

Yugoslavia: Fragmentation and Globalization

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Description: Globalization processes are unfolding in different ways in different areas of the world, which may be described as different, yet interconnected regional laboratories. In the European borderlands they are progressing along three overlapping tracks. Two of them are well defined by institutions and seek to 1) gradually absorb the Eastern Europe (former USSR) borderlands into the European Union (EU), 2) co-opt them into the Atlantic Alliance (NATO), and 3) stabilize, via macroeconomic reforms, each of the seven countries of Southeast Europe (SEE) and on intra-regional cooperation and trade.

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The accelerated phase of economic integration at the world scale is known as *globalization*. The term describes the increasing interconnection of sub-national, national, regional, international, and trans-national economic, social, political, and cultural developments. Societies everywhere are increasingly affected by general developmental trends. Space and time seem to shrink. Under the leadership of industrialized countries, the G7 a global polity is emerging and states transform into agents of this polity. Globalization processes are unfolding in different ways in different areas of the world, which may be described as different, yet *interconnected regional laboratories*. In the European borderlands they are progressing along three overlapping tracks. Two of them are well defined by institutions and seek to

- gradually absorb the Eastern Europe (former USSR) borderlands into the European Union (EU),
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- stabilize, via macroeconomic reforms, each of the seven countries of Southeast Europe: SEE and on intra-regional cooperation and trade.

The Yugoslav successor states have already been drawn into this whirlpool. This paper argues that the political and economic fragmentation of the space of the former Socialist Federal Republic of Yugoslavia: SFRY was the precondition for the Yugoslav successor states to become 'eligible' for their integration into the EU and into the Northern Atlantic Treaty Organization: NATO. Once dislocated and separated from each other they had to be standardized in order to become eligible for co-optation. Before that, they have to develop interregional cooperation and establish a free trade association for SEE. ^[1]

Political Fragmentation

At first view, it may seem that we are viewing instant history at almost daily events, which illustrates the shrinking of time; but, we should be aware that the multiple political incidents described below are part of a long-term chain of events that are elements of the global neoliberal world order in construction. The described time sequence covers the last ten years, not only of the transition from communist rule that was coupled with the political fragmentation of the Yugoslav and Soviet spaces respectively, but also with contradictory processes of globalization.

By Yugoslavia, I mean the geopolitical space of the former SFRY, not the precarious federation of Serbia and Montenegro: the Federal Republic of Yugoslavia (FRY) as created by Slobodan Milosevic in April 1992. SFRY, the largest Balkan state fragmented into five internationally recognized states.

In the west, Slovenia, with the most ethnic homogeneity and best economic development among the five fragments, was lucky to get away after ten days of war in June 1991. Since then, various

center-left and center-right coalitions have governed it, now the most prosperous among the five successor-states, and, thus, its democratic institutions seem quite consolidated. Nevertheless, clerical traditionalism and latent xenophobia exhibited by a segment of its electorate have somewhat slowed down the pace of Slovene integration into structures of the EU and NATO; this is in spite of the impressive number of preconditions (chapters) that the government of Ljubljana has, thus far, fulfilled.

Croatia declared its independence at the same time as did Slovenia (both gained international recognition in 1992); however, Croatia was then embroiled into an ethnic war: fighting its own Serb minority and the simultaneous invasion from Serbia and Montenegro. Croatia succeeded to regain the control of its territory in 1995 in two successive offensives, during which about two-thirds of its ethnic Serbs were expelled. Governed until recently by a right-wing nationalist party, the Croat Democratic Union (HDZ), Croatia acted with Milosevic's Serbia in the assault on Bosnia. Tudjman's clique in Croatia, at the same time, plundered its own people, nearly destroying the economy of the republic, which had been prosperous ten years ago. This backfired and, in the January 2000 polls, the electorate finally supported the one available alternative: a coalition of six parties led by the Social Democrats. However, the de-Tudjmanization of Croatia progresses slowly and the economic situation is not improving; all sorts of practical obstacles impede the return of the refugees. [2]

Bosnia and Herzegovina became the arena of a bloody inter-ethnic war for the acquisition of territories after a referendum on independence organized in March 1992. With Belgrade's encouragement, almost all the local Serbs boycotted the plebiscite, while the leaders of the Serb Democratic Party (SDS) proclaimed the establishment of the Serb Republic of Bosnia and Herzegovina, or *Republika srpska*, followed a three-year war of which Muslim Slavs were the main victims. Both Milosevic's FRY and Tudjman's Croatia waged aggressive campaigns for territories, but the two leaders also plotted to divide Bosnia between their respective countries. The carnage ended only after the US and NATO showed their muscles, bombarding, in August 1994, selected Bosnian Serb targets, forcing ultimately all the belligerents: Milosevic, Tudjman and Izetbegovic to sign the Dayton Peace Agreement, which thus gave legitimacy to the warlords who had provoked and conducted the war.

Dayton's Bosnia became a federal state that contains two constitutive units: 1) the Muslim-Croat would-be federation, and 2) the *Republika srpska*, both divided into cantons. It has four separate levels of government, thirteen prime ministers, 760 legislators, all for a country of fewer than four million people. Although recognized internationally as independent, Bosnia and Herzegovina is a de facto international protectorate, divided in practice into three ethnic homelands from which those not belonging to the titular ethnicity of a given canton had been "cleansed" (with the exceptions of

Muslim-dominated Sarajevo and Tuzla). Bosnia and Herzegovina has three separate armies.

Since the cessation of hostilities, the international community has poured some five billion dollars into economic reconstruction programs but, because of the widespread corruption of local officials, this had little effect. The three nationalist parties: 1) SDS, 2) HDZ and, 3) the Muslim, Party of Democratic Action (SDA) had dominated political life of the country since 1990; they continue to systematically sabotage programs aimed at the return of the refugees. Only under international pressure, have about half of the refugees been able to return. However, in the parliamentary elections of late 2000, the ethnic parties garnered together less than 50% of the vote, which perhaps announces better times. Thereafter, ten non-nationalist parties in the Muslim-Croat federation have pooled together their forces and formed a coalition they named Democratic Alliance for Change (DAP). Succeeding to enroll the support of smaller groups from the Republika srpska, it even put together a new central government. Although backed by international power-brokers, the authority of the latter remains extremely limited. Reacting against the instauration of such a government, the HDZ, with full support of the local Catholic hierarchy, proclaimed the "restoration of Croat autonomy." On the other side, the government of the Republika srpska signed a treaty with the FRY that established privileged relations between the two asymmetrical partners (previously a similar treaty was signed between Croatia and the war-time government of Bosnia and Herzegovina). In their latest move and after protracted pressures, the international power-brokers succeeded in imposing on local political actors constitutional amendments that are meant to dilute the ethnocentric character of the Bosnian three-national state.

Macedonia, situated at the southeastern corner of the former Yugoslav space, gained its independence, peacefully; however, its international recognition was delayed due to Greek opposition: Athens claimed historical copyrights on the Macedonian name and imposed this view on the EU. It was only after U.S. brokerage that the authorities of Skopje accepted the, supposed temporary, label: the *Former Yugoslav Republic of Macedonia*; thus, the new state was admitted into the UN. The Macedonians also amended their Constitution to satisfy Athens; still, these changes did not meet the expectations of local ethnic Albanians, about 23% of the population, who demanded to be recognized, along with the Slavic Macedonians, as one of the two constitutive nations of the new state. The senior partner in the coalition that ruled Macedonia until the recent creation of a government of national unity was the right-wing nationalist VMRO-DPME; the junior partner was the Democratic Party of the Albanians (DPA).

While the other four Yugoslav republics drifted toward independence, Serbia and Montenegro, under the leadership of Milosevic, created, in April 1992, a mini-federation: the Federal Republic of Yugoslavia (FRY). The previously autonomous provinces of Kosovo and Vojvodina, whose autonomy has been cancelled, were integrated into the centralized Serbian state. The legitimate

representatives of the ethnic Albanians in Kosovo—about ninety percent of the total population—were ignored. Belgrade's nationalists hijacked the name of Yugoslavia and claimed that this rump state is the only legitimate inheritor of the SFRY, from which other republics had, as they called it, seceded. In the same time, they did not recognize the internal borders of the SFRY, which had left parts of the Serb ethnic body as minorities in alien states. Claiming that all Serbs have the legitimate right to live in one national state, they launched wars against their neighbors for territories in which their local proxies played prominent roles. These wars and massive corruption brought only misery to the typical Serb, regardless of where they are living. In spite of that, the Serbian/FRY electorate voted for Milosevic in 1990, 1992, and 1997, giving him a near mandate to pursue his war policy.

The FRY was subjected to international economic and political sanctions, which were lifted after Milosevic signed onto the Dayton Treaty. They were reintroduced in 1999 when Belgrade became embroiled in a war with the Kosovo Liberation Army. Using the opportunity, Milosevic launched a campaign of systematic terror and ethnic cleansing against the Albanian civilian population in the Kosovo province (he, by force displaced about 900,000 who found temporary refuge in Macedonia, Albania, and Montenegro). NATO's 78-day massive bombing devastated the industrial and transport infrastructure of Serbia (though it spared Montenegro), ultimately forcing Belgrade to withdraw its troops and administration from Kosovo. NATO used cluster bombs and depleted uranium ammunition, which produced considerable collateral human damage. Fearing retaliation, perhaps as many as 200,000 Kosovo Serbs fled to Serbia.^[3]

Dissatisfied with all these calamities and with its inferior position in the asymmetrical federation, the Montenegrin government started to drift away from Belgrade even before the NATO campaign. Voices demanding the restoration of the autonomy of Vojvodina, the other Serbian province, became louder. In September 2000, the Serbian electorate turned in mass against Milosevic and his nationalist coalition. The former lost the Presidential race to Vojislav Kostunica, who took 59% of the cast votes against a still respectable 37% to Milosevic, the candidate of the Democratic Opposition of Serbia (DOS): an umbrella for the eighteen parties and NGOs. Milosevic at first tried to deny his defeat but was forced in October to admit the electoral result when the security apparatus of the state refused to use force against the demonstrators who had invaded Belgrade's streets.

The September elections were partial and, thus, the federal parliament remained packed with Milosevic's supporters. Because the pro-independence Montenegrin parties boycotted the elections, only the supporters of Montenegrin parties associated with the Milosevic regime sent their representatives into the federal parliament. A compromise was, however, found. A kind of caretaker government was established at the federal level, headed by a pale pro-Milosevic figure from

Montenegro. However, its authority is not recognized by official Montenegro. In Serbia's December elections DOS candidates won two-thirds of the seats in the parliament of that federal unit, but Milosevic's Socialist Party (SPS), with its smaller nationalist allies, succeeded to capture the rest. Milosevic believed that he has lost another battle, and hoped that somewhere in the future he may return to power. He did not expect that the new authorities would accuse him of power abuse, nor of war crimes, or crimes against humanity, and put him in jail for investigation. Ultimately, he was sent to The Hague to be tried for war crimes. The delivery of Milosevic to the Tribunal on the very eve of the International Donor's Conference convened in Brussels de-blocked a 1.28 billion dollar aid package to the FRY. Serbian Prime-Minister Zoran Djindjic masterminded this delivery, although Federal President Kostunica opposed the move. Since then, the two of them became embroiled in a bitter power struggle; at issue is that the latter won the loyalty of the Federal Army, while the former commands the support of the over-capacitated police forces; thus far, their rivalry has yet to escalate into an armed confrontation.

After the so-called liberation of Kosovo and the arrival of KFOR peacekeepers, the province was de facto detached from the authority of the Belgrade government and was transformed into another protectorate under international administration. In legal terms, however, it is still part of Serbia, although the local ethnic Albanians had no voice when the FRY was created in 1992. After the brutalities to which they had been exposed, the latter unanimously demand the right to national *self-determination* and independence. In the October 2000 municipal elections, supervised by the Organization for European Security and Cooperation (OESC), the Democratic League of Kosovo (LDK) of moderate ethnic Albanian leader, Ibrahim Rugova captured the majority of Kosovar votes. The Serbs boycotted the elections. Not so good was its score in the provincial elections of November 2001, when Rugova's party won 46% of the cast votes and 47 seats in the 120-member provincial parliament, 20 of which were set aside for ethnic minorities. The Democratic Party of Kosovo: PDK of former Kosovo Liberation Army leader Hashim Thaci came in second with 26 seats. Third was the Kosovo Serb political formation called *Coalition Return*, which won 22 seats, 10 of them set aside for the Serb ethnic community. This ad hoc coalition participated in the elections only after the Belgrade government signed—with the UN Mission in Kosovo (UNMIK)—a special document to reconfirm Belgrade's sovereignty over the province. The rest of the seats were divided among eleven other parties.

Beside the participation of ethnic Serbs, another positive surprise was the election of 34 women into the new legislative assembly. The elections were orderly and fair, of a higher democratic standard than elections in neighboring Albania. After protracted horse trading among the Albanian parties a compromise formula was found for the composition of the government: Ibrahim Rugova was elected president but one of his political rival, Bajram Rexhepi, of the PDK, was awarded with

the post of prime-minister. The coalition government now includes also the representatives of the Serb community. The UNMIK retains control of foreign affairs, monetary policy, and justice while the Kosovo Protection Force (KFOR), the UN peacekeepers troops, remains in charge of defense matters and public order. UNMIK also has the power to veto any measure incongruent with UN Security Council Resolution 1244, which put an end to the Belgrade administration of the province but formally kept it as part of the FRY.

The ethnic Albanian insurgency in Macedonia spread; at one point, the guerrillas were operating in a rural zone situated 10 km from Skopje, gaining obvious local support; this alarmed the EU and NATO headquarters in Brussels. Abetted by the United States, the EU and NATO envoys gang-pressed the ethnic Macedonian and Albanian parties to form a government of national unity. Ljupcov Georgievski, the party leader of the VMRO-DPME, remained Prime Minister; however, important portfolios were granted to the hitherto main opposition party: the Social Democratic Union (SDSM); and, both ethnic Albanian parties were included into the coalition. Painful negotiations finally led to an inter-party agreement, known as the *Ohrid Accord*, which ended the armed conflict and designed the framework for the constitutional and legislative reforms that would redress the position of the Albanian ethnic community within the common Macedonian state. That led to the voluntary dissolution of the Albanian guerrilla organization and its disarmament by NATO sponsored peacekeepers: a task force of 3,500. In contrast with his party's boss: Georgievski, Boris Trajkovski, the then self-effaced President of the state, whose constitutional powers are limited, emerged as a constructive statesman during this prolonged inter-ethnic crisis.

Despite the inter-party squabbling and the fierce opposition of the Macedonian Orthodox hierarchy, the parliament finally amended the Macedonian Constitution in November 2001; they purged it of all support for ethnic diversity; Macedonia is now deemed as a state of all of its citizens (hitherto deemed as the state of ethnic Macedonians). The article granting a privileged role to the Macedonian Orthodox Church was cancelled. A provision was included that legalized the use the Albanian language in districts with a significant ethnic Albanian population. This was elaborated in the Law on Local Government. Meanwhile, the two Albanian parties were pressing for the introduction of Albanian as second official language of the parliament. Amnesty for the Albanian guerrilla fighters was implemented. The Ohrid Accord stipulated that the ethnic Albanians be entitled to an adequate participation in the central state administration, police and army; however, the Slavo-Macedonian public opinion met this with fierce resistance, and the VMRO-DPME hierarchy sabotaged it. To complicate this volatile political situation, the Social-Democratic Union withdrew its ministers from the coalition government, a move that is related to parliamentary elections the next year.

Although the political future of Macedonia remains uncertain, a major interethnic bloodshed has, thus far, been avoided. Alongside Bosnia-Herzegovina and Kosovo, Macedonia became another de facto international protectorate. The international community has promised financial aid, and Macedonia was rewarded with a special association, in fact, a unique status with the EU. Nevertheless, a decade of mismanagement and corruption, as well as the cost of the massive influx of Kosovo refugees during the NATO bombing campaign against Serbia, and of the short interethnic Macedonian war, have crippled the economy of the country, which remains desperate.

Montenegro's president, Milo Djukanovic and his local allies demanded the same right as the Kosovar Albanians, claiming that a third Yugoslavia—FRY—never functioned as a federation of two equal partners. In Montenegro's separate elections that were held in April 2001, Djukanovic and his allies managed to win a majority of the cast votes, but not the two-thirds as they expected. The external power-brokers lost their sympathy for the idea of Montenegro secession from the FRY after the dismissal of Milosevic; they tried to tame the enthusiasm of the Kosovars for independence. Under their pressure, the representatives of Belgrade and Podgorica, at last, concluded a temporary agreement in March 2002 on the radical reform of Serbian-Montenegrin relations, not excluding the final separation of the two state entities (the name *Yugoslavia* was dropped). Montenegrin pro-independence parties challenged this arrangement. The Liberals and the Social Democrats accused Djukanovic of betrayal, and provoked a local government crisis; thus, the three-party coalition fell apart. However, to the surprise of many, Djukanovic's Democratic Party of Socialists (DPS) made a strong showing at the subsequent municipal elections

Meanwhile, the Montenegrin and Serbian partners in the uncertain common state are supposed to negotiate about how to set up common transitional structures. During the transitory period of three years, the two states are supposed to coordinate their activities in the arenas of: 1) foreign affairs, 2) international economic relations, 3) defense, 4) internal economic relations, and 5) protection of human and minority rights. Common institutions are to be set up, such as a parliament, a president, a ministerial council, and a court. In terms of economics and finance, they will remain autonomous. Montenegro will retain the euro and have its own customs regime. After the transitory period of three years, the possibility of a referendum on independence is envisaged.

The power struggle ongoing in Belgrade between divergent political agendas of Kostunica and Djindjic, complicates the situation. The former still sticks to the worn-out formula of an ethnocracy left over by Milosevic and, according to opinion polls, enjoys the support of the relative majority of the Serbian electorate; the latter is a shrewd, pragmatic, and wants to integrate Serbia into Euro-Atlantic structures as soon as possible.

It will take time before this regional patchwork leftover by the defunct SFRY is rearranged and before a new regional political equilibrium could be found. This equilibrium will depend not only on

local politicians but will also rely much on external power-brokers. Today, as in the past, the latter are the ones who draw the political maps in various regional laboratories by endorsing or rejecting different state building or consolidation projects.

Economic Dislocation

Political and economic fragmentation went together. Still, the case of the SFRY is unique, because, starting with the devolution of the economic decision making process from the federal government to the governments of the federal units: six republics and two autonomous regions—in the 1970s—the hitherto common Yugoslav economic space was divided, de facto, into eight loosely connected economic zones. From then on, the federal units legally appropriated a substantial part of budget revenues and capital remained corralled within republican/provincial boundaries. The exception was the contributions for the maintenance of the federal administration and army, as well as the contributions to the Federal Fund for Less Developed Republics and to the province of Kosovo.

In the name of *national equality*, the communist elites of the republics and two provinces, thus, acquired their autonomous economic power bases. They were even empowered to contract foreign loans independently of the federal government. Federal institutions, first of all the two revolving presidencies of the state and of the League of communists of Yugoslavia (LCY), were thereafter transformed into bargaining places, in which republican provincial barons negotiated the redistribution of federal resources. While alive (in power), Tito acted as authoritative arbiter, but after his death in 1980, this negotiated economy degenerated into horse-trading, squabbling, and, finally, into a total economic blockade of the federal government.^[4] The undoing of the Yugoslav Federal State was thus initiated long time before the eruption of the final political crisis. In fact, it could be said that this systemic economic and financial blockade provoked the political crisis, which ultimately blew up the SFRY. The nationalists, who took over from communist republican barons, including Milosevic, who in a turncoat operation changed ideological banners, simply finished the job.

The Yugoslav economy was more liberal and much more decentralized than those of other communist-controlled states of the Eastern Europe; nevertheless, the Yugoslav economy shared with them an important common trait: it was not a free-market economy, which is the “invisible glue” holding together modern nation-state. No free internal circulation of capital and no common internal labor market existed in those states. In the specific case of the SFRY, even the internal banking system was dislocated via regional control by republican provincial barons. That means that all the investment loans and credits were given exclusively to companies and enterprises that belonged to the same federal unit (this was also “negotiated”). These companies did use

seasonal labor, which came from neighboring federal units or regions; however, this temporary work force remained underpaid and without the social protection enjoyed otherwise by local permanent workers. Then again, the SFRY, unlike most of its eastern-bloc neighbors, had an *internal commodity market*: products produced in one federal republic were commonly sold in other republics and regions, with only exceptional and temporary restrictions for wheat and petrol. Nevertheless, this trade freedom was not sufficient to hold the federation together. When it began to crack, republican authorities imposed official and silent boycotts of the commodities imported from other republics.

Although in many aspects different, the centralized economies of other communist-controlled European states also did not rely on the free internal circulation of capital, commodities, and labor; rather, they thrived by the political monopoly of the central party-state. In each of them, a kind of internal common market did exist though it was an administrative market strictly controlled by the central government. When the political monopoly of the party-state was undermined and, when it finally withered away, a systemic crisis erupted, which hastened the demise of communist regimes. Similar to the SFRY—the Soviet and Czecho-Slovak federations—fragmented along their internal ethnic borders. Still, that was not the end of economic fragmentation and decay. Not one former communist-controlled country escaped the

- plummeting of its GNP and per capita income
- systematic destruction of entire production sectors
- massive unemployment, and
- general deterioration of living and health standards.

The wars in the Yugoslav space and in the Southern Caucasus, of course, made things worse for the countries and populations involved. Economic recovery, as dictated by different *structural adjustment* programs is slow and painful. For example, the estimated GNP of seven Southeastern European countries, a cluster in which Yugoslav successor states are included, was in 1999 still 25% lower than the average in the pre-transition period.—*The Road to Stability and Prosperity in Southeast Europe (2002) ch. 1* ^[5]

Standardization first

Paradoxical as it may seem, political fragmentation on one side became the precondition for the globalization of markets on the other side. It is symptomatic that the disintegration of the Soviet Union, Yugoslavia, and Czechoslovakia occurred in about the same time-sequence when Eastern Germany was being absorbed into the *Bundesrepublik*. The fragmentation of the Soviet and East-Central European geopolitical space is only the other face of the uneven and convulsed process of Western European integration. The resurgence of ethno-national identities on one side is correlated with the construction of a European supra-national identity on the other side. It

seems that today's second and third world states are reduced to flexible productive units, which may be decomposed, downsized, and recomposed and or rearranged according to the economic necessities of global markets. The idea is that these remodeled state-entities would fit better into the readjusted *international division of labor*, which is of course characterized by inequalities. The World Bank has even written papers about how governments should behave and what types of *structural adjustment reforms* have to be implemented in order to facilitate so-called free trade and democracy. They promote this via international neoliberal financial institutions, WTO rules, and through regional economic-cooperation projects.

In fact, global economic processes have made covert changes the very nature of the state. Yes, it still has the so-called legitimate monopoly for the use of force within the territory it lawfully controls, but it is pressed from outside to conform to new standards. According to the 1999 Report of the World Bank, they have to be transformed into capable and effective states, which act as law-makers that maintain a policy of an milieu of non-distortion, including macroeconomic stability, investing in basic social services and infrastructure, protecting the vulnerable and the physical environment.¹⁶¹ At the same time, the prerogatives of government are to be limited as explained here:

Over the last century, the size and scope of government have expanded enormously, particular in the industrial countries. The pre-World War II expansion was driven by, among other factors, the need to address the heavy toll on economic and social systems brought on by the Great Depression. The postwar confidence in government bred demands for it to do more. Industrial economies expanded the welfare state, and much of the developing world embraced state dominated development strategies. The result was a tremendous expansion in the size and reach of government worldwide. State spending now constitutes almost half of total income in established industrial countries, and around a quarter in developing countries. However, this very increase in the state's influence has also shifted the emphasis from the quantitative to the qualitative, from sheer size of the state and the scope of its interventions to its effectiveness in meeting people's needs.

As in the 1940s, today's renewed focus on the state's role has been inspired by dramatic events in the global economy, which have fundamentally changed the environment in which states operate. The global integration of economies and the spread of democracy have narrowed the scope for arbitrary and capricious behavior. Taxes, investment rules, and economic policies must be ever more responsive to the parameters of the global economy. Technological change has opened new opportunities for unbundling services and allowing a larger role for markets. These changes have meant new and different roles for government—no longer as sole provider but as facilitator and provider. *The Road to Stability*—World Bank, 1999

In other words, the report by the World Bank demands the redefinition of the role of the state and of its place in the *new international division of labor*. The prerogatives of the state should be limited only to those functions that serve globalization processes. In all other domains, it should be rolled back, clearing the ground for non-governmental actors, among which transnational corporations play the leading role. The state is supposed to become an agent of globalization: the protectionist state and its autarkic economy are outdated, and it should be replaced with a neoliberal state: one of the ways in which new standards, linked to global processes of economic integration, are imposed. These are imposed, of course, not by platonic prescriptions only, but through effective and maniacal economic and political pressures. In the space of the former SFRY, NATO did not abstain from economic sanctions and deadly bombing campaigns, both against the FRY. Thus, the concept of *national sovereignty* has been changed to be reminiscent, in an ironic way, of a basic requirement of the defunct *Brezhnev Doctrine*: coercion to back the limited sovereignty of socialist states.

Globalization processes, which are more or less rational projects, prefer to handle clusters of standardized countries and not single free-lance state-units. The model of integration of the German Democratic Republic (GDR) was unique and too costly even for the wealthy *Bundesrepublik*, and will never be repeated. Between 1990 and 1998 about 600 billion of euros were poured into the economy of the former GDR, while the EU forecasts the transfer of only forty billion euros to its ten prospective new members in the ten-year transitional period following their cooptation. Therefore, unlike the former GDR, which was integrated into the *Bundesrepublik* abruptly and without any previous preparation, prospective members from the European East, their economies, political systems, institutions and laws have to be adjusted in advance. They have to be aggregated into clusters that have to be standardized in order that whole clusters could become candidates for integration into the emerging global order.

One such regional cluster in the fragmented politics of Eastern Europe is the Visegrad Group, which evolved into the Central European Free-Trade Association: Poland, the Czech Republic, Slovakia, Hungary, and by association, Slovenia. The three Baltic States, Estonia, Latvia, and Lithuania represent a similar cluster separating Russia from Scandinavian countries; with their neighbors, they are part of the Baltic-Barents northern dimension of confidence building measures. A free trade zone is to be set up in Southeastern Europe as well, but before that SEE states have to sign bilateral free-trade treaties. In a parallel development, the EU is entering into different types of bilateral arrangements with each of the prospective members. The countries from these European borderland zones are supposed to, eventually, become candidates for cooptation into the EU; the first have already been handpicked. When applying for membership, candidate countries are urged to align with the already existing *acquis communaitaires* of the EU. Known

as *acquis*, the term refers to the entire institutional framework of the Union. At 80,000 pages, it changes constantly, even though it is a collection of

- principles and political objectives of the founding treaties
- secondary legislation and precedents of the European Court of Justice
- joint actions • common positions, and
- signed conventions • resolutions.

Expansion eastward of the EU is referred to as *the widening of the EU*, while institutional reform of the Union is called *deepening*. The general sense is that to widen the EU there must be a deepening of EU structures—with the intent to ensure a healthy survival of the EU as a larger entity.

The order and pace of cooptation of new members will not depend on the performances of individual countries exclusively, but also upon the financial means that the actual members of the EU are willing to set aside for that purpose. These have been limited in advance to forty billion euros. Greece, Portugal, Spain and Italy (the latter for its *Mezzogiorno*), which are still enjoying subsidies from the EU, have voiced their concerns. Likely, France—with the recent change of government in Paris— will also try to slow the pace of accession to the EU; Germany might take the same cautious attitude; it also faces elections whose outcome uncertain.^[7]

The agenda of Integration into the EU

As early as 1994, the Essen European Council defined the EU pre-accession strategy to prepare future candidates for EU membership. They based it upon the implementation of Europe Agreements in conjunction with the financial assistance of the PHARE program, which was established to help candidate-countries. At first, these candidates were categorized as *first wave* and *second wave* groups. Now these two groupings are named after the European Council's meetings at which formal negotiations for joining the EU began. Thus, negotiations with the *Luxemburg Group*: Poland, the Czech Republic, Hungary, Slovenia, Estonia and Cyprus, were initiated in 1998, and with the *Helsinki Group*: Slovakia, Lithuania, Latvia, Romania, Bulgaria and Malta in 2000. All these countries were granted *association status* with the EU. Among the SEE countries, only Romania and Bulgaria enjoy this privilege. Both had signed bilateral free trade agreements with the EU in the field of *manufactures* (though with exceptions and limitations in specific sectors, e.g. steel) with different transition periods (asymmetric between these countries and the EU); and some more limited specific preferential arrangements for agricultural products. —*The Road to Stability*, ch. 3

All other aspirants (including my native Croatia) have their association status pending approval. The latter, together with Bosnia and Herzegovina, Macedonia, Albania, and the more recently co-opted FRY, belong to the *Western Balkan Group* for which a special program, known as Community Assistance for Reconstruction, Development and Stabilization (CARDS) has been designed

by the EU. Upon signing the Ohrid Agreement, Macedonia was awarded almost unrestricted duty-free access to the EU market. Concessions were also made to Bosnia and Herzegovina, Croatia and Albania on the basis of autonomous trade preferences (ATPs). Duty-free quotas for specific products were assigned to each of them. Paradoxically, these remain unfulfilled most of the time.

All these measures are designed to enhance local production and exports, and to gradually tie the economies of SEE countries to the EU. Besides this bilateral approach to individual countries, the EU promotes or supports a series of regional and multilateral programs described below and in a later chapter.

For the time being, the Western Balkan countries do not fulfill a number of preconditions for accession to EU's membership. These preconditions known as the Copenhagen criteria, are related to the stability of institutions guaranteeing:

1. the rule of law,
2. human rights,
3. respect for and protection of:
 - 3.1. minorities,
 - 3.2. democracy, and
 - 3.3. free market economy
4. the ability to meet the obligations of membership, which includes:
 - 4.1. loyalty to the aims of the political, economic, and monetary union, and
 - 4.2. adoption and implementation of the afore mentioned *acquis communautaires: the body of EU laws*.

Besides that, the countries of the Western Balkans have to show that they actively:

- operate efficient programs for the practical return of refugees
- cooperate, in earnest, with The Hague Tribunal for Prosecution of War Criminals
- abrogate the legislation discriminating ethnic minorities
- implement practical programs for the resettlement of refugees
- reform their judicial systems
- expedite the rate and process of privatization, and
- take vigorous steps against widespread corruption.

To facilitate the solution of the above problems and ease the then existing interstate tensions, the Clinton Administration, in 1997, launched the Southeastern Cooperation Initiative (SECI), which includes ten Balkan countries plus Hungary and Moldova. Building on that, Germany, in 1999, sponsored the establishment of the Stability Pact for Southeastern Europe, which the EU endorsed; the Pact then launched at the Sarajevo Summit conference. Its programs became the framework to restructure the Balkans.

The EU also launched an overlapping track, known as the Southeast European Cooperative Process (SEEC); it aims to promote the political dialogue between the countries of the region,

with regular or *ad hoc* summits and foreign ministers' meetings, and with a rotating presidency. The SEECP includes: Albania, Bosnia and Herzegovina, Bulgaria, Greece, Macedonia, the FRY, Romania and Turkey, plus Croatia as observer. The idea is to facilitate trade exchange and human communications within such clusters of countries, develop a common infrastructure: roads, railways, pipe-lines and standardize customs tariffs and trade legislation, which could lead to the establishment of another free trade zone in Southeastern Europe. Meanwhile, an ever expanding dialogue and growing cooperation are supposed to neutralize potential sources of conflict. At the last meeting held in Tirana in March 2002, SEECP members congratulated themselves for the progress they made to Euro-Atlantic integrations. As it appears in paragraph ten of the Stability Pact adopted at the Sarajevo Summit:

The overall strategy of the Stability Pact is to secure lasting peace, prosperity and stability for South Eastern Europe; foster effective regional cooperation; and give a firm European anchorage to the region, in which ED will play a leading role. Countries in the region who seek integration into Euro-Atlantic structures, alongside a number of other participants in the Pact, strongly believe that the implementation of this process will facilitate their objective. Central to these aims are the development of necessary institutional capability and legislative practices to meet standards in the areas of human rights, democracy and the rule of law as they are enshrined in the UN Charter, documents of the OSCE and CoE, notably regarding the rights of individuals belonging to minorities, to create a supportive climate for investment, as well as to promote cooperation in the areas of defense and law enforcement.— The Stability Pact for South Eastern Europe.

To promote this agenda, three *negotiating tracks* (work tables) had been established for:

- security issues upon which most of the attention of the European power-brokers focused,
- democratization and human rights, an issue closely linked to track #1, and
- economic reconstruction, development and cooperation, a field in which little progress occurred.

Each of these tracks has its priorities, and short-term, mid-term, and long-term projects. The promoters of the Stability Pact were serious, though the Pact was specially designed for the uncertain situation when the Milosevic and Tudjman regimes were still representing a threat to their neighbors. It was designed to avert and correct trouble. Now, the situation has changed and perhaps the time has come to reshape the Pact, which overlaps with other of the EU's multilateral programs.

Barring the unexpected, all the countries of Eastern Europe will eventually be co-opted into the EU; this includes the three former Soviet Baltic republics. The process seems irreversible though the pace and order of the cooptation might slow down because of the new political climate in Europe, created with the rise of populist right-wing parties. Meeting in Seville in June 2002, the fifteen-member EU Council did not even discuss the issue of expansion. The decision about who

of the thirteen applicants will be co-opted at the Copenhagen summit in December, and who will be left for a later occasion, remained open. Most likely, no decision will be taken before the German elections in September (Germany's financial contribution to expand the EU is vital).

The candidate and aspirant countries have no better alternative than to be among the chosen ones. Meanwhile, they have to work hard to become eligible. Their governments are the local agents of a colossal process of political, social, and economic engineering, whose agenda was set up by external power-brokers.

There is an abundance of literature that deals with the process of EU expansion and the situation in SEE. Those interested in the complex issues related to that topic may consult the works edited/authored by Berglund^[1b], Guttman^[2b], Lampe and Stavrou^[8], Mannin^[9], Rhodes^[10], and Sedelmeier.^[11]

NATO Expansion

In 1999, Poland, the Czech Republic, and Hungary became the first former Warsaw Pact countries to be co-opted into NATO. Volunteers on the waiting list include: Albania, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Macedonia, Romania, Slovakia and Slovenia; some of them, though not all, will be invited to join the Alliance at the November 2002 NATO Summit in Prague. All of them were co-opted into a NATO's program, Partnership for Peace. The admission of Croatia was delayed until the electoral defeat of the HDZ. The admission of Bosnia and Herzegovina is also delayed but it is hosting some 19,000 UN peacekeepers, the bulk of them provided by NATO members.

Later, a program known as the Planning and Review Process (PARP) was launched with the aim to monitor the pace of military reform demanded from prospective members. The problems that Poland, Hungary, and the Czech Republic had encountered in adapting their military structures to NATO requirements and standards induced Brussels' headquarters to develop the Membership Action Plan (MAP), designed to prepare next candidate countries for membership.

The task of implementing reforms was a greater challenge than anticipated. Defense budgets were too small [they are supposed to amount to 3% of GDP - my remark], force preparedness and weapon systems poor, the technological gap huge, and the capacity to field enough personnel for operating within Allied structures. In fact, the technical and structural transformation of the three new members' defense systems proved the lesser of two major problems, irrespective of the issue of resources. Much more serious were changes of a political and systemic character, such as introducing effective democratic civilian control of the armed forces.—Karkoszka, 2002 ^[12]

Croatia, along with Romania and Bulgaria, cooperated with NATO and its bombing campaign against Serbia and offered their ports and air space. NATO used the territories and air spaces of Bosnia and Herzegovina, and Macedonia. Combat ground troops of NATO member-states are

stationed in both countries, 3,500 in Macedonia while Kosovo hosts 38,000 international peacekeepers. The Yugoslav crisis of three successive phases marked by the wars in Croatia, Bosnia and Herzegovina, and Kosovo allowed Western power-brokers for the EU and NATO to legalize their presence in a zone that had been out of their reach. The crisis also became indispensable for reducing regional tensions and imposing various solutions to local state actors. Although the famous international community is not blameless, it is almost certain that without the presence of international peacekeepers, i.e. of NATO ground troops, regional and inter-ethnic conflicts would continue unabated. Discussion of the case of NATO must include the fact that its decision-makers used the Yugoslav crisis to promote the interests of the Alliance and to expand its zone of military operations to cover not only the space of the former Yugoslavia but also of neighboring countries.

The Bush Administration is, at this time, trying to persuade Europeans to take more responsibility in the peacekeeping operations in the Balkans, though, paradoxically, the Europeans persuaded the U.S. not to hurry with the withdrawal of US ground forces from Bosnia and Kosovo. Europeans, who aspire to build their own rapid deployment task force, still have problems in operations without the U.S. They have problems in formulating a common European Security and Defense Policy: ESDP. ^[13] The European Rapid Reaction Force (ERPF), at the center of the ESDP, is still in its conceptual phase. Its purpose would be to intervene in crises before they become full-scale wars, and to release NATO (and the US) from participating in some military operations in eastern European borderlands. It is designed to "control political violence, and despite rampant criticism, it would not threaten the existence of NATO." ^[14] Once set up, the ERPF is supposed to be capable of deploying 60,000 troops to a site within sixty days and of maintaining a presence at that site for one year (For details, see the Western European Union Council of Ministers Petersburg Declaration of June 19, 1992.) In fact, both the presence in the Balkans: the NATO troops and the projected ERPF are supposed to act as a police force that controls the European borderlands, especially the Balkans.

That region is notorious for illegal trade; it lies on a traditional smuggling route that connects the Middle East and Asia with Western Europe. Because of porous borders, widespread poverty and corruption after the wars of the 1990s, it has become both the transit route and a market for smuggled goods."—DPA, Zagreb, 24 June 2002). The Secretary-General of NATO, George Roberston, speaking to a conference of NATO applicant countries in Zagreb, underlined that the Alliance is especially concerned with "the illegal movement of people, arms and drugs, criminal and terrorist gangs feeding from such criminal activities" (DPA, Zagreb, 24 June 2002).

Georgia and Azerbaijan also expressed the desire to join the NATO Alliance, yet have no chance of success, at this time. Ukraine has said it seeks as close a relationship as possible with NATO. Recently, even Belarus declared its research of the possibilities to cooperate with NATO. Most im-

portant of all, Russia, on May 2002, entered into a special partnership with NATO. A NATO-Russia Council was set up that will at first, deal with matters about which Russia and the West have common interests: combating terrorism and the proliferation of weapons of mass destruction. The Council will not discuss the agenda for the expansion of the Atlantic Alliance to the East. Viewed from the Kremlin, there are two distinct groups of NATO's candidate countries:

1. East-Central European candidates, which will be co-opted into the Alliance sooner or later, a process that Moscow cannot influence, and
2. Soviet successor states, which the Kremlin policy makers still consider as belonging to the Russian near abroad, i.e., belonging to its sphere of influence.

Realistically speaking, however, even in this would-be exclusive zone, there are states that had managed to win a margin of autonomy vis-à-vis the Kremlin. Among them are the three Baltic states: Estonia, Latvia, and Lithuania. Azerbaijan, Georgia, and Uzbekistan, though former members of the Commonwealth of Independent States (CIS), have pulled out of the CIS security/defense arrangements. Together with Ukraine and Moldova, and with the backing of the Clinton administration, they had created a (still born) defense alliance known as the GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova). By-passing its NATO allies and GUUAM, the United States has succeeded more recently to establish logistical bases in Uzbekistan and Kyrgyzstan, and a special US anti-terrorist task force has been dispatched to Georgia. In its confrontation with Iran over the delimitation of the waters of the Caspian Sea, Azerbaijan has welcomed temporary Turkish air-support (Turkey is a US *pivotal ally* in the Caucasus/Caspian Region and is member of NATO).

It is not known how far-reaching is the new US-Russian partnership.^[15] It probably includes certain secret arrangements that were not disclosed to the public. It should be reminded that the Kremlin gave its green light for the deployment of US forces in Central Asia during the recent attack on Afghanistan under Taliban rule. Consequently, the US got a logistical foothold in Central Asia, a zone which was previously perceived by the Russian policy makers as their exclusive backyard. Observers also noted that the Russian reaction to Kiev's recent announcement that Ukraine has irrevocably opted for the Euro-Atlantic integrations' was rather mild. It is uncertain yet, but this could mean that the Kremlin will not oppose the co-optation into NATO structures of some of the Soviet successor states.

The Kremlin opposes the cooptation of the Baltic states: Lithuania, Latvia and Estonia; however, this could change. One of them, namely Lithuania, could become co-opted in 2002 as a "test case." Such a move could not be interpreted as a full encirclement of Russia from its northwest and could be facilitated by the existing system of good neighborly relations known as the *Northern Dimension*. In addition, Lithuania has the smallest Russian community, has better relations with

Moscow than the other two, and its application is supported by Poland and Denmark.

However, if Lithuanian is to be co-opted, a solution for the Russian territorial connection (transit corridor) with its Kaliningrad exclave (squeezed between Poland and Lithuania) has to be resolved. However, Estonia and Latvia too remain strong and likely candidates. Russia might swallow the cooptation of all the three states if it has assurances that no nuclear weapons and no permanent foreign forces will be deployed on the new members' territory in peacetime.^[16] In addition, Russia demands the revocation of the Estonian and Latvian legislations that discriminate the Russian minority in these two countries. The case of Ukraine is more sensitive and its case will most likely be left for some later occasion. Russian Issues: May, 2002

If Romania and Bulgaria are to be integrated into NATO's military structures then a sanitary cordon that runs from the Baltic to the Black Sea and separates Western Europe from Russia would be completed. Note that a similar system of alliances, isolating Bolshevik Russia from the rest of Europe, was built at the outcome of the WW I, which only proves that certain geopolitical blueprints are enduring the challenge of time. If these two countries are co-opted, future Russian access to the Balkans will be blocked. In the same time, the Balkan "powder keg" will be left behind, almost in the European backyard. This may become a two-edged sword: on one side, it may speed up the pacification of this regional "laboratory" and the standardization of the countries it includes; on the other side, it may embroil NATO into a series of regional conflicts. However, a counter-argument is that NATO is already embroiled into Balkan affairs and cannot backtrack.

The co-optation of Slovenia and Slovakia, on the other hand, is not controversial. Their inclusion into NATO would ensure the territorial continuity of the Alliance. In addition, they are small, relatively well-off and have no significant disputes with their neighbors. However, the eventual return to power of populist leader Meciar after the elections that will be held in September 2002, could, once again, delay the admission of Slovakia.

Finally, the agenda for the cooptation of countries in eastern Europe into the Atlantic Alliance will depend less on Russia and its inherited geopolitical phobias, than on relations between US and Europe. Except for Britain, allies of the US in Europe are not enthusiastic about the prospects of NATO expansion beyond the borders of classical Eastern Europe, which excludes Soviet successor states. What will emerge from the Prague summit is yet unclear but before the summit takes place, the US and their allies will have to sort out their differences.

Two scenarios are on the floor: 1) co-opt only few countries, while giving to the others a clearer time-table for accession to membership, provided that they fulfill a set of conditions, and 2) the "big bang" scenario, which envisages inviting to Prague all NATO aspirants. Then, make a selection of those who would be admitted in 2002 and spelling to the others the criteria they have to

fulfill in order to become eligible. According to this scenario, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia will be invited to join the Alliance.

The relations between the United States and its European allies are not as easy as it may appear to non-informed observers. The reluctance to fully endorse the US agenda for expansion is only one of the points of disagreement. Equally as serious are the Bush Administration's:

- trade barriers that it introduced to protect US agricultural and steel producers,
- repudiation of the Kyoto Agreement, and
- refusal to join the projected International Criminal Court.

In addition, the U.S. did not involve its NATO allies (with the exception of Britain's symbolical participation) in its attack on Afghanistan, although member-states were willing to offer their practical support. When dealing with Asia and now with the Middle East, Washington prefers to go without the Europeans, handpicking, at the same time, its regional allies. NATO is to remain focused on the European space where its primordial function is to take care of Russia within the newly created common council. Russia is supposed to be associated with NATO in the management of European security affairs.

Note that the NATO expansion agenda has important financial implications. The countries to be co-opted will have to pay for it themselves, although it was said that the actual NATO members will have to increase their contribution to the common budget (no more than 0.5% of their respective national defense expenditures.^[17] New members will have to invest huge sums into: standardized weaponry, the purchase of new military hardware, and communication systems. They will have to reduce the number of their troops (e.g., tiny Croatia is supposed to rid itself of 13,000 army personnel), which will put additional burdens on pension funds. All this will require billions of dollars. Processes of globalization are creating and accelerating the emergence of a huge NATO transnational defense market. The operation of international supply chains and foreign direct investment in national defense companies is increasing the level, depth, and complexity of global industrial integration.

Macroeconomic stabilization, Structural reform, Trans-regional cooperation

The seven countries of the SEE borderlands that aspire to join the EU and NATO—Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the FRY, the FYR of Macedonia and Romania—have a combined population of 56 million: fifteen percent of the of the EU population of 375 million. This cluster of countries has a GNP and population comparable (about 15% less) to the cluster of five Central European countries (CEE: the Czech Republic, Hungary, Poland, Slovakia and Slovenia). The 56 million SEE consumers represent a potential market for the EU commodities, but not with their actual purchasing capabilities and the GNP per capita that ranges from \$810 in Albania to

\$4.520 in Croatia (EBERD Transition Report, 1999). In spite of that, the EU countries are the main exporters to SEE markets, accounting for about 90% of Albanian imports to 46% in the case of Croatia. Then again, all the SEE countries account for a very small fraction, 1.6% of EU imports from, and 4.4% of exports to third countries.—*The Road to Stability*, ch. 3

As mentioned, the SEE countries still have the task of creating a regional free trade zone, a task that the CEE countries have fulfilled. To achieve this, they will have to:

accelerate privatization and structural reforms in the financial and enterprise sectors, thus rolling back the state and reducing public spending,

1. reduce the inherited socialist rigidity in the labor market legislation,
2. reduce the tax burden on small and medium size private enterprises,
3. improve the lending policies, practices, and risk management of banks, which will require the development of effective commercial law framework and the privatization of banks,
4. reduce protection barriers through lower, more uniform tariff rates
 - a. remove of non-tariff barriers and all preferential systems that are not consistent with WTO rules, and
5. reorient the health care system to lower levels of care, which implies, among else, facilitating the expansion of private sector provision. —*The Road to Stability*, ch. 1

The accent is, of course, on opening the previously more or less autarkic national economies to foreign capital and commodities, and on stimulating the growth of private enterprises, because “sustained economic growth can only be achieved with a stable and certain development for the private sector.” —*The Road to Stability*, ch. 4

Thus, the need to “facilitate the creation of (...) a transparent and non-discriminatory environment for private enterprises to take risk of investing and producing in SEE countries” (*ibid.*) Because locals lack capital, almost all the recent investments in SEE countries came from abroad, either through loans and credits, or direct investment. In order to redress this situation, the World Bank recommends access to credits and equity for small and middle size private enterprises [. A special program has been designed within the Stability Pact for SEE, known as Compact for Reform, Investment, Integrity and Growth (referred to, more commonly, as the Investment Compact):

It outlines a very ambitious agenda of legal, regulatory and institutional reforms, to establish fair and non-discriminatory treatment of domestic and foreign investors, with full protection of their property rights, not only by the letter of the law but also by its administrative implementation and juridical enforcement. The specific policy areas covered by the Investment Compact include: banking markets; corporate governance; policies and promotion strategies for foreign direct investment; commercial law, including business licensing and formation; administrative efficiency and bureaucratic obstacles

for private sector initiative; competition law and policy; fighting bribery and corruption; the system of justice; SME support; privatization; fiscal reform and taxes; and accounting regimes and practices.”—*The Road to Stability*, ch. 4

The process of privatization had, in fact, started with the demise of communist regimes some ten years ago. Today, the public sector accounts for less than 50% of GDP in all SEE countries, except Bosnia and Herzegovina where it still accounts for about 65% of GDP. Foreign investments have been, thus far, directed into the most lucrative economic sectors: telecommunications, banking, petrochemicals, transport, mass media, and into selected production units. Local legislations and practices selectively obstruct foreign investments in agricultural land and real estate. Such restrictive practices also target the members of ethnic minorities who had been expelled during the last round of Yugoslav wars.

The foreign Mafia groups, connected with local war-profiteers, used the chaotic situation of these wars in order to launder illegal money. As a result, a number of companies and banks, with unidentified capital were set up but sold and resold again, with the help or tacit complicity of local state agencies. I am not aware of precise analyses and I do not know the figures; apparently, though, capital is re-exported from most of these countries. The re-exporters are not only foreign and local criminal groups and corrupted state officials, but also foreign investors who had made legal profit. It would be interesting to know how much money comes in the form of: aid, loans, and direct investment and how much goes out legally and illegally.

When discussing gray economy, which has taken on monstrous proportions in the last decade in all SEE countries, it is worth mentioning that it has established its own intra-regional illegal trade and gray money networks, which function better than official intra-regional exchanges. It seems that the Balkan states have become a major gateway for the smuggling of drugs, tobacco products, illegal immigrants, and arms to Western Europe.

Official intra-regional trade is underdeveloped, ranging on the average from twelve to fourteen percent of the total export-import operations. As explained earlier, the common economic space of the SFRY was dislocated. The pre-existent trade connections have not been restored due to subsisting political obstacles. Some new patterns have, however, been established. For example, Croatian cantons in Bosnia are oriented toward Croatia for about 30% of their total imports, and probably the same is true for the unaccounted trade between the *Republika Srpska* and Serbia.

Note that the euro (and previously the DM) has been almost universally accepted as currency of intra-regional trade. It also has common use in trade transactions within all SEE states. It was even adopted as the official national currency of Montenegro and introduced in Kosovo. The following hinder the development of an intra-regional trade:

- political problems,
- protective tariffs,
- non-uniform though generally high customs,
- unrecorded but important cross-border informal trade operations, as well as
- the fact that the Balkan national economies are not complementary.

There are, however, some improvements: Croatia signed bilateral free-trade agreements with: Slovenia and Macedonia, the FRY with Macedonia, and Macedonia additionally with Slovenia and Bulgaria. Unfortunately, “none of these agreements have been “multi-lateralized,” i.e. they involve different sets of preferences over different periods with varies product coverage and unclear long-term objectives for each different country involved; and they would not appear to be consistent with the World Trade Organization (WTO) Article 24 requirements.” —*The Road to Stability*, ch. 3

Of all the SEE countries only Bulgaria and Romania were until now admitted into the WTO. Albania and Croatia are at the last stage of negotiations for accession. Bosnia and Herzegovina and Macedonia are only at the beginning. The WTO has not yet acted on FRY’s application for accession. “Thus, SEE countries face a variety of challenges for more effective integration in international trade at all three levels, intra-regional, with the EU and with the rest of the world.” Ibid.

Southeast Europe: a Gateway Region

The economic as well as the geopolitical considerations of the external power-brokers—the actual EU members and the U.S.—play a primordial role in shaping the present and future of the SEE countries. Because of its geographic location on the crossroad of Western Europe and the Middle East on one side, and between the EU and NATO space in the west and the Russian/CIS space in the east, the Balkans is of paramount importance for the world order in construction. It also has the natural transit route between Greece and other EU member states. As explained above, that is the main reason why all SEE countries will be, eventually, co-opted into EU and NATO structures. This process seems irreversible; for the aspiring countries, there is no better alternative.

Six out of ten multi-nodal transport corridors connecting west to east and north to south (identified in 1994 and updated in 1997) traverse the SEE countries. Road and rail connections, already in poor and decaying condition throughout most of European borderlines, were further disrupted more recently:

The war in Yugoslavia, the sanctions and embargo, and the Kosovo crisis have resulted in significant disruptions on these corridors. Starting from the early 1990s, interruptions in the natural connection between Western, Central and South Eastern Europe have led to the diversion of traffic towards longer routes; at the same time, the creation of new nation states has increased the number of border

crossings. More recently, the Kosovo war—despite causing limited damage to transport infrastructure in Kosovo—brought about extensive damage in infrastructure in FRY and new costly interruption of traffic throughout the region. Damage to road and rail bridges in FRY (...) has again forced traffic to alternative routes and has blocked the Danube navigation.”—*The Road to Stability*, ch. 7

Road and rail networks, known as the TRACECA corridors that connect Western and North Europe to the Adriatic, Ionian, Aegean, Marmara, and Black Seas need to be rehabilitated, upgraded, and have additional links constructed. This is supposed to be financed through the contributions of concerned EU members, mainly Germany, Austria, Italy, and Greece and of those SEE countries whose territories are traversed by specific corridors within a program of Pan-European Investment Partnership. Unfortunately, most of the envisaged infrastructure projects still wait funding.

Of equal importance are the pipelines that transport Russian and Caspian oil and gas to the West. Russia is the third largest exporter of oil and first exporter of gas. Oil to Europe is exported through the Baltic Sea terminals and through the Black Sea port of Novorossiysk. Additionally, a continental pipeline network relevant for SEE countries carries oil through Ukraine to Hungary, Romania, and Bulgaria. From Hungary, the pipeline goes to Croatia and its terminal on the island of Krk on the Adriatic Sea. Another track of the same pipeline goes to the FRY.

Gas is pumped to Western Europe, mainly to Germany, Netherlands, Austria, and Italy through the Druzhba network that also runs through Ukraine. The provider is GAZPROM in which the Russian state has a majority stake. Because of a dispute with Ukraine over the latter’s accumulated debt, GAZPROM has speeded up the construction of the Yamal-Europe pipeline, which bypasses Ukraine and runs through Belarus and Poland. The Ukrainian pipeline route, which is connected to the pipeline networks of Romania, Bulgaria, and Turkey, is of particular importance to the latter because Turkey will depend on Russian gas for 70-75% of its needs during the next decade.

Russian oil/gas companies, as fully supported by the Putin administration pursue an aggressive production expansion policy. SEE is targeted by this expansion. Russian companies have already acquired majority stakes in recently privatized Romanian and Bulgarian refineries. SIBURA, a subsidiary of GAZPROM, was negotiating to buy the Krk refinery in Croatia. The idea: use Russian oil already carried to the spot, through the existing pipeline, to produce oil crackers that would be exported to Italy. In the future, the Croatian track could be upgraded to pump more oil, and a connection to the Italian port-city of Trieste could be constructed, as well. During his recent visit to Greece, President Putin gave permission to proceed with the construction of a pipeline that would connect the Bulgarian port of Bourgas with Alexandroupolis on the Greek Aegean coast. The pipeline will carry Russian oil shipped from Novorossiysk to Greece and the Mediterranean, circumventing the already congested Turkish Straits.

Putin's idea of forging an energy partnership with the West is not yet shared by the Europeans and Americans; however, if a major crisis erupts in the Middle East, supplies of Russian (and Caspian) oil and gas could become precious. Russia has shown that it could challenge the quasi-monopoly of OPEC, though it has failed so far to set up an OPEC-like organization of CIS producers. The main problem is the unresolved legal status of the Caspian Sea. Then again, Russia has established cooperative relations with a number of Western multinationals, which have huge investments into Azerbaijani and Kazakh oil production. These companies have also financed the construction of the Tikhoretsk-Novorossiysk pipeline in which the Russian state is their partner. The pipeline carries Kazakh oil to the Black Sea across Russian territory. Western banks and companies are now also involved in the construction of a sub-sea pipeline that will pump Russian gas directly to Turkey.

The above description of road and rail corridors and of oil and gas routes is another illustration of the fact that the global interconnection of countries grows daily. SEE is located on this crossroad of great geopolitical importance. Yugoslav successor states are situated at the very center of this regional laboratory. —Cairo, June, 28 2002, by Ivan Ivekovic: Professor of Comparative Politics at the American University in Cairo. This paper is part of a project that seeks to analyze the contemporary geopolitical games in Euro-Asia.

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