

The power politics practised by Solana, who was not a neutral mediator but an advocate of a *federal* state, a goal shared by President Koštunica and Serbian Premier Djindjić, yielded results after two months of intense diplomatic activities and arm twisting. On 14 March 2002, the political leaders of Serbia (Premier Djindjić), Montenegro (President Djukanović and Premier Filip Vujanović) and the FRY (President Koštunica and deputy Prime Minister of the federal government Miroljub Labuš) signed an agreement in Belgrade to replace the FRY with a new state (having a single legal personality) to be called the "Union of Serbia and Montenegro". The agreement bears the signatures of the legitimate leaders of Serbia, Montenegro and of the federal institutions.

The current President of Serbia, Milan Milutinović, who has been indicted by the ICTY following the campaign of ethnic cleansing and war crimes committed by the Yugoslav police and Army (VJ) in Kosovo in 1999, was excluded from the negotiating process supervised by Solana. Also, the current federal Prime Minister, Dragiša Pešić, who is a member of the SNP<sup>61</sup>, has not signed the document. It was his deputy Labuš who signed, an apparent concession to the Montenegrin President Djukanović.

The "Belgrade agreement" comprised the elements of three platforms, two presented by Montenegro in 1999 and 2001, and one presented by Koštunica and his allies from Montenegro in 2001-2002. The "agreement" is a compromise between two opposing political projects which were on the negotiating table between January and March 2002: one was an independent statehood for Montenegro and the other was a "new" federal state. It is important to bear in mind that the "Belgrade agreement" was reached only after massive horse-trading, supervised by Javier Solana, took place. In our view, this agreement will last only as long as the EU is unambiguously behind it.

The creation of the new state was the direct outcome of the work of the international community (the European Union and the United States in the first place) and backed by all major international organisations, the UN, OSCE, and the Council of Europe. The primary objective of the agreement was to stop the process of disintegration of the FRY which, at the end of October 2001, seemed to be unstoppable.

The "Belgrade agreement" is a short document, which gives very little detail or guidance as to how the new state would work in practice. The principal provisions of the agreements can be summarised as follows<sup>62</sup>:

1- The agreement will be in force for three years. After this period, the member states will be allowed to reconsider their allegiance to the Union. If Montenegro should leave the Union after these three years, Serbia will be considered the successor state, specifically concerning the provisions of the UN Security Council Resolution 1244 on Kosovo. Serbia will also, in this case, inherit the membership in international organisations (IMF, World Bank, UN, etc.)

- 2- The Union will have a unicameral parliament in which the Montenegrins representatives will benefit from positive discrimination measures, a Council of Ministers with duties that shall be specified at a later date, and a Court with constitutional and administrative functions. A President will also be elected by the parliament. The agreement allows the Constitutional Charter to decide the mode of selection for the MPs who will sit in the Union's new parliament: by delegation from the national parliaments or by direct elections in each republic (state).
- 3- The President will be in charged of proposing the composition of the Council of Ministers. The Council of Ministers will comprise five departments: foreign affairs, defence, international economic relations, internal economic relations, and the protection of minority and human rights. The competencies of these five departments are not known for the moment, and neither are the relationships they will have with the ministries of Serbia and Montenegro.
- 4- The Presidents of the Union, of Serbia, and of Montenegro will formed a Supreme Defence Council, which will have control over the army and military affairs. The conscripts will have the right to serve in their home republic.
- 5- The functions of ministers and deputy ministers will be accorded under a system of rotation of offices, in which representatives of each member state will occupy these functions in turns. A provision for rotation will also be established for the representation in the international organisations such as the UN, OSCE or the Council of Europe. The seats in the various international economic organisations will be filled under "special models" that still need to be defined.
- 6- Some federal institutions will be located in Podgorica, the capital city of Montenegro.
- 7- Even if the agreement does not deal extensively with the economic sphere, some details indicate that Montenegro should be able to retain the economic independence attained over the last three years. However, the agreement calls for the establishment of a common market between Serbia and Montenegro. The customs policies of the two states will also be harmonised in line with the policies of the EU.
- 8- The EU will be responsible for the implementation of the agreement. The EU will also be bound to take into account the complaints of either of the member states if one of them feels that the other one is not following the agreement, notably on the matters concerning the development of a common market or the harmonisation of the customs policies.

The signatory parties to the Belgrade agreement have decided that the next step towards implementation of the process of creating a new state should be to draft a new Constitutional Charter, a legal foundation for the common state. An ambitious agenda was set in March 2002, providing that by the end of June 2002 a Constitutional Commission delegated by the parliaments of the FRY, Serbia and Montenegro (27 members, 9 from each parliament) should finish a draft of the Constitutional Charter for the new Union. Soon after, the Constitutional Charter should be adopted by the parliaments of Serbia and Montenegro and submitted to the FRY parliament. At the time of writing (beginning of August 2002), the final draft of the Constitutional Charter is not ready. The members of the Constitutional Commission have drafted two versions of the Charter, each reflecting two different interpretations of the Belgrade agreement. The Montenegrin side thinks that the Charter should be a provisional document for limited use (three years), a "technical service" of the governments of Montenegro and Serbia while negotiating the Stabilisation and Association Agreement with the European Union. President Koštunica and the Vice-Prime Minister Labuš think that the future Union has to be a state whose sovereignty derives from the Constitutional Charter and the institutions of the common state. This debate about the prerogatives of the common state will in all likelihood be resolved as in the past, by the mediation of the High Representative Solana. The adoption of the Constitutional Charter by the "Union of Serbia and Montenegro" is also a prerequisite to join the Council of Europe. If the Union wants to join the Council this year (2002), then it must adopt the Constitutional Charter by 17 September 2002. Chris Patten, the EU Commissioner for Foreign Affairs, thinks that a successful harmonisation of the economic (common market) and political matters between Serbia and Montenegro will be essential to conclude and implement rapidly the Stabilisation and Association Agreement. Therefore, it is likely that Montenegro will be obliged to make more concessions and that the final outlook of the common state will be more federal, as Koštunica wishes, than confederal (Montenegro's preference).

## REACTIONS TO THE "BELGRADE AGREEMENT" IN MONTENEGRO AND SERBIA

President Djukanović has made a considerable personal effort to justify the "Belgrade agreement". He has emphasised the positive sides of the agreement, arguing that this was the maximum Montenegro was able to achieve at this particular moment. It seems that the hostility of the international community towards the independence of Montenegro was essential in forcing Djukanović and Vujanović to sign the agreement. All things considered, Montenegrin public opinion has well received the "Belgrade agreement". One month after the signing, 61.6 percent of citizens of Montenegro supported the agreement, and President Djukanović is by far the most popular leader in Montenegro.<sup>63</sup>

Among the critics of the "Belgrade Agreement", it was the Liberal Party, that most strongly rejected the "Belgrade agreement". The leaders of the Liberal Party, Vesna Perović, Miodrag Vicković and Miodrag Živković have accused President Djukanović of treason. In the view of the Liberal Party, Djukanović betrayed the national interest of Montenegro and the agreement between the DPS and the Liberal Party providing that the latter will support the government if it continues to work for independence. To demonstrate its dissatisfaction towards the "Belgrade agreement", the Liberal Party's members of parliament stopped short of supporting the government coalition and provoked its fall, in spite of the efforts of Javier Solana and Djukanović to convince them to continue to back it. President Djukanović was obliged to scheduled new parliamentary elections for the 6 October 2002. The Liberal Party was determined to inflict maximum of political damage to Djukanović and its party (DPS). Liberals entered into the coalition with the SNP in several municipalities, which they now govern together, to the dismay of their former allies, the DPS and the SDP.

President Koštunica was satisfied with the "Belgrade agreement", because it "did stop the disintegration of the country".<sup>64</sup> In his address to the Federal Assembly, Koštunica stated, in a manner reminiscent of Milošević, that the "Belgrade agreement" had defeated the partisans of the independence of Montenegro, such as Latinka Perović

and Ivo Banac, respectively a Serbian and a Croatian-American historian, as well as Sonja Biserko, a human rights activist from Belgrade...<sup>65</sup> Koštunica believes in the future of the "Union of Serbia and Montenegro" because, as he said, "the European Union actively supports the take-off of this state".<sup>66</sup> However, Koštunica also envisages that after three years Montenegro may walk away from the common state. If this happens, Koštunica underlines, "Serbia and Montenegro will go for a velvet divorce, as the Czechs and Slovaks did in 1992".<sup>67</sup>

In Serbia, among those who expressed reservations regarding the agreement, it was the Christian-Democratic Party of Serbia (DHSS) and its chairman Vladan Batić who voiced opposition to the new state of Serbia and Montenegro. Batić and his party rejected the common state on the ground that it does not preserve the national interest of Serbia. Batić argues that Serbia and Montenegro need to be independent states before engaging into a new co-operative model, most likely confederal. Such a confederation has to be based on an international treaty between the two states, both having a legal personality in the international organisations and separate seats in the UN. To promote this political project, the DHSS has collected 400,000 signatures in Serbia and in July 2002 presented them to the Serbian parliament.<sup>68</sup> The DHSS wishes to organise a referendum in Serbia by insisting that the citizens of Serbia have to decide for themselves about the independence of their state.

## The Links of President Djukanović to the Organised Crime

Ottavio del Turco, former Italian Finance Minister, was one of the first among the western leaders to accuse Montenegrin politicians of having links with organised crime controlling the black markets of cigarettes in the Balkans. Branko Perović, the former Foreign Minister of Montenegro, resigned after del Turco made his accusation public. In the Spring of 2002 the public prosecutor of the city of Bari, Giusseppe Schelsi, initiated an investigation into the alleged involvement of President Djukanović in the traffic of cigarettes. In July 2002, Schelsi invited the editor of the Croatian weekly *Nacional*, Ivo Pukanić, to give a deposition concerning the activities of the "tobacco mafia" in the Balkans.<sup>69</sup> *Nacional* had published in 2001-2002 several articles on the subject, claiming that President Djukanović was directly involved in the illegal traffic of cigarettes and that he had made millions of dollars by providing a legal cover for money laundering and other activities. Following the publication of the articles in *Nacional*, the Montenegrin assembly (parliament) established a commission to verify these allegations.

President Djukanović has always denied any involvement in the traffic of cigarettes. He himself proposed to the Montenegrin parliament the creation of the commission to clear his name. Vesna Perović, the chairwoman of the parliament and a political opponent of Djukanović, has accused the later of trying to obstruct the work of the commission after it started its investigation.<sup>70</sup> On 25 July, the report of the commission was adopted by the Montenegrin parliament although without the votes of the MPs from the DPS, who walked out during the vote. The report confirmed that Montenegro was a hub for the traffic of cigarettes. However, it stops short of accusing President Djukanović of involvement in criminal activities.<sup>71</sup> The charges in the report were serious enough to prompt the aforementioned prosecutor, Schelsi, to invite the

chairman of the commission, Vuksan Simonović, to testify in Bari on 7 August 2002 and to present the evidence the commission had gathered during the investigation. It seems that President Djukanović has been politically weakened by the recent scandals brought up against him and the Montenegrin government in different European capitals. It remains to be seen whether his alleged links to the "tobacco mafia" will affect his personal credibility in the forthcoming electoral challenges.

#### Conclusion

The roots of the present constitutional crisis between Serbia and Montenegro go back to the years 1996/97, when the consensus between the two national elites who created the FRY was broken. The conflict of interests between Serbia and Montenegro, and the conflict of personalities (Milošević versus Djukanović), are the main causes of the present crisis. I have emphasized the primacy of conflicting interests because the conflict between the two federal units continues even after the ouster of Milošević. The rhetoric today in Serbia among the political establishment and media with regard to the Montenegrin drive towards independence is hostile, as it was during the 1980's when Slovenia began its drive towards independence. For the Serbian media the main culprit responsible for the bad state of Serbian-Montenegrin relations is a "secessionist leadership in Podgorica," led by President Djukanović. This negative image of the Montenegrin leadership in Serbia did not change considerably even after Milošević's departure from political life.

From 1997 on Montenegro has chosen, like Slovenia 10 years before, the road to Europe as its economic future. Serbia, by contrast, has been in conflict with the Atlantic community since 1991, and its exclusion from Europe, after the indictment of Milošević by The Hague tribunal, became definitive. For Montenegro's long-term interests this position became untenable and a possible future stumbling block. The future of the "Union of Serbia and Montenegro" is presently on the negotiating table, and the Serbian and Montenegrin political elites are discussing it passionately. Vojislav Koštunica and Milo Djukanović, the respective Presidents of the "Union" and Montenegro, have both publicly stated that the state created on 14 March 2002 may be just another temporary solution for Montenegro and Serbia as was the FRY, which lasted ten years. Unlike Milošević, who possessed a near absolute determination to use force to preserve the communist federation, Kostunica has promised a democratic and peaceful solution to the present constitutional crisis between Serbia and Montenegro over the common state's future. In his endeavour to salvage the common state, Koštunica has received unconditional backing from the European Union, the United States, and international organisations.

The persistence of differences between Serbia and Montenegro after the fall of Milošević stems from the structural differences of the two federal units and their size,<sup>72</sup> though one should not underestimate the determination of the Montenegrin elites to defend the present *de facto* status of an independent state which Montenegro enjoys. The international community treats President Djukanović as a head of state, and his country has a special status in the Stability Pact for Southeast Europe. It remains to be seen whether the Montenegrin political elite, which was rewarded by the international

community for its resistance to President Milošević and for sheltering the leaders of the Serbian opposition on Montenegrin territory,<sup>73</sup> would now accept to play the new role Javier Solana and Koštunica have chosen for them. The Montenegrin elite, which today governs the country, began to realize after 1997 that the federal state cannot be only built upon the temporary consensus of the political elites, as was the case in 1992. When in 1997/98 the consensus was definitively lost, the Montenegrin government and President found themselves in the extremely vulnerable position of being at the mercy of Milošević and the federal army. Now the Montenegrin political elites have an adamant desire to build a *state*, which they consider to be the most effective instrument for protecting the established political order in Montenegro from the illiberal Serbian alliance led by Vojislav Šešelj. The latter, together with the remaining supporters of Milošević and the Serbian Unity Party (SSJ) of the deceased warlord Željko Ražnjatović-Arkan, occupy 74 seats out of 250 in the Serbian Parliament, elected in December 2000.

If there is no *explicit* and *firm* commitment by the Serbs and Montenegrins to live in one state, then the "Union of Serbia and Montenegro" cannot become a viable federal state. The signing of the "Union of Serbia and Montenegro" in 2002 has extended the lease of the federal/confederal state for three more years. It seems that it is only in 2005 that Serbs and Montenegrins will decide whether they will live in a single state or in two states.

## Appendix

#### The Main Political Parties in Montenegro

Political Party	Political Alignment
Democratic Party of Socialists (DPS)	Headed by President Milo Djukanović. The DPS is
	a communist successor party and the core of the
position of being at the mercy of Milosevic	governing coalition. It is pro-independence.
Social Democratic Party (SDP)	A pro-independence, pro-Western party, led by
and galaxies instantinent in proceeding the	Ranko Krivokapić. Coalition partner of the DPS.
Liberal Alliance of Montenegro (LSCG)	The most consistently, radically pro-independence
	party, led by Miodrag Živković. Supported the DPS-
	SDP coalition government after the April 2001
	election.
Socialist People's Party (SNP)	Biggest pro-Yugoslav Montenegrin party, opposed
nicional designation being and an and a second	to independence, an offshoot of the DPS. Predrag
	Bulatović has headed the SNP since February 2001.
She washington and the state of the prosterior forth	Member of the "Together for Yugoslavia" coalition.
People's Party (NS)	A pro-Serbia, anti-Milosevic, anti-independence
the second	party led by Dragan Šoč. Member of the "Together
	for Yugoslavia" coalition.
Serbian People's Party (SNS)	A pro-Serbia, anti-independence party led by
	Božidar Bojović; an offshoot of the NS. Member of
	the "Together for Yugoslavia" coalition.
People's Socialist Party (NSS)	Pro-Yugoslav party that split with the SNP in
	February 2001 after the SNP forced former leader
	Momir Bulatović to resign.

Source: International Crisis Group, "Still Buying Time: Montenegro, Serbia and the European Union", Balkans Report no. 129, Podgorica/Belgrade/Brussels, 7 May 2002, p. 19.

#### Notes

<sup>1</sup> Vojislav Koštunica, "Yugoslav President's Address to the Federal Assembly", 18 April 2002, http://www.predsednik.gov.yu/press/tekst.php?id=551&strana=naslovna.

<sup>2</sup> Milo Djukanović, Vijesti (Podgorica), 15 March 2002, http://www.vijesti.cg.yu.

<sup>3</sup> International Crisis Group (ICG), "Current Legal Status of the Federal Republic of Yugoslavia (FRY) and of Serbia and Montenegro," *Balkans Report no. 101* (Washington/Brussels, 19 September 2000), p. 6, http://www.crisisweb.org.

<sup>4</sup> *Ibid.*, p. 8.

<sup>5</sup> "Koštunica: Uspravili smo se kao država i vratili u svet" [We rose as a state and returned to the world], Interview to the daily *Politika* (Belgrade), 12 November 2000, p. 1.

<sup>6</sup> ICG, Balkans Report no. 114 (Podgorica/Brussels, 1 August 2001), p. 1.

<sup>7</sup>Nebojsa Cagorovic, "Conflicting Constitutions in Serbia and Montenegro," in *Transition* (Prague), vol.3, no. 4 (7 March 1997), p. 28.

<sup>8</sup> On 14 and 15 January 1998, on the eve of president's Djukanović inauguration, Momir Bulatović organized and led the demonstrations in Podgorica. The demonstrations led to violence between the supporters of Bulatović and the police. Bulatović accused Djukanović of electoral fraud in the presidential elections.

<sup>9</sup> Interview with Momir Bulatović, "Djukanović je naivan momak" [Djukanović is a naive guy], NIN, no. 2565, (24 February 2000), p. 17.

<sup>10</sup> Branko Mamula, "Poslije Miloševićevog sloma" [After Milošević's downfall], *Monitor* (Podgorica), no. 525, 10 November 2000, at http://www.monitor.cg.yu.

<sup>11</sup> Attila Agh, Emerging Democracies in East Central Europe (Glos, UK: Edward Elgar, 1998), p. 202.

<sup>12</sup> Elizabeth Roberts, "Montenegro," *The South Slav Journal*, Vol. 20, Nos. 1-2 (75-76) (Spring-Summer 1999), p. 9.

<sup>13</sup> Ivo Banac, *The National Question in Yugoslavia: Origins, History, Politics* (Ithaca, N.Y.: Cornell University Press, 1984), pp. 270-291.

<sup>14</sup> Pavlović, "The Podgorica Assembly..."

<sup>15</sup> Branislav Milošević was recalled from Moscow in December 2000, after the downfall of Slobodan Milošević.

<sup>16</sup> Fundamental differences developed between Slovenia and Serbia regarding their national interests in the late 1980's, which the SFRY could not resolve. Slovenia at that time was aiming to join European international organizations, a symbol of economic prosperities, while Serbia opted for strengthening of its ethnic nation-state (Greater Serbia) through wars and ethnic cleansing. See Reneo Lukic and Allen Lynch, *Europe from the Balkans to the Urals : The Disintegration of Yugoslavia and the Soviet Union* (Oxford: Oxford University Press, 1996), pp. 144-194.

<sup>17</sup> Ethnic conflict breaks out when there is a denial of collective rights and identity by one group over another, while political conflict concerns the distribution of power and resources among two or more competing political elites.

<sup>18</sup> Quoted by Esad Kočan, "Slovenija na Jugu" [Slovenia in the South], *Monitor*, no. 527, 24 November 2000, at http://www.monitor.cg.yu.

<sup>19</sup> Quoted in The New York Times, 12 August 2000, at http://www.nytimes.com/library/opinion

<sup>20</sup> Ouoted by Vijesti (3 February 2001), at http://www.vijesti.cg.yu

<sup>21</sup> Zeljko Ivanovic, "Reform as Expediency," Transition, vol. 5, no. 3 (March 1998), p. 56.

<sup>22</sup> Milo Djukanović, "Strategic Initiatives of the Federal Republic of Yugoslavia — Fundamentals for a New Beginning," *Document* (Podgorica), 3 April 1998, at http://www.montenet.org/mnews/osnoveeng.htm.

<sup>23</sup> "Montenegro and the Balkan Crisis," at http://www.mnews.net.

<sup>24</sup> Lukic, Rethinking the International Conflict, p. 146.

<sup>25</sup> Robert Thomas, *The Politics of Serbia in the 1990's* (New York: Columbia University Press, 1999), p. 379.

<sup>26</sup> "Elections in Montenegro," Review of International Affairs (Belgrade), no. 1061, 15 October 1997, p. 40.

<sup>27</sup> Interview with Milo Djukanović, "Leader may begin new wave in Balkan," *The Globe and Mail* (Toronto), 24 October 1997, p. A15.

<sup>28</sup> Lukic and Lynch, Europe From the Balkans to the Urals, pp. 169-173.

<sup>29</sup> Vijesti (22 November 2000), at http://www.vijesti.cg.yu.

<sup>30</sup> "Neču završiti kao Gorbačov" [I will not end-up like Gorbachev], Interview with president Koštunica, *Vreme* (Belgrade), no. 519, 14 December 2000, at http://www.vreme.com/519.

<sup>31</sup> "Montenegro and the Balkan Crisis," at http://www.mnnews.net.

<sup>32</sup> Interview with Vojislav Koštunica, "Država po volji naroda" [The state according to the will of the people], *Politika* (30 December 2000), p. 1.

<sup>33</sup> Interview with Vojislav Koštunica, "U novi vek s uredjenom državom," [In a new century with a well settled state], *Glas Javnosti* (Belgrade), 7 December 2000, at http://www.glas-javnosti.co.yu.

<sup>34</sup> Politika (30 December 2000), p. 1.

<sup>35</sup> "Montenegro's Djukanović digs in heels on independence despite US opposition," *AFP*, 6 February 2001, at http://sg.dailynews.yahoo.com.

<sup>36</sup> Vijesti (29 December 2000), at http://www.vijesti.cg.yu.

<sup>37</sup> The New York Times, 18 January 2001, p. A8.

<sup>38</sup> Milo Djukanović, in Vijesti (2 February 2001), http://www.vijesti.cg.yu.

<sup>39</sup> Republic of Montenegro/Federal Republic of Yugoslavia, Parliamentary Elections 22 April 2001, OSCE/ODIHR Election Observation Mission Report (Warsaw, June 12, 2001).

<sup>40</sup> Interview with Svetozar Marović, *Monitor*, no. 548, 20 April 2001, at http://www.monitor.cg.yu.

<sup>41</sup> Republic of Montenegro/Federal Republic of Yugoslavia, Parliamentary Elections 22 April 2001.

<sup>42</sup> Vijesti (28 August 2001), at http://www.vijesti.cg.vu.

<sup>43</sup>Janusz Bugajski, "The Case for Montenegro Independence," at http://www.csis.org.

<sup>44</sup> Vijesti (21 August 2001), at http://www.vijesti.cg.yu.

<sup>45</sup> Glas Javnosti (21 December 2000), at http://www.glas-javnosti.co.yu.

<sup>46</sup>. Batić Bačević, "Severna liga" [Northern League], in NIN, no. ???? (2 March 2000), p. 22.

<sup>47</sup>. Ibid.

<sup>48</sup>. On 20 August 2001, representatives of the leading political parties and NGOs in Vojvodina adopted a "platform" to facilitate the restructuring of relations between Vojvodina and Serbia. The "platform" calls for the adoption of the new constitution of Serbia, in which Vojvodina will enjoy a high level of political autonomy, similar to that which it had in the 1974 Constitution of the SFRY. See Pobjeda (Podgorica), 21 The New York Times, 25 July 2001, p. A1. August 2001, at www.pobjeda.co.yu.

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<sup>50</sup> Quoted by International Crisis Group, "Montenegro : Settling for Independence ?," Balkans Report no. 107, Podgorica/Brussells, 28 March 2001, p. 19, at http://www.intl-crisis-group.org.

<sup>51</sup> Vijesti (9 January 2001), at http://www.vijesti.cg.yu.

52 Veton Surroi, "Kosova Priorities," Balkan Crisis Report, no. 209, 15 January 2001, Institute for War and Peace Reporting, at http://www.iwpr.net.

53 "Kosovo če postati nezavisno u procesu integracije u EU" [Kosovo Will Become Independent Through the Process of Integration into EU], Vijesti (22 August 2001), at http://www.vijesti.cg.yu.

<sup>54</sup> Sonja Drobac, interview with Goran Svilanović, Monitor, no. 574, 19 October 2001, at www.monitor.cg.vu.

55 "The Crisis in Macedonia and U.S. Engagement in the Balkans," Hearing before the Committee on Foreign Relations, United States Senate, 107th Congress, 13 June 2001, p. 44, available at http://www.access.gpo.gov/congress/senate.

<sup>56</sup> Steven Woehrel, "Montenegro and U.S. Policy," CSIS U.S.-Montenegrin Policy Forum - Eastern Europe Program, 20 July 2001, at http://www.csis.org.

<sup>57</sup> Vijesti (23 October 2001), at http://www.vijesti.cg.yu.

<sup>58</sup> International Crisis Group, "Still Buying Time: Montenegro, Serbia and the European Union", Balkans Report no. 129, Podgorica/Belgrade/Brussels, 7 May 2002, p. 5.

<sup>59</sup> Javier Solana, "The Fastest Way to Full European Integration", Vijesti (22 February 2002). The English version of this article is available on the European Union Internet website at http://ue.eu.int/pressdata/EN/articles/69522.pdf.

<sup>60</sup> International Crisis Group, "Still Buying Time...", p. 8.

<sup>61</sup> The Socialist People's Party (SNP) is the largest pro-Yugoslav party in Montenegro and a leading member of the coalition "Together for Yugoslavia", which was opposed in the parliamentary elections (2001) to the coalition "Victory for Montenegro", led by President Djukanović. The SNP was a main political ally of Milošević in Montenegro up to his fall in October 2000.

<sup>62</sup> The following paragraphs are based on International Crisis Group, "Still Buying Time...", pp. 11-12.

<sup>63</sup> Vijesti (19 April 2002), at http://www.vijesti.cg.yu.

<sup>64</sup> "Yugoslav President's Letter to Federal Assembly Representatives", 31 May 2002, at http://www.predsjednik.gov.yu.

<sup>65</sup> "Yugoslav President's Address to the Federal Assembly", 18 April 2002, at http://www.predsednik.gov.yu.

<sup>66</sup> Von Michael Martens, "Den Haag ist voreingenommen, Ein Gespräch mit Kostunica", interview with President Koštunica, *Frankfurter Allgemeine Zeitung*, 1 August 2002, at http://www.faz.net.

<sup>67</sup> Ibid.

<sup>68</sup> "Serbija če biti samostalna" (Serbia will be independent), *Glas-javnosti* (Belgrade), 29 July 2002, at http://www.glas-javnosti.co.yu.

<sup>69</sup> Vjesnik (Zagreb), 20 July 2002, on http://www.vjesnik.com.

<sup>70</sup> Interview with Vesna Perović, *Nacional* (Zagreb), no. 348, (17 July 2002), available at http://www.nacional.hr.

<sup>71</sup> Komisija Skupštine Republike Crne Gore, *Izviještaj o radu*, Podgorica, 28 July 2002. The report of the commission of the Montenegrin parliament was posted on the web site of the Croatian weekly *Nacional* at http://www.nacional.com.

<sup>72</sup> Serbia and Montenegro are disproportionately different in size. Serbia is in terms of population seventeen times bigger than Montenegro.

<sup>73</sup> During the NATO bombing of the FRY, the current Serbian Prime Minister Zoran Djindjić lived in Podgorica, as did Vuk Drašković, after a failed attempt on his life in Serbia.

# GOVERNANCE NOW. PARTICIPATION AND RESPONSIBILITY

## Andrei Marga

Rector of Babeş-Bolyai University, Romania Email: amarga@staff.ubbcluj.ro Those who want to consider the problems raised by the reconstruction of South-eastern European countries and to contribute to finding solutions to them will have firstly to consider the crises that these countries are trying to control, and secondly to identify the mechanisms which can be triggered and the actors which can be put to work. That is why, in the speech that I have the honour to make within the very welcome framework of the reunion of the **Center for European Studies of Carleton University**, I would like to describe briefly the crises in these societies (1), to draw a brief analogy with the Central European countries which have already succeeded in their attempt at reconstruction (2), to bring arguments in favour of reconsidering governance (3) and to conclude by pointing to measures to be taken in order to effect the necessary change in governance in these countries (4).

It is well known that, during the post-war period, some countries in South-eastern Europe (Greece, Turkey) continued to be members of the western alliance; one country embraced self-managing socialism and neutrality (Yugoslavia), while others (Bulgaria, Romania, Albania) entered the system of Eastern socialism, controlled by the Soviets. The evolution of these countries has been diverse, so that any analysis should be fairly specific. If we refer to the countries that entered the sphere of Eastern socialism after the second World War, which make the object of my speech, we can state that their structural crisis, rooted in underdevelopment and conflicts resulting from a long history of the region, was sublimated in the social discipline imposed by the communist dictatorship and in ideologically determined social experiences. After 1989, these countries have displayed crises of various natures, which should be defined and described in order to get a clear picture of the problems they are facing even today. Let us try to enumerate them.

If by crisis we understand enduring disturbances of integration in production, administration and value systems<sup>1</sup>, we can say that even today the societies in South-eastern Europe show signs indicating crises of different natures. More precisely: an economic crisis, indicated by the noncompetitive level of technology, burdensome debts, reduced investments, low productivity and nonstimulating incomes; a social crisis, consisting in the incapacity of absorbing the workforce which has been made redundant in response to non-competitive products and to the failure to adapt to the new market requirements; a legitimacy crisis, consisting in the fact that, after decades of paternalism cultivated by means of insidious propaganda, popular vote determines oscillations between inefficient political alternatives, such as superficial charisma and chaotic pluralism, while democracy remains mainly an instrument used to select dominant elites; a cultural crisis, consisting in the fact that the necessary approaches (taken by means of economics, history, sociology, anthropology etc.) are, to a large extent, rather imported products than autochthonous elaborations; a creativity crisis, indicated by the persistence of the inefficient alternative of passeism or of a priori pessimism; and a motivation crisis, consisting in the erosion of traditions, which are not replaced sufficiently by new integrating values, a crisis clearly indicated, among others, by the fact that many citizens, especially young citizens, see emigration as their highest possible aspiration.

In order to overcome these crises, many problems need to be solved, and consequently **the agenda of these countries has grown rather busy**. More precisely, these problems refer to: introducing and updating technology; large-scale privatisation of economy; acquiring significant investments from abroad; making economic activities profitable; professional retraining; introducing work discipline, required by competitiveness; democratisation of public life and development of institutions enforcing the rule of the law; gaining democratic support for austere policies aimed at privatisation and profitability; administrative decentralisation and introduction of institutional autonomy in units; raising awareness of responsibility for one's own condition; generating analyses of one's own condition as parts of projects aimed at determining the change from within; finding motivation for long-term effort within the framework of international competitiveness and globalisation.

This already busy agenda of these countries gets even more complicated by the fact that in more than one respect it proves to be contradictory. For example, large-scale privatisation is needed, but privatisation, at least in the beginning, determines workforce redundancies, with serious effects on the domestic product and on democratic support; the opening of capital markets to foreign investments, absolutely indispensable, may inhibit the initiatives of the domestic capital, which, in its turn, is equally needed in view of durable reconstruction; making economic activities profitable often conflicts with the tendency of preserving already established organisations, sustained by popular vote; etc. However, it is exactly such a busy and often contradictory agenda that needs to be applied in order to achieve reconstruction by transition in the societies of South-eastern Europe.

By 2003, the mentioned societies in South-eastern Europe had assumed privatisation, market economy, political pluralism, and the rule of the law. Consequently, their reconstruction as open societies is in progress. However, these societies have largely remained one whole not just due to their previous history, but also due to the stage they have reached in applying the reforms adopted so far. In their particular case, privatisation has been achieved to a lesser extent, administrative decentralisation has been hesitant, foreign capital influx has stayed relatively modest, the emergence of the functional market is still slow, pressure exerted towards social compensation, against the background of poor private initiative, has been higher. Where does this slower rhythm of changes come from? The answer at hand is: "from the history of this region". **My opinion is that history can explain a lot of things, but it cannot always entirely explain everything.** Among the factors that should be considered, there are factors other than history (the relative distance at which South-eastern Europe has always been from the rest of Europe during the modern age, the sternness of the communist dictatorships in the region etc.). I will try to identify these factors by drawing a brief comparison with the evolution of the societies in Central Europe.

2

In Central Europe, countries once members of the Eastern socialist system – Hungary, Slovenia, the Czech Republic, Poland – have undergone a more rapid transition to open society and have got further in this direction. Their economy is more competitive, their administration is more flexible and efficient, foreign capital investments have become substantial, market has become indeed the main controller of economy, the entrepreneurial initiative has gained ground. How can we explain this advance?

In this case, too, historical factors ( a stronger affiliation of these countries to the history of Western and Central Europe, cultural affinity for the West, stronger modern traditions in economy, administration, mentality) and the geographical proximity to the West can be invoked. However, not even here can history and geography account for everything. Undoubtedly, the proximity to western markets and the influence of western democratic traditions represent an advantage, and this advantage could be noticed throughout the entire post-war period: in Central European countries, private economy has survived to a larger extent even under communist regimes or was re-established partially under these conditions, the single-party dictatorship had to compromise under the pressure of civic movements and of the churches, individual freedoms were wider, western assistance stronger.

However, the advantage of proximity to the West from which Central European countries benefited cannot be considered – as it continues to be by improvised explanations and by ideologies

spread in Eastern Europe – an exhaustive explanation for the gap between them and the countries in South-eastern Europe with respect to transition. In fact, Tito's Yugoslavia, as well as the Romania of the 1968 opposition to the "Brejnev doctrine" had known strong western support. The overthrow of Ceauşescu in December 1989 and the proclamation of radical rejection of communism in the first declaration made by the newly established authorities of Bucharest attracted once again western support for Romania. Examples of "missed opportunities" and "wasted chances" in former socialist countries of South-eastern Europe are, undoubtedly, more numerous. On the other hand, it is possible that the same general measures – liberalisation of the right to initiative, free elections, administrative decentralisation, etc. – should have different results in different contexts, defined by history and influenced by geographic position.

Nevertheless, when it comes to different measures, with different results, adopted in different countries in neighbouring regions, we have to deal, in a very strict sense, rather with something else than history and geography: we have to deal with governance. However, a simple historical analysis points to the following fact: while the Prague of 1968 attempted at a shift from the Soviet socialism to the democratic socialism inspired by the West, Sofia was obstinately defending Brejnevism and its Stalinist roots, and Bucharest was laying the foundation of Ceausescu's nationalcommunist adventure; while in 1980 in Poland the "Solidarity" movement targeted the communist regime, Eastern European countries were officially displaying an opposite mobilisation; while Kadar's Hungary was accommodating small business capitalism, Bulgarian and Romanian economists were discussing about the "strengthening of the socialist property"; while many Central and Eastern European countries had overthrown the communist dictatorship and were heading towards pluralism, Yugoslavia was stumbling in the anachronistic Milosevici regime; while, in the early '90s Central European countries were intensively privatising their economies and were encouraging foreign investments, Eastern Europe was flirting in some countries with the reformism of the "socialism with human face"; while the same countries were encouraging the establishment of the civil society and the engagement of intellectuals in the public sphere, some leaders in the region were launching the disastrous thesis of the "political non-involvement of the intellectuals"; while in Central European countries the successors of the communist party had been reformed for some time, in some Eastern European countries they came back in power, wearing new tags, and their reformation proves to be slow; while in Central European countries accession to NATO and EU determined public debate on what needs to be done to this purpose, in some Eastern European countries the debate tended to focus on exerting the existing power. Examples can go on. My thesis is that the rhythm of transition from Eastern socialism to open society was mainly determined by governance and that it is high time that South-eastern European countries paid high priority to this factor of modern dynamics.

3

I do not wish to abandon the analysis of the former socialist South-eastern European countries in favour of general considerations. However, following Burns and Carson (2002), I would like to mention that any human activity is organised and regulated by socially produced and reproduced rules and rule systems, incorporated in language, customs and codes of behaviour, norms, laws and social institutions<sup>2</sup>. I will start from Rhodes' (1997) definition of "governance" as "selforganizing, interorganizational networks"<sup>3</sup>. Unlike "government", which refers to the executive authority of a representative democracy, "governance" means the correlated action of numerous actors involved in guiding society, from statespeople, elected politicians, officials, to pressure and interest groups. As landmark, I will take the distinction made by Köhler-Koch (1999) between the various "governance" types – statism, corporatism, pluralism, network governance<sup>4</sup>. My thesis is that: governance can account better than other factors for the rhythm of the Eastern transition from Eastern socialism to open society; the prevalent governance type in the former South-eastern European socialist countries was democratic populism; at the moment, there is the need for moving to a governance type that implies pluralism and democratic control, and heads towards durable solutions and efficiency.

If we accept that by governance we mean the ensemble of rules and rule systems which structure the life of communities and which can be identified in language, customs and codes of behaviour, norms, laws and institutions, then we get a comprehensive approach of a reality decisive for modern communities. Within this framework, taking an analytical step forward, we can distinguish several subsystems with a prominent structuring role. I am referring to: language, which "creates" realities for social actors; general views on natural, social and private world, which motivate actions; interpretations of history, which legitimate rules and roles; decision-making framework, which ensures unity of action; institutions, which ensure functional unity of a community. Against the background of these analytical distinctions and considering the recent history of the former socialist countries of South-eastern Europe, I would like to elaborate on and to bring arguments in favour of my thesis.

There are at least three **arguments that support the thesis of the prominence of governance with regard to the rhythm of transition in the countries of Eastern Europe. The first argument** is that actually, after 1989, different types of governance have been the background for the evolutions of Eastern European countries as compared with Central European countries or with any other countries which shifted towards open society. Greece is a good example for the region; likewise, Spain and Portugal are examples for another region of Europe. Wherever democratic populism was preserved, it acted as a transition brake, whereas its abandonment meant encouraging transition. The second argument is that in the era of market expansion and globalisation changes in societies depend rather on what human agents, groups and communities choose with regard to the rules which structure their lives than on factors such as geo-political components and past history, undoubtedly efficient in their way, but rather circumstantial. Finally, **the third argument** is that such revolutions as those that took place in the majority of Central and Eastern European socialist countries, unlike other revolutions in the history of mankind, were not violent (but by exception), and were not primarily determined by implacable constraints. These revolutions were and continue to be rather bold and well-thought commitments to change assumed by human agents, groups and communities.

Transition in Central and Eastern Europe has been complex, but it has primarily meant a change in governance, decided at the level of governance. In order to describe the changes in governance we should also refer to another analytical distinction. Köhler-Koch distinguished between the four governance types - statism, corporatism, pluralism, network governance - in order to specify the governance system of the European Union in contrast with the already established European tradition of governance types. In order to describe and specify clearly the governance types in the last decade Central and Eastern Europe we should resort to relevant indicators. In my analysis I will refer to the following indicators: the role attributed to private property; the role attributed to the state, to society and to free market as regulating mechanisms for economy; the acknowledged autonomy of the public sphere and the evaluation of political diversity and of the role of political minorities; the interpretation of globalisation of economy, communications, knowledge; the degree of support for social critique and the acknowledged role of social research as basis in the decision-making process; the subjects taking relevant decisions and the way in which decisions are made. On the basis of these indicators, types of governance may be outlined for transition from eastern socialism to open society in Central and Eastern Europe; however, we should mention that there are no "pure types", but characteristic types. My thesis is that the governance that prevailed in the former socialist countries of South-eastern Europe was democratic populism, in contrast with Central European

# pluralist democracies, and that due to populism the rhythm of reconstruction and development, the rhythm of transition in particular, has been slower.

On the basis of recent history, I would like to refer to democratic populism starting from the above-mentioned indicators. As aforementioned, all former socialist countries of Central and Eastern Europe adopted, in their 1989 proclamations, general options in favour of private property, market economy, individual freedoms, the rule of the law, European integration. However, the effective commitment to such options and their concretisation in laws and institutions have been different matters. In fact, in this context **democratic populism** meant relativising the importance of private property and delaying the retrocession of properties, prolonging the prevailing role of the state in economy and in the public sphere and colonising it with private interest groups, along with favouring political unity on the expense of diversity and with the tacit consideration of political minority as circumstantial reality; interpreting globalisation as a threat to national identity; encouraging social critique to the extent to which it cannot disturb the structures of power and keeping social sciences as an ornament of the newly emerged realities; keeping decision-making within parties and resorting to mass mobilisation and manipulation as soon as structures are in jeopardy.

I wish to illustrate such democratic populism by referring to my country. In this particular case, in 1989, we had to deal with the most centralised system in the region, and, consequently, more rapid and deeper changes were expected in reaction. However, some Romanian political forces considered restoration of private property as a political matter rather than a lawful right and consequently opposed - in 1990, 1992, 1996 and 2000 - retrocession of properties, invoking the interwar cliché of the "return of the landowners". When, in 1996, the alternative government of a democratic coalition initiated a more dynamic privatisation so that Romania should catch up on the already serious delay, an ample mobilisation - with the entire arsenal of institutions inherited from the regime before 1989 - opposed vehemently. Even at present privatisation is still slow and in fact delayed and restricted by social conditions that render them insufficiently attractive to serious investors. In the early '90s, when foreign capital investors should have been encouraged, the counterproductive slogan "we do not want to sell our country" was launched. Establishment of the free market was restricted by the limiting and compensatory intervention of the state, which insisted on inheriting the mechanisms of the "distributive state" from Eastern socialism. Free market continued to be considered by some leaders through the eyes of the socialist critique of the late XIXth century. Instead of making room for the creation of the public sphere in society - that sphere where citizens debate issues of general interest, escaping the pressure exerted by private interests and searching for solutions to everyone's and public benefit diverse measures were taken to populate that room with private groups and to control it. The effects of such attitude are visible even today, and the debate specific of the public sphere lingers. Political diversity has been rather accepted than systematically cultivated. Political minority fails to be considered a source of arguments - whose validity, obviously, does not depend on the number of people who share them - and is seen as an inevitable reality in the era of pluralism. The major political trend after 1989 cultivated the representation once used by Ceauşescu to gain notoriousness and support in 1968 - that of unconditioned sovereignty. When the structures of the power inherited from the previous regime seemed to be threatened by the pressure of the movement for democratisation, some leaders saluted the violent actions of the miners or resorted to mass mobilisation.

However, it would be wrong to consider democratic populism just from the perspective of leadership. This democratic populism has been a type of governance concretised in the official language, the outlook on the world, the interpretations of history, the organisation of the decisional framework, the structuring of institutions.

Here are some illustrations of this evaluation. As early as the spring of 1990, circles of the new power launched the terms of a language manipulative of the public sphere, which distracted attention from the real facts of life in favour of structures from the very beginning abstract. For example, an opposition critical of the preservation of realities of the "socialism with a human face" type was expected to offer "dialogue" instead of combat, by dialogue meaning an exchange of opinions without focus on the asymmetrical distribution of power and with no practical consequences<sup>5</sup>. In the early '90s, the so-called "neo-communist" interpretation of the 1989 changes - according to which these changes are rather the result of the need for adaptation to the "scientific and technological revolution" than for democratisation - emerged on the intellectual background and stayed there for several years. It was accompanied by a "nationalism" of neo-herderian origin and by the theory of the "apolitical" nature of intellectual life; at the other end of the political spectrum it was accompanied by the "cultural evasionism" trend – all of them formulas of abandoning, willingly or indirectly, political and civic interrogations and of avoiding questioning reality<sup>6</sup>. In 2000, Romania issued its first post-war legislation to prepare and to introduce the politically independent public officers, capable to represent public interest against the naturally diverse background of group interests and their representation. In 2001-2002 this legislation was not only practically suspended, but the process that followed acted in the reverse direction – i.e. extensive politisation of even more public positions.

International analyses devoted to Romania in the early '90s rightly evoked the populist atmosphere in relevant terms: "rumours surround you like flu viruses"<sup>7</sup>; the leaders and their "deeply conservatory" colleagues in the Front are, obviously, displeased with the idea of western capital to provide the background for economic reconstruction in the country"<sup>8</sup>; "the propaganda machinery of the Front makes use of the fundamentally Stalinist model of conscious calumny"<sup>9</sup>; the Romanian people has risen in December 1989, but its action was rapidly deterred, by massive and systematic disinformation, towards a premeditated scenario<sup>10</sup>; the false slogan "we should rather stay proud at home than humble in Europe"<sup>11</sup>, which hides the danger of interested self-isolation got terrain.

In the meantime, ever since 2001, one of the most profound effects of populism – corruption – has been in the spotlight within the country and abroad. Now I do not mean that corruption which fatally accompanies the systems based on representation and delegation of authority in public interest matters, but an already systematic corruption, resulting from the political involvement of public officers, the lack of reforms in the justice system, favouritism which has become policy, slips of legislation. Consequently, western analyses insistently and justifiably point to this aspect. Populism now seems to entirely unveil its implications, and corruption is obviously the effect that crowns it.

Recently, the international scene has changed<sup>12</sup>. The attack of 11 September 2001 on the United States of America showed one facet of cultural conditioning of behaviour susceptible to determine conflicts. In general terms, the danger is not new, since different cultures were likewise at war when the temple of Jerusalim was torn down, when the Greeks defeated the Persians, when the Barbarians invaded Rome and so many other times in history. **However, new is the realization of the fact that a culture clash is possible in a time when universalisation of modern values was expected, and of the danger of an unprecedented confrontation of global interdependences.** Undoubtedly, the hypothesis of the "clash of civilisations" cannot allow for deriving policies from religions either, since at the present state of investigation it is very difficult to establish univocal correlations between religions on the one hand and policies on the other. However, this hypothesis can reveal the shift of the major conflicts of our times towards culturally rooted conflicts. In this new international context, alliances on the global scene tend to acquire a different configuration.

By having recently entered the straight line to their accession to NATO and the EU, South-eastern European countries are objectively determined to re-examine their evolution after 1989, to change and to change their governance type.

**Democratic populism** slowed down transition in South-eastern European countries. In Romania it was also used in the 2000 election campaign, but it has become more and more obvious that – in order to avoid the aggravation of already existing crises – it should be replaced by a pluralist and functional democracy. My thesis is that efficient reforms are not possible in South-eastern European countries unless democratic populism is replaced by a pluralist democracy, in the least.

In a general, but nevertheless indicative description, transition from democratic populism to pluralist democracy means: transition from a language metaphorically called, without taking into consideration all the implications, langue du bois - a language with rather vague concepts, with impaired critical function, reminding of codes of behaviour specific of institutions left without people (a language organised around such terms as "democratic system", "kind person", "political dialogue" etc. even after such terms have become depoliticised and neutralised) - to a differentiated language that defines its terms and preserves them at a critical distance from reality, taking over the inevitably political substance of social reality; giving up such general outlook on nature, society and human being that focuses on "the general laws of nature and society", "historical destiny", "spiritual value of the individual" in favour of views that allow for the dependence of nature on history, of history on the context created by human initiative, of the individual on the cultural environment; substitution of the interpretation of history from the viewpoint of "the national spirit", of "the international conjuration" or of "tradition" and "geographical position" with an interpretation which takes into consideration the cultural and actional genesis of historical events; replacement of the decisionmaking framework in which decisions are imposed by aleatory forces in society (interest and pressure groups, violence of private groups, "the public eye" and "the voice of the citizen" in its elementary and false form, "democratic popular forces" etc.) with a decision-making framework in which the public sphere and the state are deliniated, the public sphere encourages a debate which is not distorted by tacit structures of the power, and the legislative, executive and juridical bodies are sufficiently separated; reduction of political commitment in the basic institutions of the state - presidency, public officers, law and order, defence, foreign office - by establishing the civil structure of the state, based on defining the public interest as something different comparing to the multitude of private interests and on promoting it.

What needs to be done in order that the transition from democratic populism to pluralist democracy should gain the required speed? The answer should consider the new geography of alliances on the global scene and the fact that the home policy of every country, defined in relation to its own interests and drives, is the decisive factor. With regard to reconstruction in the countries of transition from eastern socialism to open society in South-eastern Europe, I consider that the change in governance can be catalysed by multilateral action which should include: improvement of the mass media system towards promoting pluralism of approaches and cultivating comparative thinking; support for re-launching research in social sciences with reference to the particular environment and development of local self-reflection, analytical capacity and of commitment to his own problems; encouraging transition from decision-making systems based exclusivelly on vote to systems which include double legitimacy (vote and examination performed by specialised bodies) for the decisions made; development of the capacity of issuing and adopting laws and legal regulations; the effective separation of the powers in the state and the immediate establishment of depoliticised public officers; giving up, once and for all, the recruitment procedures for leaders and institution managers on the basis of political activism and promoting professional evaluation criteria and open competition for filling in managing positions vacancies in public services.

In order to make my suggestions clearer, let me take as an example the evolution of the universities in the region in the past years. It is obvious that, on the one side, there is no democracy where people cannot choose by vote between different alternatives, and, that on the other, parliaments and organizations are democratic so long as they are based on vote. However, there are institutions that should provide some kind of output beyond the reasoned and the democratically controlled decision. It is the role of the universities to provide quality higher education and learning, highly competitive scientific research and modern services towards the community. All these are not going to be successful if, besides the democratic vote, they do not make use of other mechanisms. In Europe, a number of countries (Austria, Denmark, etc.) have already adopted laws and regulations in order to pass the decisions and the selection of leaders in universities over to the "double legitimation": through the vote and through the technically and financially motivated decisions of some boards of experts. This is an example that, sooner or later, should be followed by other countries where, after 1989, the vote allowed the separation of the universities from dictatorship and eastern socialism, but where the vote alone is no longer able to generate, except by accident, competitive efficacy.

The deepest problem raised by such multilateral action in changing governance from democratic populism to pluralist democracy is, in the countries under discussion, that of a different understanding of democracy, essentially different from its reduction to an instrument meant to provide power and to select the dominant elite. The issue is that of understanding and assuming democracy as a form of living and as a source for better solutions. The question is to install and to develop a social reflexivity and a critical reflexivity within the institutions and within the society as a whole.

For such understanding and commitment to democracy, I consider that a clear programme is indispensable. What I have been trying to do throughout my speech was to draw attention to three aspects that such a programme should refer to: the need **to understand governance** as an essential factor in the reconstruction of the South-eastern European countries; the need **to define and analyse the governance types** applied in the countries of the region after 1989; the need to initiate a concerted comprehensive action towards the **transition from democratic populism towards pluralist democracy**. I hope that the arguments that I have brought in my speech can sufficiently support the theses presented.

### NOTES

<sup>1</sup> See Jürgen Habermas, Legitimationsprobleme in Spätkapitalismus, Suhrkamp, Frankfurt am Main, 1975, pp. 9-41.
 <sup>2</sup> T.R. Burns and M. Carson, "Actors, Paradigms and Institutional Dynamics", in J.R. Hollingsworth, K.H. Muller and E.J. Hollingsworth (eds.), Socioeconomics: An Institutional Perspective, Rowman and Littlefield, Lanham, MD, 2002.
 <sup>3</sup> R A W. Phodes. Understanding Commun. Physical Research Press, Rowman and Littlefield, Lanham, MD, 2002.

<sup>3</sup> R.A.W. Rhodes, Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability, Open University Press, Buckingham and Philadelphia, 1997.

<sup>4</sup> B. Köhler-Koch, "The Evolution and Transformation of European Governance", in B. Köhler-Koch and R. Eising (eds.), *The Transformation of Governance in the European Union*, Routledge, London and New York, 1999, pp. 14-35. <sup>5</sup> See Andrei Marga, "Sprache als Machtinstrument", in Krista Zach (Hrsgb.), *Rumänien im Brennpunkt*, Verlag

Südostdeutsches Kulturwerk, München, 1998, pp. 271-281.

<sup>6</sup> See analysis of this aspect in Andrei Marga, "Cultural and Political Trends in Romania before and after 1989", in *East European Politics and Societies*, Yale, Volume 7, No. 1, Winter 1993, also in Andrei Marga, *Philosophy in the Eastern Transition*, Apostrof, Cluj, 1995, pp. 201-229.

<sup>7</sup> Bartolomeus Grill, in "Die Zeit", 4 ianuarie 1991.

<sup>8</sup> Misha Glenny, The Rebirth of History. Eastern Europe in the Age of Democracy, Penguin Books, London, New York, 1990, p. 114.

<sup>9</sup> Anneli Ute Gabanyi, Die vollendete Revolution. Rumänien zwischen Diktatur und Demokratie, Piger Verlag, München, Zürich, 1990, p. 203.

<sup>10</sup> Antonia Rados, Die Verschwörung der Securitate. Rumäniens verratene Revolution, Hoffmann und Campe Verlag, Hamburg, 1990.

<sup>11</sup> Andrei Marga, "Un pas înainte" (One step forward), in *România literară*, nr. 30, 1991; see also Andrei Marga, *Explorări în actualitate (Explorations in actuality)*, Apostrof, Cluj, 1994, pp. 162-167.

<sup>12</sup> See Andrei Marga, "După 11 septembrie 2001" (After September 11, 2001), in Andrei Marga, Nicolae Păun, Ladislau Gyemant (eds.), *Paradigme ale integrării (Paradigms of Integration)*, EFES, Cluj, 2002, pp. 331-339.

# Rule of Law and Constitutional Framework: Base for Stabilization, Reconstruction and Economic Progress

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Belgrade Email: <u>ssamardzic@predsedniksrj.yu</u>, <u>liberos@eunet.yu</u> Faithful to the tradition of modern constitutionalism, the new constitutions of the states of Central and South Eastern Europe have invariably incorporated the principle of rule of law as one of the basic tenets. This principle, derived in different constitutional and normative ways, contains a few key elements that represent its positive-law concretisation in the aforementioned constitutions. These are:

- Constitutional guarantees for basic rights and freedoms, which as a rule entails their direct constitutional implementation and a developed system of court protection;

- Separation of power into legislative, executive and judicial, and its constitutional distribution to corresponding state institutions, with different constitutional solutions in terms of checks and balances;

- Independent judiciary as a guarantor of implementation of the former as well as the latter element;

- The constitution and law as the sole foundation and limitation of the activity of all state institutions.

Having integrated the principle of rule of law in their respective constitutions, the states of Central and South Eastern Europe have committed themselves to two basic political goals: 1) a historic break with the old (communist) system, which implies substantial constitutional discontinuity, and 2) a clear orientation towards a modern constitutional democracy as a government system that would allow for free development of the individual and the society.

This, of course, is a normative agenda that eventually prevailed in Central and South Eastern Europe on normative, political and teleological planes alike. If, however, we turn to empirical evidence of the process, we can see a clear difference between these countries. This new dividing line is drawn against the criterion of (i)reversibility. In a number of countries, the principle of rule of law is not only a constitutional and normative tenet, but also a prevailing pattern in the functioning of the government system, whereas in the other former communist states this is not the case. In order to reach a more specific definition of this division, which emerged in mid-1990s, we can rely on a EU decision on the admittance of new members in 2004. Only those states that meet the criteria falling within the complex of rule of law (and not only them) qualified for the next enlargement wave. The remaining few, located in South Eastern Europe, are the subject of this conference.

The rule of law is certainly the crucial and most difficult problem in the process of democratic and liberal transformation of all countries that lived under authoritarian regimes. This is not a political problem only, which incumbent politicians can solve, but rather a problem of historic and structural nature. Given that all these countries have adopted Western European and North American constitutional models, it is necessary to focus on a historic and structural obstacle. The constitutional-liberal model was derived from a contraction between the society, which had already developed the mechanisms of self-regulation, and the absolutist state. All the achievements of the system of rule of law, i.e. its elements that have been integrated in the constitutions of Central and South Eastern European states, were the result of a long-standing process of breaking the absolutist forms of governance. In that process political representatives of the civic society, that had developed both economically and culturally meanwhile, played a key role. As the advocates of different interest groups they were the source of powerful, sometimes even forcible pressure, and played the creative role of constructive imagination.

The case of post-communist states, particularly in the region of South Eastern Europe, was quite the opposite. They developed a traditional relationship between a weak society and a strong state, i.e. authoritarian regime. Accordingly, these countries not only failed to embrace the principle of rule of law as a basic constitutional tenet in the long period of their statehood, but could not ensure its solid and irreversible implementation when they eventually did so. Once the momentous of political and constitutional changes did take place in these states, allowing the principle of rule of law to be firmly woven into the positive constitutional system, the question surfaced if it could be implemented in the societies struggling with insufficient functional differentiation, weak legal traditions and modest economic growth.

From this point, however, it is impossible to define, either in principle or politically, the historic sequence of events and the duration of a period that gave rise to social conditions which allowed for the system of rule of law to be introduced first, and then constitutionally adopted. An attempt to do so would be a speculative imitation of the history of Western European and North American development, and the project would be doomed to failure. To all appearances, the historic sequence of moves is likely to be different, even though the general situation might seem paradoxical. In South Eastern Europe, the state is to encourage social growth in the liberal spirit and, consequently, create conditions for the system of rule of law. The paradox is that precisely the instance that should be permanently limited by the system of rule of law, is given the authority to create it. In an ideal case, the role of the state is deliberately self-restricting. The state should create constitutional and legal conditions that would allow for autonomisation of the society, not only in the spheres of economic entrepreneurship and a new economic system in general, but also in the domains of human rights, interest-based self-organisation, the affirmation of free political public and the like. The first systemic act in this direction is the promulgation of a new constitution, which affirms the principle of rule of law normatively. Thus the odyssey of the rule of law in these countries has just begun.

#### II

The only state in the region that is yet to adopt its constitution of discontinuity with the old regime is the Federal Republic of Yugoslavia and, accordingly, its two federal units, Serbia and Montenegro. This observation is true if we do not regard the present-day constitutions, promulgated in 1990 and 1992, as the constitutions of discontinuity, even though they had introduced normatively many elements of the system of rule of law. The fact is that at the beginning of the 1990s no political break with the old system actually took place, which is why the constitutional provisions promoting the rule of law remained a dead letter. It was not before the October overthrow in 2000 that historic and political circumstances allowed participants in that "peaceful revolution" and their political representatives to embark on a total constitutional review as the first step towards a genuine rule of law.

Unfortunately, this job has not been finished yet. The underlying reason for this failure is a longstanding lack of political consensus on the nature of ties between the two federal units, Serbia and Montenegro. When this national issue was raised as a legitimate political question after October 2000, it became clear that the preferences of Serbian and Montenegrin relevant political actors covered a broad specter ranging from a federal solution to independence, the latter prevailing in Montenegro. Their low ability to make a compromise would have led to a more permanent constitutional blockade and a physical separation of Serbia and Montenegro hadn't there been for EU mediation. The European Union was interested in keeping at least a minimum of internal state ties and maintaining a union with single international-law subjectivity. The Constitutional Charter of the state union of Serbia and Montenegro, which is to be endorsed soon, contains precisely that minimum of joint coordinating functions in internal relations between the member states and a single foreign policy. This has solved the critical question of a general state framework, which for nearly two and a half years blocked politically a genuine constitutional review in the state union and Serbia and Montenegro individually.

In a typological sense, the Constitutional Charter offers a confederal solution for relations between Serbia and Montenegro in this common political creation. Comparatively speaking, the new constitutional provisions are not typical of modern federal systems. The key ones follow:

- Political constituents of the state union are member states only, not their citizens, individuals, as the holders of inalienable basic rights and freedoms. The corpus of human rights and freedoms is regulated and protected by the member states. Citizenship of the state union is acquired through citizenship of a member state only.

- Competences of a state union are strictly defined by the constitution, without any possibility for its institutions to define new ones (there are no implied powers). The only grounds for their expansion is subsidiary, based on a consensus between the member states.

- The parliament of the state union is unicameral with different number of representatives from Serbia (91) and Montenegro (35), but with a decision-making system conditional on a majority of representatives from both member states. The first election for the new parliament will be indirect (in the parliaments of the member states), and the following will be direct, but with the member states as separate electoral units.

- The parliament has legislative jurisdiction in just a few spheres; in some of them the consent of the parliaments of the member states is also required. Human rights, internal economic relations and economic relations with foreign countries have been excluded from the parliament's jurisdiction.

- The Constitutional Charter normatively recognises the *de facto* situation of two different economic systems, and it only projects (in a characteristic teleological provision) a common market and the responsibility of the member states for its establishment.

- Members of the Council of Ministers (president and five ministers in charge of five departments that fall within the competence of the state union) act to coordinate the policies of the member states in foreign affairs, defence, human rights, internal and foreign economic relations.

- Formally, there is a hierarchy of legal acts between the state union and the member states, but the Court of Serbia and Montenegro has no independent and sole jurisdiction in constitutional reviews or decisions on a conflict of jurisdiction between different levels of power. At such instances, the Court rules together with the constitutional courts of the member states.

Such a constitutional system of the state union of Serbia and Montenegro offers only the possibility of political harmonisation of two original policies pursued by the member states. As such, it cannot guarantee the materialisation of the rule of law on the level of the state union, because it does not provide for sufficient constitutional capacity of autonomy and legal accountability of its institutions. In other words, the common policy is more likely to operate in the milieu of self-created political environment than within a normative and legal framework set by the constitution. This also means that the fate of the system of rule of law will be determined by new constitutional orders in the member states.

III

In the past two and a half years following the October overthrow, it was Serbia, in which it actually happened, that has suffered most from the chaotic constitutional situation. In this period, the country was subjugated to two poor constitutions, unable to change either of them. Serbia could not change the legally older federal constitution without Montenegro, in which separatist passions were running high. This also made the ruling majority in the republic increasingly uninterested in the restructuring of the common state and a change of the federal constitution. The Constitution of Serbia, older time-wise, has not changed because Serbia hoped to reach a political compromise with Montenegro and produce a mutually satisfactory constitutional solution. For the sake of constitution. Meanwhile, both constitutions applied in Serbia, while Montenegro, refusing to recognise either the federal constitutions or decisions made by federal institutions, implemented its own constitution only. Since the Constitution of Serbia, promulgated in 1990, two years before the federal constitution, has never been harmonised with it, Serbia has been in constitutional and political chaos ever since the October change. To make matters worse, a solution involved more than Serbian political actors.

Under such circumstances, the legal and legislative restructuring of Serbia developed without a pre-set constitutional framework. The Yugoslav and Serbian parliaments passed a large number of laws that redefined relations in different spheres of public life, but the implementation of the new legislation, modeled after contemporary European laws, left much to be desired. Apart from the lack of a general constitutional framework for regular legislation, there are a few more factors that hindered efficient implementation of laws, particularly in economy. Particularly important in this context are a sluggish reform of the administrative system, a slow judicial reform, tardy personnel changes in the highest-ranking judicial bodies, supreme and constitutional courts.

In the meantime, the Serbian legislature was coping with a serious crisis. A more than solid twothird majority it had after the 2000 election turned out to be just an illusion. It was composed of 18 parties, with only two of them that could be described as political parties in the proper sense of the word. When the strongest of them left the government, threatening the ruling majority in the Serbian legislature, the parliamentary life turned into an internal political game without a strategic reform landmark. The cabinet has gradually taken over the role of a moderator of parliamentary life, beginning to control the parliament, even though the process should have taken the opposite direction. However different a general political environment might be, the executive, just like under the former regime, has grown stronger than the legislative and judicial arms of power, beyond any constitutional control. The prevailing balance of political power and *de facto* government system are now a series obstacle to the proper development of rule of law.

The constitutional vacuum that has been swallowing more and more of Serbia's public space is an ideal soil for an unchecked growth of the executive branch. Unless a new constitution is adopted in the foreseeable future, the potentials of the October 2000 democratic revolution will be all but annulled. Luckily, a public consensus has been reached in Serbia that the new constitution should be in place as soon as possible and that a break with the present-day constitution is to be made shortly. There is a provision in the Constitutional Charter stipulating that the constitutions of the member states are to be harmonised with the Charter within six months, which is yet another obligation accelerating the adoption of a new Serbian constitution.

Despite the nearly general consensus on a rapid adoption of Serbia's new constitution, this is not going to be an easy job. There are a few significant constitutional issues that require not only a constitutional consensus, but also a political compromise. The ongoing political disputes have already grown into constitutional concerns, even before the procedure for constitutional change has been initiated. These are the most import ones:

- First - the very procedure for constitutional change. There are two reasons why the procedure provided for by the applicable constitution is not acceptable to key political actors. Firstly, this is a very difficult process, nearly impossible to carry out. The previous constitution maker apparently wanted to immortalise his creation by such a complicated procedure. Namely, once a two-third parliamentary majority has been won, the constitution is to be accepted by an absolute majority of Serbian voters in a referendum. This is a rigid constitutional procedure, which makes it nearly impossible to amendment the constitution. The other reason lies in the political symbolism of constitutional discontinuity, which many political actors in Serbia still respect. But the difficult question is how to change the constitution? The ongoing political advocacy is focused on the parliament as the best choice for the job, but it also comes in two versions – one, that the current Serbian parliament should do so by a final decision made by a two-third majority, and, two, that the job should be done by a constituent assembly elected for this purpose.

- When it comes to basic rights and freedoms as the key elements of the rule of law, there are no big differences in opinion. Since the matter will be governed constitutionally and implemented in practice by the member states, the new constitution of Serbia is to regulate the matter in its entirety. There is a general consensus that Serbia must govern the basic rights and freedoms in a modern way, which requires direct constitutional guarantees and effective court protection. Particular attention will be paid to the protection of minority rights. In this entire complex, different comparative, legal and international-law standards will apply. Direct application of international treaties and contracts on human and minority rights the state union will enter into has also been provided for.

- The system of government in Serbia's new constitution will by all means follow the principle of separation of power, but differences in terms of institutional materialisation of this tenet have

been noted. This is particularly true for a relationship between the legislative and executive branches of power and solutions within the Executive itself. Suggestions range from a parliamentary and chancellor model to a parliamentary model with bicephalous executive branch. The ongoing political disputes have been focused on the constitutional position of the President of the Republic, the mode of his/her election and his/her place in the system of government. Some advocate a classical parliamentary system, in which the president would be elected by the parliament, and given representative and protocolar duties only. Others argue that having in mind the fragmented party system, which is yet to be properly established, would only strengthen the government, because an unstable balance between the parliamentary majority and minority would give the government the role of an arbiter beyond the constitution and the law. Therefore they suggest a constitutional strengthen role for the President of the Republic, as an exponent of supraparty neutral power. This is going to be the subject of broad political and expert debates on the constitutional change.

- The decentralisation of power is the yet another hot constitutional issue. Political consensus has been reached in principle, but concrete solutions vary considerably. All of them, however, offer some concept of regionalisation. Disagreements emerged over the following question: symmetrical or asymmetrical regionalisation; a degree of regionalisation, i.e. a degree of autonomous competences to be given to the future regions; supervision and control of regional autonomy by central government organs; whether regions should be represented in the republican parliament directly and in what way, etc.

- All the above mentioned constitutional spheres – protection of basic rights and freedoms, including a developed minority protection system, the system of government, territorial organisation of power, along with constitutional fundamentals of a market-oriented economic system, protection of property and free enterprise should be ensured through a reliable system of constitutionality and legality. In a country in which political voluntarism ruled for decades, and where respect to laws was never the rule, but rather an exception, it is of utmost importance to set clear legal limits to political power and ensure an efficient and independent judiciary at all court instances. The general political consensus that exists in Serbia, at least verbally, is unfortunately no reliable guarantee that efficient systems of constitutionality and legality will be established. The zero point for its establishment, however, is a fair constitutional solution in the spirit of modern constitutionalism, which is beyond any doubt.

The Constitutional Charter of Serbia and Montenegro has left it up to the republics to arrange the constitutional matter nearly in full. More precisely, the responsibility for building the system of rule of law, which is the sole purpose of the upcoming constitutional changes, will rest with the member states. Whether they will be successful in this or not does not depend on the text of the constitution only. The constitution can be viable or just remain a dead letter, which depends on the future political circumstances. On the other hand, the procedure for its adoption can help us predict to a degree whether it will correspond with reality or not. The next few months in Serbia will give a clear answer to at least this question.

We will end this contribution with a question that seemingly has nothing to do with an internal problem such as constitutional change – the role of the European Union. Without the EU mediation the Constitutional Charter would never have come out. The charter achieved the Union's political goal of preserving the state union, or better still, it stopped the fragmentation of the Balkans into a number of statelets. To all appearances, however, the role of the European Union does not end here.

The confederal form of the state union does not provide for sufficient institutional guarantees that it will actually operate, because it is a political rather than legal structure. Accordingly, it does not have legal automatism it requires for proper functioning. Another political problem is the fact that the state leadership of Montenegro has failed to demonstrate political will to make the state union stronger in the times to come. Quite the contrary, Montenegrin leaders reiterate incessantly that their ultimate political goal is an independent Montenegro. The teleological presumption of this constitutional structure is quite the opposite - it proceeds from the currently available minimum in order to create a realistic political base through permanent integration practices for the gradual strengthening of joint state functions. The only adequate legal equivalent to this process is a permanent constitutional review towards federal solutions. On the other hand, the only realistic guarantor of this process of evolution, for any devolution would lead to ultimate state separation, is the integration support of the European Union. If we use a European analogy, we could say that in three years the Constitutional Charter gave the member states to reconsider their position in the state union, Serbia and Montenegro as a state union should travel a road of integration the European community travelled for fifty years. Besides, the Union itself is yet to promulgate its first formal constitution.

So, what this role of the European Union has to do with our topic of rule of law? The answer is quite simple. The European Union has two ways at its disposal in the process of mediation. Firstly, it can artificially support and maintain this state union as long as its security interests require so. Or, secondly, it can use its undeniable authority to demand its strengthening by supporting integration forces within the state union. The European Union will resolve this dilemma as soon as the state union of Serbia and Montenegro, once in place, begins talks on the Stabilisation and Association Agreement with it. To reach and implement the SAA, the institutions of the state union will require a broader legal capacity and a wider room for maneuver than provided for by the Constitutional Charter. Whether this internal condition will be met by repeated constitutional reviews or legal harmonisation does not matter the most. What does, however, is the process of internal integration of the state union which its entry into European integration processes should allow for. If the European Union sticks to this goal, its role that began by its mediation in the adoption of the Constitutional Charter will be fulfilled. It goes without saying that the member states should also respect this cause in order to materialise their respective strategies for European integration. It is only in this way that each member state and the state union can expect simultaneous internal evolution towards the system of rule of law.

## What Kind of Justice for the Post-Yugoslav States?<sup>1</sup>

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#### Introduction<sup>.</sup>

This paper explores the possibility of methodologically and conceptually problematizing the issue of truth, justice and reconciliation in the former Yugoslavia as opposite to the predominant approach of seeing these issues in the ethical or value judgment prospective. The article will explore achievements in and obstacles to reconciliation among the Yugoslav successor states. It will proceed with the line of reasoning that success in reconciliation could be facilitated by the re-examination of dominant narratives about the pre-war and war events (the issue of "truth") and by the successful implementation of the principles of justice, such as prosecution of war criminals. Contemporary discourses will be examined in order to position dominant perceptions on war crimes and issues of responsibility in the post-Yugoslav "core states" of Croatia, Bosnia, and Serbia. Special attention will be paid to their relationships toward the International Criminal Tribunal for the Former Yugoslavia (ICTY). At the end, the article will argue that: if there is the respect of separate avenues of activity of the International Criminal Tribunal for the Former Yugoslavia, the state sponsored Truth and Reconciliation Commissions, and the regional NGOs then they will complement each other in achieving reconciliation among different ethnic groups. Otherwise the clash of perceptions and incoherence in discourse of these three groups of actors that are serving different concepts of justice could lead their actions to nowhere.

In the first part of the article I will explore the major actors involved in the process of truth, justice and reconciliation in the core Yugoslav successor states, followed by the evaluation of their actual and perceived differences using primarily discourse analysis. In the second part of the article I will present various concepts of justice that are appropriate to parallel implementation by these actors.

#### Mapping the actors: perceived and real differences

The post-war revitalization of Yugoslav successor states will be complex economic and political endeavor where each of the countries involved will, most likely, search for the specific developmental strategy. For the Yugoslav successor states' governments this will represent an uneasy task of implementing strategies that would have to balance economic growth, improve democratic processes and institutions, and increase security and stability. However, what those countries should do jointly in order to maximize their future multiethnic accommodation is to address the issues of freedom of movement (legal euphemism for return of refugees), return of all private property to its pre-war owners, and investigation and prosecution of war crimes. Institutionally addressing these issues would establish a minimum of rule of law required for potential reconciliation among different ethnic groups. The relevance of reconciliation in the former Yugoslavia is pivotal, as successor states, to different degrees and despite the efforts of national ideologues, remain to be multiethnic societies and will be more and more so if the freedom of movement and return of private property are achieved.

For the last eight post-Dayton years modest results were accomplished in regard to restoration of freedom of movement and return of private property while some success was met on the issue of war crimes. This difference was probably due to the fact that the issue of war crimes is more internationalized and institutionalized, embodied in the presence of International Criminal Tribunal for the Former Yugoslavia (ICTY), than it was the case with the freedom of movement and return of private property, but also because in its essence it is more political and ideological than economic or social issue. In this post-Tudjman/post-Milosevic era the priorities

of core Yugoslav successor states' governments (Croatia, Bosnia and Herzegovina, and Yugoslavia) are more pragmatic than visionary and one should not blame them for that.

Precisely for that preoccupation with pragmatism in dealing with complex and difficult economic and social realities the issue of war crimes comes to the fore as a paradox: this issue is politically more divisive than any economic or social policy dilemma. The consequence is that imperatives of stability within each of these countries precede interests in reconciliation, at the same time when the imperative of institution-building precedes the interest in the rule of law. This is perhaps why on these issues of economic and social nature, such as the freedom of movement and return of property, the governments and societies of the core Yugoslav successor states have achieved domestic consensus – to allow the gradual return of property and freedom of movement only up to the point where these are not going to challenge country's economic stability, public security, and national identity matrix. Consequently, as examined public discourse indicates visible differences in these societies do exist only on the issue of war crimes.

Here I will try to examine the discourses used in the debate over the war crimes that emerged in the post-authoritarian phase of the Yugoslav core successor states. After the end of post-Yugoslav authoritarian regimes the open debate, despite the governmental efforts to minimize it, emerged between the "advocates" of prosecution of war crimes and their "opponents." The debate had its primary focus on the relationship vis-à-vis the ICTY. Analysis of this debate leads to conclusion that different perceptions represent point of contention between the ICTY's "advocates" and "opponents." The "advocates" perceive the work of ICTY as return to the rule of law where justice will be reached only when perpetrators of crimes are punished, while the "opponents" perceive this court as the final adjudicator of ultimate guilt and responsibility for the outbreak of Yugoslav civil wars. This difference in perceptions is fundamental for the manifestations and escalation of complaints raised by both groups. At the same time, the methodological fallacy that those groups exhibit when engaging in the debate further complicates their relationship to the point that it is not any more a dialogue but the imposition of two monologues that have so far resulted in political status quo.

The main line of reasoning of the "advocates" is that there is a legal obligation of successor states to obey ICTY's demands and rulings. Additionally, the "advocates" will argue that a success of democratization is directly linked to the full cooperation with the ICTY. This ideologically implies that those who do not comply with The Hague are opposing democratic practices and standards. For that matter the ICTY figures as a democracy-building test case for the Yugoslav successor states thus gradually taking up a second nature from its clear prosecution mandate. Practical possibility of conditioning international developmental and financial aid to the full cooperation with the ICTY transforms this ideological claim into a real policy.

Correspondingly, the elaboration of "opponents" escalates into negation of the democratic character of the ICTY itself based on circumstances of its creation, lack of Yugoslav successor states participation in its functioning, and dissatisfaction with its practices and verdicts. Particularly complex is the debate about the ICTY in the post-Milosevic Yugoslavia. ICTY enjoys quite good standing among the NGO community and independent media but its most vocal "opponents" are coming from the public policy side – the government. However, the attempt of mapping the "advocates" and the "opponents" should not simplify this debate by placing these groups into the pro-Milosevic and anti-Milosevic political forces or into those who are "more nationalist" and "less nationalist" oriented. There are three main reasons that make the mapping difficult:

First, both groups share the value judgment that however ethically and humanely painful the ethnic division is permanent and irreversible, at least in our lifetime. For that matter reconciliation is not perceived as inter-ethnic (across the state borders) but primarily as intra-state affair (within the state borders).

Second, it would be hard to argue that the main difference between the "advocates" and the "opponents" is ideological since they both share fundamental appreciation in the principle of justice and disrespect in crime. Thus killing of civilians, tortures of prisoners or rape are equally condemned by both groups.

Third, both "advocates" and "opponents" would claim that those crimes were acts of individuals and that the quest for responsibility or guilt should be placed on those individuals only and not on entire ethnic groups or states. Correspondingly, both groups would try to marginalize the concept of command responsibility as in their view the Yugoslav civil wars were rather chaotic events than results of centrally planed and executed policies.

Here though it should be mentioned that some of the more radical "advocates" do believe that acts of collective catharsis through an admittance of guilt would be the best way of reconciliation. The often-revoked example is the kneeling of German Chancellor Brandt in front of the Warsaw WWII monument. Yet, even though Brandt probably had the personal courage to do the same gesture back in 1945, it took 25 years for two states to build their relations to the level of trust, respect and mutual benefits that such an act requires. Only by 1970 these two states have resolved their border issues, issues of mutual recognition, and issues of war reparations so that the gestures of reconciliation could be played seemingly unilaterally and without a fear that they will hurt any of the sides.

Therefore, neither the "advocates" nor the "opponents" would like to start the post-Tudjman/post-Milosevic state-building era with a heavy stigma of collective responsibility for war crimes, or the economic burden of having to pay for war reparations. So, what then divides the "advocates" and "opponents?" It could be argued that the spiraling of mutual complaints between the "advocates" and the "opponents" is primarily due to the application of different levels of analysis – meaning that it is of a methodological nature. In this case different levels of analysis essentially mean that if one group points at specific episode as a war crime the other group would approach this same episode from the general prospective arguing that war is dirty affair related to unwanted elements of human nature and that crimes always happen during wars. Social scientists and linguists will tell you that in a situation where different levels of analysis were used there is no dialogue but cacophony between interlocutors. Or to quote the favorite academic expression: "you are mixing apples with oranges."

This is probably why those two groups seem to be so apart while essentially, as mentioned earlier, they share the same theoretical foundations. This methodological fallacy of oscillating between different levels of analysis was the ill-born product of Yugoslav crisis. At the very end of the 1980s the bureaucratic communist discourse invented and applied this technique when faced with political challenges of democratization and possibility of loosing its power. The environment of civil war and nationalism further facilitated spread of this technique into society so it became a part of dominant discourse, or more precisely a standard method of conducting a discourse.

So, despite this analytical attempt to understand "the ins and outs" of the "advocates" and the "opponents," the question remains: could this knot be untangled, and apples and oranges put into two separate boxes. Could the addressing of specific crimes be debated for what it is – specific event. Correspondingly, could we change the status quo and achieve some progress on the issues of freedom of movement, return of private property to its pre-war owners and prosecution of war crimes. It seems obvious that the fundamental difference in the perception of

ICTY has to be addressed. ICTY is only a court that punishes episodes of crimes committed in war and in order to deal with the issue of interest for the "opponents" (ultimate guilt and responsibility for the outbreak of Yugoslav civil wars) some sort of Truth and Reconciliation commission(s) should be established. These two institutions will be dealing with different aspects of recent Yugoslav history: the ICTY will deal with specific issues, while the Truth and Reconciliation Commission(s) will be dealing with contextualization, thus with more broader and general issues. As the state sponsored Truth Commissions' reconciliation domains would not provide for the inter-ethnic reconciliation, there is a space for NGO community to fill this gap with its own trans-border initiatives making this triad of actors (ICTY, states' based Truth Commissions, and NGOs) working on different but complementary fronts. Thus, if apples and oranges were to be placed in proper boxes these acts would establish a minimum of rule of law required for potential reconciliation among different ethnic groups.

#### What kind of justice

The reason for allocating these three groups of actors into three different avenues of activity is based on the understanding that three parallel concepts of justice could be applicable to the core successor states, namely the retributive justice, the restorative justice, and the transitional justice. The Yugoslav civil war represented traumatic experience for the core Yugoslav successor states, and a remedy for such an experience should be based on comparative experiences of countries that have suffered wars, communitarian violence, and transition from authoritarian to democratic regimes. The list of countries that struggled with similar challenges but applied some of the justice concepts is quite long: Argentina, Bolivia, Chad, Chile, East Timor, Ecuador, El Salvador, Germany, Guatemala, Haiti, Malawi, Nepal, Nigeria, Panama, Peru, Philippines, Sierra Leone, South Africa, South Korea, Sri Lanka, Uganda, Uruguay, Zimbabwe. Almost each of these cases has left bitter feelings among the significant political and social actors as they thought that more could have been done. To prevent similar feelings from emerging in the former Yugoslavia the three parallel concepts of justice should be applied simultaneously. I would argue that the implementation of these parallel concepts would delineate and facilitate the work of existing three groups of actors involved in the truth, justice and reconciliation issues. It means that there is a niche for each of these actors and that they should not see each other as obstacles or competitors. This approach could also give to international community more sophisticated tools for influencing the judicial capacity building in the region than only on relying at the ICTY.

The ICTY was created in the midst of the Yugoslav civil war in 1993. It was an ad-hoc legal body created by the UN Security Council with a clear political mission - to facilitate the end of the civil war. The ICTY had two-fold nature: it was launched as a coercive tool for punishing those who committed crimes; while at the same time it was a deterrent aimed to remind the Yugoslav powerbrokers that they should reconsidered their policies in the ongoing civil war. For that matter the ICTY was used within a framework of retributive justice. The nature of retributive justice is to offer punishment for the criminal acts committed in the past. It is hard to believe that the diplomats at the East River believed back in 1993 that this ad-hoc body should act along the lines of restorative justice. The nature of restorative justice is to provide healing of the victims' wounds through community efforts that include both victims and offenders. Therefore, as the ICTY is not created and equipped to promote healing and provide the restorative justice that task should be taken by some other entities. For several years during the reign of local post-communist authoritarian systems the sole leaders in doing healing were local NGOs. These very noble activities of local NGO community gain them reputation that exceeded strict ethnic or state lines. However, the competition for such a role in the Yugoslav post-authoritarian successor states has been intensified recently by the creation of truth and reconciliation commissions. Though, the argument can be made that already established or announced truth and reconciliation

commissions are more suitable to promote the transitional than the restorative justice. While the retributive justice focuses on offenders, laws broken, and punishment of a guilty party the restorative justice focuses on offenders, victims and community combined and is being oriented on providing healing, strengthening responsibility, and working towards prevention.

On the other hand, the nature of transitional justice is to provide a societal or rather an elite compromise at crucial regime change junctures. Therefore, the truth and justice commissions are rather geared to provide comfort of smooth transition during the periods of change than to represent radical departure from previous wrongdoings. The main working mechanism of such commissions is not to conduct investigations and trials but hearings, research, and appeals to public awareness. The transitional justice is often accused of searching for the establishment of one version of truth. However understandable such criticism often forgets that the creation of truth and reconciliation commissions was in response to the existence of official narrative of events or simply of official truths. These bodies are rather, as Desmond Tutu (former chair of the South African Truth and Reconciliation Commission) put it, "a third way between national amnesia and criminal prosecution."

One may argue that the post-YU societies are not that fragmented or heterogeneous in order to warrant healing mechanisms, as for example there would definitely exist a need for such a mechanism if after a bloody civil war a federal Yugoslavia were still one country. However, the existence of vocal constituencies that demand some sort of reassessment of the recent past undermines the authority and legitimacy of the elites in the successor states to the point that these elites adhered or might adhere to the creation of such commissions. Once created these commissions would most likely have different impact on the successor states: from being a potential pillar of nation building in the case of Bosnia; to being a tool of smoother transition for Croatia and Serbia. But in the final analysis it should be pointed out that the nation building is the task for state institutions and political elites and not ad-hoc investigative bodies.

#### Conclusion

In conclusion I would argue that the ICTY should not act as the marker of democracy tests that could actually penalize entire societies for their poor performances. Instead it should assist the Yugoslav successor states' institution-building by being a partner with their juridical branches. Otherwise, there is a danger that the ICTY, with its over one thousand employees and more than one hundred dollars yearly budget, could follow the Weberian prophecy of institutional self-admiration of serving only its own self-preservation bureaucratic interests instead of specific goals for which it is created.

Notwithstanding ICTY's good intentions and noble goals the international community could find itself slightly disappointed in 2008. The ICTY is supposed to close its office in 2008 and by that time, following its current record, it would have prosecuted approx. 150 people for the total cost of over 1 billion US dollars. In such a situation the dilemma could remain unanswered: were it better for the regional recovery and stability to invest money and resources into the capacity building of the Yugoslav successor states legal systems and simultaneous application of all three concepts of justice than to insist only on retributive justice.

## The Greek Plan for the Economic Reconstruction of SEE and its Contribution to the Building of Good Governance Structures in the Region

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### The Greek Plan for the Economic Reconstruction of SEE and its contribution to the Building of Good Governance Structures in the Region

The Greek Plan for the Economic Reconstruction of SEE (Plan) is a relatively new institutional cooperation framework. It is therefore still early to make an analysis related to its contribution to the building of good governance structures in terms of specific projects. It is, however, realistic to make an analysis of the orientation of the overall Plan and see, whether "good governance" belongs to its core objectives and, if the answer is positive, whether it offers the necessary practical and procedural guarantees for the achievement of these goals.

For the purposes of legal assessment, it is appropriate to define good governance following the orientation of the international organizations, in particular of the United Nations. Good governance should be understood to mean democratization, rule of law, efficient use of resources, effective decision-making, public accountability and transparency. There are two ways to promote the building of good governance structures: First, by adopting projects having that objective as their immediate or exclusive goal; second, by applying the good governance principles by the implementation of the Plan itself and by the realization of the individual projects.

#### I. Good Governance as Objective of the Plan

The Plan rests on two pillars, on domestic law and on bilateral agreements concluded with the recipient states. The Greek domestic law formulates the general principles of the overall Plan, while the agreements draw up programs for each contracting party. Law 2996/2002 created the general system for the provision of economic assistance, set the objectives, established the domestic mechanisms for the monitoring of the Plan and determined that it should be realized within five years (2002-2006). The law was adopted by the Greek Parliament with wide majority and, therefore, a consensus was established on the necessity to support the new democratic states of SEE.

On the second pillar there are six bilateral agreements concluded with the beneficiaries, namely with Albania, Bulgaria, FRY, FYROM, Romania and Bosnia-Herzegovina. All these agreements have a common structure. They draw a Program for each recipient state, which specifies the objectives of the assistance and determines the total funds allotted to each Contracting Party. The agreements create also Joint Management Committee for the management and implementation of the development assistance programme. This is a mixed committee in which Greece and the respective contracting party are represented on equal footing.

The building of governance structures constitutes the core element of both the Greek legislation and the respective bilateral agreements. Art. 1, para.3 the Law 2996/2002 reads:

"The purpose of the above financing is, mainly, to modernize infrastructures; promote productive investments; modernize public administration and self-government; support

democratic institutions and especially the cooperation of Parliaments; support the rule of law; support the welfare state; address economic inequalities; and support the training of labor, administrative and scientific work force, of the benefiting states".

The key terms here are the modernization of public administration and self-government, as well as the support of democratic institutions, rule of law and training of administrative work force. These objectives constitute necessary elements in a policy of building good governance structures in the region. To complete the picture, it is, nonetheless, necessary to examine, whether these objectives are also incorporated in the bilateral agreements and in what form.

All six agreements contain a preamble and a common Art. 1, where the objectives and the general orientation of the bilateral assistance are set and specified. In the preamble, the parties "reiterate the importance of a regional development approach aiming at contributing to peace, security, prosperity and stability in the region". They also express their eagerness "to enter into an advanced contractual relationship, based on partnership and transparency, coupled with a development assistance program; that the objectives of the present program aim at contributing to the economic development and European orientation" of the recipient state.

Furthermore, common art. 1 formulates the objectives of the agreements. These objectives are almost identical with those of the Greek Law 2996/2002. Among them are "the modernization of public administration and self-government, the support to democratic institutions and the cooperation of Parliaments, support for the rule of law and support to education and vocational training, to the administrative and scientific potential".

The key elements of the Greek Plan for the Reconstruction of SEE are therefore development, security and good governance. The three elements cannot be separated and need to be integrated into a comprehensive policy. In that respect, Greece supports only programs that realize these objectives. This integrated approach is in line with the policies and practices of the international community and follows closely the philosophy of the three agendas enunciated by the former UN Secretary General B.B. Ghali: The agenda for Peace, the Agenda for Development and the Agenda for Democratization. The international community consistently supports the fight against corruption and transnational crime. The objectives of the Greek Plan for the Economic Reconstruction of SEE are so defined, that they enable the adoption of projects that serve these objectives.

#### II. Practical and procedural guarantees

We should now examine, how the objectives are incorporated in the concrete decisionmaking of the Contracting Parties. Under the system of the Greek Plan for the Economic Reconstruction of SEE, the selection of the projects that are going to be financed takes place after the conclusion of the bilateral treaties and following the procedures provided by it. According to Annex A of the bilateral agreements, the beneficiary makes proposals on the selection of the projects through the National Coordinator. The Coordinator is a high official of the public administration of the beneficiary state – or the Minister of Economy in the case of Albania – who is responsible to coordinate the program in his or her country.

The proposal on the selection of the projects includes, inter alia, information on the compatibility and correlation of the projects with European Community policies and must be consistent with Greece's obligations arising from its membership to the EU (Art. A5, para. 2 of the Annex, Art. 5 of the Agreements). Since democracy and the rule of law constitute fundamental principles of the EU policy concerning also development assistance, it is clear that the proposals should also include information on their contribution to the building of effective and democratic governance structures in the country. This does not necessarily mean that every proposal should be exclusively oriented towards the creation of such structures, but that is should contribute to that direction; if, for instance, an environmental impact assessment (EIA) for an eventual project would be necessary, the proposal should include information on some form of participation of the local communities.

In the next stage, the proposals are submitted to the Greek "Monitoring Committee", established by the aforementioned Law 2996/2002, is a domestic advisory organ composed of representatives of ministries with competence in the implementation of the Plan and the bilateral programs. This Committee makes recommendations to the Greek Foreign Minister, who has the final authority to decide on the approval or dismissal of the projects. The Committee's recommendations are based on a set of criteria formulated as follows by the Ministerial Decision 968/2002 on the "Composition and Rules of Operation Concerning the Monitoring Committee of the Greek Plan for the Economic Reconstruction of the Balkans":

"The Committee examines the correlation between each proposal for a project or an action and the objectives set by the Programme, the adequacy of resources, the overall proposed financing scheme, and the ability for a prompt implementation of the project or action and its harmonization with the priorities of Greece's bilateral relations with the benefiting state" (art. 2, para. 1b).

Other criteria to be considered and provided for in the Annex A of the bilateral agreements, are the following:

- Feasibility and economic viability of the projects
- Soundness of the project
  - Contribution of the projects to the implementation of European Community policies (Art. A5 of the Annex).

These criteria, in particular the adequacy of resources, the feasibility, economic viability and soundness of the project, constitute good governance elements by the economic decision-making and ensure that, as far as possible, mismanagement would be avoided.

Therefore, on that stage, which is the last before taking the final decision to approve or reject the proposal, the Greek Monitoring Committee examines the compatibility of the proposal with the objectives set by the bilateral Program and, evidently, by the overall

Plan. The Committee is legally responsible to control whether the proposals are appropriate for the building of viable governance structures in the recipient states.

The Greek Minister of Foreign Affaires, who will take the final decision, is not formally bound by the recommendation of the Committee. However, this does mean that he can act arbitrarily. The Minister's decisions need to be reasoned and if he deviates from the recommendation without a good reason, then the decision can be annulled by the Supreme Administrative Court (Council of State) for lack of sufficient reasoning or abuse of discretionary power.

Moreover, the Greek political authorities incur responsibility vis-à-vis the Parliament, if they do not exercise the necessary diligence for the realization of the objectives of the Plan. Law 2996/2002 has introduced here an additional control mechanism. The Greek Monitoring Committee draws up an annual Report on the course of each Program. This Report is submitted to the Greek Parliament and to the Minister of Foreign Affairs. The parliamentary control is here very important, because it enables the members of the Parliament to focus on eventual inconsistencies and deviations from the objectives of the legislation and of the bilateral agreements. It therefore enhances the transparency of the implementation of the programs and the realization of its core element, which is the support for democratic governance and for the rule of law in the recipient countries.

The last "safety valve" which serves as a deterrent against eventual misuse and, in that sense, also advances the realization of the Plan is the possibility of denouncing or suspending the bilateral agreements. The suspension or denunciation is legitimate in only two cases:

First, breach by one of the Parties of the terms and conditions of the Agreement, particularly in the case of prolonged and unjustified delays in the completion of the activities foreseen by the Agreement, as well as severe mismanagement of the funds.

Second, adverse developments, which seriously hamper the realization of the objectives of the Agreement. If the above conditions are met, the suspension or denunciation may follow at any time after due notification to the other Party.

As a conclusion, we may say that the building of good governance structures in SEE lies at the heart of the Greek Plan for the Economic Reconstruction of the region. It belongs to its core objectives and its realization is guaranteed by the decision-making procedures provided for by the Plan. The creation and support of good governance is not only related with the objective of the specific projects selected under the Plan, but it should also constitute a dimension of the activities related to the overall economic reconstruction of the region. Purpose of the Plan and the bilateral programs is to set a standard for development and encourage "rational" and "healthy" economic activities.

# EUROPEAN INTEGRATION AND SOUTHEASTERN EUROPE: OBSERVATIONS AND SUGGESTIONS

## **Gerassimos Karabelias**

Department of Sociology Panteion University of Political and Social Sciences, Athens, Greece E-mail: gkarabelias@yahoo.com With the end of the East-vs-West rivalry in early 1990s and in light of the violent break-up of Yugoslavia, the European Union (EU) showed an interest in transforming the South-eastern Europe (SEE) into an area of political and social stability and economic prosperity. The high level of heterogeneity among SEE states-ethnically, politically, culturally, religiously, linguistically, demographically and economically-as well as their sharing of causes for potential conflict, including unresolved territorial and minority questions, economic backwardness, unstable and often undemocratic political systems, underdeveloped regional co-operation structures and reluctance to employ peaceful conflict settlement mechanisms and confidence-building measures, has made the European Union's task of addressing them as a block extremely difficult. Hence, the latter (EU) concentrated its efforts in establishing bilateral relations with all countries of the region.

EU's interest toward the SEE region includes the containment of violent ethnic conflict as a prerequisite for lasting stability throughout Europe; the reduction of migration motivated by poverty, war, persecution and civil strife; the strengthening of democracy, human and minority rights; the establishment of market economy structures with stable economic growth to close the gap with the rest of western Europe as well as the increase of their economic potential. Since the goals of the EU's policies coincided with the dreams of the people who reside in the region, 'Europeanization' -integration into modern Europe- became the reference, anchor and motivation for all of them. In light of the recent enlargement of the EU by ten more members, one of which is coming from the SEE region (Slovenia), and the high expectations of another three (Bulgaria, Romania and Turkey) for entering in before the end of the decade, it seems rather necessary to have a quick overview of what has happened and what has been achieved until this day.

The European Community's (EC) approach to SEE countries during the Cold War days was naturally divided between its policy towards its western allies, Greece and Turkey, and that of its communist neighbours, Albania, Bulgaria, Romania and Yugoslavia. In spite of the Soviet position for a "block to block" negotiations with the West, the EC appeared capable of treating some SEE countries in a more exclusive way compared to others. For example, taking advantage of Nicolae Ceausescu's and Josip Broz Tito's tendencies to embark on a more independent from the Soviet line foreign policy, EC succeeded in signing co-operation agreements with both Romania and Yugoslavia in the early 1980s. However, the increasing brutality of Ceausesecu's regime in Romania and the re-emergence of ethnic tensions in Yugoslavia following Tito's death in the late 1980s forced the European Community to reconsider its policy towards them. The collapse of communist regimes in the region following the Fall of the Berlin Wall did not alter radically its strategy towards the SEE states.

In fact, EC's strategy towards the ex-communist SEE countries has been based upon three principles applied to all eastern European states, the principle of

Conditionality, the principle of Differentiation and the principle of Compartmentalization. Through the conditionality principle, each state became aware that its ability to become a recipient of the benefits emanating from the establishment of closer relations with the European Community depended upon its capability of introducing and implementing political and economic reforms in accordance with those existing in the West. With the differentiation principle the European Community made clear that while it would follow the same format of contractual relations with each state, however, the specific provisions of each agreement would have to be negotiated bilaterally between the EC and the state concerned. Finally, through the compartmentalisation principle, the European Community indicated that since it could not approach all Southeast European states as a block it would have to group them into different 'waves' and invite them to start negotiations one after the other. Hence, the "step by step" relationship that developed between the EC and the SEE countries came as a natural outcome of the implementation of these three principles.

Since EC maintained its policy of classifying all ex-communist SEE countries in eastern Europe's 'performance league' throughout the 1990s and Turkey and Greece continued their distinct roads towards the EC, by the end of 1998 EC's relations with the SEE countries presented an astonishing variety. Greece was a full member; Slovenia was a member of the first wave of enlargement; Bulgaria and Romania were members of the second wave of enlargement; Turkey's eligibility for negotiating its entry had been denied; Albania and FYROM had established a trade and co-operation agreement; Bosnia was eligible for PHARE funding but not for trade and co-operation agreement; Croatia was just a simple member of the Regional Approach and the FRY was without any official contacts with the European Community. The establishment of bilateral links between each country and the EC and the absence of an integrated approach to the region's problems became a serious obstacle to their solution. In fact, it accentuated the differences of peoples and states as well as their traditional prejudices towards each other. For instance, for those countries with relatively advanced forms of relations with the EC (Slovenia, Bulgaria, Romania), the strengthening of co-operation with the region's less developed countries was seen as a distraction from the ultimate goal of EC membership. For those countries with weaker (Albania) or no (Federal Republic of Yugoslavia-FRY) contractual relations with the EC, the aid and financial assistance was too small to make a difference (in fact, the linking of G-24 assistance to foreign investment activities led to the paradoxical situation in which the poorest ex-communist countries received only a fraction of the assistance to wealthier ones). As a result, the EC appeared as an institution unable to provide effective solutions to the region's serious, social, economic, cultural and political problems. It was the civil war in Yugoslavia and especially that in Kosovo that challenged the European Community's traditional strategy and vision in the region.

The violent disintegration of Yugoslavia with the social, political and military instability it caused in the region and the increase in the level of concern of all major European countries, brought up memories of the First World War and reminded the latter that

Southeastern Europe constitutes a "stability barometer" for the entire European continent. With Nato's military intervention in Bosnia in 1995 but most important in 1999 in Kosovo, the limitations of the EU's strategy for socio-political stability in the region came to the surface. It was these two events which set the stage for EU's decision to strengthen the operational capability of the Common Foreign and Security Policy (CFSP) organisation as well as the European Security and Defence Policy (ESDP) as well as for an improved approach towards all SEE countries. At the same time, believing in its power to exercise influence by attraction and persuasion the EU brought together a large number of countries and international organisations (USA, Russia, IMF, World Bank, UN, OSCE) and launched in 1999 the Stability Pact (SP). The goal behind the SP process was the formation of a viable framework for the co-ordination of military and financial efforts which aimed at the prevention of ethnic conflicts, the creation of stable conditions for democracy, the development and sustaining of economic growth and prosperity as well as the process of anchoring the SEE countries firmly in the values and institutional structures of the European Union. The Stability Pact made clear that in order the "European" development of SEE to advance, there was a need for joint efforts from both the SEE countries and countries partners of the SP.

In the wider context of the Stability Pact, a new type of relationship was introduced, the Stabilisation and Association Process (SAP) through which Stabilisation and Association Agreements (SAAs) were made available to five countries- Albania, Bosnia, Croatia, FYROM and FRY - provided that they would comply with the EU conditionality principle. Through these agreements the EU took a step further from the trade and co-operation agreements it had previously employed and emphasised regional co-operation, institution building and democratisation. Furthermore, with the Presidency Conclusion at the Feira European Council in 2000, all members of the EU openly accepted that the entire SEE region is part of Europe, that its problems are European ones and that any viable solution has to be a European solution. In fact, EU's central role in the peace-keeping forces in Kosovo, Bosnia-Herzegovina and in Operation Fox in FYROM and its leading role in brokering the 2001 Ohrid and the 2002 Belgrade Agreements are some of the examples of EU's commitment to "re-dignify" the SEE area as a European one.

Despite EU's good intentions, institution building and democratisation processes in SEE countries have encountered a number of major obstacles. From EU's part, there seems to exist a problem of limited human resources to promote, monitor and assess the impact of institution building, the need for budgetary flexibility to achieve adequate staffing at headquarters and delegations or absorption capacity at the receiving end. Moreover, the process is hardly homogeneous given that policy advice does not reflect an established EU formula but different national traditions and personal belief systems. As far as the SEE states are concerned, it appears that all of them tend to see institution building as a more technical issue and less likely a remedy to the underlying causes of political structure. Also, the volatility of political environment, the resilience of the traditional authoritarian structures and the widespread corrupt vested interests tend to raise the level of obstruction in the implementation of EU principles and institutions.

In addition, the principles of conditionality and compartmentalisation which have been a fundamental feature of the EC strategy in former communist states appear to have become an obstacle to the processes of institution building and democratisation in SEE. Although the aim of the two principles was to "reward' those countries which took strong steps towards the implementation of democratic values and market economy while at the same time exclusion to become an incentive for those with bad records to engage in serious political and economic reforms, its effectiveness is rather debatable. Apart from the difficulties, which the task to aid and set political long-term goals and criteria in a transition context creates, the fulfilment of certain conditional criteria is easier in the cases of more advanced political and economic systems compare to those which are not. Hence, the application of conditionality tends to favour those in less need and to marginalise most of the countries in need of assistance. Also, not only there are cases of different interpretations by the EU and its individual member states (Germany with Croatia and Greece with FYROM) but conditionality, as an instrument upon which foreign policy aid depends, frequently annoyed the national feelings in the countries it is applied and in some cases it even produced strong feelings of resistance.

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The search for finding the best way for the "europeanization" of the SEE countries continues to be an issue that generates much heated debate both inside the EU as well as in the countries concerned. There is little doubt that whatever strategy the EU chooses to pursue in the region, sceptics will always be able to present powerful counter-arguments. The question of conditionality is a central feature of this debate. Should the EU pursue a pragmatic, 'high politics' driven strategy in the region at the expense of its conditionality principle, or should the two not be seen as mutually exclusive? Does positive engagement strengthen the prospects o reform, or is punishment and isolation the only way to overthrow repressive regimes? Is the selective application of conditionality better than no conditionality at all? None of these dilemmas have easy answers and, along with the region's complex and changing political, economic and security environment, should all be taken into consideration whenever an assessment of EU's strategy is attempted.

For both the Greek government and the people, one of the keys to a successful "europeanization" process of SEE countries has been EU's long-term and committed planning to the region. In light of the 2002 Copenhagen decision on enlargement and the progress made up to this day in the region but also its fragile nature, the Greek Presidency has pledged to keep the issue of SEE high on EU's agenda reasserting thus the governments and peoples in the area of the European Union's support for their European vocation as potential candidates for membership. The priorities, which the Greek Presidency has set, are:

To deploy all efforts for further consolidation of peace, stability, democratic development, the strengthening of human and minority rights and regional co-operation
 To carry forward the Stabilisation and Association Process (SAP) and adapt it to the new environment after enlargement

(3) To launch the "Balkan European Integration Process/Thessaloniki Process"

(4) To address specific horizontal issues of significance to the area, including organised crime and corruption, return of refugees, protection and rehabilitation of historic and religious monuments, energy, infrastructures, investment supports for SMEs as well as development of free trade

(5) To promote regional co-operation and related initiatives in SEE, reflecting the functioning of the Stability Pact

However, none of either Greece's current or EU's future attempts seem to be destined to bear any wishful fruits if there is no strong willingness by the region's ruling political, economic and military elites in becoming less part of the problems and more that of the solution. Equally important is the level of commitment of both the Balkan Diaspora and the non-EU western states to contribute financially, educationally and diplomatically to the realisation of the "Europeanization" process in all SEE states.

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### THE EU AND SOUTHEASTERN EUROPE AFTER DAYTON: A Canadian Perspective

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#### INTRODUCTION

For the European Union (EU) the violent disintegration of Yugoslavia presented a double challenge – in part strategic, in part existential. The strategic challenge was how to organize and lead an international response to a crisis in its own back yard. The existential challenge was that events in the Balkans, and the political culture from which they flowed, seemed the antithesis of everything the EU stood for, namely a prosperous, secure and integrated Europe. In the first half of the 1990s Brussels largely failed to meet the strategic challenge, particularly with respect to the war in Bosnia. Since the signing, at Dayton in late 1995, of the General Framework Agreement for Peace (GFAP) in Bosnia, which marked the nadir of Europe's influence in the region, it has, however, gradually begun to fashion a more coherent and effective response and to reassert the leadership it had so boldly and - as it turned out - prematurely, proclaimed a decade earlier.

This story can be told as a classic narrative of hubris, humiliation and hope of redemption. It shows the EC in 1991 asserting and being granted leadership in the Balkan crisis and then conducting a reactive policy in the absence of a coherent strategy and bereft of the tools to impose it. It shows the EU drifting to the periphery of international action as the crisis intensifies in Bosnia, and remaining frustrated in the wings as the US belatedly but forcefully imposes its will and negotiates a peace at Dayton. It shows the EU assuming a modest, low-profile role in the first three years of the international protectorate for Bosnia but then, after the Kosovo campaign in 1999, re-emerging with a comprehensive vision for the Balkans and a renewed claim to leadership.

There is, however, a darker, more nuanced subtext to this tale, which speaks to the deeper existential challenge. Questions that were raised a decade ago about the EU's ability to manage conflict in its neighbourhood remain unanswered. Is the EU equipped, not just in the institutions, processes and instruments of its common foreign and security policy, but in its way of thinking, to deal with ethnic and sectarian conflict? Should it be aspiring to an increased presence in the "high politics" of security in the Balkans, or sticking to what it knows and does best – trade and aid? Will a regional policy based on international protectorates and political and economic conditionality serve to bring the Balkans to Brussels or, in perpetuating dependency, does it risk keeping Brussels in the Balkans for longer than is good for anyone? And in the mix of motives driving the EU and its member-states, what is the balance between making the Balkans safe for democracy, markets and human rights, and the new Europe's search for coherence, power and status in the post-Cold War world.

These questions are of interest not just to Europeans but to their friends and allies across the Atlantic. Canada's involvement in southeastern Europe – first as a peacekeeper in the wars of Yugoslavia's dissolution, subsequently as part of the post-Dayton international presence – is as long as that of the EU. It has shared many of Europe's assumptions and illusions about how to manage ethnic conflict, having its own aversion to the prospect of a world where ethnicity trumps civil nationalism. Like the EU, too, Canada has found itself struggling to define the right mix of hard and

soft power to contribute to European security. Moreover, as the US draws down its presence in the Balkans to deploy elsewhere, Canada, like Europe, faces the demoralizing possibility of yet another long, Cyprus-like commitment in a seemingly intractable region. Finally, Canada has an interest in how the EU itself copes with southeastern Europe and what sort of regional and global power it shows itself to be in the process.

THE EUROPEAN UNION AND THE BALKANS AFTER DAYTON

Dayton was not only a negotiated settlement for Bosnia; it was an employment programme for multilateral organizations. To NATO went the all-important job of enforcement. To the OSCE went the several political and security-related tasks discussed above. To the EU went the leading role in the economic reconstruction of Bosnia and in the gradual integration of the Balkans into the Brussels-centred European economic complex. In addition, in conjunction with the WEU it was to continue its search for a stable political, administrative, and policing framework for Mostar — a task made daily more difficult by rampant, organized crime and deteriorating inter-communal relations in the city.

However marginal it had become by the end of the Bosnian war, the EU was bound to emerge as a central player in the regime imposed by the Dayton Agreement. The Agreement - the General Framework and its 11 Annexes containing the specifics - says little about the all-important task of economic reconstruction except for Annex 10 which refers to "civilian implementation" under the direction of a High Representative. It says nothing about the EU. Nevertheless it was clear from the outset that among all the actors in the international community the EU was uniquely placed by virtue of interest and capacity to take the lead in post-conflict peace-building for Bosnia. Some of the dynamics of 1991 reappeared: the US was once more reluctant to undertake a long-term engagement in a region it deemed to be of dubious strategic significance, while the Europeans were once more eager to prove themselves in their own back yard. In early 1996, however, the Americans were prepared to take on a robust enforcement role through NATO and IFOR - if only for a year initially - while the EU's efforts would be embedded in a multilateral, multi-institutional regime in which it would be the prime, but not the sole, player. That regime has now been in place for more than seven years, with little sign of winding up in the near future. Events in the wider Balkan region, however, particularly the Kosovo war in the spring of 1999, changed perceptions and policies in Brussels and Washington and marked a turning point for the Bosnian international protectorate. The discussion that follows looks first at EU policies and actions from the beginning of 1996 to mid-1999, and then at the more dramatic developments of the past three years.

#### FROM DAYTON TO 'ALLIED FORCE'

In the three years from the signing of the Dayton Agreement to NATO's intervention in Kosovo, the EU's presence in the emergent Bosnian protectorate and in the wider Balkans seemed, at least on the surface, a continuation of the marginality and subordination to which it had been reduced in the heat of the Bosnian war. In Bosnia, as the international presence struggled to establish its priorities, institutions and credibility, the EU's work in economic reconstruction got quietly under way, overshadowed and hampered by the political and security issues that dominated the early agenda. With respect to the other successor states of the former Yugoslavia – Slovenia aside - its leverage was limited and its policies tentative. By and large, the EU's role, as before Dayton, remained politically modest and mostly focused on Bosnia.

The Bosnian protectorate consists of a military and a civilian element. On the military side, EU member states have contributed forces to the Implementation Force (IFOR) and the Stabilization Force (SFOR) that succeeded it at the beginning of 1997. These forces operate, of course, under the NATO chain of command, although not without increasing coordination under the auspices of the emerging European Security and Defence Policy. The EU as such, however, is a major component of the civilian part of the Dayton regime for Bosnia, where it is charged with overseeing the task of economic reconstruction. In addition, most EU members are involved individually in these tasks. The civilian side is under the overall direction of the Office of the High Representative (OHR). The High Representative, who reports to the Peace Implementation Conference (PIC) and through it to the UNSC, has responsibility for the post-war peace-building activities of the international agencies that constitute the regime. Besides the EU, these include the UN Mission in Bosnia and Herzegovina (UNMIBH) whose mandate includes promotion of the rule of law and the reform and training of civilian policing under the IPTF, the UNHCR (refugee returns), the OSCE (human rights, media, elections), and financial institutions such as the World Bank Group, the IMF, the EIB and the EBRD, It has been understood from the start that the High Representative will be an EU national, as indeed all four have been.

From the outset the principal instruments of EU policy have been its traditional ones: access and aid. In this first period, however, the emphasis with respect to Bosnia was overwhelmingly on the latter. True, more than 80 percent of Bosnia's exports had duty-free access to EU markets, but this meant little in the almost total absence of a functioning economy. On the other hand, the EU quickly emerged as the largest single donor of humanitarian and economic development assistance to the devastated country. From 1996 through 1999 it provided almost 1.35 B euros in this form, including over 780 M euros through the PHARE and Obnova programmes, over 390 B euros through the ECHO humanitarian assistance programme, and smaller amounts to administer Mostar and to provide support for refugee returns, demining, media, democracy and human rights, and the balance of payments. Aid through PHARE was specifically directed to projects in support of the Dayton Agreement, such as institution-building or the development of "civil society", while Obnova had a broader mandate for reconstruction, including support of refugee returns.

The extent and effectiveness of these programmes was hostage to the political and security context of those first three post-conflict years. In 1996, the first year of the Dayton regime, the secure environment on which all else would depend was not yet fully established, despite the presence of the 60,000-strong IFOR. Fragility and uncertainty led to an emphasis on emergency response, improvisation and to corresponding delays in more foundational work. Moreover, the priorities of the international presence were heavily influenced – some would say skewed – by the Americans' insistence on holding elections as early as possible to man the representative bodies set up by the GFAP at the national, entity and municipal levels. This insistence had less to do with the political state of play in Bosnia than with the American election year and the perceived need to show

evidence of progress and hope of an early exit.(Graham 1998)

The saga of successive elections and their sub-optimal results – voters' persistence in electing the usual nationalist and often anti-Dayton suspects - continued through 1997 and 1998. These patterns, particularly at the municipal level, drastically slowed the rate of refugee returns, which in turn limited what could be undertaken in respect of longer-term reconstruction and development. The existence, despite IFOR, of significant areas of non-compliance with Dayton – not to mention violence - in both the RS and the Croat areas of the Federation, also meant that economic and humanitarian progress was very unevenly distributed across the country and virtually nonexistent in many areas. Much of the "dull stuff" (Patten: 2001 quoting Tim Judah) that the EU was doing had the virtue of providing immediate, practical returns to ordinary Bosnians – public transport up and running, houses rebuilt, water and electricity restored, and so forth – but in the absence of a more coherent, long-term and higher-profile strategy, Brussels risked always being vulnerable to the sometimes-unintended local effects of others' policies.

Recognizing this, the EU began, in 1997 and 1998, to give more coherence and focus to its work in Bosnia. Taking its cues from the 1997 London meeting of the PIC, the Commission began to focus more closely on the crucial linkage between refugee returns (to which the bulk of its early spending had been directed) and economic reconstruction. Other areas given new priority were economic reform (privatization and freeing of markets), job-creation, rebuilding of technical and social infrastructure, institution-building and administrative reform. From 1998 on, the three principal foci of EU action became: first, institutions – the national-level administration, the customs service (corrupt and ineffective in controlling borders, especially between the RS and the FRY), broadcasting, the courts, and the Dayton institutions for human rights, the ombudsman and property claims; second, economic reform – modernizing the banking and financial systems, clearing obstacles to trade and investment, promoting privatization, developing local industries and SMEs, and re-establishing agriculture; third, social cohesion and development – particularly in health and education.

In the first three years of the Dayton regime, therefore, the EU emerged as an omnipresent if lowprofile player in the complex enterprise of rebuilding and reforming the Bosnian state, economy and society. In addition to its role as a provider of economic and technical assistance and as overall coordinator of the international reconstruction project, the EU retained its difficult governance of Mostar, until replaced in January 1997 by the OHR. Brussels also encouraged, and later took the lead in, the Royaumont Initiative, a multilateral effort to encourage and harness the efforts of NGOs, initially in Bosnia but eventually in the Balkan region as a whole. It was learning on the job, trying where possible to adapt development and peace-building lore from experience elsewhere, and engaged in constant self-assessment and adjustment to the shifting circumstances of those early years. The EU did appear, however, to be searching without much success for a more coherent strategy for Bosnia and the region – one that would not only do its appointed task better but also move the EU into a more powerful and prominent position in the complex of overlapping and often competing agencies that made up the Bosnian protectorate. One symbol and, in a sense, surrogate, for this more powerful European presence on the ground, was the OHR, particularly once the first High Representative, Carl Bildt, was succeeded in mid-1997 by Carlos Westendorp, who was able and willing to wield the increased powers granted the OHR by the Bonn PIC in December of that year. Over the next two years Westendorp took a series of decisive, if controversial, actions to sack duly-elected but anti-Dayton officials and to impose – in the absence of Bosnian government decisions – national institutions including a flag, currency and non-communal licence-plates. The High Representative answered not to the EU but to the PIC and, ultimately, to the UN Security Council. Nevertheless, as an EU national he became identified as the bearer of Europe's colours while the EU itself worked less visibly and forcefully in the trenches of reconstruction.

If the EU's role in Bosnia during this initial phase was constrained by circumstances on the ground, by great-power politics and by turf-wars among the multilateral agencies in the protectorate, its role in the broader Balkan region was limited by the varying domestic conditions and international postures of the Yugoslav successor states, which made a coherent overall strategy difficult to envisage. Only in the case of Slovenia, whose secession had precipitated the crisis in 1991 and which had been rapidly approaching EU economic, social and political standards since then, did Brussels have a clear, workable policy – accession to membership. Slovenia signed a "Europe" Association Agreement on June 10, 1996. On the same day it applied for membership in the EU and, thanks to its zealous efforts at transition, found itself among the first six candidates for accession with which the EU opened formal negotiations in the fall of 1998. Over the next four years Slovenia proved an especially adept navigator of the 31 chapters into which the negotiations were structured, and was among the ten applicants accepted, in December 2002, for admission to the EU in 2004.

Rather against expectations, Macedonia (the FYROM) remained relatively quiescent, as it had during the Bosnian war under the watchful eye of UNPREDEP. In 1997 it, like the rest of the Balkans, fell under the new regional approach enunciated by the Council of Ministers, which applied economic and political conditionality to the development of bilateral relations. This country-by-country approach was a logical response to the variety of national situations in the region. The EU's global judgement at this point was that, with the exception of Slovenia, none of the successor states was a credible candidate for accession to the EU in the near future.

In its relations with Croatia, the EU was resolute – despite some differences among memberstates – in applying conditionality. Rhetoric aside, however, it was clear that Croatia was unlikely under President Tudjman, to undertake the kind of political and economic reforms needed to fulfill its announced aim of joining the EU and NATO. Indeed, Zagreb's open flouting of the Dayton agreement by supporting the secessionist Croat project in Herzegovina, and its continuing intransigence on the issue of Serb refugee returns to the Krajina and other regions from which they had been driven in 1995, kept tensions high in the relationship. The EU linked prospects for better trade access and aid for reconstruction, with progress on refugee returns, to no great effect. In April 1998, for example, the EU Foreign Ministers agreed to boycott a Croatian Refugee Return and Reconstruction Conference unless the Tudjman government could show that a credible and workable returns procedure was in place. Zagreb, however, continued to speak European but to act Balkan.

As a partner in dialogue, the Federal Republic of Yugoslavia – now a rump state consisting of Serbia and Montenegro – proved every bit as intransigent as Croatia. Here, too, the EU attempted to use its traditional tools of improved trade access and economic aid to encourage political and economic reform and to sustain the FRY's support of the Dayton Agreement. At the end of 1996 it made a *demarche* to Belgrade demanding respect for the recent Serbian election results and an end to the repression of demonstrations against the regime. In January 1997, the EU Council of Ministers endorsed the OSCE's Gonzalez Report of December 27, which had confirmed the opposition's electoral victory, and called for free media, free and fair elections, and respect for human rights in the FRY. At the end of January Brussels granted the FRY Autonomous Trade Preferences (ATP) for the balance of the year, to be reviewed if no progress had been made by then on implementing the Gonzalez Report. The preferences were duly withdrawn on December 29. This pattern continued into 1998 until overtaken by more ominous developments in Kosovo.

### AFTER 'ALLIED FORCE': AGAIN THE HOUR OF EUROPE?

NATO's action in Kosovo in the spring of 1999 had a dramatic effect on the Balkan region, transforming its political landscape and confronting the EU with new risks and opportunities. Along with political change in Croatia, gradual shifts in great-power involvement, and developments in the EU itself, the Kosovo intervention moved Brussels decisively toward a comprehensive strategy for the former Yugoslavia – and indeed beyond that to the whole of what came to be called "south eastern Europe" – in which it could again aspire to leadership of the international community's efforts. To some, it might have seemed that after a decade the clock was once more chiming the hour of Europe. This time around, would the EU be able to answer the bell?

The most significant effect of NATO's action was the destabilization of the regime in Belgrade, resulting eventually in its electoral defeat and the extradition of Slobodan Milosevic to the ICTFY in the Hague to face charges of war crimes and crimes against humanity. Political change in 2000 and 2001 at both the federal and Serbian levels of government meant an almost instant inflow of western humanitarian and economic assistance, and an equally swift transformation of the FRY from rogue state to the centrepiece of western-led strategies for the economic reconstruction and political rehabilitation of the region. In truth, the comprehensive regional approach that the EU had begun to fashion as early as 1998 made little sense without the participation of Serbia, the largest of the former Yugoslav republics, located astride the key east-west and north-south transport corridors.

After the fall of Milosevic, in fact, there was even some concern in Brussels that recognition of Serbia's centrality would combine with the latent pro-Serb tendencies of some EU members to produce a rush to Belgrade at the expense of other states in the region. In the end, the EU did provide significant amounts of aid while nonetheless continuing to adhere to the western policy of linkage to Serbia's cooperation with the Hague tribunal. Some American critics suggest, however, that the European have been less than rigorous about maintaining that linkage (Abramovitz and

#### Hurlburt: 4).

With respect to Montenegro, Serbia's junior partner in the FRY, the growing secessionist movement in the late 1990s posed a dilemma for the international community. On the one hand, it was a useful diversion for, and source of pressure against, the Milosevic regime. On the other, the west (especially the EU) had set its face against the further dismantling of Balkan states, given the continuing fragility of territorial arrangements in Bosnia under Dayton, and the crises in Kosovo and Macedonia. Sensitive also to the need for a stable post-Milosevic FRY at the heart of its regional strategy, the EU assumed the role of mediator between Belgrade and Podgorica, managing with some difficulty to broker an agreement which changed the constitutional relationship between the two republics while leaving the door open for a possible referendum on Montenegrin secession in the near future.

Another direct consequence of NATO's action in Kosovo was the destabilization of the delicate ethnic balance in the FYROM, first by the influx of massive numbers of Kosovar Albanians and later through the radicalizing influence of the KLA on the Albanian minority in the west of the country. Alongside the US, the EU's response was to mediate between the two Macedonian communities in attempt to find a constitutional adjustment that would satisfy at least the moderates on both sides. Clearly convinced that this was just the sort of problem for which the CFSP was designed, the EU was noticeably assertive in pursuing the lead role through its twin foreign-policy heads – External Relations Commissioner Chris Patten and the CFSP High Representative Javier Solana. All the same, the Americans tend to claim at least equal credit for the agreement signed between Macedonia's Slavs and Albanians at Ohrid in August 2001 (Abramovitz and Hurlburt: 6). As the need for a follow-on operation to replace NATO's Amber Fox security force for the peace-monitors in the FYROM became apparent, the EU offered its services in the form of a force under the new ESDP. For over a year its implementation was held hostage to the continuing dispute between Greece and Turkey over the EU's prospective use of NATO resources for its new rapid-reaction force, but is now set for the spring of 2003.

In working to seize the opportunities and manage the risks arising in the wake of the Kosovo operation, the EU not only resorted to its traditional tools of trade and aid, but sought an active and prominent place for itself in the international community's efforts to mediate the ensuing domestic conflicts on neighbouring countries. Its motives here appear mixed. In part they had to do with thwarting irredentist and secessionist movements in the region, drawing on a general presumption among EU members against ethnically-driven solutions and a specific concern about spillover into Bosnia. In part, too, they flow from a reflex to demonstrate that the CFSP can go beyond mere rhetoric to solve substantive if modest-scaled problems – the same reflex that had first drawn Brussels into the Yugoslav crisis in 1991.

Independently of events in Kosovo, political change also came to Croatia beginning with the death of President Franjo Tudjman in late 1999, followed by the defeat of his HDZ party and the election of a moderate president eager to take the country into NATO and the EU. The new leadership has been able to face down residual nationalist opposition in breaking Zagreb's ties with

the extremist Croats in Herzegovina, and in beginning to permit the return of its Serb refugees. Both actions should have positive effects on Bosnia, both for refugee returns there and for national cohesion. The EU was quick to respond to these developments by acknowledging Croatia's "European vocation", offering aid and trade concessions that had been denied the previous regime, and bringing it into the new regional framework for south eastern Europe.

The emergence of that regional framework in the last three years is the most important innovation in the EU's strategy for the successor states of the former Yugoslavia. Its two principal elements are the Stabilization and Association Agreements (SAA) and the Stability Pact for South Eastern Europe. Both elements represent a decisive shift to a comprehensive approach to the region – the SAA by offering parallel paths to eventual EU membership to all associated states, the Pact by creating a multilateral context for regional cooperation. In the first case, EU leadership is a given; in the second, it is there for the taking.

The SAAs are an adaptation of the Europe agreements signed with the three Baltic states, the four Visegrad states of central Europe, Romania, Bulgaria and Slovenia in the mid-1990s. They contain provisions for trade liberalization, economic and technical assistance, and political dialogue. Most importantly, they hold out the promise of eventual membership in the EU once the state has transformed itself by meeting a demanding set of political and economic conditions. In an initial phase each country undertakes reforms to bring it to the point where the EU will offer it an SAA. Among the Balkan states only Macedonia (signed in April 2001) and Croatia (October 2001) have so far reached that point. Once an SAA has come into force it governs the next phase of transition in which the state gradually adopts the EU's legislative *acquis*, applies for membership and readies itself for accession. The assumption underlying the SAA strategy is that its incentives and disciplines will do for the Balkan states what they did for Spain and Portugal and appear to be doing for the states of central and eastern Europe – modernize and pacify.

The Stability Pact had its origins in discussions among the EU foreign ministers in 1998. It was given form and direction in early 1999 by the German presidency of the EU and signed at Cologne on June 10. The parties – about thirty states (including those from the region) and a dozen international agencies - reaffirmed their commitment at a summit in Sarajevo on July 30. The Pact's aim is to "strengthen the countries of south eastern Europe in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region." By September 1999 a complex structure had been put in place, involving three "Working Tables" – for democratization and human rights, for economic reconstruction and for security – plus a Regional Table to coordinate them under the chairmanship, initially, of Bodo Hombach (a close political associate of German Chancellor Schroeder). He has been succeeded by an Austrian, Erhard Busek.

In its brief life the Pact has been able to generate considerable financial support for both its Quick Start projects (designed to show immediate payoffs) and its longer-term programmes. A first regional donors' conference on March 2000 raised almost 2.4 B euros, while a second, in October 2001, raised another 3 B euros. Further funds are made available by governments, international agencies and other donors on an *ad hoc* basis. The three Working Tables have directed these resources to projects overseen by participating agencies. For example, Table 1 has task forces on human rights and minorities and on gender issues (OSCE), on good governance (Council of Europe) and on education and youth; Table 2's economic development goals were set out by the World Bank, with projects being overseen by the EIB (infrastructure) and the EBRD (private-sector development); and Table 3 has two sub-tables, one dealing with arms control, de-mining and disaster preparedness and prevention, the other with EU "third-pillar" issues such as corruption, policing, immigration and the rule of law.

The Pact naturally invites comparison with the Marshall Plan, particularly inasmuch as it controls financial resources which dwarf those available to the region, and which it offers on condition that the recipients take initiatives to reform and to integrate on a regional basis. The EU's members constitute half of the participant states and three-quarters of the donors; they are also represented through the EU Commission, the EIB and the EBRD. Brussels seeks to complement the Pact with the SAA strategy and with a new, integrated aid programme, Community Assistance for Reconstruction, Democratization and Stabilization (CARDS), replacing the previous patchwork of different programmes for the region. All this looks like a well-designed comprehensive strategy for the region with a built-in EU claim to leadership.

Although barely three years old, the Pact has already been subject to criticism both from within the region and from without. While it is arguably too early to judge its results, skeptics have focused on issues of duplication, structural excess, procedural complexity and slowness to deliver results – qualities some argue are characteristic of anything having to do with the EU. A related criticism of both the Pact and the SAA, is that the region's problems are too urgent to allow for the deliberate, complex processes of conditionality to work their transformative magic on the states of south eastern Europe. The EU, it is argued, should be more open and less demanding, lest it frustrate the well-intentioned in those states and open the way to nationalist backlash. (Steil and Woodward 1999)

Where has the emergence of a comprehensive EU approach to the region since the Kosovo campaign left the international protectorate in Bosnia? On the one hand, the changes of regime in Croatia and the FRY remove – or at least greatly reduce – centrifugal forces at work on the territorial arrangements agreed at Dayton. Moreover, the regional cooperation and integration promised by the Stability Pact can go a long way to restoring the links – markets, infrastructure, even social and cultural ties – between Bosnia and its neighbours, from which it once benefited in the Yugoslav federation. On the other hand, the diversion of western attention to the returned prodigals in Zagreb and Belgrade, and the perception that the main regional security risks now centre on Kosovo, may mean fewer resources devoted to Bosnia's ongoing problems. Continuing cuts to SFOR are the most visible manifestation of this trend; these seem driven more by needs elsewhere (especially after September 11, 2001) than by strong evidence that security on the ground has become self-sustaining.

EU policy in Bosnia now sits at the intersection of the seven-year old multilateral structures and processes based on Dayton, and the broader regional approach just described. From 1999 on, the Stability and Association process and the Stability Pact provided the governing framework. In 2000,

expressing the mix of frustration and optimism so often encountered in Bosnia's benefactors, Brussels published a Road Map setting out eighteen steps it considered vital that Bosnia take toward implementing the Dayton agenda of economic, administrative and political reform, before the EU would consider undertaking a feasibility study on initiating negotiations for an SAA. Many of these referred to reforms in public administration, property law and the like, on which there had been years of delay or backsliding by local leaders. In Chris Patten's words:"We wanted Bosnia to be absolutely clear about what they needed to do: and we are not about to change the goal posts. But I very much regret that so far too few goals have been scored." (Patten 2001) A major theme in much EU comment on Bosnia has become that of "ownership". In the face of local intransigence or stalemate, High Representative Wolfgang Petritsch (1999-2002) had felt compelled (as has his successor, Lord Ashdown) to continue the practice of imposing necessary change by fiat in the name of the international community. This got things done, but at the price of Bosnians' sense of responsibility for their own future. As Patten said with respect to the prospect of an SAA: "Unless we insist on Bosnia keeping its side of the bargain, we risk creating a permanent international dependency which will never be able to dig itself out of its own difficulties."

As elsewhere in the Balkans, the EU's main assistance programmes for Bosnia from 1991 to 2000 (PHARE and Obnova) have now been folded into the new CARDS programme. In 2001, its first year of operation, CARDS allocated 105 M euros to Bosnia, of which over one-third (37.3 M euros) went to support refugee returns. The next largest spending categories were institutional capacity-building (16.7) and infrastructure development (14.3).(BiH: the European Contribution.). Although the overall total is more than matched by member-states' bilateral aid, it is worth noting that the 2001 figure is less than half the annual figure for the years 1996 through 1998, and 20 percent less than that for 1999. The EU's own critical assessment of Bosnia's progress does not, therefore, seem to have prevented it from reducing its assistance for reconstruction and development, perhaps to the benefit of other states in the region. (Although not Kosovo, to which CARDS aid has also been cut – see Abramoviz and Hurlburt: 6 ) In that respect, however, it may simply be in line with the general tendency of the international community to de-emphasize Bosnia in favour of other areas perceived to be more pressing. On the other hand, an EU police-training training mission (EUPM) has this year taken over from the UN's police-training mission (IPTF) in Bosnia – in this case the reduced level of the operation actually reflects a degree of success on the part of the UN mission.

Changes in the international community's pattern of involvement in the Balkans, initiated by the Kosovo crisis, have accelerated in the past year. For a variety of reasons, both Russia and the United States have been reducing their presence in the region, including their respective military roles in Bosnia. On a regional basis, the EU has been organizing to take up the slack and assume leadership of the transition process. This makes sense as a division of labour. As Patten says, the Balkan states "identify the EU with security, with jobs, with a decent and rising standard of living, with the rule of law upheld by accountable, democratic, clean public institutions, a system in which rights of minorities are protected by law, not by carving out territory. They recognize the EU as probably the most successful conflict prevention and resolution mechanism in history. And they desperately want to be part of it. This gives the EU enormous leverage." (Patten 2001) But if the EU, like the rest of the international community, redirects too much of its attention away from Bosnia to the broader

region or beyond, it risks losing some of that leverage in a country where, by its own admission, too many of the big problems remain unresolved.

#### CONCLUSION

It took ten years, and the seismic jolt of Kosovo, for the EU to fashion a coherent, long-term leadership strategy for itself in Bosnia and south eastern Europe. After much trial and many errors its response to the strategic challenge of the Yugoslav wars of succession now seems in place. But what of the existential challenge?

First, Yugoslavia forced the EU, really for the first time, to confront the issue of ethnic and sectarian conflict. The crisis challenged the very foundations of the Brussels doctrine of "civilian power"- that the promise of economic rewards, including the possibility of association and even full membership, and or the threat of economic sanctions, can pacify countries or regions torn by conflict, including conflict flowing from the demands of ethnic nationalism. It raised the possibility that some protagonists cannot be bought off or otherwise persuaded by such means. What made the Yugoslav case existentially unsettling for Brussels was thus the seeming irrationality of its ethnic wellsprings, which put in question the EC's liberal, rationalist premises. These held that ethnic nationalism was a relic, quaint and folkloric at best, politically and economically irrational at worst, whose demise was pre-ordained in the process of economic modernization and integration. But in this case it seemed as if the rational inducements of economic assistance and market access and the deterrent effects of sanctions had little impact on the course of the conflict, seriously altering neither the perceptions nor the priorities nor the conduct of the belligerents. As one observer has noted, "aggressive nationalism has so far been largely insensitive to economic incentives" (Crnobrnja 1994: 257).

Ten years' experience seems not to have altered much in the EU's governing doctrine with respect to ethnic nationalism. The consistent theme of its policies in Bosnia, Kosovo, Montenegro and Macedonia has been to reject proposals for ethnically-based "solutions" such as partition or secession. The underlying premises of the SAA programme and the Stability Pact, too, are consistent with the notion that economic incentives will indeed trump atavistic urges – this time around. The difference now, it is assumed, is that the peoples of the Balkans and their leaders have a decade's experience of the consequences of those urges, and that Europe's response is more resolute.

Second, in 1991 the EC saw the Yugoslav crisis as an opportunity to give its emergent CFSP a running start. In its eagerness to get beyond the limits of "civilian power" it forgot where its comparative advantage lay, and how fragile the bases still were for any venture into the realms of high politics. If its capacity to influence others had been demonstrated anywhere, it was in the realms of trade and aid. By contrast, what the proposed CFSP should do, and how it should do it, were still matters of fierce debate in the pre-Maastricht IGC, and its predecessor, EPC, was hardly an unblemished success. In retrospect, then, it was a mistake for the EC to assume the mantle of leadership thrust upon it by the US, since it did not yet have the capacity to act as a full-service great power.

Ten years later, what has changed? The EU has undoubtedly made progress in acquiring the diplomatic and military attributes of a true global actor. The treaties of Maastricht and Amsterdam, combined with a lot of real-world experience, have given more substance to the CFSP. And the British-French agreement at St. Malo in December 1998, on the creation of an EU intervention force, promises the EU a military capacity it lacked in 1991. That said, there is an eerie familiarity about some trends. The US once more looks as if wishes to vacate the Balkans and turn leadership over to the EU, which once more seems eager to embrace it. To the extent that leadership means coordinating reconstruction and development and promoting integration, Brussels is better equipped to lead than it was ten years ago. But if it also requires the credible capacity to use force, it is not. The St. Malo project remains a work in progress, with some doubts expressed that it will meet its 2003 deadline with the needed capacity truly in place. That force would not, of course, be able to do what NATO did in Serbia in 1999, or even in the Bosnian end-game. But it will have to be visibly available for more modest tasks, lest Europe once more find itself handing off leadership in a future Balkan crisis because it is "not ready".

Third, the civilian side of its Balkan policy raises questions about the EU's sense of itself as the arbiter of Europe's destiny. The Bosnian and Kosovo protectorates, the SAA process and the Stability Pact are premised on asymmetries of economic power and on the capacity – legitimized by the international community – of the strong to persuade the weak through rewards and punishment and where necessary, to intervene and manage their internal affairs directly. This is the Balkan variant of a policy the EU has fashioned over the past decade for central and eastern Europe: sustaining the virtuous circle of free markets, democracy, human rights and regional security by liberalizing access to its markets, acting as the principal external patron of a Marshall-type investment and trade-liberalization plan, and promising admission to full EU membership for qualified candidates sooner rather than later.

This policy embodies the forthright assertion that Brussels is the destiny of the Balkan states, a proposition now endorsed by all the region's governments. The problem for most of them, however, is how to get there from where they are. An end to either of the international protectorates is nowhere in sight. A culture of dependency has become entrenched, especially in Bosnia. The SAA process, on the other hand, seems to be progressing with some states, although again Bosnia is the laggard. Here, as in its relations with some central and eastern European states, Brussels is discovering the limits of what it often takes to be an irresistible power to attract: alienation in the face of western arrogance and self-righteousness is hardly new to the Balkans. The Stability Pact shows some of the same defects. In addition, the approach it represents cuts two ways. On the one hand, it usefully anchors Bosnia in a regional framework providing some insurance against abandonment. On the other, it may result in EU resources being spread thinner or diverted from Bosnia, as already seems to be happening.

Finally, the question of interests – national and other. In the early 1990s, a consensus on the need to act, and on the importance of a "European" solution to the conflict, could not conceal real differences of national interest among the member states - principally Germany on one side and

France and Britain on the other. These differences surfaced in debates over the recognition of seceding Yugoslav republics, over the distribution of blame and, hence, of sanctions, among the parties to the conflict, and over the employment of various international institutions. The fate of the EC's early policy in the former Yugoslavia can thus be explained partly by its internal disarray, in which member states' conflicting views of the Balkan crisis were exacerbated by their disagreements over Maastricht and European security.

Much of that rivalry has now dissipated, partly because differences of interest are bound to loom larger in times of crisis than in postwar reconstruction. Member-states continue, of course, to pursue their own agendas in the region, but these now tend to be about contracts and trade rather than geopolitics. For the EU and the international community, however, interests are still at play in another sense, reminiscent of the early 1990s. Now, as then, it can sometimes seem as if the needs of the region and its peoples matter less than the EU's need to prove itself, or than the narrow agendas of the states, international organizations and NGOs involved in the protectorates and reconstruction programmes.(Chandler) Institutional self-interest, it may be argued, is a more reliable foundation for international action than sentiment. The question, however, is whether, as the perceived risk of renewed violence recedes in Bosnia and elsewhere, and as immediate humanitarian concerns fade in the public mind, it will suffice to sustain the EU's renewed claim to leadership in Southeastern Europe.

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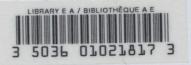
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