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## **Europeanising the Balkans: Rethinking the Post-Communist and Post-Conflict Transition**

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**ABSTRACT** This paper argues that the post-Communist and post-conflict transition of the Balkans requires a methodological shift in line with globalisation, which shapes political and economic transformation from within through transnational networks. As a specially tailored mechanism leading to the accession of the Balkans into the European Union, the Stabilisation and Association Process (SAp) sets the framework for political and economic transformation of the region. The paper posits that the weakness of the EU's approach derives from the fact that it is informed by the dominant transition paradigm, which marginalises the impact of globalisation, and specifically the role of transnational actors. The paper provides a critique of the

transition literature and its explanatory potential to account for the post-conflict and post-Communist transition in the Balkans. It goes on to examine the Balkan transnational space and the role of transnational actors in the process of transition as an important additional explanation, while taking into account a double legacy: the domestic legacy, inherited from Communism, on the one hand, and the transnational and post-Communist legacy acquired during the conflict, on the other. It advances an argument that a weak state offers us a conceptual nexus for the study of democratic transition in the Balkans in the global age. We demonstrate that transnational networks benefit from a weak state and perpetuate the very weakness that sustains them. At the same time, these networks exploit multiethnicity and stir ethnic tensions, lest stabilisation should limit their scope for action. As a result, state- and nation-building appear as mutually enfeebling rather than reinforcing, thus subverting the existing EU mechanisms.

## **Introduction**

The 2004 Eastern enlargement of the European Union (EU), in which Eight post-Communist states became members of the European Union, changed the map of Europe profoundly. However, the European future of their counterparts in the Balkans is still uncertain, despite the unprecedented push the EU instigated to set the Balkan partners on the European path in 2005. It has given the go-ahead to accession negotiations with Croatia and kicked off negotiations on a Stabilisation and Association Agreement with Serbia and Montenegro; meanwhile, Bosnia and

Herzegovina has advanced internal reforms to be able to follow suit. Does this development lay to rest recent warnings that the Balkans, or, to be precise, Bosnia-Herzegovina, Serbia and Montenegro, Kosovo and the Former Yugoslav Republic of Macedonia,<sup>1</sup> may become ‘an EU enclave’ or a ‘ghetto’ (Lehne 2004, p. 123; ‘Breaking out of the Balkan ghetto’, 2005)? For a long time, the prospect of EU membership has failed to energise a large swathe of the Balkans to commit to an effective and focused reform programme, confounding expectations by policy-makers and analysts. The latest engagement in the region has introduced a contractual basis for relations between the EU and the states and entities of the region. However, their profound political, economic and social transformation, dubbed Europeanisation, has yet to take place. Crucially, this process will not be determined purely by domestic forces, but by transnational ones, too. The effectiveness of the EU’s approach in the region will be determined to the extent that it successfully counters the interplay between internal and transnational dynamics at play. Only then will the fears of a ‘Balkan ghetto’ be dispersed.

We argue that globalisation provides a missing link in an explanation for the troubled post-Communist and post-conflict transition in the Balkans. Focusing on the impact of transnational networks as global actors that thrive in the permissive environment of weak states in the Balkans, the paper demonstrates that globalisation is internal to the post-Communist and post-conflict transition in the region. In sum, globalisation is not just a context that moulds the unfolding transitions, but also a force that shapes them from within. Ultimately, the paper argues that the Europeanisation of the Balkans, which can be taken as a measure of success of the unfolding political and economic

reforms, has been stalled because the transnational dimension of transition in the region has been underestimated in the European Union's approach to the Balkans.

In this paper, we approach the transition literature as a dominant transition paradigm informing the EU's approach to the Balkans, and examine it with particular interest in terms of its application on the Balkan case. While agreeing with the scholars who identify 'stateness' and the international dimension as areas calling for further elaboration in the post-Communist democratisation literature applied to the Balkans, we show that this literature is chiefly characterised by an elaboration and expansion of analysed dimensions rather than by a radical rethink of their manifestation and impact on transition. The paper then examines the Balkan transnational space and the role of transnational actors in the process of transition. Lastly, it shows that, in a global age, transnational networks can thwart political and economic reform processes, and, accordingly, the transformation of a weak post-Communist and post-conflict state into a strong state, which, in turn, perpetuates the issue of state cohesion.

### **Europeanisation of the Balkans: Approaches to Post-Communist Transition**

With its legacy of Communism and conflict, the European integration of the Western Balkans has posed a unique policy challenge to the EU. Transition and stabilisation have been set as two explicit aims for the region's European integration process. Consequently, the EU has developed a strategic enlargement as well as a security concept for the Balkans, along with the corresponding instruments (Lehne 2004). The cornerstone of this policy has been the Stabilisation and Association process (SAP). As a policy instrument, the SAP has been tailored since 1999 to match the double

challenge of post-Communist and post-conflict transition in the Balkans. It has built on the accession approach applied to Central and Eastern Europe with a policy of enhanced conditionality and regional cooperation. Both of these instruments have proved wanting.

What we call ‘enhanced conditionality’, spanning political, economic and ‘acquis’-related requirements of membership, as well as conditions emanating from peace agreements and political deals (Anastasakis and Bechev, 2003; Smith, 2003, pp. 113-114), has favoured states that have made the greatest progress in reform. This, in turn, has created a new line of division in the region between Balkan candidates and ‘potential candidates’. No policy follow-up was designed to fill the vacuum created by the success of the individual aspirants (Papadimitriou 2001). Nor, as van Meurs points out, could tensions and asymmetries thus caused be compensated by regionality (van Meurs 2000, p. 22; cf. Demetropoulou 2002).

Indeed, from the start of the process, the European integration of the Western Balkans has been characterised by the ‘stability dilemma’, i.e., of those countries that suffer from the greatest stability deficits not qualifying for EU’s initiatives (Wittkowski 2000, p. 85). Calic went even further in a critique of the SAp (2003, p. 121).

According to her, accession-oriented instruments are ill-suited to tackling the region’s key problems of state-building, conflict resolution and economic growth. In fact, the EU has tackled state-building and conflict resolution in the Western Balkans, but did so primarily through the evolving tools of the European Security and Defence Policy (ESDP), such as its police and military missions in Bosnia and Herzegovina and Macedonia. Scholars have seen the EU’s twin approach to the Western Balkans ,

embodied by the SAp and the ESDP mechanisms, as a demonstration of the EU's growing strength in projecting stability into the region (Vachudova 2003, p. 157; Yusufi 2004). By contrast, we argue that it has introduced another level of separation of the EU's policy instruments, often interfering with the SAp—as Serbia and Montenegro's example illustrates powerfully. That country's European integration process has been hindered by tensions resulting from the application of the agreement on state union brokered by the EU as a part of the ESDP.

The vacuum created by the EU's approach to the Balkans has crucially benefited a particular group of transnational actors, which has posed a threat to security *and* has spoiled transition efforts, thus undermining the Europeanisation of the Balkan states. The effectiveness of criminal networks thriving on the weakness of the Balkan states springs from the fact that they are 'multi-ethnic, cross-border and integrated in Europe' (Anastasijevic 2004). The EU approach, for all its nuances, has not been able to match the sources of strength of the spoilers of Europeanisation. Arguably, their biggest strength is the exploitation of the weakness of the state and the new borders in the region, including, importantly, those between successful EU candidates and aspirants. The EU's state-building agenda, to the extent that it can be formulated in the variety of instruments that have been used, is ill-equipped to address this complex reality on the ground. The EU's regional approach has been piecemeal at best and, essentially, sub-contracted to the Stability Pact, while key initiatives with regional implications, such as local war crimes trials, remain confined within the state borders. In addition, the EU's engagement in the Western Balkans through the ESDP has had an ambiguous effect on advancing European integration precisely because it was not integral to the SAp.

The EU's policy approach has been framed by a conceptual approach to transition, in which, as we show, the role of transnational actors in the post-Communist and post-war transition has not received adequate attention. The field of transitology has been informed by the study of transitions from authoritarianism. With its legacy of total state control over politics, economy and society dating from the Communist period, the democratisation of Eastern Europe and the former Soviet Union raised a question: Can the existing scholarship on transition be applied to its post-Communist variant?<sup>2</sup> This debate had not yet been resolved when a new challenge was thrown up: A striking divergence in the transitional experience of Central Eastern Europe, on the one hand, and of the Balkans and the former Soviet Union, on the other, cried out for an explanation. Post-Communism as a common denominator of all these states itself failed to provide an answer.

The following paragraphs provide a brief overview of approaches to post-Communist transition to democracy in general, and to transition in the Balkans in particular. We argue that the troubled transition in the Balkans can be explained by analysing it in conjunction with globalisation. Without an agreed definition of globalisation (cf. Held and McGrew, 2000), for the purpose of our argument, two aspects of globalization--conceived of as a complex process unfolding in politics, economics and culture, are particularly relevant: interconnectedness and transnationalism.<sup>3</sup> Interconnectedness is closely related to the erosion of the boundary between the domestic and the external aspect of politics in the global age, while intensification of transnational relations creates not only transnational spaces of politics but also transnational networks that permeate the domestic political arena (Beck 2000; Kaldor 2003; Giddens 2002).



Globalisation, which has not been theorised in the transition literature, arguably has a decisive impact on transition in post-Communist countries because transnational actors, and the relations they create, encroach on the domestic sphere and become *innate* to transition. Furthermore, a transnational perspective allows us to explain why a ‘stateness’ issue persists in the Balkan case. Linz and Stepan note that there is a ‘stateness’ problem, “[w]hen there are profound differences about the territorial boundaries of the political community’s state and profound differences as to who has the right to citizenship in that state” (1996, p. 16). Specifically, we posit that state weakness needs to be theorised as a key issue in the transition in the Balkans and as an explanation for a persistent question of state legitimacy deriving from a nationalist challenge to the territorial framework of the state.

Very soon after the demise of Communism, Offe (1991) summarised the complexity of the post-Communist transformation succinctly, dubbing it a ‘triple transition’ that encompasses democratic and economic liberalisation coinciding with a quest for the creation of new nation-states. Subsequently, the literature has built around the approach focused on the mode of transition, the design of democratic institutions as well as the political elites and participation, and the approach emphasizing the impact of the Communist legacy on shaping the political, economic and social transition in Eastern Europe and former Soviet Union.<sup>4</sup> Importantly, these approaches are distinguished by a thrust of their respective arguments rather than by a complete exclusion of competing explanations. Common to both has been an awareness of the interconnectedness of multidimensional processes of post-Communist democratic consolidation, including the challenge posed by their simultaneity (Pridham 2001).

Nonetheless, three key themes have emerged from this literature: simultaneous democratisation and marketisation; 'stateness'; and the international dimension.

Post-Communist democratisation literature on the Balkans built on the East and Central European literature in two directions. A comprehensive analysis of democratisation in the Balkans, in an edited volume by Pridham and Gallagher, highlighted the impact of the historical legacy alongside the simultaneity of three types of transformation: political, economic and that linked to nation-building (Pridham and Gallagher 2000). This dimension encompasses both the pre-Communist and Communist legacy. As the authors demonstrate, it impacts on the transition through various forms: political culture, civil society (and a lack of it), political leadership, prior democratic experience, etc. To capture diverse transitional paths in the Balkans, Pridham advocates an interactive approach with a 'dynamic potential that is particularly attractive as it allows us to bring into play such determinants as the historical and how legacies from the past impact on the present as well as the interplay between top-down dictates and bottom-up pressure' (2000, p. 6; Cf. Vučetić 2004).

The other line along which post-Communist democratisation literature has been adapted to account for the Balkan 'anomaly' problematises the 'stateness' dimension (cf. Szabo 1994; Sekelj 2001). Kopecký and Mudde (2000) called for a better understanding of the distinct processes of state and nation-building and of the international dimension, encompassing both the context and the actors, and their role in post-Communist democratisation. Echoing Offe's approach, Kuzio (2001) proposed a 'quadruple transition,' advocating a separate analysis of 'stateness',

interpreted as state-institution building, and nationness, in terms of civic nation-building. Indeed, the stability of a state's political and territorial framework, whether theorised in terms of Linz and Stepan's 'stateness' or in terms of state-destroying ethnic nationalism (Parrott 1997), is one of the key distinguishing features of post-Communist democratisation. Still, the unanswered question in the Balkan case is: why does the issue of 'stateness', national cohesion and state weakness persist? Are they related and how? Does multiethnicity *a priori* thwart the prospects of democratic consolidation (cf. Roeder 1999)?

The focus on the pre-Communist and Communist legacy singles out a set of dimensions that prominently figure in Balkan democratisation. Even though it was bumpy, Romania's and Bulgaria's road towards European integration provides a sobering view on the constraining impact of these legacies. However, it also brings to the fore the impact of war in the Balkans as a post-Communist legacy on post-Communist democratisation. Arguably, the wars in the 1990s shaped both the pre-Communist and Communist legacy in politics, economics and society in the Balkans. Enumerating war-related difficulties of transition in the Western Balkans, Batt singled out: the destruction of social capital; distorted economic liberalisation; state weakness caused by the growth of military and security forces and corruption; social transformation as a result of forced migration; and a lack of trust in the political elites (2004, pp. 18-19). Pippidi highlights a destructive impact that informal networks in status-based societies can have on social trust as the essence of social capital (2005; In Search of Responsive Government, 2003). While the legacy of war provides an important analytical avenue, we argue that its explanatory power is undermined by

excluding a global dimension of the legacy of the war and its impact on democratic transition and, consequently, on the European integration of the Balkans.

The international aspect of democratisation has been criticised as an underestimated and undertheorised aspect of transition to democracy (cf. Wiarda 2000). The literature here subsequently took up the transnational aspect of post-Communist democratisation. Schmitter's observation on the actors in the promotion of democracy has been particularly relevant for the post-Communist experience. Referring to international organisations, human rights groups, foundations, the media, transnational firms, dissidents, etc., he pointed out that 'this world beneath and beyond the nation-state has played an especially significant role in the international promotion of democracy' (Schmitter 1996, p. 29). It is this complexity of 'external' actors on the democratic consolidation that the contributions in Pravda and Zielonka's (2001) edited volume sought to illuminate (cf. Brown 2000; Lewis 1997; Cichock 2002). The literature on the international and transnational dimension of post-Communist transition and democratisation has sought to explain the moulding of domestic processes under the impact of external actors and contexts. Crucially, this literature maintains the distinction between the domestic and the external, albeit somewhat mitigated by the impact of the external on the domestic (Cf. Pravda 2001, p. 6; Pridham, Herring and Sanford 1994). We contribute to the analytical effort by changing the perspective on the internal and the external elements of politics. We relate the post-Communist democratisation in the Balkans to globalisation, a process that erases the distinction between the internal and the external.

We demonstrate in this paper that ‘stateness’—conceptualised both in terms of nation- and institution-building and in a dialectic relationship between the two—continues to plague democratisation efforts in the Balkans because of the impact of transnational networks. They are both internal and external in the context of globalisation. These networks are a product of ‘new wars’, which, as Kaldor (2001) argues, are inextricably linked to globalisation, and owe their resilience in the post-war phase to a combination of a weak state and integration into global transnational networks. Their relation with a multi-ethnic nature of their local environment is ambivalent. While they depend on the collaboration with members of other ethnicities, they are apt to stir ethnic tensions lest stabilisation should favour the imposition of the rule of law and their sanctioning. In sum, inter-ethnic collaboration is necessary to sustain their activity, but stirring ethnic tensions creates an environment in which they project themselves as a guarantor of their own ethnic group’s security. Ultimately, the issue of ‘stateness’ presents itself as an impossibility of ethnic groups to achieve a consensus on the state and nation, when its root cause should be actually sought in the mode of the operation of transnational networks.

### **Ethnic Networks and Weak State: The Transnational Context and Transition in the Balkans**

A weak state in the Balkans is a key to understanding the operation of the transnational networks through a deleterious linkage between political and economic interests. We therefore argue that it is not so much the simultaneity of democratisation and marketisation, but rather their conflation and exploitation by the political elites in the Balkans, that are obstacles to the transitional efforts. Without the rule of law all

economic acts are political. This dimension cannot be understood without an elaboration of economic informality in the Balkans. In this paper we draw on Krastev's (2002) conceptualisation of a weak state in the Balkans. According to him, the Balkan state is weak in four different ways. The first refers to Migdal's (1988) theory, conceiving of state weakness as the inability of governments to implement their policy visions, penetrate society, to regulate, etc. The second refers to citizens' view of a state. Specifically, a state may be able to collect taxes and be strong in that respect, but unable to deliver the rule of law or protect human and property rights. The third approach defines a weak state as being captured by particular political interests that dominate policy. And the fourth stems from the strategic behaviour of elites involved in a predatory project that extracts resources from the state. By implication, in post-Communist Balkan states, while there have been elections and a change of elites, there has also been preparedness to strip the state bare. The state weakness in the Balkans has had a decisive impact on democratisation in the region. However, there have been no attempts to integrate this within the transitional framework of Balkan transition, despite its recognition as a problem (Cf. Muço 2001; Sotiropoulos 2001).

While critiquing the analysis of state weakness in isolation from globalisation in the transition literature, we benefit from the literature on post-Communist democratisation, which underlines the importance of the pre-Communist and Communist legacy. Importantly, we relate it to the war legacy as well. Examining the impact of transnational actors in the context of a weak state, we explain the perpetuation of particularist nationalist politics while placing the transition paradigm into a broader environment of globalisation. We now turn to the Balkan transnational

space and look at how it has been re-configured more recently as a result of local-global dynamics, and, in that context, at the implications of the rise to prominence of a particular group of transnational actors on the region's transition trajectory.

### **The Legacy of a Common State**

The break-up of the common economic and political space through the dissolution of former Yugoslavia, once the largest country in the Balkans, has added a specific twist to the transnational context against which the newly created countries set out to implement transition reforms. Having transformed themselves from federal units of a single state into independent political entities, former Yugoslavia's successor states have found it difficult to extricate their economic, social and political being from the experience of belonging to a common state. The geo-political re-configuration of the Balkan space has fundamentally transformed the nature and patterns of interaction of state- and non-state actors alike. The very notion of what is external and/or international in the national governance framework has become somewhat ambivalent in this context, bearing a specific weight in the structuring of Balkan transnational relations.

Despite the high degree of decentralisation of former Yugoslavia's particular model of socialism, decades of development under the unifying ideology of the communist state and its centrally planned economy created a basic set of country-wide economic and political institutions, and a web of dense and diverse links among its various communities, peoples and institutions. The existence of the common state allowed for unhindered flows of people, capital and information as the foundations of the single

economic space, in which a country-wide specialisation was nurtured through the system of central planning. This political system gave former Yugoslavia's constituent people an equal status, extending the same political, cultural and economic rights irrespective of where the administrative borders of former Yugoslavia's republics cut across these communities. The creation of the five independent states on the territory of former Yugoslavia, and the imposition of state borders, brought this model to an end. Production chains were cut and enterprises split by these new borders; commercial links were severed and the very nature of commercial transactions were altered through the disappearance of a common currency; new minorities were created, becoming the *de novo* states' diaspora communities. In this changed context, the legacy of a common state, by way of once intense and diverse links, familiarity with institutions, common culture, language similarities and spatial proximity proved a facilitating factor for all sorts of transactions, often motivated by more or less similar concerns shared by the population. But by far the most buoyant were transactions based around exploiting the differences between newly bordered political entities and their relations as independent states with the third parties (eg. the European Union). The greater the attempts to control these borders, the greater the incentive to create informal transactions. The tightening of the European Union's immigration policy had the same effect<sup>5</sup>. In the economic domain these transactions as a rule have tended to evolve along informal and/or illicit trade, since formal cross-border activities have been constrained by the combined effects of the economic impact of transition, subsequent wars and hostile politics between the new neighbors. With regards to the former, output contraction, similarity of production structures and European trade incentives resulted in modest economic cooperation across the new borders; indeed, in their changed economic outlook, the newly established countries



appeared more like competitors. Ethnic politics imposed additional constraints to the more vigorous development of formal economic exchange and acted as a potent restraining factor in cross-border interaction in other fields.

The legacy of a common state has been reflected in the actual implementation of the transition policies. For example, with the disappearance of a common state, the issue of explicitly domestic governance, such as privatisation, becomes internationalised. Assets which are the subject of privatisation as well as the key actors of privatisation are now separated by the borders of several states and state-like entities, which makes the implementation of this key transition policy reform more intricate than in other countries and undermines its standing as domestic policy in its own right. Similarly, the implementation of human rights provisions as part of a democracy-building agenda has acquired international clout because of the way in which the various policy concerns have been affected by the creation of new borders. The very disappearance of a common state triggered substantial migration flows, which escalated further with the onset of wars of the 1990s. For their host states, dealing with the claims of these new migrants has required complex inter-state procedures in response to the specific concerns of their status and rights created by the disintegration of former Yugoslavia.

These two examples highlight the unique significance that the legacies of belonging to a common state have in shaping the Balkan countries' transformation trajectories in their transnational context. They point to the importance of understanding the developments in the Balkans' political, economic and social spheres in their idiosyncratic regional context where a common history, culture and physical

proximity mean continued diverse and complex links across newly created borders, escaping the logic of nation-bound policies informing approaches to Balkan transition. The legacies of belonging to a common state not only affect the linkages among various actors both at the state and sub-state level within former Yugoslavia's space, but also impact on a definition of the terms and dynamics of the Balkan countries' broader transnational relations, including, most concretely, EU and NATO membership, co-operation with the International Criminal Tribunal for the former Yugoslavia and various other international agencies.

### **The Legacy of War and its Political Economy**

The involvements of a large array of external actors in the “wars of Yugoslav succession” - a common term denoting a series of conflicts on the territory of former Yugoslavia - can be traced at every stage of these conflicts. It ranged from the engagement by the major powers, neighbouring states, international governmental and non-governmental organisations, international business to diasporas and organised crime and terrorist networks. The modalities and intensity of this engagement differed among the individual actors; their mutual relations, too, mutated and transformed with the ebbs and flows of the conflict. But in the process, they played a defining role in re-positioning the Balkans in the global setting through the particular way in which they were integrated (“domesticated”) into the logic and mode of operation of local politico-economic and social structures.

The political dynamics created through the war had a distinctly transnational dimension; sustaining the war momentum required participation of actors at different

territorial levels linked in the complex patterns of interaction. Looking from a purely internal and resource-focused perspective, given the restricted financial and combat resources of the warring parties, some of whom, moreover, were constrained by an international arms embargo, the outbreak of the conflict and its conduct was possible only because of its outward opening. Thus arms, and other combat and everyday goods, foreign fighters and money came from across the borders, providing vital input for waging the war. Humanitarian aid poured in to aid the victims of violence, and an international civilian and military presence intensified as the conflicts subsided. Goods came into the conflict zone only partially using formal channels, often travelling along peace-time smuggling routes and pathways that had been adapted to the war fighting needs. Flows of money followed a similar pattern. Often, money was carried in the personal luggage of individuals acting in various official and non-official capacities, or found its way to its recipients through real and fictitious entities.<sup>6</sup> Another factor contributing to the thickening web of cross-border interactions that developed under the cover of the war were international sanctions against Serbia and Montenegro for its involvement in the wars in Bosnia and Herzegovina and Croatia. Sanction-busting, which provided a lifeline to the regime in Belgrade, brought together a whole gamut of transnational actors who engaged in the very lucrative, yet clandestine, trade in all sorts of legal goods, especially those carrying a high tariff premium, e.g. fuel, cigarettes and alcohol, aided and sponsored by the regime.

The growth of informal transaction in the Balkans, which will become the most complex issue of its post-conflict transformation, was not just a side effect of war, as seems to be largely the case in classic inter-state wars. In fact, the character of the

violence itself, which had its roots in the disintegration of the state structures, defined the economic mode on which it was sustained. The failure of the state to provide for the public opened the space for alternative supply networks. The weak taxation basis of the formal local economy prompted a search for alternative sources of economic power secured through informal economic practices. For the most part, this involved the clandestine trade of initially mainly legal goods, but, increasingly, also illegal ones. It also included the appropriation ('taxation') of humanitarian assistance, as well as various other more or less sophisticated schemes outside conventional production and exchange. An important source of funding was secured through diaspora networks, some of which were directly linked to criminal rings (e.g. Albanian diasporas' funding of the Kosovo Liberation Army). Recourse to informality was a common occurrence during Communist times, which made the foundation for the new system that much easier. What changed was the nature of informality, in that the outright criminal enterprise became its substantial part and transformed into a phenomenon whereby it no longer became possible to delimit formal from informal economic space.<sup>7</sup> The importance of this mutation is partly to do with the size, i.e. the expanding zone of criminal economy. The other, equally sinister, aspect is the way in which state structures became engaged in criminal activities, either by direct involvement or through their complicit behaviour,<sup>8</sup> and the long-term damaging impact this has had on building legitimate institutions of governance on which the EU approach to stabilisation of the region rests.

The informal enterprise, which formed the core of the Balkan war economy, was fuelled and sustained through multiple links integrating into global chains of informal trans-border trade, of which criminal trade is a part.<sup>9</sup> It provided a source of living for

large numbers of ordinary people struggling to survive war-inflicted destitution, and a source of profit for those within politico-military structures or with privileged access to them. The main figures of this emerging non-regulated economic space, who grew to wage important political influence, were people close to the politico-military establishment, regardless of whether they were individuals with a criminal past, members of diasporas, or conventional tradesman. Often they were bound together by the bonds of ethnicity, kinship or political affiliation. Goods looted locally, which frequently belonged to opposing ethnic group, were shipped to foreign markets through networks of agents operating transnationally (like the footloose agents, this type of transaction is, by its very nature, non-territorial). They crossed paths with goods stolen worldwide, with narcotics, with people and other commodities circulating within global clandestine trade rings in which the Balkans' role grew as the prospect of stability remained distant.<sup>10</sup> Part of the proceeds from the sales were plugged back into fighting the war. The Balkans' war economy provided an economic power base for the state and state-like entities engaged in violence. It was through various forms of clandestine activity,<sup>11</sup> in which ethnic elites colluded and actively interacted across borders and linked into global informal trade flows, that the new political regimes could be sustained. The close links between political, military, security and criminal elites, linked into networks operating across borders, represent the most challenging legacy of war and its political economy, influencing the process of transition in the Balkans<sup>12</sup> and something to which the EU approach so far has failed to provide an adequate response.

### **The Impact of Liberal Economic Reforms**

Economic liberalisation, as a potent channel through which the forces of globalisation work, is another important force shaping the transnational context of the Balkan transition through pressures on the countries to implement liberal economic reforms as part of the post-Communist transition. At their core, the externally assisted transition programmes have an economic reform package based around neo-liberal economic precepts of deregulation, liberalisation and privatisation as the key for the establishment of market based economy. Indeed, the creation of the market economy based on a neo-liberal restructuring agenda is the essence of the SAP itself (and EU accession process in general) and a point of reference for defining conditionality criteria. The reforms are aimed at eliminating the interference of the state in the economic domain and transforming its role into that of a regulator of the market-based economic regime. Liberal economic reforms also presuppose a particular model of development in which exports and foreign investment are viewed as crucial for improving competitiveness. Exposed to this particular paradigm, Balkan countries are pressed to privatise state-owned assets, deregulate their markets and remove barriers to trade. To the degree that the reforms are implemented, they are supposed to provide the Balkans with the benefits of access to capital, technology and markets, and presumably provide an opportunity for a different pattern of integration into a world economy than the one characteristic of the pre-transition phase. This essentially means that the territorial outreach within which economic development takes place has broadened, and that the role of the factors on which it depends has been re-defined, accentuating the importance of non-national, non-state arena for their utilisation. With a view to actors, this transformation opens the possibility for a profound encroachment of international commercial and financial capital onto the Balkans' domestic economic sphere - a tendency underpinning the overall logic of

neo-liberal globalisation. The manner in which the process of reforms is guided—through the involvement of a complex set of inter-linked institutions such as the international financial institutions and the European Union—makes it impossible to consider it solely a matter of domestic policy.

The economic and political setting against which economic reforms have been pursued in the Balkans is a complex one, in which the legacy of underdevelopment and over-sized industry is compounded by war-induced disruption and political instability. It is the region that has historically lagged behind the developed part of Europe that constitutes the core of the European Union.<sup>13</sup> The Balkans' insertion into the world economy in the pre-transition period was based on a narrow export capacity, mainly in semi-processing and extractive industries, which were particularly hard-hit in the process of transition. The sheer scale of restructuring required to turn the economy towards one in which exports will provide the key engine of growth is monumental for poor countries—such as most of the Balkans. In trying to (re)capture external markets, they have faced strong competition, finding it difficult to achieve and maintain a competitive edge. The fiscal and monetary austerity required by the reforms has constrained the state's capacity to provide public services, resulting in the reduction of breadth of public services and a decline in quality. Another particularly important aspect of the Balkan transition has been the scale and persistence of unemployment in the aftermath of the years of conflict in the region and restricted job opportunities. This has made it even more problematic for neo-liberal reforms to deliver professed benefits of these reforms. Rather, a sharp increase in poverty and inequality has been one of the distinct features of transition in this region, which, in the post-conflict environment, becomes even more disconcerting for both economic as

well as political repercussions. The extent of penetration of foreign capital in the Balkans has been limited; in terms of the scale of foreign investment, the Balkans have attracted a significantly smaller inflow of foreign investment than the Central European transition economies. Rather than through greenfield investment in productive capacity, foreign capital has come mainly through privatisation, especially in the banking sector. The concentration of foreign ownership in the more lucrative segments of the economy increases the political influence of transnational capital, while defining the pattern of economic transformation and therefore the position of the Balkans in the world economy. Thus far, the limited inflow of new strategic investment has constrained corporate restructuring and most Balkan countries have failed to significantly improve their competitive position as a mark of strengthened economic stance.

To carry out the complex agenda that neo-liberal economic restructuring entails requires a state capacity—in terms of institutions, resources and political commitment—that, as the analysis in the first part of this paper highlighted, most Balkan states lack. Economic liberalisation, against the background of a war economy and weak state, had an unintended effect of perpetuating and nurturing the type of transnational links that have not contributed to stabilising the region through greater cooperation.

### **Transnational Actors**

The above three instances, each representing a channel through which globalisation has had a distinct influence on Balkan contemporary development, combine to create



a context within which powerful groups of transnational actors who shaped the course of transition have nestled. The multiplication of borders, migrations, including forced population displacement, the war economy and the perverse impact of neo-liberal adjustment provided a fertile ground on which these actors were able to expand their activities.<sup>14</sup> It is a context marked by economic underdevelopment, ethno-criminal politics and inadequate local capacity to forge ahead with the process of modernisation that the EU agenda has implicitly come to signify.

Whilst none of the actors is new or unique to the Balkans, it is important to point out that re-shaping their identities, motives and, consequently, the nature of the impact of their agency can only be grasped with reference to this context. For example, diasporas as a transnational actor by definition (Ostergaard-Nielsen, 2001, p. 218) in this context becomes actively involved in local politics not only through its traditional channels of influence such as political lobbying, donations and remittances (all of which were amply used in the Balkans), but also by participating directly in the matters of internal governance. The case in point is the parliamentary representation of diasporas in Croatia. This in turn fundamentally re-defines the parameters within which diasporas operate, making them a potent force that can influence political outcomes in the domestic arena from within the borders of a home state.<sup>15</sup> The practice of members of diasporas taking on government office has been widespread in the region, compared with isolated cases in other transition countries. During the conflicts, diasporas provided funding, manpower, connections to international political and military circles, and logistics support for waging the war. Diaspora funding has been an important source for sustaining local economies and shoring up government budgets. This latter aspect was particularly important during the conflicts,

with implications about their dynamics as well as political re-grouping against which the conflict settlement had to be devised. For example, in the case of quasi-state authorities such as the Bosnian Croat para-state of Herzeg-Bosnia, diaspora funding played a pivotal role in establishing parallel structures of government<sup>16</sup> that proved the key obstacle in implementing the peace agreement. Similar problems were encountered in Kosovo and, in less institutionalised form, within Bosnian Serb and Bosnian Muslim structures, as well as in Serbia and Macedonia. While undoubtedly easing the life of ordinary people, the impact of these funds, often channelled through political party structures, can be quite different in terms of a government's credibility in fulfilling its role. This type of support attenuates the constraints a weak economy poses on the fiscal basis of the state, and modifies the basis of the contract between the government and the public. Being an alternative source of funding, it can make the government less susceptible to external pressures to pursue the reform aimed at improving fiscal position.<sup>17</sup> Of course, not all modes of diaspora engagement can be viewed solely in terms of feeding into conflict dynamics; there are examples of positive and constructive diaspora engagement in the Balkans. The point is, rather, that the many varied ways in which the diaspora has been engaged in the Balkans provides an important part of the explanation for the tenacity of ethno-national structures, as diasporas generally follow the lines of ethnic affiliation.

The plurality of actors, and the diversity and variety of trans-border activities, makes it difficult to consider any of them in isolation. So, for example, diasporas are often closely associated with organised crime;<sup>18</sup> transnational non-governmental organisations are sometimes linked to international financial agencies; terrorist organisations often secure some of the funding through organised crime and are

sometimes linked with seemingly benevolent non-governmental organisations, and so on. Instead, it is more appropriate to conceive of transnational actors operating as a complex system of overlapping networks, which work in concert with (and through) local structures. Giving this system functional integrity is the mode in which these networks have been accommodated within the local structures, providing the vital resource for the sustenance of a particular type of political authority that has emerged in the Balkans under the impact of post-totalitarian transition, conflict and globalisation.

Going back to the key question of the causes of state weakness in the Balkans addressed earlier, in this way, one can get a better insight into the role organised crime and terrorist networks, as a particularly ominous and dangerous transnational phenomenon, have come to play in the local social dynamics. It can also provide a more accurate<sup>19</sup> understanding of how, through these networks, the initiatives aimed at strengthening formal structures of governance are captured and subverted, making these structures empty shells that ultimately cannot perform the tasks required by the EU accession agenda.

Duffield (2001) talks about forms of authority that do not require, or indeed imply, territorial control, and Jung (2003) refers to it as a concurrence of shadow state and shadow economy. The essence in which this form of political authority differs from a conventional notion of (functioning) state is that real power resides in the informal structures that are built around (and through) the formal institutions of the state, and that do not have their economic power base in regular economic activity. This type of political authority can only be sustained in the transnational and global context. The

growing literature on new wars views the emergence of this type of political authority closely following the dynamics of globalisation, even referring to it as “shadow globalisation” (Jung, 2003) because of the importance that informal and criminal structures play in sustaining it. This type of political authority has no interest in strengthening state institutions and forging regional co-operation, both of which are instrumental for the success of the EU strategy towards the Balkans.

Organised crime is, by its nature, transnational in its outlook and has been fuelled by the ease of communications and opportunities that the process of globalisation has opened. The nature of activity makes the zones of instability, in which legal and political order is weak, its natural habitat.<sup>20</sup> In that sense, the Balkans has been a strong pole of attraction for organised crime. However, its development into a relevant force decisively influencing economic and political dynamics in the Balkans is intricately related to the establishment of the new forms of political authority following the collapse of Yugoslavia and the region’s subsequent difficult transition. It is not just a case of organised crime groups, or, for that matter, diasporas, protruding into Balkan political, social and economic space. These groups found eager interlocutors in the new political elite in search of alternative sources of political and economic power, and using ethnic violence as an instrument. The extent of participation of state structures and/or its collusion with organised crime, which has its roots in their near symbiosis during the conflicts, is the element that constitutes a particularly sinister aspect of the impact of organised crime on transition in the Balkans.<sup>21</sup> This is why the discourse on organised crime in the Balkans, which views it as the extreme form of informal activity, separate from the conventional economy and outside the particular political context, belies the true nature of its impact.

A complex relationship developed between local political elites, and local and regional organised crime networks hooked to global criminal flows. The existence of many porous borders, and borders controlled by different ethnic groups, provided a strong incentive for illicit activities, in which inter-ethnic cooperation was common. Thus an informal mode of regional co-operation developed in the Balkans. The strong presence of local criminal groups closely linked to political structures controlling parts of the territory provided unimpeded access to global criminal networks. The merging of criminal and political structures is perhaps best illustrated in the figure of Željko Ražnjatović Arkan—a convicted criminal and warlord turned politician and member of the Serbian government.

The links of war follow into peace, as Nordstrom (2004) has persuasively argued. Active participation of state structures in criminal activities, blurring the line between what is formal and informal, has made rule-breaking a norm in conducting economic and political affairs in the Balkans, thereby undermining the legitimacy of the state. This explains why informal activity continues to flourish. Organised crime activities in the Balkans, in their most extreme form, have intensified compared to late 1980s and shifted their focus to more traditional forms, such as drug and human trafficking. Many local underworld figures have become important players in the transnational organised crime rings, their links to the political establishment providing them with a degree of immunity and the possibility to channel some of their proceeds into legal businesses.<sup>22</sup>

In this context, economic transition reforms have sometimes had an unintended effect. Liberalisation against the backdrop of the state-controlled economy unleashed a fierce

scramble for remaining resources, which were mainly concentrated in the public domain. Thus control of the state, through the tenure of public office, became a target of political struggle. Control was secured through informal networks, often based on ethnicity or other ascriptive principles. In the Balkans, therefore, privatisation has often been captured by network interests, securing privileged access to those closely connected to the political elites. In many instances, insider privatisation has been a preferred method, enabling the political elites to turn their position into economic might. Instances of money, originating in illicit activities, being laundered through privatisation are common. Similarly, trade liberalisation has provided another avenue that have been utilised by the informal power structures to benefit disproportionately by breaking the rules in favour of groups associated with local authorities. Thus, the two key economic reforms aimed at establishing the market economy have been misused by power structures linked to organised crime for their own personal enrichment and as a way of propping up their own power base—often defined along ethnic lines. This largely explains why these structures have no interest in strengthening the rule of law and other formal state institutions. These structures, which developed in the course of the region's adaptation to the challenges and opportunities posed by globalisation, present the most formidable obstacle to a consolidation of reforms and to the transformation of these societies into stable democracies and prosperous economies.

### **Conclusion:**

Progress in the Europeanisation of the Western Balkans has been disproportionately slow and uncertain, especially when gauged against the efforts, policies and

incentives the European Union has offered the region since the Kosovo war in 1999. Yet, despite EU's substantial involvement and impact on democratisation in the region, both of the EU's incentives to the Western Balkans—through enlargement and ESDP instruments—seem to have actually undercut its ability to project stability in the region. There is some doubt over the EU's commitment to full future membership for the Balkan states. Moreover, EU's instruments and structures have often been mutually enfeebling rather than reinforcing.

Specifically, our criticism of the EU's approach to the Western Balkans concerns the lack of transnational dimension in dealing with the region and, more importantly, with the successful advance of some states over others. The creation of insiders and outsiders in the 'EU club' of member states has led to the creation of new borders in the Balkans. These borders delineate areas of a weak rule of law that are swiftly exploited by transnational networks. Rather than strengthening the state to enable it to engage in the Europeanisation process, these networks subvert the assistance for inclusion into the EU to advance their own agendas and interests. This explains why formal regional cooperation championed by the EU is only marginal and superficial. Simply put, the EU has not managed to tackle the source of strength of the region's shady transnational networks by countering their transnationalism with a transnationalism of its own. The EU's policy ought to be of the same transnational nature as the activities of the very networks that undermine the European project in the region.

The weak state in the Balkans provides a conceptual nexus for the study of democratic transition in the global age. The separation between the notions of state- and nation-

building in the literature on democratisation of the Balkans is important. However, it does not explain why the issue of ‘stateness’ persists. We have argued that ‘troubled’ transitional paths in the Balkans ought to be viewed through the prism of globalisation. The informal and criminal networks affect the transformation of these states from within. Furthermore, the transnational networks operating as global actors effectively demonstrate the ‘internalisation’ of globalisation. It is this dimension of transition that has been neglected in the transition literature. To the extent that the impact of global forces has been acknowledged, it has been consigned to an impact of external forces on the domestic processes. We have argued that the transnational networks are a manifestation of globalisation becoming internal to transition, shaping it from inside.

Such a reinterpretation of transition in the Balkans also requires a critical look at the notion of the legacy shaping democratisation. By focusing on transnational networks, we highlight the relevance of domestic and inherited legacy from Communism, and transnational and acquired legacy mainly through war after Communism. The Balkan transitions cannot be understood without understanding the region’s double legacy—as well as the interaction between these two legacies. Both these legacies affect state- and nation-building. On the one hand, thwarted efforts at state-building undermine nation-building. On the other, exclusive national interests interfere with the state-building project. They are mutually formative through the activities of networks and the involvement of state structures in these networks. In sum, networks benefit from a weak state and perpetuate the very weakness that sustains them.



The impact of transnational networks prevents the creation of a modern state ‘independent of the ruler and the ruled’, and manipulates multiethnicity into exclusive politics of fear rather than liberal multiculturalism, ultimately keeping a European future at bay. Key to this is the involvement of the state structures in the informal economy, which itself feeds on illicit transnational flows. Informal and formal are as indistinguishable as economic and political. Thus the state breaks the rules it is supposed to set and enforce. As a result, the state’s legitimacy is compromised and the base for building a functioning state eroded. The EU’s approach, defined by state boundaries and centred on formal political and economic institutions, while not recognising their informal side, leaves room for transnational actors to slip through the policy net. As a result, EU engagement in assisting post-Communist, post-conflict state building in the Balkans in a global context can have the opposite effect of rekindling the process of fragmentation innate to state-building through ethnic violence.

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<sup>1</sup> Macedonia will be used in the continuation of the text as an abbreviated form of the Former Yugoslav Republic of Macedonia.

<sup>2</sup> The debate was fired up by the exchange between Valerie Bunce and Terry Lynn Karl and Phillippe C. Schmitter in the *Slavic Review* (Bunce 1995a; Karl & Schmitter 1995; Bunce 1995b; cf. Bova, 1991; Fish, 1999; Pridham, 1994; Nodia, 1996; Munck, 1997).

<sup>3</sup> While regular interactions across national boundaries comprise the essence of transnational relations, we conceptualise transnationalism broadly so as to encompass trans-societal and trans-governmental relations (Risse-Kappen, 1995).

<sup>4</sup> Compare Linz & Stepan (1996) and Huntington (1991) with Stark & Bruszt (1998); Bunce (1999); Fish (1998); Verdery (1996).

<sup>5</sup> The geography of the region positioned on the crossroads between developed Europe and destitute zones to the far East, and the upheaval caused by the war and sanctions, were important contributing factors to explain the illicit flows of people and goods.

<sup>6</sup> Often these were non-governmental organisations, with a broader agenda than officially professed, or legally established foreign offices of local states, e.g. some of the embassies of Bosnia and Herzegovina were used for illicit transfers of money destined towards funding the war.

<sup>7</sup> Saphir (2000) defines this process as “economic criminalisation”.

<sup>8</sup> All types of state structures directly or indirectly became a part of this “criminal enterprise”: security forces, customs officers, bureaucrats, high-ranking politicians and members of government.

<sup>9</sup> Balkan transition has been characterised by sharp and prolonged output decline, so that trade rather than production became the main economic activity. Chavdarova

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(2001) describes how the shift from work to transactions is conducive to the spread of informal economic practice.

<sup>10</sup> Commenting on the importance of understanding the transnational context in which contemporary wars take place, Nordstrom (2004, p. 150) makes a point that there are many actors implicated in the “fortunes of political instability”.

<sup>11</sup> P. Andreas (2004) identifies clandestine trade as an arena of ethnic cooperation and conflict.

<sup>12</sup> These links were not entirely new; while small-scale and isolated before the conflict, they became ubiquitous in the course of the war. Duffield has argued that the war is “an axis around which social, economic and political relations are measured and reshaped to establish new forms of agency and legitimacy” (2001, p. 136).

<sup>13</sup> Recent research shows that, in terms of GDP per head in purchasing power parity (PPP), the position of a number of countries in the region has deteriorated compared with the EU15 in 1910-2004 (cf. Kekic, 2005).

<sup>14</sup> This holds true for both types of actors: those with an informal/criminal slant as well as others such as service-delivery NGOs which took over provision of some of the services normally provided by state.

<sup>15</sup> The outcome of Croatian elections has at times been determined by the diaspora vote.

<sup>16</sup> Funding from the Croatian state to Bosnian Croat structures extended informally through 2000; from then on, much smaller amounts were re-directed through the Bosnian Federation government structures. Funding from Croat diasporas continues with initiatives promoting the goal of Bosnian Croat autonomy.

<sup>17</sup> The provision of services by international non- governmental organisations can have similar effect.

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<sup>18</sup> This then provides a direct route through which organised crime becomes an actor influencing local processes.

<sup>19</sup> Reasons for the poor effectiveness of some internationally sponsored schemes are organisational issues, inadequate funding and, in case of development assistance, corruption.

<sup>20</sup> Organised crime also flourishes in a strongly interventionist state.

<sup>21</sup> Not even Albania, which despite bouts of violence, escaped a full scale conflict, has been safe from it.

<sup>22</sup> Severing the links with organised crime has been daunting, even when attempted under international pressure. This was illustrated by the assassination of Serbia's Prime Minister Zoran Dindjić, killed because he was attempting to clamp down on organised crime.