

**BALKAN REGIONAL COOPERATION  
& EUROPEAN INTEGRATION**

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Our fieldwork consisted of visits to the countries in the region in order to conduct interviews with key people from the world of politics, academia, business, media, NGOs and policy-making, on the one hand, and the dissemination of a relevant questionnaire to a wider sample of the local elites, on the other. We also benefited enormously from our participation in relevant conferences in Belgrade, Sarajevo, Sofia, Cluj and Forli.

Our aim was to bring forth the local approach to regional cooperation in the Balkans and for that purpose we met a large number of people in the region, engaging in very stimulating and frank conversations. We are grateful to all of these people who took the time to meet us and discuss their perceptions and attitudes on that issue and we wish we had more time to interview even more. The list of interviewees is attached at the end of this report. We are also grateful to all the other people who took the time to fill in the questionnaire, and to all those in various countries in the region who helped us with the organisation of our fieldwork and the dissemination of our questionnaire.

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## **Executive Summary**

The following report<sup>1</sup> discusses the nature of regional cooperation in South East Europe (SEE) and its relationship with the goal of European integration. Our emphasis is on the term of ‘regional’ or ‘sub-regional cooperation’ as a more flexible type of interaction, accommodating diverse groups of states, economies and cultures dominated by ideas of opening and promoting mutual interdependence. It refers to a broad process which allows many and different actors to engage in building networks of interdependence and common action.

Our main assumption is that regional cooperation in any given region is the outcome of the interplay between external/international factors and internal dynamics. The first refers to the extra-regional environment which favours and facilitates regional cooperation by a range of mechanisms and is particularly important in cases of conflictual, developing and aid dependent societies like those in SEE. The second refers to the existence of a consensus among local actors on the importance of regional cooperation, their willingness and ability to identify initiatives of common and mutual interest, which will translate to common projects. In the following report, we intend to emphasise the local approach to regional cooperation based on the perceptions of the domestic actors involved in the process of regional cooperation. Our fieldwork has focused on assessing perceptions and attitudes of the local elites based on questionnaires and interviews with a representative sample from Albania, Bosnia-Herzegovina (BiH), Bulgaria, Croatia, Former Yugoslav Republic of Macedonia, Romania and Federal Republic of Yugoslavia (Serbia, Montenegro and Kosovo).

The present report includes the following: (a) a short overview of the relevant literature on the main incentives and obstacles to regional cooperation in South East Europe; (b) a brief presentation of the EU policy of regional cooperation in the Balkans; (c) a

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<sup>1</sup> Parts of this paper have been addressed and discussed in the context of the following international conferences: *South-Eastern Europe and EU Enlargement*, Babes-Bolyai University, Cluj, Romania, 16-18 September 2001; *Assessing Effects of Regional Initiatives in South Eastern Europe –Towards an Efficient Framework*, European Movement, Serbia, Belgrade 14-15 December 2001; *Developing New Policies of International Support-Lessons (Not) Learned in BiH*, Open Society Fund, Bosnia & Herzegovina, Sarajevo 9-10 February 2002; *Nationalism, Identity and Regional Cooperation: Compatibilities and Incompatibilities*, Institute for Central Europe and the Balkans, University of Bologna - Association for the Study of Nationalities, Forli 5-9 June 2002.

presentation of the results, analysis and assessment of the local approach, both regional and country by country. The findings are:

Incentives and Obstacles: From the perspective of regionalist theories, there are a few factors conducive to cooperation in South East Europe (common geography and immediate neighbourliness, previous communist experience, shared and regional issues, the current international climate). Yet, in reality, more than elsewhere in post-communist Europe, there are major obstacles to regional cooperation that offset the potential incentives. The lack of economic cohesiveness most evident in trade patterns, disappointing economic performances, the informal sector, as well as delayed democratic transition and ethnic nationalism have been seen as the major obstacles to the process of regional cooperation.

The EU factor: After a decade of an ill-defined policy in SEE, the EU is now more constructively involved with the region; it is more committed regarding the European integration of the countries in the region, better informed on the regional and local specificities and necessities and more focused in its developmental strategy in the Balkans. Yet, one of the main dilemmas facing the EU's policy in the South East European region is linked to the need to coordinate the bilateral with the multilateral approach, the national and the regional policies. The Stabilisation and Association Process, as a bilateral instrument of integration that covers the countries in the Western Balkan region, and the Stability Pact, as a regional multilateral tool for South East Europe, are directed towards two sets of countries that belong to the same region. The diversity in the EU's bilateral relations with the individual countries and the region's heterogeneity present serious challenges to the adoption of a regional strategy.

The local approach:

- There is a lack of a common understanding of the region; the notion of regionness varies from sector to sector and from country to country
- Regional cooperation is not given sufficient attention in the discourse and practical engagements of any of the elites segments. There is an interest in

economic cooperation, which is acceptable to all countries and most sectors, but how this can be deployed to address other areas in which cooperation could be beneficial is not clear.

- Geographic proximity and the regional nature of issues feature as the two factors mostly mentioned by the elites. Both of these factors reveal the objective necessity to overcome problems at a regional level but they do not suggest an active desire to associate with neighbours from a positive perspective. The external pressure does not figure prominently as a factor conducive to cooperation.
- Mistrust among neighbours and ethnic antagonisms do not appear to be particularly strong deterrents to better cooperation; instead, the lack of genuine political will and the structural and infrastructural difficulties are identified as the main obstacles to regional cooperation.
- There is a lack of knowledge regarding regional initiatives that influences the perception of their actual impact on the society, which is seen as marginal. The Stability Pact is the most widely known regional initiative but the assessment of its effectiveness and the results achieved so far, is overwhelmingly a negative one.
- Regional cooperation is primarily approached in the context of European integration rather than having a value of its own. The EU approach to regionalisation in this part of Europe has been seen as controversial. European integration and regional cooperation are two processes which are not well connected in the minds of the elites.

In sum, instead of a centripetal dynamic, a centrifugal one dominates and a pull-out effect that impedes regional cooperation; non-South East European regional initiatives seem more attractive to the local elites, who see Balkan regional cooperation as a threat to the goal of European integration.

## I. INTRODUCTION

The post-1989 period has witnessed a resurgence of regionalism in international politics, marked by increased inter-state activity at regional levels. Regional or sub-regional groupings have gained an ever-increasing momentum as a way in which countries conduct or should conduct their external relations. This trend, labelled 'new regionalism', has been particularly evident in Europe, previously the main arena of bipolar competition, and has taken two forms. On the one hand, already established regional organisations such as the European Communities/European Union, the Council of Europe, NATO and the CSCE/OSCE have been significantly strengthened. On the other hand, new sub-regional arrangements have emerged in various geographical parts of Europe. What is more distinctive of the new regionalist agenda is its diverse and multi-dimensional character; it involves many actors and cooperation in the fields of high and low politics. For the most part, regionalism is interpreted as a naturally positive development which all the parties involved are expected to favour. In reality, however, it is not always a straightforward process despite the good intentions of those who support it.

One of the main current obstacles to new regionalism is the resurgence of nationalism in many parts of the globe following the end of the cold war. The Balkan region<sup>2</sup> is a typical area at the crossroads of those two conflicting post-cold war tendencies towards regionalism and nationalism, which can both, be viewed as a response to globalisation. Despite growing regionalist rhetoric, a significant number of regional initiatives and the common goal of EU membership as the main stimuli for good neighbourly conduct, the countries in the region have barely advanced their levels of cooperation and interdependence. Whether one is talking about trade, infrastructure, minorities, free movement of people, capital and services, as some of the key regional issues, the level of cooperation is modest at best.

The following report discusses the nature of regional cooperation in South East Europe (SEE) and its relationship with the goal of European integration. Our emphasis is on the

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<sup>2</sup> The term Balkans will be used interchangeably with the term of South East Europe (SEE).

term of 'regional' or 'sub-regional cooperation' (and not 'regionalism' or 'regional integration') as a more flexible type of interaction, accommodating diverse groups of states, economies and cultures dominated by ideas of opening and promoting mutual interdependence (Cottey, 1999). It refers to a broad process which allows many and different actors to engage in building networks of interdependence and common action. It can include cross-country activities at bilateral or multilateral levels, which are conducted by governments, local authorities, civil society sectors and businesses. It involves interaction in the security, economic, political or cultural/educational spheres and accounts for the interrelationship between all those different levels. Regional cooperation is entrusted with contributing to greater economic prosperity through economic cooperation, and to democracy-building through political dialogue and contacts at the civil society level and can help build more cooperative attitudes and mentalities among governments and peoples alike.

Our main assumption is that regional cooperation in any given region is the outcome of the interplay between external/international factors and internal dynamics. The first refers to the extra-regional environment, which favours and facilitates regional cooperation by a range of mechanisms and is particularly important in cases of conflictual, developing and aid dependent societies like those in SEE. The second refers to the existence of a consensus among local actors on the importance of regional cooperation, their willingness and ability to identify initiatives of common and mutual interest, which will translate to common projects.

The current academic and policy-making debate on regional cooperation in SEE has concentrated on the role of the international factor as the main engine for carrying regional cooperation forward. Indeed, as will be discussed in the course of this paper, the dominant international actors engaged in SEE have been experimenting with alternative regional strategies and approaches which are not always consistent and have had limited or unsuccessful results. Moreover, as we shall see most of the analyses on regional cooperation are based on a normative and prescriptive approach, on what regional cooperation should be, rather than a more adjustable policy which aims at the removal of

obstacles. After all, removing obstacles to regional cooperation is in a nutshell what in practice regional cooperation is all about.

From our part, we intend to emphasise the local approach to regional cooperation based on the perceptions of the domestic actors involved in the process of regional cooperation, who will be referred to in this report as 'local elites'. In the course of our research project, some crucial questions have guided our thinking. The first of these refers to the notion of 'regionness' and 'regional awareness' among local elites. We examined whether there is a common definition of the region of SEE among local elites or there are different conceptions among different countries and areas? On what criteria is the notion of 'regionness' based? What are the prevailing perceptions of the region in value terms i.e. the positive or negative perception of the region as a factor feeding directly into the integrative or fragmenting regional dynamic, accordingly? How do elites in the region perceive and assess the content of the actual and potential regional cooperation? Is there a clear political will to cooperate or are we faced with a "weakness of political will" (Gligorov, 2001)? And how do elites fit their regional prerogatives within the wider European framework and most notably the EU enlargement framework? This last point is particularly important given that regional cooperation in SEE is closely related to the EU enlargement process (Europe Agreements and the Stabilisation and Association Process), but how this relationship operates is far from clear. Comparisons with Central Europe and the Baltic region could be rather illuminating in that respect.

We firmly believe that understanding the local approach to the process of regional cooperation is very important and timely, for two reasons; first, the process of regional cooperation in SEE has been almost exclusively driven and imposed from abroad with insufficient or insignificant contribution from the local actors who are the key players if this process is to succeed; second, there is currently a talk in the region of 'partnership' between the SEE countries and the international community in defining, adopting and implementing regional projects, and the need for regional schemes that originate from within the region, as a necessary precondition for an effective framework of international assistance to the region. After all, the decision to engage in regional cooperation in a

constructive manner, ultimately, rests on the willingness of the local elites to identify common and mutual interests and, with the outside help, translate them into workable initiatives with practical and beneficial results.

Our fieldwork has focused on assessing perceptions and attitudes of the local elites in a number of counties selected for study. We have concentrated on Albania, Bosnia-Herzegovina (BiH), Bulgaria, Croatia, Former Yugoslav Republic of Macedonia, Romania and Federal Republic of Yugoslavia (Serbia, Montenegro and Kosovo). These countries have been chosen as the core countries of the Balkan region as they are all post-communist transition countries, significantly affected, in one way or another, by developments in the region of SEE and are the foci of the recent regional initiatives. The fieldwork has been based on two methods. First, a series of interviews and discussions have been conducted with a number of people from the world of politics, academia, civil society, journalism and business, based on their area of expertise and their actual experience. Second, a common questionnaire has been disseminated to a wider sample of local elites in all of the above-mentioned countries in the region. Our research and fieldwork have been organised around the following headings:

- what is the perception of the region and how is the region defined?
- what is the content (actual and potential) of regional cooperation?
- what are the incentives and obstacles to regional cooperation?
- how are the major regional initiatives being assessed?
- how is regional cooperation viewed in relation to the goal of European integration?

In this paper we examine the following topics. First, based on a brief overview of the relevant literature, there is an introductory analysis on what are perceived to be the main incentives, and obstacles to cooperation in SEE. Second, we examine the assumptions and regional policies of the international community with special emphasis on the role of the European Union, as the main external player in the region. Third, we make some useful references and comparisons with similar regional groupings in Central Europe and the Baltic area. Fourth, based on the findings of our fieldwork on the views of the local

elites, we analyse, compare and assess the local/South East European approach. Finally, we conclude with some of the key findings on the sustainability of regional cooperation and its complementarity with the goal of European integration.

## **II. COOPERATION IN THE BALKANS: INCENTIVES AND OBSTACLES**

### **Incentives to Cooperation in the Balkans**

Many factors can contribute to cooperation in any given region. These include: geography and physical proximity; common history and heritage; cultural and social cohesiveness in terms of ethnicity, race, religion or popular culture; economic cohesiveness in terms of trade patterns and economic complementarity; common membership in international organisations or common goals to join the same international organisations; external pressures from influential states and international organisations; common and regional issues and problems; an economic relationship with a legal framework; the need to create a security regime in an area of potential instability and conflict. Several or all of these factors, may, at one point or another, contribute to more advanced forms of cooperation.

Historically, the most important incentive to cooperation in SEE has been the creation of a security regime in an area of conflict and fragmentation. In the past, various attempts to create cooperation schemes usually occurred after periods of war and conflict. The kingdom of Croats, Serbs and Slovenes in 1918 and, subsequently, the Socialist Federal Republic of Yugoslavia have been the most significant attempts to create a political and economic union against fragmentation and conflict. In the 1930s, the Balkan Conferences focused on cooperation in low politics issues, comprising political, economic, cultural and other social matters, including minority and border issues in the wider region. The more ambitious Balkan Pact, however, failed to materialise due to wider divisions of major European powers, which absorbed the countries of SEE. In the 1950s, there were some timid initiatives to create a Balkan Nuclear Weapons-Free Zone aiming at a regional disarmament Treaty which failed once again due to the predominant influence of

Cold War considerations. In the 1970s and 1980s, further efforts concentrated on cooperation on low politics issues, culminating in the First Conference of Foreign Ministers of Balkan countries in Belgrade in 1988 (Lopandic, 2001). All in all, there has been some tradition of regional ambitions in SEE, albeit with very limited success, based on the recognised need from the part of the governments for cooperation at various levels. During the post-cold war period, the countries in SEE have manifested their will to revive their cooperation in the South East Europe Cooperation Process (SEECF), stressing the need for good neighbourliness, and multilateral cooperation in political, economic, humanitarian, justice and internal affairs.

Common geography and immediate neighbourliness are the first and most obvious factors conducive to cross-border cooperation in SEE. Moreover, most of the Balkan countries share some common historical experiences such as the Ottoman conquest, which bequeathed to the region a cultural cohesiveness reflected most notably in a common popular culture (Todorova, 1997). The more recent communist experience had a common impact in the political culture and economic structures of Balkan countries, which today face similar developmental and transition features. This enables governments and peoples in the region to understand each other better and appreciate each other's needs and interests.

The existence of regional issues and shared problems derived from the transition, under-development and the lack of security in the region is recognised as a major factor stimulating cooperation. Regional issues are understood as those which require collective and multilateral action by some or all the states in the region in order to achieve benefits which cannot be attained by individual states acting in isolation (East West, 2001). As such, the development of regional infrastructure related to transportation, energy and communications networks, appear as major regional incentives to cooperation and convergence. Following the wars in Croatia, Bosnia, Kosovo and FYR Macedonia, post-war reconstruction has added an additional dimension to the shared needs of the region. Security problems and externalities triggered by the wars such as crime, corruption,

illegal immigration and cross-border environmental damages are considered regional in character and are, therefore, being addressed in a regional context.

The current international climate of new regionalism is highly conducive to regional cooperation, a trend that current local actors cannot ignore. Many countries in the region have become members of various new regional European groupings like the Black Sea Economic Cooperation (BSEC), the Central European Initiative (CEI), the Central European Free Trade Area (CEFTA), the Adriatic-Ionian Initiative (AII) or the Danube Commission. More important, their shared will to become members of influential organisations such as the EU, NATO, OSCE or the Council of Europe denotes common political interests and similar attitudes towards the international environment. Moreover, the external pressure for regional cooperation, in the form of conditionality, acts as an additional impetus for cooperation among SEE countries. Especially, following the end of the Kosovo war, regionality as a designated international policy towards SEE has been promoted through the Stability Pact and the Stabilisation and Association Process. The European Union, in particular, is promoting sub-regional cooperation in the Balkans as a means of preparing states in the region for future accession. Other international organisations, including international financial institutions, have become involved in the regional strategy for the Balkans and are primarily concerned with infrastructure development, economic restructuring and boosting the private sector.

### **Obstacles to Cooperation in the Balkans**

While there are in principle several factors conducive to cooperation, in actual fact regional cooperation in SEE has been hampered by serious obstacles, linked to geographic proximity and contested borders, history, external influences or developmental features. For a start the region's historical past has incorporated influences from both the Habsburg and the Ottoman empires. This resulted in divisions between the Orthodox and the Catholic and between Christendom and Islam. The most recent socialist experience has also been different in the various Balkan countries. Yugoslavia through its self-management and federalist system pursued a more open and pluralist development;

Albania adopted an over-centralised, autarchic and isolationist strategy; Bulgaria and Romania practised an austere variant of a Soviet-style communism, albeit with significant national differences. The Balkans as a defined geographical space encompassing contemporary Albania, Bulgaria, Romania and former Yugoslavia have never been a homogeneous economic and political entity. Heterogeneity grew wider with the post-communist fragmentation of former Yugoslavia and the creation of more competitive small states, fighting over borders and national identities. Further to competitive ethnic pressures, there is a lack of economic cohesiveness, which is more evident in trade patterns, or the economic orientations of the countries in the region. Moreover, political characteristics internal to states such as illiberal or inadequate democracies, ethnic nationalism, retarded state- and nation-building in the former Yugoslav space and over-centralised or even weak states have been identified as serious impediments to the development of cooperation.

### *Economic obstacles*

Economic cohesiveness refers to trade interdependence and structural complementarity. Nowhere is the lack of economic cohesiveness more apparent in the Balkans than in the insignificant levels of intra-regional trade. Prior to 1989, little trade existed among Balkan countries, except for economic links within Yugoslavia.<sup>3</sup> According to World Bank estimates for 1999, only 12% to 14% of total Balkan trade was intra-regional (World Bank, 2000). SEE countries, therefore, have very low levels of intra-regional trade compared to other regions in Europe and trade with the EU typically accounts for more than 50% of Balkan countries' exports.

In addition, although in the post-Cold War era a complex web of bilateral trade agreements has emerged among many Balkan countries granting mutual concessions of Most Favoured Nation (MNF) treatment and Free Trade Agreements (FTAs), the effects on intra-regional trade have been not significant. None of these agreements have been multilateralised yet, involving different sets of preferences according to product and

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<sup>3</sup> During the Cold War, only 6% of total Balkan trade was intra-regional and was arranged mainly in the form of barter. Yugoslavia was relatively integrated, but the rest of the region had weak mutual trade links (Uvalic, 2000).

trading partner. Although trade agreements have been signed among most of the countries in the region,<sup>4</sup> the actual effect on intra-regional trade flows has not been significant as firms lack the capacity to respond to a more beneficial trade regime. Moreover, the existence of free trade regimes do not always reveal the real extent of trade and do not account for the full range of barriers to trade. Trade liberalisation is incomplete, trade relations discriminatory and facing various institutional limitations, such as unreformed customs services or poor and underdeveloped infrastructure (World Bank, 2000). Hence, despite a gradual normalisation of trade relations, the region still abounds in tariff and non-tariff barriers, which sap growth and production, distort economies and patterns of bilateral preference.

One of the major reasons for insignificant levels of trade in SEE is related to the structure of trade and lack of complementarity. The economic structures of Balkan countries are quite similar leaving little room for trade opportunities based on structural complementarity (World Bank, 2000). Balkan countries produce similar products; hence an expansion of inter-industry trade, that is to say trade between different products, has limited potential.<sup>5</sup> Moreover, although Balkan economies are geographically proximate, their markets are small in size - a fact which implies limited gains from economies of scale. A stimulus from intra-regional trade is therefore smaller than one provided by closer integration with the EU. Similarly, that Balkan economies are very open, namely trade percentages in countries' GDP are generally high, implies that they are further pushed into inter-regional trade with the EU (Petraikos, 2000).<sup>6</sup>

However, despite the above limitations, intra-regional trade in the Balkans today is higher than usually concluded on the basis of unsatisfactory statistics which do not take into account illegal trade. Similar to the pre-1989 period, intra-regional trade is still mostly Yugoslav trade, and is shaped by ethnic borders such as trade flows between the Croat-

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<sup>4</sup> FYR Macedonia, for example, has signed FTAs with Bosnia-Herzegovina, FRYugoslavia, Bulgaria, Turkey, Slovenia and Croatia. Croatia has FTAs with Slovenia and FYR Macedonia and others under negotiation with Albania, Bulgaria and Romania. Albania is negotiating FTAs with Croatia and FYR Macedonia.

<sup>5</sup> The assumption, however, that complementarity is conducive to integration has been questioned by analysts, given that economic integration in Europe has not taken place on the basis of comparative advantage.

<sup>6</sup> According to World Bank estimates, trade/GDP ratios in 1998 vary from 91% for FYR Macedonia and Bulgaria, 83% for Bosnia-Herzegovina, 61% for Croatia, 58% for Romania to 40% and 34% for FR Yugoslavia and Albania respectively (World Bank, 2000).

dominated areas of BiH and Croatia or Republika Srpska and FR Yugoslavia (Messerlin, 1999). Moreover, the wealth generating potential of these activities are considerable as shown by the fact that Croatia and Bosnia-Herzegovina reported a doubling of trade since reopening borders and introducing near free exchange (CARDS, 2001).

Economic barriers to cooperation are largely related to the combination of delayed post-communist transition and the consecutive wars, which have kept the region's economic output at 20% below its 1989 level. Although structurally diverse, Balkan countries face similar macroeconomic disequilibria, which have contributed to the lack of growth. These include large trade and current account deficits, high unemployment rates and unsustainable fiscal deficits. They also share some common micro-economic characteristics such as protracted process of de-industrialisation, incomplete privatisation and inadequate enterprise restructuring (Gligorov et al, 1999).

In general, the economic performance of Balkan countries in the last 10 years has been worse than that of Central and Eastern Europe, despite the fact that most of them started off with similar levels of developments. The wars in former Yugoslavia and policy failures have been significant factors that contributed to this developmental lag. Political instability and conflict contributed to an uncertain business environment, disrupted trade through the UN sanctions on Yugoslavia and brought about the destruction of heavy industrial capacity and infrastructure. In many countries, however, policy makers, reluctant to break with re-distributive policies of the past, also mishandled transition. Vested interests of Balkan *nomenklaturas* and bureaucratic interference in Balkan economies in particular hampered the development of a strong private sector (Dobrinsky, 2000), one of the main pillars for regional cooperation and business expansion across borders.

The difficulties associated with the transition process coupled with the effects of war and sanctions in the region have resulted in a rapid expansion of the informal sector. Transitional recession, deeper and of longer duration than in Central Europe, has had a lasting effect on the formal economy, which has failed to re-bounce strongly and in some

of the countries e.g. Albania and Bosnia- Herzegovina is overshadowed by the informal activity. Informalisation of economic activity has been closely related to corruption, which has become a structural feature in these societies. Furthermore, corruption has enabled organised crime to flourish; the region's geography along some of the traditional transnational crime routes for the trafficking of drugs, people and arms has been favourable to tapping into international criminal networks. Geographic proximity, the existence of many borders and massive displacement of population have all conspired to facilitate intense regional cooperation in informal and largely criminalized economic activities. There is growing evidence of cooperation of criminal networks involving highly positioned government officials. The informal sector has become a major impediment to the consolidation of fragile economic and political institutions and one of the main obstacles to the normalization of relations among the countries in the region.

In the last few years, however, the reforms have taken a steadier course, focusing on privatisation and corporate restructuring, especially in countries like Bulgaria, Croatia or FR Yugoslavia. A few positive signs have also been recorded lately in some macroeconomic indicators such as GDP growth, inflation, current account and fiscal deficits (CARDS, 2001).

### *Political Obstacles*

Cooperation in the Balkans is also hampered by political factors internal to states. The establishment of illiberal democracies in the region is one of these factors. According to the 'democratic peace' thesis, constitutional liberalism has peace inducing qualities and helps promote cooperation between states (Owen, 1994). In SEE, although transition from authoritarian rule to democracy has been initiated, democratisation is still at an early stage and distant from constitutional liberalism. The early 1990s failed to bring about a significant change in regimes in the Balkans and old communist *nomenklaturas* remained in power. In Albania, Bulgaria and Yugoslavia, for example, it was not nascent parties or forces of civil society which played a key role in dislodging communism as in Central Europe but elements from within the ruling elites guided by their own instinct of survival.

Multi-party systems and free elections have been established but have been often used to fuel nationalism and ethnic cleavages. In fact, post-communist elections often provided a mechanism for legitimising extremist politicians who contributed to instability in the region (Agh, 1998). The nationalist leaderships of Croatia and FR Yugoslavia managed to remain in power for long, by feeding the nationalist sentiment through a series of wars, by owning the most important national resources, by controlling information and the media or by keeping the opposition divided.

Nevertheless, despite a delay in democratisation, one can discern the gradual transition to democracy in most Balkan countries starting in the second half of the 1990s and the emergence of more moderate forces in power structures. The years 1996-1997 saw a change of regimes in Albania, Bulgaria and Romania whereas 1999-2000 witnessed the fall of the two strong men of the Western Balkans, Tujdman and Milosevic in Croatia and Serbia respectively. These changes primarily resulted from popular mobilisation against prolonged socio-economic crises in all countries. Liberal democracy, however, is still a distant goal in the region as is manifested by the absence of rule of law, under-developed labour movements, the lack of independent media and weak civil societies. In view of these common trends, it should be argued that the different countries of the region have achieved different levels of democratisation with more advanced cases those of Bulgaria, Romania and Croatia, more fragile those of FYR Macedonia and Albania while territories such as BiH or Kosovo have democracies imported and closely monitored from abroad.

The pathology of politics and societies in all Balkan countries is more often connected with the lack or limited 'social', 'human' and 'institutional' capital, all three important prerequisites for the development of regional cooperation among sustainable peaceful and democratic countries. The value of social capital rests in its ability to establish trust and to foster cooperation among actors, both at the national and cross-national levels. One significant aspect of the social capital in the region of SEE refers to the low level of trust in political parties, trade unions or independent social movements, all of these important agents of regional cooperation. The value of human capital rests on the building of human knowledge and capacity, to modernise and bring the countries closer together and

integrate them within the EU. Due to consecutive wars and a deteriorating economic situation, human resources, especially in the former Yugoslav region, have substantially diminished, thus impeding the ability to adopt and implement policies that can build a sustainable regional dynamic. Finally, the value of the institutional capital rests on its ability to create the appropriate framework, which will attract financial investment and aid from the West, and will allow for deeper bilateral or multilateral relationships among neighbours. The lack of the rule of law is identified as one of the main weaknesses of the current transition in SEE and is manifested in the poor quality of the existing legislation and the judicial systems; even when appropriate institutional and legal frameworks are designed they are poorly enforced. The expansion of the unofficial economy and parallel authorities is due to the poor institutional performance.

'Ethnic' nationalism is regarded as the main obstacle to cooperation in the Balkans. Balkan states and societies that emerged from communism are mainly defined in terms of ethnic identities. The ethnic conception of the nation excludes all those who are not members of dominant groups and relegates them to second-class citizens. Balkan constitutions, for example, elevate a majority ethnic group, reinforcing the ethnic idea of the nation-state. Minorities are still discriminated against and are often excluded from full participation in education or accessing public services. Another manifestation of ethnic nationalism in the post-Cold war era is through the administration of states which are strongly centralised and regionalisation is denied by most Balkan governments. Fear of minorities' claims is so strong, that leaders prefer to deny autonomous local government to the whole population rather than guarantee similar rights to those not part of the majority (Sfikas & Williams, 1999). This has a special toll on the development of cross-border cooperation because it disables border regions from cooperating with each other, due to over centralised or authoritarian state structures. In states with weak central authorities such as Bosnia-Herzegovina, on the other hand, the opposite trend is in effect whereby the Croat populated areas have developed strong regional links with Croatia, or the entity of Republika Srpska with Serbia. Yet, the poor level of interaction between Albania and Kosovo shows that there is no consistent pattern in the cooperation of ethnically homogeneous regional communities. In the Balkans, ethnic nationalism is

destabilising because minorities in one country are majorities in a neighbouring state. Discrimination, therefore, perpetuates insecurity and mutual suspicion among neighbouring countries. Moreover, feeling excluded from political processes, minorities often believe armed conflict and secession the most effective means of satisfying their political demands. Goals of secession and separatism were primarily expressed in former Yugoslavia through ethno-national mobilisation leading to tragic violence.

Authoritarian elites with communist affiliations, extremist politics, ethnic nationalism, insufficient rule of law and lack of trust have been identified as the major obstacles to regional cooperation in the Balkans by most academic and policy-making analyses. According to Susan Woodward, all this is related to delayed state-making and nation-building in the former Yugoslav space, further complicated by the simultaneous democratisation of the successor states.<sup>7</sup> Slovenia is the only post-Yugoslav successor state where these processes are complete since it does not have a significant ethnic minority in its territory and nation-building has been achieved. All other Yugoslav republics are still divided over questions of national identity and the proper borders of their newly founded nation-states (Woodward, 2001). In Croatia, the definition of borders is still unclear. Bosnia-Herzegovina and Kosovo are international protectorates which confront similar institutional problems created by the Dayton and Rambouillet Agreements, namely how to aggregate preferences in order to create viable states. Finally, the unity of FYR Macedonia and FR Yugoslavia has been challenged, the first by Albanian and the second by Albanian and Montenegrin separatism. All in all, the region of SEE is diversified and composed by a variety of countries and governmental authorities i.e. territorially defined states versus undefined national territories; centralised state structures versus weak central authorities; independent countries versus international protectorates. Such a regional context limits the capacity of its actors to define regional objectives and pursue regional cooperation, while at the same time leaves ample space for international intervention.

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<sup>7</sup> State-making and nation-building are two overlapping processes, the former implying the creation and maintenance of a political unit, the latter the creation of a national identity for citizens to identify with the state.

### **III. THE EXTERNAL APPROACH; EU AND REGIONAL INITIATIVES**

The problematic nature of political and economic transition and the sequence of crises and wars in the former Yugoslav area and their negative effects on the region as a whole, have convinced the international community that there is a need for a regional approach and a multilateral strategy to complement the bilateral relations of these countries with the various international organisations, more so than in any other region of Europe. The international community has been a) advocating the goal of regional cooperation b) pressing the countries in the region to cooperate with each other and c) promoting regional initiatives. As a result, SEE countries have witnessed a significant number of regional approaches and initiatives, aiming at ambitious political, economic and security goals and the reconstruction of the region, inspired by external actors. The following part discusses the way the EU - the most influential external factor, in terms of economic, political and security presence in the region<sup>8</sup> - has been projecting regional cooperation in SEE, by focusing on the main assumptions, a short description of regional policies and a brief assessment.

#### **External assumptions**

There are five main arguments adopted in favour of a policy of regional cooperation as the most effective means of creating a peaceful environment and integrating the Balkans within the EU:

- a) the prescriptive argument
- b) the 'new regionalist' argument
- c) the 'strategic' argument
- d) the EU internal argument
- e) the Southeast regional argument

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<sup>8</sup> The EU is the largest assistance donor to the SEE countries through a variety of aid programmes –PHARE, OBNOVA, CARDS, pre-accession aid. It also keeps 80% of the total military force and a large component of civilian force along other international partners.

a) The prescriptive argument is based on the positive outcomes of regional interdependence and functional cooperation. The European Communities/Union stands out as the most successful empirical case of regional integration, which led to the establishment of a sustainable security regime in Western Europe through the means of economic and to a degree political integration. Its experience illustrates how regional cooperation based, initially, on economic forces, material interests and concrete aims can help overcome not only economic but most important political and security divisions. Although the EU is not projecting its own model of institutionalised integration to be emulated as such in the Balkan region, it is, however, providing an example of how interdependence and economic cooperation based on common interests such as the regional development of trade, investment, environment and common infrastructure can act as catalysts for the development of a more prosperous and secure region. This belief is reflected in the latest EU CARDS Regional Strategy Paper where it is stated that: "*The regional cooperation model is essentially an extension of the EU's own philosophy that deeper cooperation with neighbouring countries is a route to national as well as regional stability and growth and that such cooperation serves the mutual interests of all countries involved*" (Commission, 2001)

b) The second argument reflects the 'new regionalist' thinking which advocates multilateral cooperation across a wider range of countries and issues within the current process of globalisation of the international system and a widespread transition to democracy and market economy. (Hurrell, 1997) Indeed, the 1990s have witnessed the emergence of regional sub-groupings from the Baltic Sea to the Black Sea, based on common geographical space and proximity. The Central European Initiative (CEI) in 1989, the Visegrad Group in 1991, the Council of the Baltic Sea States and the Black Sea Economic Cooperation (BSEC) in 1992, the Central European Free Trade Area (CEFTA) in 1993 have been among the most prominent European sub-regional groupings established as a result of the post-communist transition. By allowing their members to engage in various forms of intensive cooperation, mostly on low politics issues, they aimed at contributing to security and confidence-building among neighbouring states. The Visegrad group can be considered a quite successful regional initiative, at least in its

initial stages, in that it managed, to build confidence among the countries in Central Europe and to strengthen their diplomatic position vis-à-vis the West and the former Soviet Union. (Cottey, 1999) Similarly, the Council of the Baltic Sea States has managed to bring together countries of different histories, politics and sizes around the common interest of a sea basin, focusing on cooperation in the fields of democratisation, trade, environment and infrastructure (see following chapter). The Balkan region, as a conflict prone area represents a test case for the success of the 'new regionalist' thinking', being adopted in an area where the circumstances appear to be more controversial and less favourable for the development of regional cooperation.

c) The third argument reflects the strategic thinking (both in political and economic terms) from the part of the international community with respect to post-communist changes in Central and Eastern Europe. The security of Central European countries –a region situated between Western Europe and the former Soviet Union- has been from the start a major preoccupation of western countries, a fact which was clearly reflected in NATO's policy to incorporate first the countries of Central Europe –Poland Hungary and the Czech Republic. In contrast, the strategic significance of former Yugoslavia as a non-aligned country during the cold war period, diminished significantly with the end of the bipolar divisions. In term of strategic economic significance, the markets of Central Europe were much more important for western investors which was reflected in the extent of FDI directed towards Poland, Hungary and the Czech Republic, compared with that in the countries of SEE. With a total regional GDP of around US \$100 billion (less than that of Greece alone) and a GDP per capita of only US \$1600, one can clearly SEE the minimal economic weight of the region in the European economy. Over the period 1989-2000, the region received just over US \$300 per capita of FDI compared with about US \$1200 in Central Europe and the Baltic countries. (World Bank-IMF, 2001) What has also been noticeable is that each region has had its supporting states, based mostly on reasons of geographic proximity, economic and security influence and interests. As such, Germany and Austria have placed a greater emphasis on the integration of Central European countries in the EU and the Scandinavian on the Baltic countries. The strategic thinking has been to some extent evident in SEE whereby the individual Balkan countries

have had different levels of support from individual western countries. In one way or another, the US was the main influence in BiH and Kosovo, Germany contributed to the independence of Croatia and Slovenia, Greece developed strong relations with Serbia, France has been a traditional supporter of Romania and Italy showed an increased interest in developments in Albania. This strategic thinking from the part of the western countries weakened the unity of the EU, affected the efficiency of its common foreign and security policy and impeded the development of a consistent regional approach.

d) The fourth argument is based on the EU's own needs and reflects its internal anxieties with the integration of a large number of former communist countries in the European Union. Faced with a massive wave of democratisation and market reform, the EU feared from the initial stages of post-communist transition that the simultaneous incorporation into the EU of all eastern countries could potentially affect the unity and achievements of the EC/EU. It is critical to remember that when the EU was negotiating Association or other agreements with the East European countries, during the early 1990s, it was also undergoing, a comprehensive internal transformation marked by the goal of Economic and Monetary Union and the development of a hybrid political union around the CFSP and Justice and Home Affairs. Moreover, institutional anxieties and financial worries have dominated the EU approach towards Eastern enlargement. The development of sub-regional cooperation was therefore perceived –but never explicitly stated- as a way to facilitate the integration of a large number of eastern countries. Hence, the EU embarked from the beginning on a policy of regional differentiation and gradual convergence to manage the pace of closer economic association and eventual incorporation of Eastern Europe. It declared the countries of Central Europe -Poland, Hungary and Czech Republic- more committed to democratisation and economic reform and thus better equipped for closer integration (which was also consistent with its strategic thinking). As a result, post-communist Eastern Europe was divided into sub-regions with specific characteristics and particular transition developments. The EU has been effectively dealing in many ways with countries belonging to the sub-regions of Central Europe, the Baltic countries, the post-Soviet republics (CIS) and the Balkans. The Balkan region has been further divided between the EU candidate countries Bulgaria and Romania, and the

‘Western Balkans’ -former Yugoslav Republics plus Albania minus Slovenia. Although the division between East European sub-regional groupings has never been clear-cut and explicit, each region, in the eyes of the EU and the wider international community, appears to have its own logic of existence and some common political, economic and security regional characteristics.

e) Finally, the Southeast regional argument is based on how the EU (and the wider international community) perceives the regional specificities and necessities in the region of SEE. A central conviction in the Stability Pact or the CARDS financial framework is that the issues and problems -economic, political and security- in SEE cannot be resolved on a national basis or through bilateral policy alone. They are regional in character and therefore require additional regional measures. As such, the issues of intra-regional trade, infrastructure, energy, telecommunications and banking are *par excellence* regional issues and can be approached more effectively from a multilateral perspective. The issues of human rights, corruption or the protection of minorities can also be tackled multilaterally and through cooperation among regional actors. Security, or the lack of it, is perceived as a predominantly regional problem not in its strict military sense but including the combat against cross-border informal networks or dealing with the growing number of refugees and illegal immigrants. The international community is convinced that the efforts by each country to reach the standards required by the European Union and other European organisations are also constrained by regional problems. Cooperation between states in improving security and stability in the region and pursuing common objectives is believed to help boost the efforts of individual states to integrate with Europe.

For that, the EU has placed a strict conditionality on Southeast European regional cooperation, without which it is denying the deepening of bilateral relations. The EU approach is based on the belief that Southeast European countries wishing to build ties with the European Union must first prove their readiness to cooperate with their neighbours. In its first Annual Report on the Stabilisation and Association Process, the European Commission states explicitly: “*integration with the EU is only possible if future*

*members can demonstrate that they are willing and able to interact with their neighbours as EU Member States do” (Commission, 2002)*

## **EU policy in South East Europe**

### *1989 - mid-1990s: The origins of a differentiated approach*

The first period between 1989 until the mid-1990s was marked by the lack of a Community regional policy and the institutionalisation of a varied and differentiated EC/EU approach<sup>9</sup>. At the bilateral level, the EU employed a variety of instruments in SEE. It included Bulgaria (1990), Romania (1991) and Slovenia (1992) in its financial assistance programmes and signed Europe Agreements with Bulgaria and Romania in 1993 and with Slovenia in 1996. It developed bilateral relations with Albania in 1992 through the signing of a Trade and Cooperation Agreement and the granting of PHARE assistance. With respect to the remaining breakaway republics of Yugoslavia, the EU focused mostly on crisis management, reflecting the countries' emergency needs at the time; as for the bilateral framework with the individual countries of former Yugoslavia, this was marked by further differentiation. Yugoslavia's trade preferential regime was substituted by sanctions, embargoes and bans; the first sanctions towards SFR Yugoslavia (ban on arms exports) were introduced in July 1991 and economic sanctions against Serbia and Montenegro in October 1991. (Lopandic, 2001) Having suffered the negative effects of the Greek embargo, FYR Macedonia was included in the PHARE programme in 1995 and signed a Trade and Cooperation agreement with the EU in 1996. Bosnia-Herzegovina signed autonomous trade measures and received financial assistance aiming at reconstruction, institution-building and refugee return, as a result of the extensive physical and human damage. Croatia was only eligible for trade measures; its PHARE assistance was adopted at the beginning of 1995 and suspended in August of the same

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<sup>9</sup> This has a lot to do with the fact that the European Communities were faced from the start with a diverse region consisting of countries with different previous developments and external relations. At one end, former Yugoslavia by virtue of its more open political and economic system was the more advanced compared with all the other Southeast European socialist countries, the only country to have concluded cooperation agreement with the EC since 1980 (Uvalic, 2000). At the other end, Albania with an over-centralised, and autarchic economy was by far the poorest and the most isolated internationally. Bulgaria and Romania were more classical cases of post-communist transition previously COMECON countries and members of the Warsaw Pact. The disintegration of Yugoslavia and the subsequent creation of more states exacerbated the region's heterogeneity, it perplexed and diversified international policy in the area.

year due to events in Krajina. By and large, financial assistance through PHARE was rather limited for the Western Balkan region while most of it went for humanitarian purposes and the support of the peace process. (COM (95) 581 final 1995).

*Mid-1990s - 1999: The introduction of the first regional schemes and the EU Regional Approach*

The mid-1990s saw the first regional initiatives focusing on the strictly speaking SE European sub-region, as a result of the war in Bosnia and the Dayton Accord. The EU-inspired Royaumont Process for Stability and Good Neighbourliness in Southeast Europe launched in 1996 aimed at civil society projects and a multilateral dialogue between journalists, academics, trade unionists, NGOs and parliamentarians. Before its incorporation in the Stability Pact, the Royaumont Process concentrated on the strengthening of inter-parliamentary activities, the organisation of seminars and conferences and NGO meetings but its actual impact has been rather limited. The Southeast European Cooperative Initiative (SECI), the only US initiative, was launched in 1996 concentrating exclusively on economic cooperation and reconstruction of the region, through mostly private funding, in the fields of infrastructure, trade, transport, energy, environment and private sector development, avoiding issues of political, social and ethnic nature and the overlapping the other existing political and security initiatives. SECI has scored better than the Royaumont as it has been more focused and has produced some practical achievements in issues like cross-border crossing or the fight against trans-border crime. The South East European Cooperation Process (SEECF), the only initiative generated from within the region, has focused on political cooperation and political dialogue, covering a wide range of issues from security, economic cooperation, humanitarian, social and cultural cooperation and cooperation in the fields of justice and home affairs. It is intergovernmental in nature and although it is non-binding and informal, SEECF provides a forum for discussion where common positions and joint declarations can be taken, at the level of political elites. Its practical impact has not been very significant as it operates mostly at a rather vague and generalised level of declarations.

While the EU has been from the start supportive, politically and financially, of such regional schemes it was also from the early stages aware of their limits and difficulties.<sup>10</sup> The first EU attempt to present its own regional policy came with the Regional Approach towards the four successor countries of former Yugoslavia plus Albania - the 'Western Balkans' - aimed at the implementation of the Dayton and the Paris Peace Agreements, advocating political and economic cooperation among these countries, the establishment of good neighbourly relations regarding the free movement of goods, services and people and the development of projects of common interest. [(COM (96), 476] This Regional Approach was accompanied by a detailed and explicit political and economic conditionality, compliance with which allowed for the development of bilateral relations with the Western Balkan countries in the fields of trade, financial assistance, economic cooperation as well as contractual relations. However, a long list of conditions on democratic principles, human rights, the rule of law, economic reform, regional cooperation and additional compliance with obligations under the peace treaties made it even more difficult for aid and agreements to come through.

As a result during the period 1997-1999 until the Kosovo war, little or no progress was recorded in the development of deeper bilateral relations with the Western Balkan countries, based on a close monitoring of conditionality by the European Commission. (PRES/98/369/9.12.98) BiH remained with trade measures and PHARE assistance but not a Trade and Cooperation Agreement; Croatia continued to be excluded from PHARE funding and from negotiations for a Trade and Cooperation Agreement; and FR Yugoslavia was excluded from most assistance programmes, regional initiatives and trade preferences - an exclusionary EU policy designed to punish political misbehaviour. At the same time, the EU engaged considerable resources for the reconstruction of Bosnia-Herzegovina in the period 1996-1999. Overall, the 1990s EU approach in SEE was characterised by a great diversity of EU bilateral relations in the Balkans with Bulgaria, Romania and Slovenia in the context of the pre-accession strategy, on the one

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<sup>10</sup> An early assessment recognised the main obstacles of regional cooperation in the slow progress of political and economic stability, the persistence of bilateral inter-ethnic disputes, the problems with borders and minorities, the precarious economic conditions and a certain degree of overlapping or lack of coordination among the various initiatives. (COM (97) 659 final)

hand, and the Western Balkan countries in the context of the Regional Approach, on the other. Financial aid was mostly directed towards humanitarian issues (ECHO) and reconstruction needs.<sup>11</sup> During the same period, the EU was involved in the Western Balkans through its EC Monitoring Mission (ECMM) and its Special Representatives in BiH.

*Post-1999 period: The Stability Pact and the Stabilisation and Association Process*

The war in Kosovo generated the first critical self-assessment from the part of the EU and the wider international community on the shortcomings of their previous policies, as well as a discussion on the reconstruction and development of the region. The new international approach was marked by a) the re-organisation of the regional policies, b) the offer of a more committed and long-term bilateral framework of relations with the EU, c) the unification of financial assistance to the Western Balkan region and d) a more balanced application of positive and negative conditionality. This new framework, a considerable 'carrot' in the region has been based on the regional Stability Pact for South East Europe, the bilateral Stabilisation and Association Process, the financial programme for Assistance, Reconstruction, Development and Stabilisation (CARDS) and the accession strategy for Bulgaria and Romania.

Following its launch and its high political profile in Sarajevo in July 1999, the Stability Pact was broad in composition and high in expectations and declarations. As a regional tool for the reconstruction of SEE, the Stability Pact appeared as an ambitious framework aiming to act as a stimulus and project coordinator for reform and reconstruction. It was presented as a forum for its members (participant countries from the Balkans, western donor countries and other facilitator countries, international organisations, international financial institutions and other regional initiatives in SEE) to identify measures and projects in the fields of democracy and human rights, economic reconstruction and development, defence, security and internal affairs.<sup>12</sup> The Stability Pact has adopted a

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<sup>11</sup> According to European Commission figures the overall EU assistance to the Western Balkan countries during the period 1991-2000 is estimated around 6 million euros.

<sup>12</sup> The Stability Pact is organised around the Regional Round Table which gives guidelines and holds a supervisory role and three

holistic regional approach that addresses security, democracy and economic reform. Its value rests on its premise to combine the governmental with the non-governmental and the local levels and engage them in cooperation on a very extended array of issues. At the first regional conference in March 2000, donors pledged 2.4 billion euros and a Quick Start package of regional projects and initiatives was decided. The overwhelming majority of funds went to infrastructure and the rest to security and civil society programmes. The focus of the second regional conference in October 2001 was on long-term development based on infrastructure sectors -transport, air traffic, energy, water-support for the private sector development in the fields of trade, SME and banking as well as refugee issues, commitments that amount to more than 3 billion euros.

In addition to the regional and multilateral Stability Pact (which was EU inspired but involved the wider international community), the most important contribution of the EU has been the Stabilisation and Association Process. The latter process offers new contractual bilateral relationships and financial assistance for each individual country and introduces the status of a 'potential candidate for EU membership' to the Western Balkan countries with a long-term prospect of accession (COM (99) 235). At the core of this process, the Stabilisation and Association Agreements (SAAs), have been designed to regulate the bilateral relations between the EU and the individual Western Balkan countries in the fields of trade, competition, state aid rules, intellectual property and bring the countries in the region closer to EU norms and standards.<sup>13</sup> At the same time they require respect for democracy and human rights and for the rule of law. By and large, the SAAs are based on the experience of the Europe Agreements with a significant innovation regarding the issue of regional cooperation. Whereas regional cooperation is encouraged among the Europe Agreement countries, it is *required* by the SAA countries, and is being translated into an explicit condition for the further development of bilateral relations with the EU. (Phinnemore, 2001) The Zagreb summit (in its final declaration on 24 November 2000) identified explicitly the areas of regional cooperation in the fields of

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Working Tables on 'democratisation and human rights', 'economic reconstruction, development and cooperation' and 'security issues'. The Pact is presided by the Special Coordinator, responsible for the overall progress of the initiative. Each of the participant countries (Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Romania, FYR Macedonia and FR Yugoslavia) appoints a 'national coordinator' to adjust the SP activities to the needs of each country.

<sup>13</sup> So far the EU has signed SAAs with two countries, FYR Macedonia in April 2001 and Croatia in October 2001.

political dialogue, free trade area and justice and home affairs (organised crime, corruption, money laundering, illegal immigration, trafficking of human beings and all other forms of trafficking).

Financial assistance is provided through CARDS in order “*to support participation by the recipient countries in the Stabilisation and Association Process*” focusing on reconstruction, refugees, the building up and modernisation of institutions, the rule of law, social development, respect for minorities and the development of market economy. (Council Regulation (EC) No 2666/2000). To this end 4,650 million euros have been committed for the period 2000-2006 for investment, institution-building and other fields. As each country moves deeper into the process, assistance will focus increasingly on support for the reforms and institution building necessary to implement the obligations of the SAAs (Commission, 2002). Along the bilateral framework, CARDS has also adopted a regional assistance programme for the Western Balkans, a significant new step in the EU's regional approach. It covers only those parts of the programme which are not country specific within a budget of 197 million euros for the 2002-2004 period, a 10% of the available CARDS funding. The CARDS Regional Strategy Paper sets out for the first time a more focused and clear political strategy on four particular regional issues: integrated border management, institutional capacity building, democratic stabilisation and regional infrastructural development. These have been selected because of their contribution to regional cooperation and because the support can be best delivered at the regional level. (Commission, 2001)

### **Assessment**

On the basis of the current experience, one can draw some useful points on the nature of the EU strategy in SEE. The first point has to do with the adopted notion of the region and the existence of a confusing definition as to what countries constitute South East Europe. While the ‘Western Balkans’ (former Yugoslav region minus Slovenia, plus Albania) have been targeted by the EU Regional Approach, other regional initiatives have also included Bulgaria and Romania and in a wider sense, Slovenia, Greece,

Turkey, Hungary and Moldova each of these with different levels of developments and degrees of integration with the EU, but clearly affected by regional developments. All regional approaches and initiatives in SEE have been post-conflict reactions, conceived as remedies to serious crises and wars. In that respect, the long-term developmental value of most approaches has been repeatedly questioned. With the exception of the SEECP, the other regional initiatives (Royaumont, SECI, Stability Pact) have been imposed by the EU in cooperation with other external players, with limited input from the local actors. Subsequently, the ability of most SEE regional initiatives to reflect the local specificities and needs and not the priorities of the external actors has also been doubted. Finally, there is no systematic evaluation on the effectiveness -successes or failures- of regional cooperation. With the exception of the Stability Pact, there are no reports evaluating the progress of regional initiatives. Some critical assessments from secondary sources that have appeared, from time to time, reflect the realisation that initiatives have not produced the anticipated results.

For its part, the Stability Pact has encountered difficulties and criticism on its effectiveness to deliver the ambitious goals that it initially set. It has been pointed out, for instance, that the principal approach to regionalism within the Stability Pact has been based on the development of regional infrastructure –road building and transport construction- and not on the wider structural developmental problems in the region. (Gligorov, 2000); it has been criticised for its inability to exercise decisive action in the recent crisis in FYR Macedonia. (Wheeler, 2002); it is seen by some as a cumbersome bureaucratic organisation, lacking clarity of purpose, or that it has neglected the needs of the region to which it is being addressed<sup>14</sup>. Faced with problems internal to the Stability Pact and changing external circumstances caused by the September 11 events, the new Special Coordinator of the Stability Pact, Erhard Busek has announced his intention to streamline the Pact's activities by identifying some areas of direct regional action and to

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<sup>14</sup> The East West Institute has suggested discontinuing most of the bureaucracy of committees and task forces, as well as the three Working Tables and focusing instead on functional integration in selected sectors in the fields of energy, free movement and organised crime, referring to the Monnet method of the European Coal and Steel Community. (East West Institute, 2001) CEPS has suggested that the EU should be the leader of the Stability Pact and that regional ownership should be more pronounced. (CEPS, 2001). Moreover, it has been argued that the parallel existence of other regional initiatives, which in their turn have been criticised for their lack of effectiveness and clarity of purpose, has exacerbated the coherence of the international strategy in SEE and blurred the role and effectiveness of the Stability Pact. (ESI, 2000)

enhance cooperation between EU institutions and the Stability Pact in order to provide the countries of the region with a clear accession perspective.<sup>15</sup>

Despite extensive criticism, the Stability Pact and the other regional initiatives, have managed to contribute towards cooperation and create a certain potential for the future. They have brought together on many occasions different social groups, they have intensified regional political dialogue on a wide array of matters and they have provided the ground for discussion between the countries in the region and the international community. The accords on trade liberalisation and refugee return under the auspices of the Stability Pact have been regarded as substantial improvements. By signing a Memorandum of understanding on Liberalisation and Facilitation of Trade on 2001, the governments of Albania, BiH, Bulgaria, Croatia, Romania FYR Macedonia, and FR Yugoslavia made an important step towards the establishment of free trade area, aiming at the creation of a network of bilateral free trade agreements by the end of 2002 and allowing for at least 90% of goods to be exchanged freely without tariffs. An Agenda for Regional Action for Refugees and Displaced Persons has also been adopted in 2001 addressing a wide range of issues between BiH, Croatia and FR Yugoslavia with respect to 1.2 million refugees and displaced persons in their countries in a series of combined bilateral measures. For its part, SECI has been successful in obtaining private financing for small-scale cross-border projects like the one on "Border Crossing Facilitation" and the establishment of a Centre in Bucharest to facilitate the exchange of information for fighting cross-border crime. The SECI Regional Centre for Combating Trans-border Crime has been original in bringing together police and customs representatives from eleven participating countries in the region. By cooperating, exchanging information and the creation of Task Forces, the Centre has made some progress in the investigation against the organised crime and terrorism, with the EU and US support. In addition, NATO's Southeast European Initiative (SEEI) has recently produced a South East Europe Common Assessment Paper on Regional Security Challenges and Opportunities (SEECAP), which is designed as a general index for regional priorities and is based on local common perceptions and priorities and the notion of regional ownership.

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<sup>15</sup> Speech of Erhard Busek on "The Future Strategy of the Stability Pact Operation" in Belgrade G17, 7 March 2002

Overall, after a decade of an ill-defined international strategy in SEE, the EU has come up with a regional framework, which, despite its shortcomings, can be used as a point of reference for the countries in SEE to cooperate and create networks of interdependence. The EU seems more and more committed to the goal of regional cooperation in SEE as one of the means and prescriptions that can bring about a more peaceful and prosperous area. The 'new regionalist' thinking in SEE has been evident in the promotion of multilateral regional initiatives and the Stability Pact for SEE, covering a wide range of issues from democracy building to economic development and wider security building and involving a wider network of political, social and economic actors. Yet, in terms of strategic thinking, there seems to be a certain 'Balkan fatigue' which is due mainly to two reasons: first, it is being realised that although substantial human and financial resources have been invested in the Balkans, very little overall progress has been actually achieved; second, the September 11 events have reshaped the international priorities and diverted attention to other causes and regions of international instability, namely international terrorism. Against this changing international climate, the role of the EU as a factor for peace, stability and development in SEE has become central (compared with all the other international actors). While the EU economic significance has always been dominant in the region since the beginning of the transition, its political significance has been increasing further judging from the immediate reaction to the crisis in FYR Macedonia and its intervention on the constitutional relationship between Serbia and Montenegro, while its readiness to deploy its first EU police mission to BiH in 2003 is an important military addition to the EU's economic and political capabilities.

One of the main dilemmas facing the European Union's policy in the region is linked with the need to coordinate the multilateral with the bilateral, the national and the regional. The Stabilisation and Association Process, as a bilateral instrument of integration that covers the countries in the Western Balkan region, and the Stability Pact, as a regional multilateral tool for South East Europe, are directed towards two sets of countries that belong to the same region. The diversity in the EU's bilateral relations with the individual countries and the region's heterogeneity present serious obstacles in the adoption of a

common strategy. In its bilateral framework the EU has been working with governments and states with differing degrees of capacity and internal legitimacy. In the eastern Balkans, the EU has been facing more reliable and consolidated democratic regimes (although less than those in Central Europe) within clear and undisputed territorial boundaries. In the western Balkans, it has been dealing with weak central authorities (BiH), stronger and more legitimate democratic authorities amid unresolved constitutional and territorial issues (Serbia, Montenegro), authorities with secessionist desires (Republika Srpska, Kosovo) and authorities where the role of the international community is predominant in pursuing tasks of domestic governance (BiH, Kosovo).

Nevertheless, it could be argued that the EU is now more constructively involved with SEE being a) more committed regarding the European integration of the countries in the region, b) better informed on the regional and local specificities and necessities and c) more focused in its developmental strategy in the Balkans. More importantly, the new EU approach emphasises the process of reconciliation and integration rather than the final status of the countries and areas involved. The latest involvement in the constitutional dispute between Serbia and Montenegro, its dynamic and timely intervention in FYR Macedonia and its gradualist approach in Kosovo seem to suggest that the EU is not interested in the recognition of new states and new borders but is trying instead to introduce regional cooperation and functional/soft borders based on free trade, infrastructural connections, the combat of criminal networks, the return of refugees and the advancement of political, social and cultural exchanges.

#### **IV. REGIONAL COOPERATION IN CENTRAL EUROPE AND THE BALTICS**

The 'new regionalist' trend produced other similar regional sub-groupings in the European continent. Two regions stand out as comparable in some respects with SEE, in terms of similar communist experiences, similar geographical proximity to Western Europe and similar external orientations of their political and economic elites: Central Europe and the Baltic countries. By and large, both regions are regarded as more promising and forward looking than the region of SEE. Moreover, their current level of

integration with the EU is more advanced and their countries are able to achieve an earlier membership than the countries in SEE. In terms of their own cooperation at a regional level, the Central European and the Baltic countries have recorded some positive performances, which have contributed to the creation of more secure regional environments, on the one hand, and to their European common goals, on the other. In that respect, one could draw some lessons from a comparison with these post-communist regional sub-groupings, bearing also in mind the significant differences between the different regional configurations.

The Visegrad Group came into being under rather unique circumstances created by the collapse of communism and the end of the Cold War. Like the rest of former communist countries, its founding members Poland, Czechoslovakia and Hungary faced the challenge of transforming their economic and political systems along the lines of market based pluralist democracies, while re-positioning themselves in the emerging world order in which ideological divisions ceased to exist. The demise of various schemes, which linked the former communist countries politically, economically and militarily, was expedited by the fragmentation of the Soviet Union. In the void created by the confluence of these events, the idea of a “co-ordinated return to Europe” was first proposed by Vaclav Havel, the then president of Czechoslovakia (Krzywicki, 2000). Thus, the overwhelming motive for these three countries’ coming together at this particular historical junction was to serve as an informal pressure group to secure their rapprochement with Western Europe and a definite exit from the Soviet sphere of influence (in early 1990s the Soviet Union was still trying to resurrect some of the structures that kept the Soviet block together for almost 50 years). Mutual cooperation in the development of market economy, consolidation of democracy and integration into the Euro-Atlantic structures became the main common objectives of the post-communist political elites in all Central European countries. From the start, Visegrad Group member states made it clear that mutual relations were to be conducted only within the framework of prospective European Union membership and that no other form of sub-regional or regional integration would be considered.<sup>16</sup>

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<sup>16</sup> 2001 Annual Report of the Activities of the Visegrad Group, [www.visegrad.org](http://www.visegrad.org)

The Visegrad Group included countries geographically close to each other and fairly homogenous in terms of economic and political developments as well as cultural and historical traditions. Its political elites recognized early into the transition process the importance of preserving and developing mutual links to ease the economic strain created by the transition and to facilitate their respective countries' move towards a common goal of EU membership. Thus, unlike many subsequent regional initiatives, it was to a large extent an initiative that came from within these countries, as an expression of a political will to develop channels of communication to the benefit of each of the member states. As such, it was welcome by the external players, the EU in particular, which came forward with a uniform approach to assisting reforms in these countries.

Despite the internal political will and the common external policy orientations, regional cooperation within the Visegrad Group envisaged some significant difficulties during its formative years. The break up of the Czech-Slovak Federation, the antagonistic policies of Vladimir Meciar's government in Slovakia, the reserved attitude of the Czech government during Vaclav Klaus' term in office and EU ambiguity regarding its policy of enlargement were some of the key factors which kept political cooperation and policy co-ordination among member states from developing more strongly between 1992-1998. Moreover, there was always a prevailing sentiment of suspicion and dilemma, regarding the compatibility between Central European sub-regional cooperation with the goal of European integration. But, in spite of these difficulties, the political dialogue among the member states continued, not least because the EU maintained its support to regional cooperation as part of its strategy of bringing these countries closer to its fold. The mood for closer cooperation was intensified as the accession prospects for Hungary, the Czech Republic and Poland assumed more definite direction in the second half of the 1990s and with the new governments in both the Czech Republic and Slovakia, the Visegrad Group was given a new impetus. Since 1999, following the adoption of a document "The Content of Visegrad Cooperation"<sup>17</sup> intense activity has ensued based on regular meetings of representatives of the four countries. The main areas of cooperation include

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<sup>17</sup> 'The Content of Visegrad Co-operation' was adopted at a meeting of prime and foreign ministers of the Visegrad Four held in Bratislava on 14 May 1999.

foreign and internal policies, education, culture, social affairs, science and technology, environment, sport, infrastructure and trans-border cooperation. The rhetoric from the highest official fora is one of shared recognition that mutual cooperation is beneficial to member states and that their association within Visegrad framework gives them an additional mechanism to pursue their foreign policy agendas.<sup>18</sup>

Cooperation in economic matters does not feature in the Visegrad Four agenda since it takes place within the CEFTA framework, which was established by the Visegrad Group member states in 1993 and has subsequently expanded to include other members. Progress in economic cooperation, which has taken place within CEFTA, has been an important element in the revival of Visegrad Four forum by connecting the economies and establishing channels and culture of inter-governmental communication different from those prevailing while still part of the COMECON group. Thus, to some extent it was an affirmation of a functionalist approach to regional cooperation.

CEFTA got off the ground primarily as a response to Western insistence that countries aspiring to European Union membership had to co-operate among themselves. Another perhaps more sinister reason was to do with a pressing need to address these countries' difficult economic situation at the start of the transition process, aggravated by the severance of economic links within the COMECON framework. The similarity in economic structure and exports and the depressed state of the member countries' economies at the time of CEFTA's initiation were not particularly conducive to cooperation. The scope and the intensity of cooperation were further determined by the countries re-orientation of trade towards the EU, the different national approaches to economic reforms and, at a later stage, individual differences in the course of negotiations with the EU. To a large degree relations within CEFTA have been saddled by a similar problem to that of the Visegrad Four i.e. whether the role of CEFTA is to expand the mutual trade among its members or to facilitate their entry into the EU. This is why CEFTA has remained focused on creating a free trade area among its member countries, dismissing any suggestions of deeper integration. Overall, the policies of the

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<sup>18</sup> To back this up, although the Visegrad Group provides primarily a forum for co-operation at the level of ministers of foreign affairs, the revived initiative has made a point of informal meetings of the heads of states becoming a regular activity.

EU have had a favourable impact on CEFTA, which has become to be seen as an important pre-accession instrument (Dangerfield, 2000). Thus, the political importance of CEFTA -as the growing interest for memberships seems to suggest - may have finally outweighed its economic importance. It has contributed greatly to a heightened sense of togetherness and a shared European future for the Visegrad Group of countries and an increased degree of solidarity among its members in their European integration efforts. In spite of its own weaknesses and a fair share of problems, the Visegrad Group and CEFTA remain an example of successful regional cooperation underpinned by an internal consensus and facilitated by favourable external environment.

Similar favourable factors have contributed to the even more successful case of sub-regional cooperation among the Baltic countries. Despite their close geographic proximity, and the fact that they were a part of the Soviet Union, the direct links among the three Baltic states -Estonia, Latvia and Lithuania- particularly in economic terms, were rather weak at the time of their independence. In terms of population the region is small, yet diverse, in terms of language, religion, history and political preferences. Each of the three countries is home to a large non-indigenous population. Because of their smallness and delicate geopolitics, once the three countries became independent states, security concerns played pivotal role in their strategy to re-position themselves in the post-bipolar world order. A joint search for a new security framework provided an important impetus for closer regional cooperation among the three Baltic countries. Right from the start solidarity for the cause of EU integration was stated as one of the principles of mutual cooperation.

A genuine political consensus has been conducive to the intensification of regional cooperation in various fields. The goals of cooperation have been clearly set and the point is made that regional integration and integration into Euro-Atlantic structures are mutually reinforcing processes. However the differences in the individual countries' relations with the European Union have at times created tensions, particularly as Estonia a front runner in terms of EU required reforms feared that deeper integration within the region could delay its accession into the EU. Yet, the existence of different fora for

discussing the countries' concerns and a clear interest in developing the region as a distinct whole has kept the cooperation developing. Furthermore, the Baltic states' involvement in other initiatives such as the Council of the Baltic Sea States, whose members are both EU and non-EU members, have had an important role in bringing the three states closer together within a wider regional integration framework.

Among the most developed areas of cooperation are defence, energy and education, where important advances have been made in creating common defence policy, common energy market and common educational space. Cooperation is also advanced in infrastructure, environment, social affairs, customs and border regime and has expanded into other areas such as information technology. In 1994, a Baltic Free Trade Area agreement was signed to prevent further fragmentation of the market initiated by the dissolution of the Soviet Union and to strengthen Baltic economies on their way to the accession to the European Union. It was also envisaged that the free trade area would eventually develop into customs union. The free trade area has had some trade creation effect but the EU remains the main trading partner. In 1997, the Baltic Free Trade Area extended from industrial to agricultural product, as well, which suggests a move towards deeper integration than is the case in CEFTA framework (Lejins,1997).

Overall, the scope and the extent of regional cooperation among the Baltic states are more developed than those under the Visegrad Group and CEFTA framework. Both groupings illustrate the importance of the internal political consensus over the key issues of regional cooperation and favourable external conditions as factors essential for a fruitful regional cooperation. The fact that neither group of countries is prepared to further institutionalise their cooperation by creating a permanent body to support these initiatives would suggest that the role of regional cooperation is perceived primarily in terms of facilitating closer relations with the European Union. In that sense the future of these initiatives, once their member countries join the EU, remains uncertain.

## **V. LOCAL PERCEPTIONS IN SOUTH EAST EUROPE**

The regional picture in SEE has been different from the Central European and the Baltic contexts. As already discussed, the process of regional cooperation has been hampered by major security and ethnic obstacles, political and economic impediments. During the 1990s, consecutive wars in the former Yugoslav region made regional cooperation almost unthinkable and, at the same time, increased its urgency and necessity. For its part, the international community, acted in an ambiguous way, despite its close involvement and the rhetoric of a policy of cooperation in the region. Against this negative background, the potential for regional cooperation has gained a new momentum, following the more committed EU approach and the significant domestic political changes in the region (fall of the nationalist and authoritarian regimes in Croatia and Serbia, transfer of Milosevic and other indicted war criminals to the Hague Tribunal, election of more moderate political forces in Croatia, Yugoslavia, BiH and Kosovo). At the same time, the short eruption of yet another ethnic war in FYR Macedonia, the undefined status of Kosovo and Montenegro, the delicate post-Dayton ethnic and constitutional balance in Bosnia-Herzegovina or the endurance of extremist forces in most of the countries in the region and the underdeveloped economic structures constitute the major challenges in the process of regional cooperation.

The current regional landscape is therefore marked by conflicting indicators; some hopeful signs of normalisation of the political, economic and social life and the rise of more moderate forces in internal politics, on the one hand; ethnic mistrust, discrimination and lingering territorial claims amid undefined and confusing borders, on the other. While Balkan developments have ceased to be of prime international concern, there is still a grounded fear of regression to the situation of the 1990s. It is widely believed that the current peace and stability in the region has more to do with the presence of the international military and police in BiH, Kosovo and FYR Macedonia rather than with the actual success of regional initiatives or the readiness of the local elites to cooperate. Yet, as the following fieldwork will suggest, there is currently a local rhetoric which favours regional cooperation across countries and across sectors. Local elites seem to be

willing to cooperate on the basis of some concrete projects and expected benefits. Recognising predominantly the necessity for international assistance, the various elites are stressing also the need for a local approach to regional issues and a regional input in the adoption and implementation of regional initiatives. But while there is a clear impetus and a more positive will to cooperate, the local elites are also aware of the main obstacles to cooperation and of the fact that the region has been drifting at the periphery of Europe. This following part of the project is based on interviews, discussions and questionnaires addressed to the local elites regarding their perceptions and attitudes on the notion of regionness, the content of regional cooperation, the incentives and obstacles to regional cooperation, the assessment of regional initiatives and the goal of European integration. This presentation is based (a) on a general and comparative regional analysis of the above-mentioned themes and (b) on country reports.

## **V.1 REGIONAL ANALYSIS**

### **The notion of regionness**

The sense of belonging to a particular regional community and the way the region is defined by the local actors is central for the development of any regional strategy; a regional identity can be formed based on some shared assumptions and understandings of their regional, extra-regional and international realities. It is therefore important to discuss, at a first level, how the region of SEE is perceived by the local elites and to what extent they feel that their country is part of the same region.

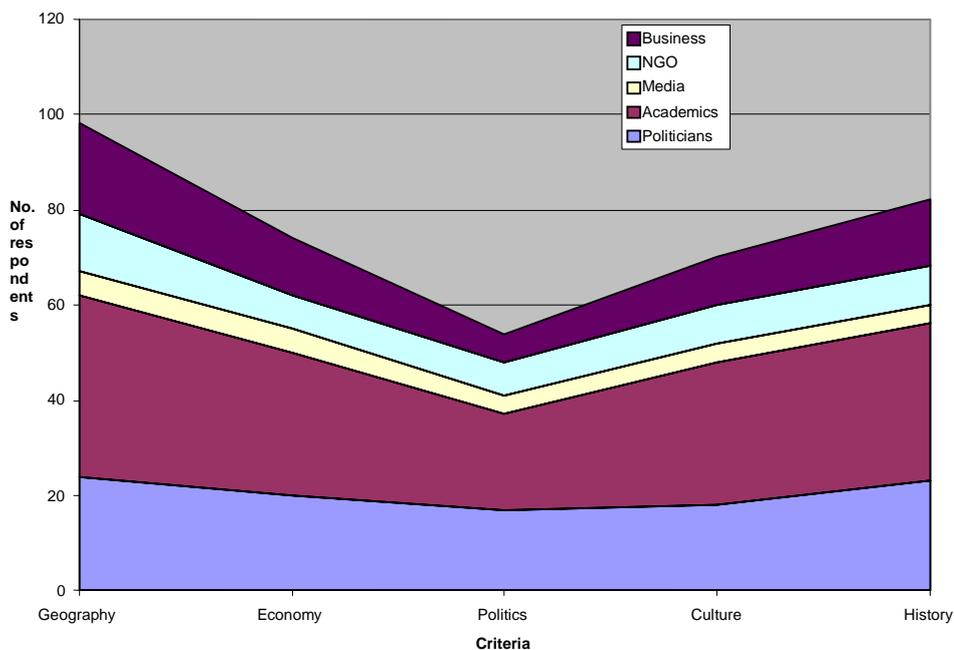
Those involved in the survey were asked to state whether in their opinion their country was a part of the region of SEE and in what sense. An overwhelming 93% stated that their country did belong to the region of SEE, while the answer was negative in the 7% of cases. The acceptance of the notion of the region of SEE is by far the strongest among representatives of the business community - a 100% of those questioned replied positively, followed by academics (95%), NGOs (91%), politicians (88%) and media (87%).

The notion of the region of SEE is most strongly supported by the respondents in FR Yugoslavia (Serbia and Montenegro), FYR Macedonia and Bulgaria and less so by those in Croatia, Albania, BiH and Romania. The region is predominantly conceived in geographic and historical terms (25.5% and 21.8%, respectively, of the total number of answers received). Some 19.6% of the respondents think of SEE region in economic terms, followed by 18.6% who perceive it in cultural terms and a mere 14.4% think of the region as a common political community.

What is interesting to note is that there is no shared notion of a region, which is clearly revealed when the interviewees and respondents are asked to identify the countries making up the region. While physical proximity appears to be the main variable in the definition of the region, other considerations, politics in particular (both in its local as well as foreign dimension), also play an important role. Thus, the encirclement of the countries belonging to the region according to these particular criteria differs. For example, Slovenia, Turkey and Greece and, to a lesser extent, Moldavia and Hungary are frequently identified as being part of the region. It is recognised, however, that all of these countries differ in their levels of political and economic developments and their degree of integration with the EU. In some of the countries covered by this research, especially among the political elites there is a tendency to distance their countries from the unstable zones in their immediate vicinity i.e. BiH, Kosovo, FYR Macedonia and Albania. The main reason is the desire to be perceived by the external players, such as the EU, as different and more advanced and to secure separate lines of mutual communication and engagement. Having said that the common communist experience is the main variable in defining the region of SEE, the different national communist experiences between Albania, SFR Yugoslavia, Bulgaria and Romania are clearly acknowledged. Moreover, the post-communist case of Slovenia is recognised by most respondents as a case apart, a successful model to be associated within the regional perspective.

The particular perceptions of the region differ in instrumental terms among the various segments of the elites. Political elites are keen on using the notion of the region as this broadens the framework of communication with the EU and wider international community. The academic and cultural elites in each of the countries concerned project their own vision of the region, which is often history laden and aimed at asserting one nation's superiority over others (e.g. Serbs over Bulgarians or vice versa). The economic elites, although condoning the view that the region is a reality, lack consistent and continuous interest in the region, thus blurring the significance of the notion of SEE for their own business purposes. Despite an interest to expand into the markets of the neighbouring countries and to invest there, the many obstacles and risks associated with doing business in the region drive business away to other locations, principally the EU. The NGOs are often by the very nature of their role pushed into accepting a particular regional framework in performing their activities, which may differ according to the source of funding and the terms of reference. Moreover, they tend to keep their allegiances to their parent organizations, which are predominantly Western-based NGOs, which makes them more controversial social actors in terms of having a clear notion of regionness (see Chart 1).

**Chart 1: Criteria of regionness**



The confused definition of the region is partly the result of the history of this part of Europe, which as such has never had a clear political identity. In distant past it was always incorporated into a larger political entity (Austro-Hungarian, Ottoman empires), which prevented it from developing into a more homogenous and independent economic and political space. For most of the post World War II period, it was politically and, to a large extent, economically divided between those countries belonging to the COMECON, the EU and the non-aligned movement. Most recently the referent framework has become that of the individual countries' status in relation to the EU, which again, other than in a very long run, has made the notion of the region a great deal more elusive. Various international initiatives directed at the countries in this part of Europe, involving their own definitions of the region and terminology, have additionally contributed to the existing local confusion.

The locals assert that how the external players define the region is primarily determined by their own agendas, which are often contradictory. The use of the different notions of the 'South East Europe', 'Balkans' or 'Western Balkans' plays into the hands of those who claim that the region is a product of political engineering pursued to fit the external players own goals, rather than a reality to be reckoned with. The high profile assigned to the issue of regional cooperation by the external players seems to have almost imposed a regional discourse among the local elites to the extent that some of them asserted that it simply had to be taken as given. Others have argued that insisting on a separate Balkan identity in effect reinforces divisions within Europe.

- All this suggests that a shared notion of the region of SEE, or the Balkans for that matter, is largely missing among the elites. It is believed that SEE is not a region in the contemporary new regionalist sense nor is it a region in the making. Instead there exists a number of often contradictory perceptions of what this region might be, which to some extent is counterproductive for furthering regional cooperation. The principal criterion on which the notion of the region is conceived is geographic proximity. Yet, geographical borders of the region are not defined as

such. Historical heritage and current political orientation (but also economic and cultural influence) of the individual countries have an important influence on where the borders of the region are set. Although at the level of the elites, political in particular, there is a tendency to maintain an equal distance towards all the countries in one's neighbourhood, factors such as culture and religion play a role in shaping up the affinities among the individual countries (e.g. Bulgaria, Romania, Serbia and FYR Macedonia are seen as closer to each other than to Croatia or Albania). The notion of the region is more warmly embraced by the representatives of academia, business and NGOs than by the politicians and media representatives. This reflects the highly politicised role that regional cooperation plays at this historical juncture, particularly in an area such as South East Europe, very much in flux in terms of where it will eventually anchor itself in political, economic or even civilisation terms. The process of self-definition is ongoing among the countries and societies in South East Europe, which makes the potential of regional cooperation quite uncertain. There is certainly no common regional identity that could serve as the basis for more comprehensive regional cooperation. The notion of regionness varies from country to country and it is mostly seen to be imposed by outside forces.

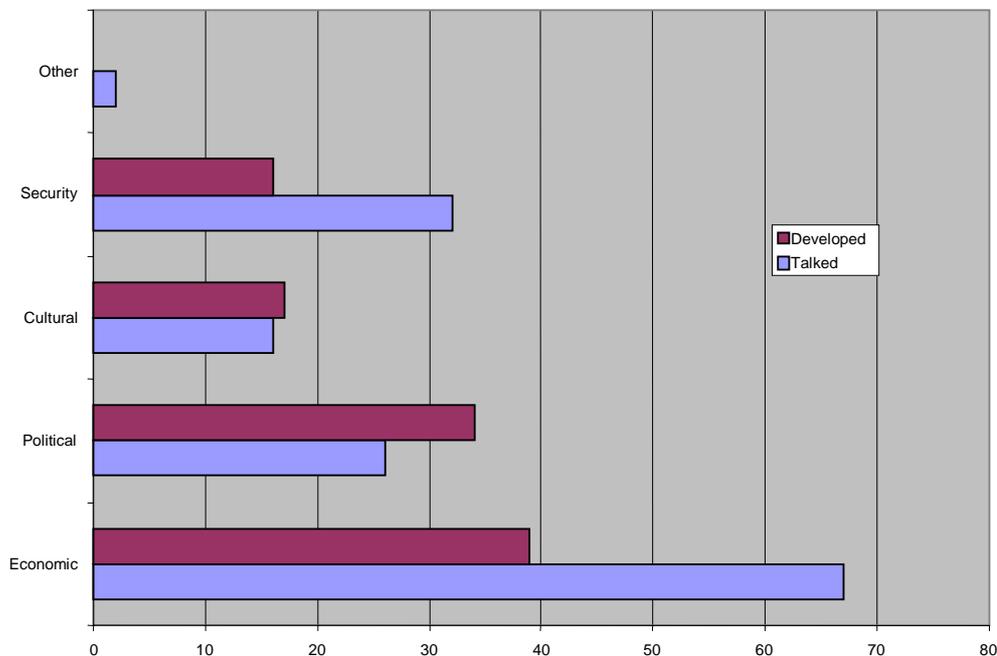
### **The content of regional cooperation**

In general, the issue of regional cooperation does not feature as a regular topic in media reporting in all the countries included in this research. One plausible explanation could be that the countries concerned are overwhelmed by their internal problems, which weakens their awareness of regional and global issues. The issue of regional cooperation is more prominent in the former Yugoslav countries, which has to do with their legacy and previous experience of belonging to a regional entity for some 70 years. It is against this background that the analysis of the content of regional cooperation has to be interpreted. The local people involved in the survey were asked to assess the actual and the potential content of regional cooperation. The actual content does not necessarily coincide with the reality of regional cooperation, it rather expresses the perceptions of the elites and the

way they interpret the reality. The potential regional cooperation denotes the aspirations of the elites, as active actors involved in the process of regional cooperation.

The economic aspects of regional cooperation receive most attention in the local discourse, according to 46% of the respondents, followed by security (21.7%), political (18%) and cultural aspects (12.5%). In Albania and Romania the emphasis seems to be more on security rather than economic issues, which is in line with a more cautious attitude towards the scope for regional cooperation observed in these two countries and the more distant nature of their relationship with the region. When assessing the actual level of regional economic cooperation, it is considered only slightly more developed than political cooperation (34.9% and 31.1%, respectively). This means that the elites appreciate the actual limited volume of economic cooperation. Security appears to be seen as the least developed aspect of regional cooperation, which is easily explicable given the recent past (see Chart 2).

**Chart 2: Perception of intensity of regional cooperation**  
(Which aspects of regional cooperation are most talked about/most developed?)



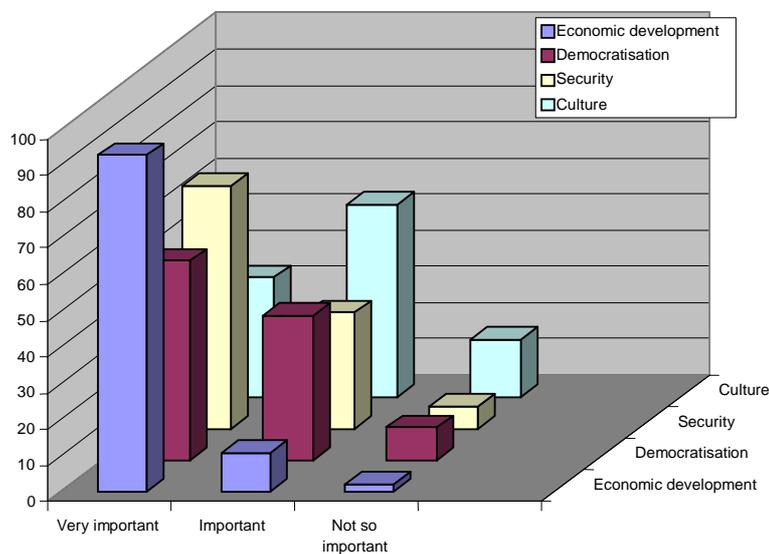
Again, there are some significant country variations. Political (parliamentary, diplomatic) aspects are considered more developed than economic ones by the Albanians and Romanians, whereas according to the respondents in FR Yugoslavia and FYR Macedonia, they are at about the same level. The former two countries have in the past had very limited economic links with the rest of the countries covered by the research and more emphasis on political aspects of cooperation seems logical. In addition their responses are in tune with the importance attached to regional security concerns. The view in BiH, Croatia and Bulgaria is that economic aspects of cooperation are slightly more developed than cooperation in the political sphere. This is an implicit recognition of the difficulties in establishing a genuine political dialogue in the region.

Most respondents believe that their country can benefit the most from the cooperation in trade (22.4%), transport (21.4%), energy (16.5%) and telecommunications (13.5%). The biggest potential for the intensification of regional cooperation is in transport - 21.6% compared to 18.6% in favour of trade -, which is in line with the international emphasis on these areas in much of the literature on the region. However, rather than seen as a functional approach to fostering regional integration, infrastructure seems to be a particularly attractive area for cooperation because of its potential to spur economic activity. Reviving economic activity and sustaining growth is a major issue for all of the economies under consideration. It is interesting to note that as high as 13.2% of the respondents believe that regional cooperation in the sphere of civil society is potentially beneficial to their countries. This suggests a growing recognition of the role that civic activities can play in an area placated with conflict and in societies which have traditionally lacked such activities. The emphasis on civil society regional projects appears more emphatically in countries like Croatia, Serbia or Bulgaria, where civil society has a more influential role.

Overall, there appears to be a lack of clear understanding of the role of regional cooperation and what it should achieve in the economic, political, cultural and security domains. This is particularly the case at the level of political elites and less so in academia, business, media and the NGO segment. Political elites by the nature of their

role and profession want to appear more encompassing and ambitious in their outlook, which makes it more difficult to narrow down and specify the goals of cooperation, unlike actors in other areas which are more focused. While it is tempting to conclude that the lowest common denominator seems to be an understanding of cooperation in terms of facilitating free movement of people, capital and goods, the actual situation is more complicated. This is corroborated by the replies to the question on the importance of various aspects of regional cooperation. Some 25% of the answers received, rate economic development as a 'very important' or 'important' aspect of regional cooperation, followed by security (23.7%), democratisation (22.6%) and culture (20.6%). The findings would suggest that in the SEE context, all aspects of regional cooperation are viewed as deserving attention and are to a certain extent complementary (see Chart 3).

**Chart 3: Importance of regional cooperation**



While the international community recognises this fact in its approach to the region as manifested through the various regional initiatives, in reality there is an overwhelming emphasis on infrastructure where needs are more easily identifiable and the implementation of the assistance is more straightforward. Given the above divided

opinion regarding the importance of various aspects of cooperation there are however different views regarding international support to regional cooperation. Some argue that economic cooperation will proceed inevitably and no external support is needed. Instead more support should be placed to the development of cultural cooperation and democratisation. On the opposite end are those who believe that economic cooperation should be supported and that democratisation would take its own course in each of the countries; they too recognise the importance of cultural cooperation. Almost without exception, the fieldwork reveals an absence of clear agenda for regional cooperation among all segments of the elites and a lack of identifiable priorities. Low capacity of the local elites to formulate their own interests in pursuing regional cooperation is additionally aggravated by a glaring paucity of information regarding the potential for regional cooperation regardless of field<sup>19</sup>.

The economic is perceived as the most prominent aspect of regional cooperation among the countries of South East Europe both in potential and actual terms. This reflects first of all the overwhelming impact economic concerns bear on all of the countries covered by the research as well as an understanding that cooperation has to be based on clearly defined interests and benefits, which are more easily identified in the economic sphere. It also reveals strong aversion towards any form of deeper institutionalisation of the relations among the countries in the region, which during communist times was done primarily on ideological grounds. Moreover, it is linked with the priority of economic anxieties at a personal level in societies hit by high levels of unemployment and poverty. While, the importance of stability and security in the region is recognised, there seems to be limited interest in how countries can individually contribute towards this goal. Although the extent of cooperation is on the whole insufficient, discussions with the elites' representatives suggest that on the ground there has recently been some progress. Information is particularly scant regarding the existing cooperation in areas such as NGOs, youth and academic networks, activities in the SME sector etc. Some of these

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<sup>19</sup> There are some notable attempts to fill this gap such as the activities undertaken by the Balkans Chamber of Commerce Association (under the auspices of the Black Sea Economic Cooperation initiative) and the Association for Small and Medium Enterprises aimed to provide information on business opportunities in the region.

activities are initiated and supported by foreign actors and some are genuine local grass root initiatives, which receive little attention from the official fora.

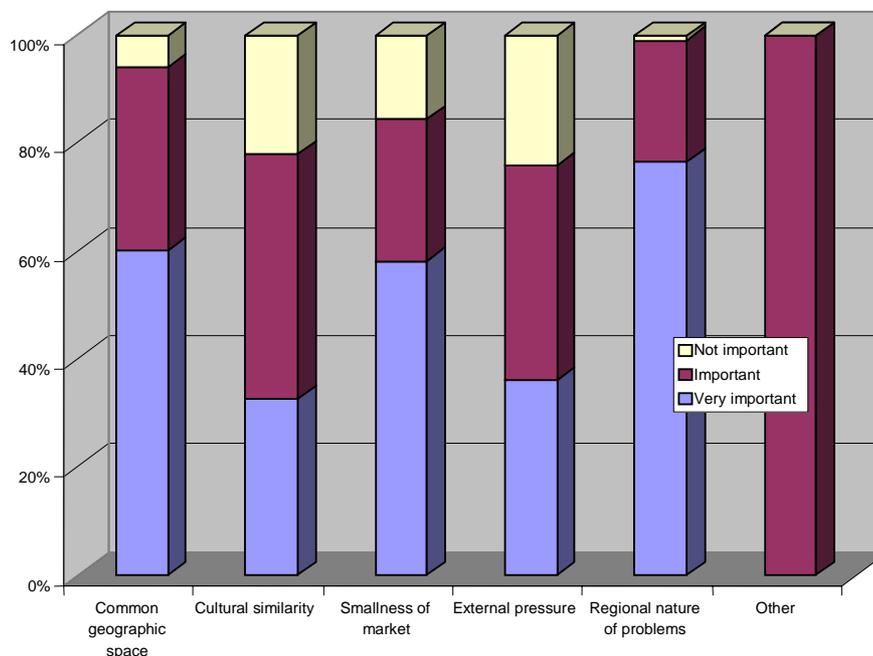
- Regional cooperation is generally not given sufficient attention in the discourse and practical engagement of any of the elites' segments. While there is an overall emphasis on economic aspects, the prevailing perception is that the existing levels of economic cooperation are not significantly developed; cooperation on security matters is seen as the least developed of all. Given the complexity of the political, economic and security situation in the region it is recognised that all aspects of regional cooperation deserve attention. However, the emphasis on economic aspects and infrastructure in particular, primarily reflects concerns of being pushed deeper into a kind of Balkan integration, which could de-rail the countries of South East Europe from their orientation towards closer integration with the EU. Focus on the economic aspects of cooperation is clearly acceptable to all countries concerned but how it can be applied to address other areas in which cooperation could be beneficial is not clear. The official discourse on regional cooperation fails to take into account the existing and potential cooperation at the grass-root level, which to a large extent explains why high- level contacts rarely translate into substantial activities.

### **Incentives to regional cooperation**

Geographic proximity is most frequently cited as a factor conducive to regional cooperation, followed by the regional nature of current problems. The latter refers to issues such as underdeveloped infrastructure, environmental problems, border controls or organized crime, which by their very nature require involvement of all the countries situated at a certain geographic space. In actual fact, the regional nature of current problems appears as the most important factor in promulgating regional cooperation - (28.5%) of the answers compared to common geographic space (24%). This reveals a heightened sense among the elites of the fact that many problems the countries are facing do have a regional dimension which is perceived to be among the prime motives for

cooperation. The smallness of the individual markets and the potential for expansion through cooperation with other countries in the near abroad is another important factor conducive to greater cooperation (the economies of scale argument). Greater cooperation is particularly relevant with a view to attracting foreign investment, which as a rule have an outreach that extends beyond the borders of the market at the first point of entry. Cultural similarities are perceived in principle as playing an important role by 17.3% of the respondents; however, the percentage of those who actually believe that culture is less important in fostering cooperation is higher (20%). This finding is in tune with a negative connotation of the region found among wide sections of the population, which leads to a natural reaction of wanting to distance oneself from the region. It is also indicative of an attitude that cooperation ought to be viewed in purely practical terms, based on clearly identified interests of all parties involved. This latter point is reinforced by a frequent response, particularly among the political elites, that there is no preference to cooperation with any particular country in South East Europe (see Chart 4).

**Chart 4: Factors conducive to regional cooperation**



There are some important country variations in the perceptions of the factors conducive to regional cooperation. In Serbia and Montenegro, most respondents see culture as a factor conducive to cooperation unlike in Croatia where common cultural heritage is disputed by a number of respondents. This can be partly explained by the recent experience of conflict between the two countries and a strong impact that the regime of Franjo Tudjman has had on reinserting a distinct Croat cultural identity. Historically, Croatia has had a strong affinity with Central Europe, which has to some extent been downplayed during the communist era and which is now trying to reappear. On the other hand, a similar dichotomy is found between Bulgaria and Albania, in that the element of culture is generally recognised by the former as playing a part in furthering regional cooperation, while Albanians see little commonality in cultural terms with the other nations concerned. Common language in most of the former Yugoslav successor states is perceived as contributing potentially to greater cooperation.

An interesting and rather controversial finding is that external pressure is not perceived to be such an important factor in facilitating regional cooperation. Out of the five most important factors conducive to cooperation identified in the course of the research it ranks fourth, after the regional nature of current problems, common geographic space and the smallness of the market. This is in contradiction with a high level of support among the respondents to the conditionality accompanying international assistance to the region. The discrepancy can be explained by the controversial role that conditionality plays as part and parcel of the existing system of international assistance. While there is recognition that unconditional aid is not an option, at the same time conditionality is accepted reluctantly and often under great pressure from the donors. The public is rarely made aware of the political objectives behind the aid. Rather, giving in to the external pressures is presented primarily as an act that is necessary for securing the aid. In that respect, the actual impact of international assistance on the society of the beneficiary country falls short of the intention of the donors. Thus, in practical terms, while there seems to be plenty of evidence that conditionality works, its true impact on inciting a genuine process of change in the countries benefiting from assistance is an ambiguous one at best. Another explanation of why external pressure is seen as less important a

factor in promoting regional cooperation is related to the fact that the external intervention is seen by the local elites as an infringement of national sovereignty. This is a sensitive issue in a situation when some of the countries have only recently asserted their independent statehood. Moreover, the fact that individual countries in the region are seen to have different Western countries as their main partners or patrons, namely Germany with respect to Croatia, USA with respect to Kosovo and BiH, France with respect to Serbia and Romania, Greece with respect to Serbia, runs at times counter to supporting a regional momentum and diminishes the validity of the external factor as conducive to regional cooperation.

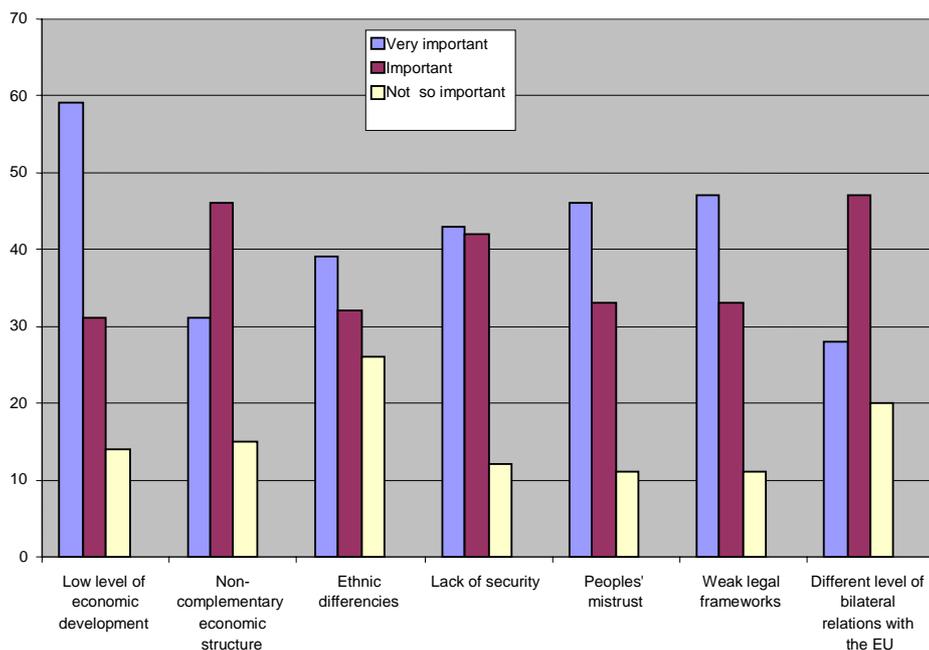
- Geographic proximity and the regional nature of problems feature as those factors most conducive to greater regional cooperation. Both reveal the real necessity to overcome problems at a regional level among countries that happen to be part of a common geographical space. They do not, however, suggest an active desire to associate with regional neighbours from a positive perspective with the exception of neighbouring EU countries like Greece and Italy or successful EU candidate countries like Slovenia or Hungary. It is indicative that all of the countries in the region tend to criticise the mentality and political culture of their neighbours and never praise any of their achievements. Rather, the specificity of the Balkans is that its post-1989 history and its repositioning within the international economic and political order offset the relevance of the geographic proximity in pursuing closer cooperation; instead the centrifugal effect seems to be more pronounced.

### **Obstacles to regional cooperation**

The low level of economic development is the most frequently cited constraint to greater cooperation among the countries covered by the research (16% of the total), followed by the lack of security (15.2%) and weak legal frameworks (14.5%). 13.9% respondents perceive non-complementary economic structures and peoples' mistrust as being deterrents to regional cooperation; slightly less important a constraint is the different level of bilateral relations with the EU (13.4%). Despite the recent experience of wars in

the region, which have had a marked ethnic dimension, ethnic differences are perceived as the least important constraint to regional cooperation (12.7%).<sup>20</sup> This last point is particularly interesting and reveals a certain discrepancy with the predominant international perception (see Chart 5).

**Chart 5: Obstacles to regional cooperation**



There are national variations in the perceptions of obstacles. In Albania, the lack of security is perceived as the most important obstacle to cooperation, while in Bosnia-Herzegovina and Bulgaria low levels of economic development are seen as by far the strongest deterrent to cooperation. The weak legal frameworks is perceived as the most important obstacle to regional cooperation in Serbia and Montenegro. In Croatia, FYR Macedonia and Romania there is no single factor as such that poses an overwhelming constraint to regional cooperation; rather a number of factors are considered as equally important in obstructing cooperation. The particular way in which the international

<sup>20</sup> There is plenty of evidence supporting this finding. A well-known example of co-operation between Bosnian Serbs, Bosnian Croats and Bosniacs, who until 1995 fought each other, is the Arizona market in North Western Bosnia-Herzegovina. Located at the inter-entity boundary line it has become a booming trading post for people from all over the region. Another example is a market in Tuzi in Southern Serbia.

community has engaged in FR Yugoslavia over the last decade has resulted in the negative perceptions of its role among a wide section of the elites. The fieldwork suggests that there exists a degree of reluctance to closer regional cooperation in part because of a fear that it might give Serbia a chance to reinsert itself as a regional power. The opposite view that closer regional cooperation could actually work to anchor Serbia within the region in a more constructive way is much less present. The breakdown by sectors reveals that the low level of economic development is considered to be the strongest constraint to cooperation primarily by the political and business elites, whereas for the academics it is the lack of security and weak legal frameworks that hamper more intense cooperation. Both, media as well as NGO representatives believe that low levels of economic development, lack of complementary economic structure and the lack of security are equally strong deterrents to regional cooperation.

In the course of the interviews the unwillingness of the political elites and the lack of the political vision have often been cited as an important barrier to cooperation. Among some of the elites, there seems to be a fear of the political consequences, which might follow from the programmes of cross-border cooperation, given that most countries de facto border with their own majority ethnic group, which is typically a minority in a neighbouring country. One of the specificities of this part of Europe has been that the spread of ethnic minorities has worked rather as a barrier than as a bridge to closer cooperation (e.g. the Albanians in FYR Macedonia, the Serbs in Croatia or the Turks in Bulgaria). The political elites are not perceived to be genuinely interested in regional cooperation and there seems to be little trust in their ability to foster regional cooperation within the region.

The lack of a functioning states in Bosnia-Herzegovina, Albania, Kosovo and FYR Macedonia feature as strong deterrents to furthering regional cooperation. This view is particularly strong in Croatia and Bulgaria, which both perceive themselves as advanced in terms of institutional development. Widespread corruption as a corollary to weak state and the interests by the parts of the commercial elites, often involved in extra-legal activities and well connected to the governing structures, to maintain a degree of tension

and animosity among the countries also play a part in preventing closer regional cooperation, especially in FYR Macedonia. Related to this is a lack of social capital, which has suffered disproportionately from the recent events of the past 15 years, thus presenting another obstacle to the normalization of the relations within the region.

Business elites, for their part, identify the poor state of infrastructure in the region<sup>21</sup> and the diversity of legislation as major impediments to cooperation. Not only is the region geographically isolated due to underdeveloped infrastructure but also communication routes within the region are poor, thus restricting the movement of people and goods. Complicated bureaucratic procedures and a lack of trust in the payment systems are equally not conducive to more intense business cooperation.<sup>22</sup> Another important constraint is the low technological base of most companies and a lack of capital, which makes foreign, especially multinational companies, more attractive partners. Representatives of the business elites have often emphasized in the course of the interviews that the lack of political will on behalf of the governments in the region aggravates their efforts towards cooperation.<sup>23</sup>

- The main obstacles to cooperation can be roughly grouped into the objective/structural conditions originating from the low levels of political, economic and social development and the conjunctural conditions related to the lack of genuine political will to strengthen this aspect of their countries' external policy. The perception of negative attitudes or even incapable elites clearly shows the lack of respect for the governing elites as well as a low level of trust towards the way democratic regimes operate in the countries of the region. Ethnic hatred, frequently cited in the literature on the region does not appear to be a particularly strong deterrent to better cooperation. Having said that, the current climate of multiple obstacles has forced capable and knowledgeable local individuals to flee

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<sup>21</sup> There are still no regular flight connections among the main cities in the region; instead, the travel is indirect via one of the West European countries. Travelling by road or train is lengthy; the existence of many borders may add several hours to a journey.

<sup>22</sup> According to a recent study from five countries and territories (Albania, Bulgaria, Kosovo, FYR Macedonia and Montenegro) the payment system is rather anachronistic, one third of all payments to trade are claimed to be in cash. (Stanchev, 2002).

<sup>23</sup> A case in point is the existing visa regime between Croatia and Serbia, which makes business communication lengthy and puts off many interested businessmen.

from the region, thus weakening significantly the human capacity to contribute to a more constructive regional dynamic.

### Regional initiatives assessed

Despite the plethora of regional initiatives of which the countries in the region have become members (see following table), familiarity with them is generally low.

*Table: Participation of SEE Countries in regional initiatives*

Country	AII	BSEC	CEI	CEFTA	RP	SECI	SEECF	SP
Albania	+	+	+	-	+	+	+	+
BiH	+	-	+	-	+	+	+	+
Bulgaria	-	+	+	+	+	+	+	+
Croatia	+	-	+	-	+	+	O	+
FYR Macedonia	-	-	+	-	+	+	+	+
Romania	-	+	+	+	+	+	+	+
FR Yugoslavia	+	-	+	-	+	+	+	+

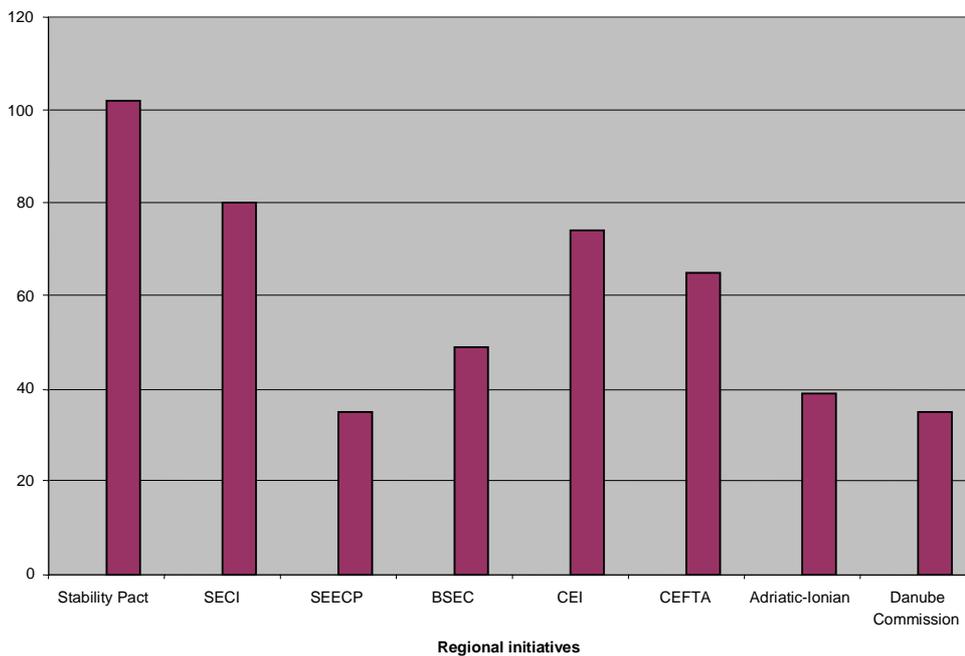
AII: Adriatic-Ionian Initiative; BSEC: Black Sea Economic Cooperation; CEI: Central European Initiative; CEFTA: Central European Free Trade Area; RP: Royaumont Process; SECI: Southeast Europe Cooperative Initiative; SEECF: South East European Cooperation Process; SP: Stability Pact for SEE  
 +: Participant; -: Non-Participant; O: Observer  
 Source: Lopandic, 2001

This is primarily attributed to the limited information available locally. According to 84% of the respondents, there is not enough information on regional initiatives. Consequently, the level of knowledge of the particular initiatives depends very much on the nature of one's job and one's drive and willingness to investigate the available schemes and options. The media report on regional initiatives only when there are high-level meetings or when there is a particular project concerning their own country with significant political repercussions.<sup>24</sup> The Stability Pact is the initiative mostly heard about (over 90%

<sup>24</sup> One example is a recent agreement between Romania and Bulgaria on the location of the bridge on the Danube.

of the respondents); yet few people have a clear understanding of what it is all about with the exception of those directly or indirectly connected to it (e.g. officials in the Ministry of Foreign Affairs). Only a very small number of respondents were able to name at least one or two of the most important initiatives undertaken thus far within the Stability Pact framework. Between 73% and 60% of respondents have heard of SECI, CEI and CEFTA; the least known regional initiatives are SEECP, Adriatic- Ionian, and BSEC (see Chart 6).

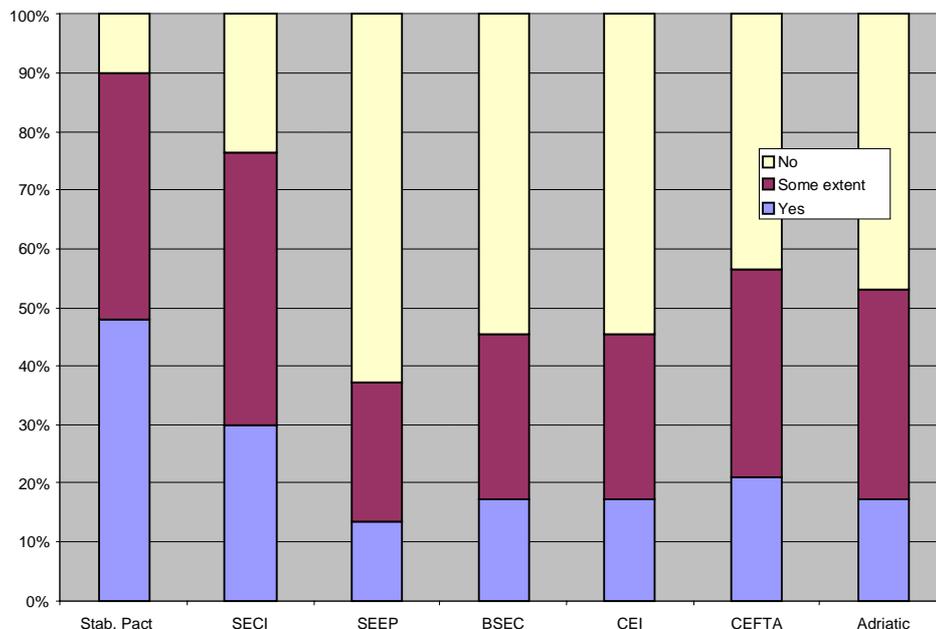
**Graph 6: Knowledge of regional initiatives**



There are country variations regarding the interest in the particular regional initiatives. For example, Bulgaria and Romania are more interested in the Black Sea Economic Cooperation than in the Stability Pact; Croatia is keener on pursuing its CEFTA membership than engaging more actively in the SEECP. Insufficient knowledge of the regional initiatives clearly affects the perceptions of their effectiveness. With regard to the Stability Pact, 46% of the respondents believe their country has benefited from this initiative, compared to 42% of those who think that it has benefited to some extent and 10% who believe that it has not had any benefits from this initiative. SECI, CEI and CEFTA are also believed to have been beneficial at least to some extent to the respondents' countries; as far as the remaining regional initiatives included in the

research are concerned, the view is that they have not had beneficial effect on the countries concerned (see Chart 7).

Graph 7: Benefits from participation in regional initiatives



There is a shared view that regional initiatives are to the benefit of some of the elites, while their impact on economic, social and political processes in member countries has been limited. Cooperation for instance at the level of civil society is fairly intense, yet the impact of various internationally supported schemes is rather limited. Within each society needs and difficulties differ and these schemes fail to consider this. Another common claim is that while some of the initiatives are well designed and focus on the right priorities, their implementation is generally poor. Over-bureaucratisation, lack of funding and too wide and often ill-defined agendas, are most frequently mentioned among the factors affecting the implementation of regional initiatives. Insufficient and inadequate involvement of the EU has been cited as another negative factor.

While most elites involved in this survey tend to think that the inclusion of different sets of countries in various regional initiatives is a useful approach, they believe that there is a

significant degree of overlap in their activities, which creates confusion when it comes to their implementation. Particular problems present those regional initiatives involving activities which to a large extent fall into a purview of long established international organisations. One example is that of the programmes of democratisation featuring prominently in some of the regional initiatives, democratisation being one of the main activities pursued under the auspices of the OSCE. This creates confusion and undermines the status and the impact of the programmes implemented within the regional initiatives framework.

Most respondents (60%) think that regional initiatives are overlapping, while some 30% believe that they are complementary. There is also a widespread view that regional initiatives are not connected, which puts strain on the local human and other resources these initiatives call for. Often the goals and the working methods of the regional initiatives are not well communicated, which in some cases such as the Stability Pact creates great (and sometimes exaggerated) expectations among the public. Very often the Stability Pact is perceived as yet another channel of getting international assistance, a perception which has contributed to the negative assessment of its effectiveness. Much less common is a perception of it as a process of identifying common issues for which regional solutions are required. This is why perhaps it has raised great expectations and subsequent disappointment. It overlaps with other initiatives, lacks consistency and co-ordination and therefore does not contribute much to a more appropriate regional approach that the EU has been talking about. Overall, the elites fail to see the added value of the Stability Pact, they claim they have not understood its real purpose. It has been suggested by some interviewees that realistically the Stability Pact could have the greatest impact on the development of infrastructure.

Although regional initiatives in SEE have predominantly originated outside the region, most respondents (33%) think that their country's involvement in the design of the initiatives has been important and some 21% believe it to have been very important. This response can be taken as largely referring to the Stability Pact as the best-known initiative. The fact that the Stability Pact has designated local co-ordinators plays a role in

the perception of the country's involvement in the design of this particular regional initiative. Still, as high as 43% of respondents think that their country's involvement in the design of regional initiatives has not been important or has been none whatsoever. That an overall lack of more detailed knowledge influences the elites' perceptions of regional initiatives is suggested by the fact that SEECF as the only recent initiative coming out of the region itself is among those least known.

- The goals, the contents and the mechanisms of regional initiatives involving the countries of South East Europe are insufficiently known among their elites. The lack of knowledge influences the perception of the actual impact these initiatives have on the society, which is largely seen as marginal. The Stability Pact is the most widely known regional initiative but the assessment of its effectiveness and the results achieved so far is overwhelmingly a negative one. Moreover, despite the talk of 'local ownership' and 'regional input' the single most important initiative generated from within the region (SEECF) is the least known to the elites.

### **Regional cooperation and European integration**

Integration into the European Union is a common goal shared by all the countries included in the research. It is clearly understood that closer integration with the EU is the only hope for a more positive future. This is why the EU is very popular among the elites in the region. The willingness to associate with the EU, determines, to a large degree, the importance attached to regional cooperation, which is to a limited degree perceived as having a value on its own. Thus, only 46% of all the respondents believe strongly that regional cooperation is a route to national and regional stability; at the same time, the percentage of those who are less supportive of this view is higher. In contrast, the view of regional cooperation as a springboard to European integration is overwhelming; some 86% of the respondents believe that regional cooperation is fostering their countries' prospects of joining the EU. This is in line with a high degree of consent regarding regional cooperation as a condition for Western Balkans' prospects of EU membership;

some 62% of the respondents support this type of conditionality. Only in Bulgaria the number of those who disagree with this condition exceed those in favour. In Croatia and Romania the number of those in favour is only slightly higher than those against, unlike in BiH, Serbia and Montenegro and FYR Macedonia where the support for this type of conditionality is much stronger. In some countries e.g. Croatia and until recently Bulgaria there is a fear among parts of the elites of regional cooperation being an alternative to European integration. Most, however, see it as generally complementary processes, provided that each country is assessed in its own right in terms of its readiness for the accession to the EU.

Integration into the EU is viewed as crucial for the long-term stability and prosperity of both individual countries as well as Southeastern Europe as a whole by an overwhelming majority of the respondents. Most see the SAAs as a suitable framework for the Western Balkan countries' accession to the EU (68% of the respondents). Some 28% of the respondents believe it is a delaying tactic on the part of the EU, which is not clear about the further course of enlargement; this view is most common among the academics. The ambiguity with respect to the suitability of the SAA is most pronounced in BiH and Croatia. As with regional initiatives in general, there is similarly a lack of information on SAAs as well as the EU CARDS programme. The EU is criticized, in general, for a lack of communication strategy of its policy towards individual Western Balkan countries.

- Regional cooperation is primarily approached in the context of European integration rather than as having a value of its own. The wars in the region have created objective barriers to cooperation from political, economic down to personal level, reinforcing countries' orientation to step up their links with the EU. The EU approach to regionalisation in this part of Europe has been seen as controversial. European integration and regional cooperation are two processes which are not very well connected in the minds of the elites. Like in other regional groupings in Central Europe or the Baltic countries, there is a perceived incompatibility between the two and a suspicion that regional cooperation might

delay the prospect of European integration. Moreover, there is clearly a lack of an effective communication strategy from the part of the EU.

## **V.2 COUNTRY REPORTS**

### **Albania**

The sense of isolation Albania feels is first and foremost determined by the geography of this part of South East Europe where massive mountain range makes a physical barrier to communication with the rest of the region. Road infrastructure is poorly developed, which has also undercut more intense commercial traffic with the rest of the region. Politically, Albania has had for most of the time tense relations with its Eastern neighbours, particularly Serbia, with which political contacts have been established only recently. To this day the contentious issue has always been the Albanian minority present in significant numbers both in Serbia/Montenegro and FYR Macedonia and the fear that sooner or later the political project of creating greater Albania will gain political currency. Albania has a weak sense of belonging to the region. This has been reinforced by the proximity and easier access to Italy and the influence of different cultural experience brought back home by massive Albanian emigrant community.<sup>25</sup> Elites in Albania feel closest to FYR Macedonia than to any other of the countries in the Balkans although they realise that the latter is negatively predisposed towards both Kosovo and Albania. In the regional cooperation discourse FYR Macedonia, Italy and Greece are the focal points.

Albania's main focus in regional cooperation is on security, both external and internal. The regional nature of many problems facing Albania is a major impetus to cooperation. Yet, Albania's grave internal problems of poverty and a lack of functioning state represent an agenda in which regional cooperation is seen as only marginal. This corresponds with a view that lack of security, resources and capacity to provide it by the regional structures, as well as peoples' mistrust, are the main obstacles to cooperation. The political elites are perceived as self-serving, and the quality of the political class is

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<sup>25</sup> It is estimated that over 20% of Albanians left the country in the last ten years with prime destinations, Italy and Greece.

viewed as poor. The civil service is seen as composed by low skilled and low paid individuals that lack the ability to identify regional projects. There is, therefore, little trust in the indigenous effort at cooperation and external pressure is deemed essential. It has been pointed out that the international community has been influencing the agenda of regional cooperation. This is to a large degree accepted given that the elites are well aware of the poor state of the economy and low level of internal institutional support.

Cooperation in the economic field has been recently stepped up with Croatia, Slovenia and Montenegro but on the whole this aspect is not considered as very important. Albania is interested in infrastructure projects, which would improve the country with land connections with the rest of Europe. Infrastructural projects have become a focus for regional cooperation as well as anti-crime schemes in the context of the Adriatic-Ionian Initiative. The increasing volume of regional contacts indicates the country's desire to link with the regional and the European context. On the whole, however, the country is more interested in pursuing its association with the EU and its bilateral relations with countries like Italy, US, Germany and Greece, although they tend to keep their reservations regarding the latter's intentions.

There is limited knowledge of regional initiatives in Albania. The Stability Pact is seen primarily in the context of European integration, which takes a central place in Albanian foreign policy orientation. The EU is seen as the most important external influence which will help the country's development through technical and financial support. Yet, Albanian elites are not convinced that there is a genuine EU interest in the country's developments or a clear strategy for the future. Orientation towards the EU and improved regional cooperation are both deployed primarily as a framework within which the support for the domestic programme of reforms is sought both from the local electorate as well as from the international community. In reality, Albania lacks functioning institutions necessary to implement the obligations coming out of any agreement reached as part of these processes.

## **Bosnia-Herzegovina**

Although BiH is principally affected by the developments in its immediate neighbourhood namely Croatia and Serbia, yet its physical proximity as well as historical ties seem decisive in placing the country into the region of South East Europe. For example, although Slovenia has made a distinctive step in disassociating itself from other successor states of former Yugoslavia, there seems to be an understanding that a shared historical heritage makes BiH feel still closer to Slovenia than to Albania, Bulgaria or Romania. Outside of the confines of former Yugoslavia, it is believed that BiH has more affinity with Austria and Hungary, rather than ex-Yugoslavia's eastern neighbours.<sup>26</sup> There is a sense of isolation and disillusionment with the country's position vis-à-vis the region as well as wider Europe among the Bosnian elites and it is clearly understood that the country cannot survive in isolation from the region. The awareness of the region outside the borders of former Yugoslavia and eastwards is only beginning to develop, mostly as an outcome of external approach as reflected in various international assistance schemes.

Regional cooperation from the state's perspective is only recently coming into the purview of the political elites as a result of improved relations with its immediate neighbours, Croatia and Serbia. There is however a lack of clarity as to what are the true benefits from regional cooperation. Among parts of the elites there emerges a strong view that regional cooperation is primarily a political issue and that in reality there is very little of it in all walks of life. Economic cooperation stands out as the most important aspect, which is understandable given the country's low level of economic development, the peoples' economic worries and uncertainties and a pressing need to rid itself of the dependence on international assistance. There is an interest in expanding trade, which at the moment is predominantly with the EU, Serbia and Croatia. The prospect of a bigger and more unified market in a sense of harmonisation of relevant economic legislation is a major pull to co-operate regionally. In that sense, BiH still has to overcome its internal barriers to greater cooperation between its two entities. A need to improve infrastructure,

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<sup>26</sup> There is even an element of resentment among some of the elites towards the eastern Balkan countries who in the past were lagging in development behind former Yugoslavia and are ahead of BiH in terms of EU accession processes.

which was severely downgraded by a war-related destruction and a lack of maintenance, makes regional cooperation in this field particularly important. In some areas e.g. refugee return there is an attempt to develop a regional approach in dealing with this complex issue. BiH has a strong interest in co-operating with other countries in combating organized crime and terrorism. Greater cooperation is also perceived as a factor of security understood in its widest sense from the individual level, to the collective (political, economic, military). It also gives BiH greater visibility in international affairs and improves its international standing.

The lack of political will is identified as the main obstacle to regional cooperation; political elites are not perceived to be genuinely interested in the issue. There is a lack of political vision, strategy and even knowledge at the level of the BiH state, which makes the whole issue of regional cooperation and its potential benefits devoid of content. Another strong deterrent is a fear by parts of the elites of regional cooperation leading to re-creation of former Yugoslavia. The lack of a functioning state in BiH and the poor state of the economy are also seen as major obstacles to greater cooperation. The informal sector, which has flourished in an environment of wars, economic sanctions and faltering development of market economy have also played an important part in preventing more intense cooperation among the countries in the region. There is a lack of trust, confidence and understanding of the local and state institutions, which makes the country a weak and unreliable partner in the region. As a result, the country relies heavily on the international community to reinforce solutions to those problems and give a push to regional cooperation. At the same time, there is also a critical approach towards the way the international community has been handling developments in Bosnia-Herzegovina.<sup>27</sup>

The Stability Pact is seen by many as another channel for securing international assistance. However, there is a degree of confusion over the role of the Stability Pact and the related EU integration process such as the EU Road Map for BiH. Formally, there is a

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<sup>27</sup> The international conference on "International Support Policies to South-East European Countries; Lessons not Learned in BiH" held in Sarajevo 9-10 February 2002, aimed at a first *local* assessment of the international initiatives in the region. The participants, the majority of them from the region, were quite critical of the international community's approach to regional development.

strong support among the elites to BiH's integration in the EU which is recognised as the only future course for the country and the EU is also seen as the biggest donor. Yet, part of the academic elites has reservations towards the impact of the EU membership on the local economy and others doubt whether the EU has adopted the right strategy for the country and the region. Confusion over EU matters is aggravated by the lack of expertise among officials in the relevant ministries. In reality, the true political agenda in BiH does not revolve around the EU integration issues despite the official rhetoric. Coverage of the EU matters in the media is poor and at an abstract level. Like in other countries, the worry is that external pressure on greater regional cooperation implies that BiH is left out of EU integration process. This explains for example why the proposals for a Customs Union in the region have not been enthusiastically embraced. There is a general fear that such a development would create two Europes.

Having said that, one has to distinguish between perceptions both at the ethnic as well as at the entity levels. While there is a certain process of reconciliation at the level of elites, which is materialised by frequent meetings (academic, business, NGOs), there is still a lack of confidence and trust between Bosniaks, Serbs and Croats. Bosnian-Serbs are closer to the Serbian nationalist approach and have closer links with Serbia. Bosnian-Croats are more attached to the Croat nationalist approach and have closer links with Croatia while Bosniaks appear more internationalist, integrationist and in favour of regional cooperation, both by choice and by necessity. At the entity level, there are some differences between the Federation (FBiH) and Republika Srpska (RS). The elites in the FBiH appear more internationalist, more open to regional cooperation, occupied with economic anxieties and with greater confidence in private enterprise. The elites in RS feel closer to orthodox countries like Serbia, Russia, Greece and Montenegro, they are more sceptical towards the international community and the EU, but they are equally worried about economic issues as their entity faces grave developmental difficulties and is more underdeveloped even by Bosnian standards.

## **Bulgaria**

The notion of the region among Bulgarian elites is quite diverse. In geographic and historical sense, Bulgaria feels closer to Romania and FYR Macedonia, and to a lesser extent to Serbia, Turkey and Greece. There is a lack of regional interest in BiH, Croatia and Albania. Bulgaria is eager to reassert its distinctiveness in the region, having successfully handled the issue of ethnic minorities and its own difficult economic and political transition. It also considers itself more advanced in terms of economic and democratic reforms. Therefore, it finds it inappropriate to be grouped with the countries of the Western Balkans and is determined not to allow to be drawn into a “pool of regional indistinctiveness”, as suggested by one interviewee.

Regional cooperation is not a priority for the political or economic elites in Bulgaria. The political elites’ recognition of the importance of regional cooperation is fairly recent and is focused on economic and security aspects. Regarding economic interests, these are most developed with Turkey and Greece but on a bilateral basis. Infrastructure, combating organized crime and culture are also important areas for furthering cooperation in the region. Having said that, Bulgaria does not have some specific and clearly defined interests and priorities for regional cooperation. Regional cooperation is mainly seen as an accompaniment to processes leading up to the accession to the EU. Thus, priority is cooperation with those countries that can reinforce Bulgaria’s prospects for EU integration. In Bulgaria, more than in most other countries included in the research, the role of civil society and culture are important aspects of regional cooperation that have to be addressed further. A common Slav origin of most nations in the Balkans, apart from Albanians, is often mentioned as a factor facilitating communication and contributing to cooperation.

Instability in Bulgaria’s immediate neighbourhood i.e. FYR Macedonia and Kosovo, and further a field in BiH, is seen as a strong deterrent to intensifying regional cooperation. An uncertain prospect of EU membership, in spite of all the rhetoric to the contrary, pits the countries of the region against each other. Thus, Bulgaria is constantly trying to

assert its advantages over Romanian EU entry, which is counterproductive to enhancing cooperation. Bulgaria has participated in various regional initiatives and believes there is a great scope to do so as an initiator of new ideas and a donor rather than a beneficiary. This corresponds with a view of Bulgaria being ahead of the rest of the region in institutional development and democratic practices, and which does not share the same concerns as the rest of the region. In addition, it has helped FYR Macedonia negotiate its SAA and is stepping up cooperation with Serbia regarding sharing its experience in economic reforms or EU accession matters. Bulgaria is very cautious not to be involved in any kind of institutional arrangement, which could derail it from its EU accession direction. The Black Sea Economic Cooperation initiative is seen as a more important framework for cooperation than the Stability Pact because of the countries involved and the fact that the BSEC concentrates on specific projects unlike the Stability Pact, which is vague and static. It has been suggested by some that the Stability Pact's impact could be potentially more significant on democratisation and strengthening of the civil society, and much less so on infrastructure.

In Bulgaria, there are contradictory opinions regarding the relations between regional cooperation and European integration. Because of its central geographic position, there is a view that Bulgaria is being pushed to become some kind of engine for other countries in their efforts to join the EU. Thus, the view among some sections of the elites is that Bulgaria should concentrate on the EU integration processes and proceed on its own, downplaying the regional orientation of the country. Bulgarian elites are firmly against being perceived as belonging anywhere else but to Europe. While being part of a strong region would help Bulgaria in progressing to the EU, at the moment the fulfilment of the criteria for accession is perceived as much more important. However, there is also the view that regional cooperation is a necessary step in the progression towards the EU and that Bulgaria should participate more actively. The new government appears to pursue this line<sup>28</sup>.

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<sup>28</sup> Symbolically, the second official visit of the Bulgarian prime minister upon entering the office was to Skopje, the first one being to Brussels.

## **Croatia**

Croatia's regional identity is controversial for both internal as well as external reasons. Historically and culturally, Croatia sees itself more as a Central European country; it shares the same religion as most of Central Europe and was historically more orientated in that direction. Economically, it is more developed than the rest of SEE and, to some extent, has different economic priorities. Politically, it sees itself as the most stable country in the region. The domestic discourse places an overwhelming emphasis on the heterogeneity and diversity of the region and the weak economic and communication links. There are attempts on the part of the political elites to disassociate Croatia from the other Yugoslav successor states, an attitude widely shared by some sections of Croatian population. There is a certain degree of inferiority complex vis-a-vis Slovenia, the latter having managed to anchor itself firmly into Central European framework, which in turn undermines further Croatia's sense of belonging to the region.

Part of the political elites share the view that Croatia has historically never had a problem with regional cooperation. Therefore, in the contemporary context it could assume the role Austria once had in a sense of becoming a regional centre for negotiations on trade, business exchanges etc. Croatia is primarily interested in developing closer links with more developed countries to secure better access to know how or technology. Furthermore, closer cooperation with Hungary, Poland and Czech Republic could help Croatia learn from their experience in EU integration matters and therefore help her prepare better for the eventual EU accession. Thus, there are clear arguments why Croatia has a strong interest in co-operating with Central European countries and not primarily with those in Southeastern Europe. While the elites understand that regional cooperation is necessary, opinion polls reveal some 70% of the public is not in favour of closer cooperation with SEE.<sup>29</sup> The reasons are related to the wars in the region and their consequences, as well as perceptions of Croatia as more developed country and weak cultural links such as religion or language, particularly with Albania, Romania and

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<sup>29</sup> According to a latest Public Opinion Survey on European Integration conducted by the Croatian Ministry for European Integration, which can be found at [www.mei.hr](http://www.mei.hr).

Bulgaria. At the same time, although doing business with other former Yugoslav countries is acceptable, there is a strong fear that this could lead to the re-creation of SFR Yugoslavia with its dominant Serbian component.<sup>30</sup>

Cooperation at the economic level with emphasis on trade issues, is the aspect most talked about. Because of the break up of SFR Yugoslavia and subsequent wars in the region, Croatia lost its traditional markets both in the region as well as Eastern Europe and is keen on recapturing them. Significant benefits to Croatia are also expected from improvement in regional infrastructure. At the same time, Croatia needs better transport corridors in order to link the country to the rest of Europe. Interest for regional cooperation is particularly strong among Croatia's businessmen who have voiced their criticism over the government's lack of engagement in promoting the country's economic links in a regional context. Lack of regulation and absence of bilateral agreements aggravate business cooperation e.g. visa regime, payment system regulations. Lack of information on the opportunities for cooperation as well as corruption are some of the important obstacles to greater cooperation at the business level.

However, other aspects of regional cooperation such as democratisation, culture and security are viewed as equally important to Croatia. Besides infrastructure and trade, it is interesting to note that Croatia perceives itself as a country which can contribute to cooperation in matters of democracy building and civil society. This corresponds to an overall impression of itself as more advanced in democratic processes and institutional consolidation. Overall, regional cooperation in all aspects is seen as desirable but the common interests and mutually acceptable terms of cooperation are a necessary precondition while there is a strong resentment to any form of institutionalisation of cooperation at a regional level. Security in the region is of paramount importance to Croatia as its economy, in which tourism is one of the key activities, has suffered greatly from the instability in the region. Cooperation with Albania, Romania and Bulgaria is proceeding without problems but this is a new territory which is developing against strong historical prejudices.

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<sup>30</sup> Croatia has a constitutional clause banning any arrangement that could result in a political union along the lines of former Yugoslavia.

Regional issues are superficially covered in Croatia's media. An adequate marketing strategy to promote regional initiatives is missing. It is the reason why among the Croatian public, for example, the Stability Pact is perceived as an initiative that pushes Croatia to the southeast of Europe. Moreover, it is believed that the EU has made the Stability Pact look like a new source of funding whereas most of the available funds are in the forms of loans, which Croatia can obtain without the Stability Pact. More attention is given to the initiatives that place Croatia outside the Balkan context e.g. CEI, CEFTA, and Adriatic-Ionian.

According to the Croatian elites, the EU notion of the Western Balkans is not based on objective criteria but rather on its own internal considerations and the negative legacy of the Tadjman era when the country was isolated from the West. According to some, the EU continues to perceive Croatia as part of former Yugoslavia and its regional approach does not give credit to the more advanced state of development of the country. As a result, there is an inherent problem with conditionality imposed on regional cooperation by the EU. Integration into the EU is Croatia's main goal, and this process has to be pursued bilaterally. The prevalent view is that multilateral relations can come out of successful bilateral relations. This is a preferred approach when it comes to regional initiatives too. The bilateral approach is favoured so that any sub-regional integrative elements entailed in these initiatives are avoided.<sup>31</sup> Overall, Croatia is not happy to be treated as a potential candidate to the EU. Political elites by and large subscribe to the view that insisting on closer regional cooperation is not helping Croatia's strategy of EU accession.

### **FYR Macedonia**

FYR Macedonia is a landlocked country surrounded by exclusively Southeast European neighbours. Most Macedonians feel that they are largely victims of the country's

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<sup>31</sup> This explains for example Croatia's rejection of a recent proposal to establish common market with Albania, BiH, SR Yugoslavia and FYR Macedonia. The argument is that this framework would not bring Croatian businesses any more benefits than provided via bilateral agreements. See the response of the minister of foreign affairs to the proposal by the German minister of foreign affairs to establish a Western Balkans common market: [www.mei.hr](http://www.mei.hr)

geography, surrounded by neighbours that have at one point or another threatened the existence of a Macedonian nation-state.<sup>32</sup> At the same time, FYR Macedonia was until recently considered by the international community as the only country, that was spared the inter-ethnic violence and as an island of stability and democratic co-existence of different ethnic communities despite adverse regional circumstances.<sup>33</sup> Yet, the post-war situation in Kosovo did have its toll on the country which came close to a civil war in 2001. Thanks to the more moderate character of those involved in the conflict and the quick reaction of the international community, FYR Macedonia has avoided a large-scale civil war, on the model of BiH. The above shows the vulnerability that Macedonian elites and public feel with respect to changes and developments in the region and their need to develop closer links with their neighbours. In the current reality, the country feels threatened by Albania and Kosovo, but is open to regional cooperation with all the other SEE countries especially the former Yugoslav republics with which it has held traditional ties. Moreover, Macedonians feel that the country can benefit from bilateral relations with EU countries such as Germany, Greece or Italy.

The elites stress their sensitivities in terms of regional security as their country shares weak and porous borders with Kosovo and believe that the country could benefit in terms of advancing dialogue on security and military issues, at a regional level. This has to do with the recent war in the country and their distrust towards Albania and the Albanian community in FYR Macedonia. Although the Stability Pact was seen as absent in the Macedonian conflict, the political elites feel that the country can still benefit from it in terms of advancing dialogue on security and economic issues. Corruption, organised crime and the informal sector are also seen as a major obstacles to economic cooperation which is of particular importance to a country of such a small market. Economically, the country feels it can benefit from links with its neighbours as the experience with Greece investors has shown and the traditional economic ties with Serbia. By and large, Macedonian business is mostly driven towards Bulgaria and Serbia but this is on an ad

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<sup>32</sup> Greece vetoes international acceptance of the country's name, Serbia denies the autonomy of its church, Bulgaria the existence of a Macedonian language and a Macedonian nation, Kosovo does not recognise the borders between FYR Macedonia and Yugoslavia.

<sup>33</sup> FYR Macedonia was affected economically by the Greek embargo during 1994-95 or by international sanctions to Yugoslavia and bore the biggest wave of Kosovo refugees in its northern territory during the 1999 war in Kosovo, managing at the same time to stay away from the conflict.

hoc basis rather than a more systematic context. This is due to a lack of knowledge or information which is not provided by the appropriate agencies. It has also been pointed out that political issues and political interference have been obstructing the process of economic cooperation. In this ethnically divided country, there is an implicit fear that regional cooperation might lead to the federalisation of the country.

Despite having been rewarded by the EU with a Stabilisation and Association Agreement, Macedonian elites feel that they have been treated unfairly during the recent war and that the Albanian ‘aggressors’ have mostly benefited from international intervention. This has had its toll on the popularity of the EU and NATO among civilians, although it is realised that most of the crucial decisions are being imposed from abroad and that the European Union is the only option for a better future.

## **Romania**

Romania has been undergoing a difficult process of transition, remaining one of the region’s poorest economies with traditionally limited political and economic links with its Southeast European neighbours. From the start of the transition Romania made membership of the EU and NATO the main goal of its foreign policy, which resulted initially in a desire to extract itself from the region and to neglect the regional cooperation aspect in its foreign policy. The issue of developing relations with neighbours gradually captured the official discourse, as a result of the EU’s insistence on good neighbourly relations, an important criteria in assessing the potential candidates readiness to join the EU. However, the notion of regionness understood by the Romanian elites focuses on relations with neighbouring countries like Hungary, Ukraine, Moldova and Bulgaria (with which bilateral issues have been raised) or with countries like Greece or Turkey. Romania took a proactive role in settling important disputes over minority rights and borders with Hungary and Ukraine, which had burdened political relations with these two countries in the past. This paved a way for greater cooperation, making Hungary one of its most important trade partners outside the EU. It has proceeded with signing bilateral and trilateral agreements with the countries in the region and joined all

the major regional initiatives. In particular, Romania is trying to maintain and develop relations with Greece which it sees as beneficial to its EU membership goal. Because of the nature of issues concerned -minority rights in the case of Hungary, contested territory in case of Ukraine- Romania has been more engaged with these two countries and is only recently developing an interest in its Eastern neighbours with which it had little relations during communist times not least because of the isolationist policy of the Ceausescu's regime. While a sense of belonging to the region exists largely in cultural and historic terms, affinity is greater with Serbia than with other SEE countries.

In spite of its difficult transition, Romania has been able to maintain political stability, an asset which it has tried to use to strengthen its international standing and to gain a more prominent role in the region. Romania's primary concern is security and economic development and contributing to progress in these areas is its main motive for promoting regional cooperation. Regional cooperation in trade, infrastructure and communications are deemed beneficial for Romania's economy, which is by far the country's most pressing problem. Significant scope for cooperation exists in infrastructure, energy and political relations among the countries. Regional cooperation is also seen as important in addressing problems which are regional in character such as organized crime and environment. The main obstacle to cooperation is low security in the region and weak and diverse legal frameworks in individual countries.

Romania has taken an active interest in the Stability Pact and sees itself as both a recipient and a donor. The Stability Pact is mostly perceived as a framework for addressing the problems of the Western Balkan countries and the reconstruction of war-damaged societies in the former Yugoslav region. Apart from providing the opportunity to benefit economically from cooperating with its neighbours and to contribute to improved security and infrastructure in the region, Romania perceives the Stability Pact framework as yet another channel it can use in support of its European integration efforts. Most of the interviewees consider the EU as the main context for a better future of the country, through financial support, technical assistance and institution building. There is also an implicit competition with the other EU candidate country Bulgaria (although it is

appreciated that the latter has fared better) and the expectation among some of the interviewees that Croatia might make it sooner to EU membership than the two candidate countries in the region.

### **FR Yugoslavia**

FR Yugoslavia is seen as a central country in the region (not just by its people but by the wider international community) because of its size and its central geographic position. Yugoslav elites perceive the region in rather broad terms, geographic, historic, cultural and economic, feeling closer to the successor countries of SFR Yugoslavia, and sharing common links with Bulgaria, Romania, Albania, Greece and Hungary (not identical with all of these). Elites in Belgrade appeared rather confident in their ability to contribute to the goal of regional cooperation, a fact which is associated both with the central geographic location of the country as well as the existence of experienced human capital, a legacy of the previous Yugoslav era.

Regional cooperation is primarily understood in terms of economic cooperation and this appears to be its most frequently discussed aspect, with an emphasis on fostering trade links. As the largest market in the region, FR Yugoslavia stands to gain the most from increased regional economic cooperation.<sup>34</sup> There is a consensus that regional cooperation in infrastructure is important and desirable and it involves additional investment in which the EU might not be interested. Equally important to cooperation at the economic level is cooperation in democratisation. Serbia has only recently experienced democratic transition and democratic consolidation is one of its main preoccupations. On the ground there is a fair deal of cooperation among civil society actors. Not uncommon is cooperation outside the internationally sponsored schemes, often relying on contacts and networks that existed when Serbia was a part of SRF Yugoslavia. Cooperation in culture and sport, in which there were some positive achievements prior to 1990s, is currently out of focus, and arguably wrongly so. In some areas such as economics, Serbia is more interested in intensifying cooperation between

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<sup>34</sup> There are however dissenting voices regarding the usefulness of the regional cooperation in the area of trade liberalisation since the EU accession process will eventually set up the terms of engagement for all the countries in the region.

the successor states of former Yugoslavia as opposed to Romania, Albania and Bulgaria, while in others such as science and technology no such differentiation is made.

The main obstacles to regional cooperation are perceived to be political, primarily tension in relations between Serbia, Croatia and BiH. It is considered impossible to advance regional cooperation nor indeed to conceive of a region unless these relations are normalised. There is still a high level of mistrust following the wars in the region, the lack of political will to step up the normalisation of relations despite democratic changes in Croatia and Serbia and a more widespread reluctance to face up to past responsibilities. The current Serbian political elite is not perceived to be genuinely interested in a dialogue with Croatia and BiH. It is still considered to be, to some extent, under the shadow of Milosevic's regime and anti-reform forces remain strong.

The Stability Pact, SECI and CEI are the best-known regional initiatives in FR Yugoslavia. Overall, the representatives of the academia tend to be better informed than other segments of the elites. However, business elites are better informed about CEFTA than other initiatives. The Stability Pact features prominently in the work of the government but most of those interviewed have no thorough knowledge of it. Unfamiliarity with the Stability Pact is partly due to the fact that FR Yugoslavia only joined the Stability Pact a year ago and that it has not been well communicated and well understood. Overall, there is a general willingness to work within the existing context of regional initiatives and a clear consciousness that the role of Serbia is very central for the effectiveness of regional cooperation.

It is also felt that there is a discrepancy between what the EU projects as its Regional Approach and how this is interpreted on the ground. Recent attempts by the EU to come up with a regional approach have been conceived more as a block-type approach aimed at coercing Serbia under Milosevic into more constructive engagement in the region. Although Milosevic's era is over, there is much of an institutional inertia in the existing approach, which makes it in many respects inefficient in tackling the most pressing regional issues. One of the main objections is that it is not clear what the actual benefits

the countries concerned will accrue from the regional approach or various regional initiatives. A degree of cynicism has been expressed by some in suggesting these initiatives are primarily driven by the external players' own concerns rather than reflecting genuine interests of the countries of the region. Some interviewees have suggested that in FR Yugoslavia there is a degree of xenophobia and that the EU's insistence to regional cooperation is perceived as a new way of colonisation of SEE. However, more common than in other countries in the region, is a view that regional cooperation has a value of its own and is necessary when it serves the country's internal concerns of development, security and stability, rather than primarily the rapprochement with the EU.

## **VI. CONCLUSIONS**

There is a common perception among Western academics, analysts, journalists and policy-makers that the Balkans constitute a region with its own historical, cultural, security, political and socio-economic regional identity; yet it is a regional identity which is mostly defined in negative terms based on economic backwardness, political incompetence and lack of security, to the point that the notion of 'Balkanisation' entered the political parlance to denote conflict-prone and uncivilised way of conducting any kind of affairs (from the personal to the state, regional or international).

The international community has implicitly adopted two criteria -apart from the obvious geographic location in the South East of the European continent- for the definition of the region. The first is the actual (success or failure of the) transition process itself; the second is war in the former Yugoslav territory. The region, therefore, consists of countries with less developed economic, social and political structures, which have been involved, directly or indirectly, in the recent wars. Based on the combination of those two criteria, FR Yugoslavia, BiH, FYR Macedonia, Croatia and Albania constitute the core of the Balkan region. By the same token, Slovenia - until recently an integral part of former Yugoslavia- is not part of the Balkan region anymore, having successfully managed its transition process and having distanced itself from the wars in the former Yugoslavia. Bulgaria, for its part, is geographically too central in the region not to be considered part

of it, while Romania, a country situated in the north-east of the Balkans and clearly affected by other regional configurations is included in the SEE region based on its belated and problematic political and economic development which fits more appropriately with its neighbours in the south. Hence, despite the recent adoption of the more acceptable term of 'South East Europe', to replace the charged term 'Balkans', the negative connotations associated with the notion of the region of SE Europe remain central in the perceptions of the extra-regional actors. This negative perception has shaped the international approach to the region, which has been predominantly conceived as a reaction to the crises and wars and with all the attributes of a crisis-management approach.

Our analysis shows that the notion of regional cooperation in SE Europe is equally problematic as the notion of the region itself. Despite the plethora of ideas, international policies and pressures, as well as regional initiatives, regional cooperation has never managed to take off. Although, from a regionalist theory perspective, there seem to be many elements in favour of a policy of regional cooperation (geographic proximity, common Slav origins, shared communist experience), regional cooperation in SE Europe is mostly defined by the obstacles to the process rather than its actual potential and benefits. More than elsewhere in Europe, the factors conducive to cooperation tend to become obstacles; when compared with the other sub-regional groupings in Central Europe and the Baltic area, SE Europe clearly lacks in both regional focus and cooperation results.

But why has not cooperation in Southeastern Europe succeeded in the new regionalist environment of Europe? According to the existing literature, this is due to the lack of the appropriate extra-regional and intra-regional environment conducive to cooperation. The first, guided by the EU, has only recently managed to come up with a more consistent regional policy, based on the Stabilisation and Association process, financial assistance and a reassured political presence in the region; yet, as regards the Stability Pact as the most prominent regional initiative involving SEE, there is still much to be desired. Moreover, internal features such as major flaws at both the macro- as well as the micro-

economic levels, an extensive informal sector, lack of reliable legal systems or weak civil societies have been identified as the main shortcomings at a regional level. Such structural defects, similar to all the countries in the region, have an immediate toll on the quality and intensity of cooperation.

But even more problematic has been a lack of intra-regional consensus on the importance of regional cooperation for the prospects of individual countries as well as the region as a whole. Our research findings suggest that local elites do not regard regional cooperation as an important policy tool in its own right, and that support for regional initiatives is often just a token gesture without clear understanding of their purpose. The reasons for this are manifold and can be summarised as follows:

- There is no shared notion of the region but different conceptions, different influences and different criteria among countries and sectors of the elites. All this limits the ability to create a regional identity as a mental area of common perceptions regarding the regional, extra-regional and international realities.
- Most countries in the region have a negative predisposition towards their neighbouring countries and feel that they have very little to gain from cooperating with their neighbour. This negative perception has been reinforced by the ambiguous status the region has had in the re-configuration of the European political space following the end of the Cold War.
- Although the elites are aware of the existence of common and regional problems and are most keen on promoting the economic aspects of regional cooperation, they lack the capacity to identify their own country priorities and to formulate how they can be best achieved through specific regional projects.
- Lack of political vision and concern for its own self-preservation on the part of the political leadership in most of the countries is perceived to be counter-productive to furthering constructive relations with neighbours.
- The elites' knowledge of regional initiatives is scant. They are by and large disillusioned with the existing regional initiatives and see them as something

imposed on them and only marginally relevant to the problems of their own countries.

- Local elites view regional cooperation for the most part as competitive to the goal of European integration - recognised as the only process that can lead the countries to peace, stability and prosperity – and the ultimate target of EU membership. At the same time, they are not well acquainted with the specificities of the process and even less so how in concrete terms regional cooperation can contribute to it.

Having said that, the current context – extra-regional and internal- seems more conducive to regional cooperation, than previously, in that it has diminished the degree of negative predisposition towards regional interaction. The key issue in policy terms is how to strengthen the emerging positive change in the local perceptions towards cooperation and how to build on it. It is clearly acknowledged by all the actors involved that building networks of interdependence in that part of Europe will take time and that it is a step-by-step approach. This approach has to include clear goals, road maps and benefits that will generate a genuine interest in local players to pursue regional schemes with neighbouring countries. Most important, it has to be linked constructively to the process of European integration in order to create a more positive perception of the Balkan region and, effectively, of South East European regional cooperation.

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*Relevant websites*

Bosnian Institute: [www.bosnia.org.uk](http://www.bosnia.org.uk)

Black Sea Economic Cooperation: [www.bsec.gov.tr](http://www.bsec.gov.tr)

Carnegie Endowment for International Peace: [www.ceip.org](http://www.ceip.org)

Central European Free Trade Area: [www.cefta.org](http://www.cefta.org)

Central European Initiative: [www.crinet.org](http://www.crinet.org)

Central European Review: [www.ce-review.org](http://www.ce-review.org)

Central European University, Balkan Academic News: [www.seep.ceu.hu/balkans](http://www.seep.ceu.hu/balkans)

CEPS, European Southeast Information Centre:  
[www.ceps.be/Research/SEE/SEEHub.php](http://www.ceps.be/Research/SEE/SEEHub.php)

East West Institute: [www.iews.org](http://www.iews.org)

European Stability Initiative: [www.esiweb.org](http://www.esiweb.org)

International Crisis Group: [www.crisisweb.org](http://www.crisisweb.org)

International Institute for Democracy and Electoral Assistance (IDEA):  
[www.idea.int/balkans](http://www.idea.int/balkans)

Institute for Market Economics, Sofia: [www.ime-bg.org](http://www.ime-bg.org)

Office of the World Bank and the EU Commission: [www.seerecon.org](http://www.seerecon.org)

Romanian Academic Society: [www.sar.euroweb.ro](http://www.sar.euroweb.ro)

Royaumont Process: [www.royaumont.lrf.gr](http://www.royaumont.lrf.gr)

South East Cooperation Initiative: [www.unece.org/seci](http://www.unece.org/seci)

South East European Cooperation Process: [www.seecp.gov.mk](http://www.seecp.gov.mk)

Stabilisation and Association Process: [www.europa.eu.int/comm/external\\_relations/see](http://www.europa.eu.int/comm/external_relations/see)

Stability Pact: [www.Stabilitypact.org](http://www.Stabilitypact.org)

Transition On Line: [www.tol.cz](http://www.tol.cz)

The Vienna Institute for International Economic Studies, Balkan Observatory:  
[www.wiiw.ac.at/balkan](http://www.wiiw.ac.at/balkan)

Visegrad, [www.visegrad.org](http://www.visegrad.org)

Woodrow Wilson International Center for Scholars, East European Studies:  
[wwics.si.edu/ees](http://wwics.si.edu/ees)

## List of interviewees

Belev Boyan, Professor, Centre for the Study of Democracy

Bezovan Gojko, Professor, University of Zagreb

Bogosavljevic Srdjan, Professor, University of Belgrade

Culo Karlo, Directorate for the Integration Strategy, Ministry for European Integration, Croatia

Daianu Daniel, Professor, Romanian Academy of Science

Denda Aleksandar, President, Balkan Investment and Development Company

Ganev Guido, MP, Bulgaria

Ginko Gjergi, NGO, Tirana

Gjonca Aarjan, Lecturer LSE

Grebo Zdravko, Professor, University of Sarajevo

Grigic Boris, Minister Plenipotentiary Ministry of Foreign Affairs, Croatia

Grubisa Damir, Professor, University of Zagreb

Gruia Gabriela, Programme Manager, Romanian Academic Society

Hadziahmetovic Azra, Minister, Ministry of Foreign Trade and Economic Relations, BiH

Halilovic Mehmed, Former editor-in-chief, "Oslobodjenje", Sarajevo

Iskrov Ivan, Head of the Budget and Finance Committee, National Assembly, Bulgaria

Ivancevic Zeljko, General Secretary, Croatian Employers' Association

Ivankovic Zorana, Adviser to the Stability Pact Co-ordinator for FRYugoslavia

Ivanov Eugeny, Policy Adviser, Agency for Small and Medium Size Enterprises, Sofia

Jachev Zoran, Executive Director, Centre for Strategic Research and Documentation, Skopje

Jankovic Aleksandar, Deputy Director, Dunav Osiguranje, Belgrade

Jankovic Pavle, G17, Belgrade

Kesic Vesna, Centre for Peace Studies, Zagreb

Konjhodzic Indira, Assistant Minister, Ministry for European Integration, Croatia

Koritarov Georgi, Journalist, Mediapool newspaper, Sofia

Kovac Ivica, Deputy minister, Ministry for refugees and displaced persons, BiH

Kovac Oskar, MP, FR Yugoslavia

Krasteva Ana, Professor New Bulgarian University

Krikorian Roupen, MP, Bulgaria

Lakicevic Mijat, Editor-in-Chief, Economist

Lopandic Dusko, Minister Plenipotentiary, FRYugoslavia Ministry of Foreign Affairs

Loufti Younal, Deputy chairman, National Assembly, Bulgaria,

Lucic Ljiljana, Deputy minister, Ministry of Social Affairs, Republic of Serbia

Manakovski Sasko, Manager, Macedonian Bank for Development Promotion  
Markova Elitsa, NGO, Sofia  
Markovski Igor, Assistant Director, Sector for European Integration, FYR Macedonia  
Matic Veran, Editor-in-Chief, B92-Radio Station, Belgrade  
Matova Nonka, MP, Sofia  
Mikerevic Dragan, Minister, Ministry for European Integration, BiH  
Minic Jelica, Deputy Minister, Federal Ministry of Foreign Affairs, Belgrade  
Misic Milenko, Head of European Integration Ministry of Foreign Affairs, BiH  
Mladeinov Nikolai, Deputy Chair, European Integration Committee, Sofia  
Muresan Liviu, Executive President, European Institute for Risk Security and  
Communication Management, Bucharest

Naumovski Vlado, Consultant, Skopje  
Nikolic Dorica, Secretary General, Croatian Social Liberal Party

Pajevic Milan, G17, Belgrade  
Papic Tatjana, Belgrade Centre for Human Rights-Legal Services  
Pavlovic Vukasin, Dean, Faculty of Political Science, University of Belgrade  
Pecanin Senad, Editor in chief, 'Dani', Sarajevo  
Pesic Radojica, Deputy Minister, Ministry for Science, Technology and Development,  
Republic of Serbia  
Petrova Genoveva, Senior Research Analyst Alpha Research, Sofia  
Pistoli Miranda, Adviser to the Stability Pact Co-ordinator, Tirana  
Prlic Jadranko, Deputy Minister, Ministry for Foreign Trade and Economic Relations,  
BiH

Radojkovic Jelena, Programme Co-ordinator, Belgrade Centre for Human Rights  
Ruli Genc, Professor, University of Tirana

Samardzija Visnja, Assistant Minister, Ministry for European Integration, Croatia  
Simic Petar, Advisor to FR Yugoslavia President Kostunica  
Skeltlev Zaneta, Editor, Macedonian Section, BBC World Service  
Smajlovic Ljiljana, Media consultant, IRIX, FR Yugoslavia  
Stanchev Krassen, Director IME, Sofia  
Stojanova Vesna, Professor, University of Skopje  
Suman Zeljko, Professor, University of Mostar

Tchernev Gueorgui, Vice President, Bulgarian Chamber of Commerce  
Tihi Boris, Rector, University of Sarajevo

Uvalic Milica, Professor, University of Perugia

Vejvoda Ivan, Deputy Director, Open Society Institute, Belgrade  
Voinea Liviu, Bucharest

Zivanovic Miodrag, Professor, University of Banja Luka

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**Dr Vesna Bojicic-Dzelilovic** (MA in Development Economics, University of Sarajevo; PhD in Economics, University of Sarajevo) is Research Fellow at the Centre for the Study of Global Governance, The London School of Economics and Political Science. She has also held the posts of Research Fellow at the University of Sussex (1993-1998) and Lecturer at the Department of Economics, University of Mostar (1982-1992).