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POLICY PAPER

STRATEGIES FOR DEMOCRATIZATION AND INSTITUTIONAL DEVELOPMENT

- *Containment of Ethnic Conflicts*
- *Effectiveness of Public Administration and Public Control*
- *Civil Security and Civil Participation*

The reconstruction of the Balkans after the Kosovo crisis cannot be accomplished merely by the “import” of modern institutional mechanisms. Despite numerous past examples of introducing similar up-to-date models that were effectively adapted to the local environment, the current rebuilding of the region should first call for an implementation of whole scale modernization, which, in particular cases, should aim at rebuilding communities.

A clear cut modernization process requires on the one hand, maximal mobilization of the existing institutional resources of Balkan societies individually and in collaboration, and on the other hand effective mechanisms for adequate adaptation of the principles and institutions of a European-style democracy.

The current assumption that introduced models of a pluralistic political system, free market economy and civic security really turn the countries of the region into full-fledged democracies is rather formal and imprecise. The existence of these models is devoid of essence and meaning—they are often hollow shells and barren inside.

The situation of complete institutional disintegration in some Balkan countries, the nominal existence or the quality of performance in other countries' institutions necessitates clear definition of problems, common to the region and specific to the different states institutional problems in regard to the formulation of adequate and bringing to positive results initiatives for the Balkans.

LEVELS OF INSTITUTIONAL DEVELOPMENT

From the perspectives of the existing public and corporate institutional framework in the Balkan region of today we could distinguish among four basic levels of institutional development.

The first level applies to countries and regions, which have almost no autonomous institutional capacity to assist reconstruction initiatives. The typical examples are the Kosovo region and Bosnia and Herzegovina. Both areas are coming out of intensively destructive military operations, mass scale efforts of ethnic cleansing and other serious human rights abuses. The traditional political and administrative infrastructure of those territories has been disintegrated, the level of inter-communal communication and cooperation is extremely low, following years of systematic inter-ethnic clashes, and the institutions of communal life have been completely destroyed or suffer full inability to serve the communities in post-war conditions. At this level of institutional destruction and helplessness a full protectorate status, imposed militarily, politically and administratively is the only solution to create the necessary organizational background for a sensible peacekeeping, humanitarian and reconstruction and development program. The protectorate sta-

tus may be complemented with a step by step development of autonomous democratic process of political representation at municipal and national level under international supervision. The process of democratic re-institutionalization in Bosnia after Dayton proved very slow and painful, especially at the level of interaction among the three entities—Serb, Muslim and Croat.

The second level of institutional development in the region refers basically to Albania and—in some respects—to the Republic of Macedonia. Albania suffered a heavy crisis in its institutional development in 1997 and the Albanian state operates to a particular extent in selected regions of the country. The ability of the government and the public administrative system to enforce law and order and to exercise the basic functions of a state are seriously reduced in all basic fields of life. Albania, therefore, needs systemic external—international efforts to re-structure its public institutional system and reproduce normal environment in the fields of security, law and order, welfare provision. This external effort will amount to a semi-protectorate status, in which an imported administrative system should co-exist with the existing domestic institutions of democratic representation of the Albanian citizens.

Macedonia is a country, which has relatively high standard of public institutions performance compared to many other countries in the region. The point of vulnerability of Macedonia is specifically in the field of maintaining interethnic stability and in resisting the attempts of the present day Belgrade regime to destabilize and control the country. For those reasons of security Macedonia will need mass scale international assistance in the field of security and national defense infrastructure.

Third, Bulgaria, Romania and Macedonia (apart from its security dilemma) represent the highest level of institutional development. These countries have the autonomous ability to implement their political decision making in a public administrative process. Nonetheless, the efficiency level of their public administrative systems is remarkably low compared to the stan-

dards of the developed world. A system of direct assistance, and indirect stimuli should be developed to motivate these national governments to perform a large scale administrative reform, to reduce the skyrocketing levels of corruption, to promote a more effective system of public control over the executive and legal systems, to de-centralize the decision making process, and strengthen the municipal powers authority. Romania's level of economic transformation is low and the country remains economically vulnerable. Bulgaria needs to improve its internal administrative conditions in order to attract private investment and register economic growth.

The fourth level—Yugoslavia (Serbia and Montenegro)—represents an institutional dilemma. The country has a relatively well developed institutional system inherited from the former Yugoslav communist state. Following the recent military defeat, however, the growing political unrest will start Yugoslavia on its process of uneasy political transformation from authoritarian rule to democracy. This process is very likely to be accompanied by weakening of public institutions, disintegration of the system of law and order, and decline of the state's ability to serve the basic needs of the community. This case represents the most difficult scenario, and a minimum of political and institutional transformation should be carried out by Yugoslav citizens before the international community prove capable of providing help.

Montenegro shows a better ability to adapt while a process of transforming its institutions than Serbia. However, this may accelerate the disintegration process of the Yugoslav federation.

In Croatia, serious political change is expected to take place this year, which may lead to institutional change. By no means will it be even close to the dramatic institutional disintegration threatening Yugoslavia.

AREAS OF INSTITUTIONAL TRANSFORMATION

Poor modernization of countries in the region and loss of early modern traditions in political democracy and private business,

as well as the extreme crisis potential for ethnic conflict, underlay general institutional problems. Their concrete manifestation imposes a differentiated approach when elaborating concrete policies and initiatives in the following areas:

- containment of ethnic conflict;
- effectiveness of public administration and public control;
- civil security and civil participation.

The above mentioned areas represent the main sources of institutional instability and weakness observed throughout the region with various intensity. Each attempt to provide general solutions must be based upon an understanding of the specific shortcomings in each area.

Containment of Ethnic Conflicts

The Balkans are an excellent example of a multiethnic environment. Every attempt—of the last 150 years and of the present—to create ethnically clean (and cleansed) nation states has had little to no chance of success. From this perspective, changing the national borders to improve a country's ethnic balance may have a short term effect, but will be dangerous in the long term. Major institutional change in the Balkans requires a new definition of the Balkan national community. The ethnic definition of the Balkan nations is the product of delayed national development of all its communities, resulting from disintegrating Ottoman and Habsburg empires. Thus, the new definition of nations should be based on civic solidarity and citizens' integration—irrespective of their ethnic group - into the common whole of a democratic and tolerant national community. Cooperation with other communities in the region in the framework of the European unity is the next step. Undoubtedly this process will be painful and sometimes—dramatic. Nonetheless, there is no alternative, because it is the only way to de-legitimize interethnic conflict as an instrument of defending national integrity and national sovereignty against “alien communities.”

There has been a major miscalculation on the part of influ-

ential international institutions, human rights groups and local reformist movements that “multiculturalism,” defined as a system of institutionalizing collective political rights for diverse ethnic groups leads to inter-communal peace and understanding. The Balkans represent a predominantly paternalist type of communal culture, and the improvement of collective political rights has been directly stimulating a process of fragmentation and separatism. The absence of strong liberal-democratic institutions, capable of integrating citizens into national economic, civic and political life, and the presence of adverse corporate interethnic competition has made it possible for authoritarian ethnic-communal leaders and elites to enforce militant separatism as the only way of defending the ethnic or national interest. Bosnia Herzegovina and Kosovo are key examples of this point.

It is essential to the ethnic peace and tolerance in the region to improve the institutional background and effective implementation of individual human rights and opportunities within a liberal-democratic system of citizens’ equality and integration. The efforts of civic integration must be concentrated in the following areas of communal life:

- Integration achieved by creating new economic opportunities and a cross-communal market experience;
- Integration achieved by a balanced system of equal participation in developing the educational system, access to the media, and freedom of cultural expression;
- Integration achieved by developing cross-border cultural and economic regions, bringing together representatives from an ethnic community living in two or more neighboring countries;
- Integration achieved by developing a culture of public tolerance, which makes discrimination unacceptable;
- Integration achieved by improving the selective strategies of governments to assist underprivileged communities in the socioeconomic field;
- The right of self-determination is not a right to secession:

separatist movements should not be encouraged on either a regional or an international level;

- The introduction of effective institutions to safe guard (and enforce) civil rights;

- Inclusion of all citizens of a state in the political process on the basis of citizenship, given that all human and political rights on an individual basis are secured. The latter keeps to the principle of traditional liberal democracy for granting and respecting rights on an individual, not a collective basis, including the representatives of ethnic minorities. In the still parochial and kinship based societies of the Balkans, collective rights would further fragment the societies by encapsulating ethnic groups under the rule of authoritarian or patrimonial elites;

Effectiveness of Public Administration and Public Control

The effectiveness of public administration in the countries in Southeastern Europe raises the issue of establishing and consolidating political, economic and public institutions by means of rational structure and effective mechanisms for action as a clear-cut modernization process. The experience of these countries gained after the initiated transition from totalitarian rule to democracy shows that the administrative and technical introduction of institutions of modern liberal democracy is not enough to give meaning or content to the process of democratization. The ineffectiveness of public administration is a result of the following key assumptions of post-totalitarian societies:

- lack of clear perception of public representation of interests;

- weakly organized public control of public administration;

- shortage of qualified people for political and corporate roles.

A necessary requirement for the successful application of institutions of modern public administration is the stimulation of efficient pressure of legitimate organized group interests from society to the institutions of public administration. This means

that public administration should become an intermediary by committing to:

- strict implementation of norms and principles of modern public administration;
- providing transparency and accountability (including access for regular citizens);
- impartial attitude to enhance effectiveness and exclude corrupt practices;
- objective and public mechanisms for recruiting executives at all levels.

Potential results and expectations of the transformation of public administration in the region depend upon developing specific policies targeted at increasing its public accountability. One of the key issues in this field that needs to be addressed is the process of recruitment of candidates for public administrative positions.

Civil Security and Civil Participation

The weakness of public institutions poses serious challenges not only to the existing order but also to civic security in general. Organized crime, clan based illegal economy and traffic, large scale corruption and violation of citizens' rights is a direct consequence of both state institutions' inability to enforce law and order and of authoritarian attempts to compensate for institutional weakness with a greater (but not effective) government expansion towards society. A general improvement of the quality of civil life and guarantees of civic security should be based on the following priorities:

- stimulation of effective civil equality and guarantees of equal opportunity for civil participation in public life;
- independent and impartial legal system;
- stimulation of the emergence of a corporate environment by increased foreign investment (predominantly private) in the region that would create a new social stratum of approximately 10-15 per cent of the population, representing the most dynam-

ic entrepreneurial and proactive citizens in society. In this way the criminal clan economy would be marginalized, and corporate group interests would be consolidated against further expansion of the state. Foreign investment must be encouraged by the international community, primarily by EU and US institutions.

DEVELOPING CORPORATE REPRESENTATION OF INTERESTS

It is impossible to directly implement the Western model of corporate competition of diverse organized (including ethnic) interests, exercising pressure on the state in their favor. The western corporate model has developed in the 20 century—after 200 years of successful liberal-democratic development. The stable western institutions of citizens' equality and democratic representation can easily host the new corporate structure of representation in all major Western societies. Countries in the Balkan region share a fragile institutional system of democracy, which is yet to be filled with real substance.

This is why, initially the Balkans need selective strategies to support two types of corporate group representation, which stimulate the integrative process in society (business, NGOs, advocacy groups, etc.) and discourage the effects of corporate ethnic separatism, provided that all basic human rights of citizens and the communities are effectively guaranteed by the democratic institutions in the region.

EXPECTATIONS FOR THE REGION

A collection of controversial historical, psychological, cultural and geopolitical factors has turned the Balkan region into one of the most amorphous places in Europe in terms of organized interests, potential for cooperative action, and ability to compromise and search for alternative options to promote one's national, communal or even personal interest.

The mentality and culture of regional cooperation should be developed, even if the process takes decades. This makes it

strategically more important to create and stimulate the development of an institutional system of regional cooperation in all major fields of the region's transformation—economy, security, conflict prevention, education and media, and civic cooperation.

The Balkans have suffered a series of unsuccessful attempts of top-down regional integration: artificial federations, serving as a disguise for “grand national” and quasi-imperial projects. All efforts to bypass the real divisions by hiding them have failed. An adequate strategy for regional integration should be based on the real situation and should try to change it by developing alternative “bottom-up” grass roots models of cooperative activities. The basic purpose of such a strategy is to create and develop communities of people, sharing interest in growing cross-border cooperation in the fields of trade, education, culture, media, civic initiatives, technological and industrial development, and infrastructure development. Once developed, such communities would serve as powerful “lobbyists” for the regional dimensions of political, economic and civic cooperation.

THE PROCESS OF REGIONAL ECONOMIC RECONSTRUCTION AND DEVELOPMENT

- *Foreign Investment*
- *CEPS: European Integration and Development*
- *Transport, Telecommunications and Energy Infrastructure*

SPECIFICS OF THE BALKAN ECONOMIC ENVIRONMENT

The economic problems of the Balkans resemble a combination of negative tendencies, multiplying the region's inability to autonomously cope with the priorities of its development and

modernization. The region represents a reality of amorphous, isolated and poorly organized economic interests. This reality is a consequence of half a century communist rule and controversial economic strategies of post-communist transformation. The national wealth of the Balkan countries has been criminally redistributed. The accumulated economic assets have been disintegrated, and—to a great extent—practically lost. The huge de-capitalization process has been amplified by large scale emigration of educated and skilled representatives of the professional middle class, who have lost their jobs and their further chances in a collapsing economic environment. The ethnic conflicts and inter-communal wars in former Yugoslavia have dramatically reduced the relatively high performance of the former Yugoslav economy and living standards of the people. The international community's embargo on Belgrade has greatly contributed to the isolation of the entire economic system of the region from the international markets and has additionally reduced the chances of the Balkans as an emerging market to attract investment and to intensify their participation in international commerce. The embargo had a powerful secondary effect on boosting the local mafia economics and supporting the corruption process among politicians and civil servants. The NATO campaign in Kosovo revived the effects of trade isolation, inaccessible infrastructure corridors and collapsing investment rating of the region. Last, but not least, the international financial crisis of 1997-1998 has substantially hampered the Bulgarian and Romanian privatization process, previously boosted with the election of reformist governments in the both countries in 1996 and 1997.

**GOALS, STRATEGIC OBJECTIVES AND MECHANISMS FOR
ECONOMIC RECONSTRUCTION OF THE BALKANS
AFTER THE KOSOVO CRISIS**

Goals and Strategic Objectives

Development of viable market economy through:

- stimulation of private business and local production;
- intensive privatization in industry and banking;
- development of active stock markets;
- ensuring a favorable environment for foreign investment;

and

- reconstruction of infrastructure network as a basis for the economic resurgence of the region.

The accomplishment of these goals will guarantee a lasting economic stabilization and development of the region and will contribute to meeting economic criteria for EU membership.

Mechanisms of the International Organizations for Economic Reconstruction of the Region

- Stimulation of foreign investment;
- establishment of special funds;
- financing infrastructure projects
- know how support in implementing economic reforms.

NECESSITY OF A DIFFERENTIATED APPROACH

The region's aspirations to be integrated into European economic structures should be accompanied by the development of a differentiated approach when formulating the major issues of European intervention. Each country has a specific level of economic development. An important step to successful implementation of the reconstruction and development plan is to clearly define and distinguish the priorities of each of the Balkan countries:

- The economic development of Bulgaria and Romania should be stimulated by:

a) large-scale private investment and special funds for credit-
ing private businesses

b) projects for the development of an independent judicial
system and effective administration

c) public and private investment in infrastructure recon-
struction. The most important factor for the development of
these countries is the existence of a stable environment for for-
eign investment and fast and effective reforms.

– Albania and Macedonia are in need of institutional support
and considerable financial assistance from international finan-
cial institutions. It is of special importance to Macedonia that
public funds be established to balance budget expenditures on
refugees. It is also important to incorporate private investment
in order to stimulate stable economic processes. In Albania,
economic reconstruction will be possible only on the condition
that autonomous stable mechanisms of the public authority and
administration be adequately developed.

– The large-scale international financial support for Bosnia
after the Dayton Accord proved to be an insufficient guarantee
of economic reform and creation of an transparent functioning
market economy. Urgent measures for integrating the economic
activity of different communities should be undertaken in order
to overcome the corruption and inefficiency of both the banking
system and the bureaucratic apparatus. The international com-
munity should initiate programs for public institution building,
guaranteeing real economic reform and efficient distribution of
international financial aid.

– It is of particular importance that Yugoslavia not only
urgently applies for humanitarian assistance and avoids human-
itarian disaster, but also undertakes initiatives for infrastructure
reconstruction. Building-up the transport, telecommunications
and energy infrastructure is of special importance for
Yugoslavia's economic development as well as for that of the
region as a whole. The huge damages suffered by Serbia's heavy
and light industries, agriculture, and infrastructure as a result of

the NATO campaign demand post-war reconstruction of the region with considerable international financial support. The international involvement in Kosovo should focus on providing the basis for co-existence of diverse ethnic communities. It should also support the gradual rebuilding of the region's infrastructure.

PRINCIPLE OF SUBSIDIARITY

The assistance of the EU and the entire international community in the economic reconstruction and development of SEE should be based on the principle of subsidiarity. All measures of economic reconstruction and development have to be properly addressed at local and national level, or at the level of the entire region. This selective approach would guarantee:

- the autonomous ability of local SME businesses and municipal initiatives to speed up economic reforms in their regions even if the national efforts are not effective enough;
- flexible approaches which are needed in order to contain and resolve interethnic disputes and conflicts. They will be secured through local initiatives which would stimulate cross-communal markets and economic projects, involving different communities at local level within particular country or across national borders (bordering regions of two or more countries);
- clear borders between the economic regulative policies of the national governments and the economic initiatives of citizens and regions;
- effective policy decision making at national level, operating within a complexity of local, regional and international economic factors;
- successful strategy of regional—Balkan—economic cooperation, capable of restricting and compensating for the “zero sum game” traditional approach of national governments to each others' interests;
- positive strategy of regional economic development, integrating diverse communities into an economic process of common benefit and common destiny.

**REGIONAL ECONOMIC COOPERATION AS A FACTOR FOR
ECONOMIC RECONSTRUCTION OF THE REGION***A Network of Regional Institutions*

The establishment of a system of specialized institutions and funds on a regional level is of special importance for the implementation of an overall regional economic strategy. These institutions and funds would support the development of potentially profitable sectors of the Balkan economies. It would be wrong to confine the efforts only to the establishment of a Reconstruction and Development Agency, whose basic activity would be focused on reconstructing the damaged Yugoslav infrastructure. The functioning of a well-developed network of regional institutions, which intensively supports the process of economic cooperation, is necessary for the implementation of real and effective regional economic integration. Cooperation among different types of institutions—international agencies for development of different economic sectors, funds for private business crediting in the region, branch industrial and trade associations, consulting agencies, strategic planning organizations—would be beneficial to regional integration. The functioning of a network of such institutions would provide formulation and consistent assertion of common regional economic interests. Such a network would stimulate the dissemination of regional models of economic development, which would clarify the Balkan economic environment's specific needs and peculiarities.

In this case it would be appropriate to use the experience accumulated by some countries in the region (i.e. Bulgaria and Romania) in adapting European economic development models in conditions of poor modernization and economic backwardness.

These countries would contribute significantly to the voicing and implementation of common regional interests. Bulgaria would help in the restriction of criminality, establishment of

democratic and market economy institutions, and in the integration of ethnic communities.

The Bosnia Experience

Coordination of the efforts of all donors. The efficient coordination of the efforts of all donors is a significant element of the reconstruction and development strategies for Southeastern Europe. The negative experience from Bosnia and Herzegovina reveals two shortcomings of reconstruction programs:

- insufficient coordination of donors, which resulted in duplication of their efforts in place of creating diverse funds;
- “pouring out” of huge investment solely into infrastructure, which does not produce a direct positive economic result.

Regional Cooperation in Coordinating International Initiatives and Programs

There is a definite necessity for initiating a regional development system. It would be strongly supported by which would coordinate initiatives and programs. International financial institutions would provide the necessary credits, whereas private businesses would find viable investment opportunities. It would be appropriate to consign a certain quota of the offers for reconstruction of post-war Yugoslavia to support the fragile positions of private business in the Balkans. In this regard, there is a potential for cooperation among companies from the region, as well as between Western and local companies as subcontractors or material suppliers.

Inclusion of Yugoslavia in the Process of Economic Reconstruction of the Region

In the process of reconstruction of Southeastern Europe, the countries in the region should not become “hostages” of the isolationist stand of Yugoslavia. Any delay in the reconstruction of the region because of the Milosevic’s regime would have a fatal impact on the economies of the Balkan countries. An overall

process of economic reconstruction and development of the region cannot be accomplished without the participation of Yugoslavia. This country has a key geographical location within the infrastructure network in the region and for the regional cooperation development.

INFRASTRUCTURE DEVELOPMENT

The further construction and connection of a united regional network of the existing transport, energy and telecommunications infrastructure is a necessary basis for the economic reconstruction and development of the Balkan countries. Annex 1 to the Declaration of the Europe South-East forum on the Stability Pact (Ljubljana, 18-20 July 1999) defines the basic principles of infrastructure development of Southeastern Europe as follows:

- Developing complementary (and not alternative) national infrastructure strategies of the SEE countries as part of an integrated infrastructure for the region;
- Implementing the principle of alternative transport opportunities for each one of the SEE countries in its routes to Central and Western Europe;
- Balanced development of the South-North and East-West axes of the SEE transportation system;
- Diversification of energy resources supplies to the SEE countries (oil and gas);
- Priority linkage of the SEE countries' electricity system to the European electricity network (UCPTE);
- De-monopolization and competitive development of the SEE countries' telecommunications systems;
- Development of a flexible system of project investment into the SEE infrastructure involving EU public funds, private investment, concession options, BOT or BOO methods.

Transport Network

Implementation of transport projects demands considerable funds, which could be paid back over a long period of time. In

this case, different models could be introduced using joint financing combining sources from European funds, European financial institutions, and state budgets of SEE countries. The most attractive transport projects could draw the attention of private investors.

The following projects are of urgent necessity:

- Constructing two new bridges over the Danube: one between Vidin– Kalafat (Bulgaria-Romania) as part of Corridor No. 4 (Dresden– Prague–Vienna–Arad (Bucharest-Constanta)–Sofia–Thessalonica; and the second one between Becket–Oriahovo, or Rastu-Lom or Turnu Magurele– Svistov (Romania–Bulgaria);

- Constructing 56 km of railroad between the Macedonian town of Kumanovo and the Bulgarian border (Corridor No. 8—also known as East-West—through Bulgaria, Macedonia and Albania) as part of Macedonia's access to Corridor No. 4. This would connect Macedonia to Central and Western Europe and give it access to the Black Sea ports.

- Reconstruction of the main Kosovo highways connecting Mitrovica– Pristina–Skopje; Pristina–Nis; Mitrovica–Podgorica; Pristina–Prizren– Dures;

- Reconstruction of the Yugoslav bridges over the Danube and the destroyed sectors of Corridor No. 10 (the so-called Trans-European Motorway) in FR Yugoslavia.

Energy

In the area of energy, necessary funds can be provided more easily. The transportation of energy resources between countries and regions is a profitable activity. A Western private model of financing by Western private investors can be applied here. The most important regional projects are: projects for transporting oil and gas from Russia and the Caspian region, for reconstruction and construction of linkages between the countries of Southeastern Europe for transmitting electrical energy, and for construction and reconstruction of electric power-stations.

Telecommunications

In the area of telecommunications the most effective formula for financing would also be by attracting private capital. Along with further construction of major international telecommunications projects, the reconstruction of the telecommunication structure in Yugoslavia is gaining momentum.

THE CEPS PROCESS:**EUROPEAN INTEGRATION AND ECONOMIC DEVELOPMENT**

The CEPS process is the first clear example of an EU strategic plan to assist the economic development of the Balkan region and to strengthen the opportunities to further accession of the SEE countries to the European Union. The CEPC proposals for a regional customs union, Euroization of the financial systems of the Balkan countries and lifting of the EU tariffs for SEE industrial goods represent a coherent initial basis for the Stability Pact economic activities. The proposed economic assistance of 5 billion Euros per year could substantially contribute to the economic recovery and infrastructure development in the region. The involvement of the policy studies' institutions from the SEE countries into the CEPS process and the support to the process from major Western donor institutions represents an extremely positive experience of cooperation between the EU and the international institutions and the independent policy communities in SEE.

There are some substantive issues of national interest, which must be addressed by the EU and the countries in the region in the CEPS plan context:

- Does the repudiation of these sovereign rights and mechanisms of independent economic policy provide Balkan countries with an opportunity for representation in the EU institutions, making decisions for their development?
- To what extent is the discrepancy between the processes of economic and political integration to EU admissible?
- What is the risk of economic integration when EU require-

ments have not been fulfilled?

– Why is the zero-tariff regime for agricultural goods completely disbalanced in favor of the EU and at the expense of the SEE countries. This issue is particularly acute provided the restricted opportunities of the SEE industrial goods to compete at the EU market;

A NEW SECURITY SYSTEM FOR THE BALKANS: MILITARY-POLITICAL DIMENSIONS

- *The Balkans in NATO's New Strategy*
- *Building a Security System in the Region*
- *Political-Military Cooperation in the Region*

The Kosovo crisis and its aftermath have brought about significant changes to the security environment in the Balkans. As a result of the crisis many latent tendencies and long existing issues that prevent achieving peace and stability in the region came to the surface and call for the development of a new security system. The process of defining a new security system for the Balkans is subject to several internal and external factors.

INSTITUTIONAL DEVELOPMENT AND SECURITY ISSUES OF THE REGION

Following the developments of the past decade, Balkan countries formed five groups of states in accordance to the level of state institutional development and relationship to NATO:

Turkey and Greece

Both countries are members of the Alliance. They have sustainable institutional infrastructures and their influence on the security environment in the region is significant.

Bulgaria and Romania

Bulgaria and Romania are among the most well-identified candidates for NATO membership. Their institutional infrastructure fails to reach the level of the first group, but it is in much better shape than the rest of the countries.

Macedonia and Albania

Both countries desire NATO membership but are currently subject to intensive assistance on behalf of the Alliance in order to guarantee the minimal basis of their security requirements. NATO's role is critical in both countries: Macedonia does not have the resources to meet internal or external threats to its national security, and Albania needs to build its institutional infrastructure and consolidate its state power. Macedonia and Albania are under the protection of the international community more than any other state in the region.

Kosovo

Kosovo's territory has been divided into five sectors which are under the authority of NATO member states and Russia. The protectorate seems to be the temporary solution to the issue of the province's future. By implementing different forms of coexistence and cooperation between hostile ethnic groups, the international community is testing the ground in order to decide Kosovo's future status—in or out of Yugoslavia.

NATO AND THE BALKANS AFTER THE KOSOVO CRISIS

The outcome of the crisis was said to have a major impact on NATO's reputation. Since the period of the Cold War the Alliance has been searching for a new identity by adapting to the changing geopolitical situation. NATO's intention of transforming itself from an alliance for collective security into an international security system was successfully tested in Kosovo. Meeting the challenge of the Kosovo was of critical importance to the Alliance, whose 50th anniversary was during the crisis.

The Kosovo crisis tested not only the countries in the region aspiring to NATO membership—their readiness to support the policies and military operations of the Alliance, but also the support of certain member countries. NATO's involvement in the Balkans may be determined by the fact that after the accession of Poland, Hungary, and the Czech Republic into the Alliance, NATO's borders are much closer to the region and any instability could easily spread into the Euro-Atlantic area.

All of this will undoubtedly influence the degree of NATO activity in the post-crisis management and reconstruction of the region. NATO's commitment to the future development and reconstruction of the Balkans could be an efficient tool to prevent present and future conflict in the region along with its potential to damage European stability as a whole.

BUILDING A SECURITY SYSTEM IN THE REGION

A. External Regional Security Factors

The Role of the US

During the Kosovo crisis the US demonstrated its potential to set policy and influence the course of events in the region in its favor. US diplomacy once again proved to be the main generator of initiatives in the military-political field, putting the US in a position of determining and steering cooperative security among Balkan states. For that same reason the United States has the ability to stimulate military-political initiatives in the region. US strategic interest in developing such initiatives comes from the need to build a strategic sphere of security and stability around the eastern flank of NATO which may tap into a potential spread of external instability in the Euro-Atlantic area.

The Role of Russia

As a result of the Kosovo conflict NATO's relations with Russia became quite tense. The bombing of Serbia lead Russia to freeze

all cooperative activities with the Alliance. This development in NATO-Russian relations determined the 'negative' behavior of Bulgaria and Romania in regard to Russia.

After the Kosovo crisis Russia, which had been Serbia's traditional supporter, denounced the concept of the allied command in Kosovo and requested its own sector. By taking such a position Russia once again confirmed its strategic interests in the Balkans and posed the question of how much potential it has for retaining its sphere of influence.

Undoubtedly Russia will be one of the main factors in the post crisis situation in the Balkans. It will be up to the diplomatic efforts of the countries in the region to have the role of Russia contribute to their peace and security rather than be an obstacle to the European integration of the region.

The European Defense Identity

The Kosovo crisis also acted as a catalyst for the European allies to reexamine and redefine their own identity in terms of security and defense issues. The US statement that Europe should undertake the reconstruction of the region because Washington contributed two thirds of the military operation in Kosovo has put the European allies in a new position. Building the institutional infrastructure and administration of the conflict area gives the European allies a unique opportunity to be a major factor of influence. This, combined with the recognition of the right to autonomous action on behalf of the EU in solving issues which are now a direct security concern to the Alliance as a whole, will make Europe a guarantor of the stability in the region.

The Role of OSCE

The Organization for Security and Cooperation in Europe as a pan European organization has the potential to contribute to the peaceful reconstruction of the region. However, it is still not clear, in terms of responsibilities and commitments, what OSCE's role and participation in the development and reconstruction of the Balkans will be.

B. Internal Regional Security Factors

The KLA

The current structure and policies of the Kosovo Liberation Army are a serious challenge to peace and security in the region. In reality the KLA is a military political organization which has the potential of maintaining ethnic conflicts, and for that reason it is a threat to the development of civil society and the peaceful reconstruction of the region.

In this regard the disintegration of the KLA and establishment of civil political parties in the province should be one of the first steps in the reconstruction of the region.

Regional Relations

The regional relations between Balkan states in the context of the Kosovo crisis are an important factor for security throughout the region. Mutual efforts in this respect have resulted in a series of successful initiatives, one of them being the Southeastern European Defense Ministerial.

PRINCIPLES OF BUILDING A SECURITY SYSTEM IN SOUTHEASTERN EUROPE

NATO and the Framework of International Relations in the Region

The requirements for obtaining NATO membership set the framework of international relations in the region to a great extent. Among the basic criteria are: keeping good relations with neighbor countries, deterring the use of force, reforming the armed forces, and building operative compatibility. This said, military political cooperation of the Balkan countries will play a crucial role in fulfilling the requirements and expediting their integration into NATO. In the past few years the countries in the region have been attempting to strengthen their bilateral and multilateral relations in order to adopt an integrated approach to regional security.

Regional Application of the Subsidiarity Principle

The international community's efforts to sustain peace and security in the region should concentrate more on the specific application of the subsidiary principle, i.e., all local security issues should be solved at every possible level. The countries which have the resources and are able to face their own security challenges should act by themselves, without the direct involvement of NATO or the EU. The involvement of the international community in solving security problems and establishing a security agenda of the region should take place only in countries which are not able to provide their own security.

In Kosovo, the international community is involved in guaranteeing the security and existence of almost every single individual. In other countries like Bulgaria, despite the irregularities of domestic life, security of the individual and maintaining of public order are within the authority of the sovereign state power. In Macedonia, the involvement of the international community in security affairs is greater, but should not enlarge its scope to soft security issues, which the Macedonian government is capable to meet effectively.

The level of development of the institutional infrastructure of each country in the region determines the level of involvement of the international community in domestic affairs. Hence, it is important for the peace and security in the region that countries like Albania and Macedonia receive significant institutional support from NATO and the EU while the other group of countries—Bulgaria and Romania—should be given a clearer time estimate of eventual NATO membership.

Reform of the Armed Forces

The reform of the armed forces, especially in Romania and Bulgaria, is important to the future of the new strategic environment of the region. The reform in both countries is focused on downsizing the total standing and enhancing the defense capability of the armed forces.

Transformation from Consumption to Generation of Security

The national security doctrines of some of the countries in the region introduce the idea of transforming the countries from consumers of security into generators of security. The main prerequisites for achieving this goal are active foreign policy and building good relations with neighboring countries. The need of such policy arises from the conclusion that the successful integration of the countries in EU and NATO depends on the development of the peace process in Southeastern Europe; military conflicts and regional instability being mere obstacles. Generating security also means that the countries in the Balkans will no longer be able to keep formal neutrality or adopt a passive position in regard to solving regional problems.

Regional–National Security

Almost all countries in the Balkans are starting to realize that regional security is the major guarantee for the national security of each individual state. This understanding stimulates mutual initiatives for increasing trust, participation and commitment to solving problems of common concern. Political elites in different Balkan countries see this to be an opportunity for preserving peace and stability in their own countries.

Military-Strategic Environment and Cooperation in the Region

The military-strategic environment of the region consists of local conflicts and crises, disintegration of political establishments, serious migration and refugee flow, arms trafficking, and degradation of the environment. Facing these challenges is possible only through regional cooperation in the common security area.

New National Defense Concepts

Many countries in the region are in a process of building new concepts of national defense. All military doctrines state as one of their major goals of the armed forces the creation of “a favorable environment for national security.” In other words, each

country's reform of its armed forces is a major factor for integration into NATO and the EU.

Regional Activity and NATO

A recent tendency of regional activities in Balkan countries is to initiate new and different forms of mutual cooperation and cooperation with NATO. Some of these include active participation in peacekeeping and humanitarian operations, providing logistic support to NATO and the continuing commitment to Partnership for Peace.

Collectivism and Individuality as Integration Principles

The countries from the region looking towards NATO membership must combine both principles. On one hand, they should act together in order to attract the interest of the Allies and better their chances for obtaining membership in NATO. On the other hand, each country is interested in building its own identity as an applicant for NATO membership. The Membership Action Plan adopted at the Washington Summit stipulates that each country should develop an individual plan for achieving membership but at the same time each applicant country should remain committed to mutual initiatives like Partnership for Peace.

REGIONAL MILITARY-POLITICAL RELATIONS AND COOPERATION

The Southeastern European Defense Ministerial

One of the most explicit forms of multilateral cooperation has been the meeting of the ministers and deputy ministers of defense of the countries in Southeastern Europe (SEDM). At SEDM decision makers from the region lay the groundwork for real-time policy making.

The main accomplishments of SEDM are: involving Macedonia, announcing mutual interests in harmonizing national military policies, having the US commit to the future of

the forum, inviting Slovenia as an observer, and bringing together NATO member countries and applicants.

SEDM failed to incorporate Russia and Yugoslavia, which is considered to be a major obstacle for the future of this form of multilateral cooperation in South eastern Europe.

Multinational Peace Force in SEE (MPFSEE)

MPFSEE has introduced a new form of regional cooperation by establishing a common military force for protecting security interests of countries in the region. All countries are equal and voluntary participants in MPFSEE. The Force has brought about a new approach to security in the Euro-Atlantic area and beyond—providing regional sources of security is an important step in the concept of security.

MPFSEE is to be used in operations led by NATO or WEU in the region or elsewhere in Europe

The success of this initiative will reduce outside intervention for preserving regional peace and stability and transform Balkan countries from objects into subjects of their own security.

MPFSEE is one of the first attempts to apply NATO's Combined Joint Task Force concept.

Southeastern Europe Construction Brigade (SEECONBRIG)

The idea for establishing the Southeastern Europe Construction Brigade was adopted at the second Southeastern European Deputy Defense Ministerial in 1999. The purpose of SEECONBRIG is to support the postwar reconstruction and development of the region.

EXPECTATIONS FOR NEW SECURITY SYSTEM FOR SEE

After the culmination of the Kosovo crisis and the international intervention for preserving peace and stability in Southeastern Europe, the international community as well as the countries from the region will have to consider new concepts and strategies for building a new military strategic environment in the

region. This requires a relatively new approach for finding an effective security system.

The main principles of the organization of such a system, already mentioned, are based on enhancing regional military cooperation by developing bilateral and multilateral relations; supporting the transformation of countries in the region from consumers of security to generators of security by developing appropriate military and institutional resources for facing military and non-military threats to national and regional security.

The new military strategic environment in SEE requires a redefinition and specific application of existing security concepts:

- collective security, enforced by NATO member countries, is not a reliable option for the countries in the region, which should first develop their own security resources;

- regional security is seen by local governments as a factor of major importance to national security. At the same time regional security in SEE was recognized by NATO as one of the most important external factors for the security in the Euro-Atlantic area;

- the concept of cooperative security projected by NATO comes as a result of enhancing regional security by turning it into a strategic framework of economic, political and defense cooperation. National security objectives can be directed towards shared goals of maintaining stability and security in the common area. Countries can develop mutual protection against external threats while supporting stability and development in the common area.

The effectiveness of the new security system for SEE will be based on several pillars:

- further development of military-political cooperation, establishing a network of crisis management and conflict prevention mechanisms and institutions;

- coordination and exchange of information on defense plans and field military activities between the countries from the

region;

– development of mutual training of military personnel and officer exchange programs and enhancement of bilateral and multilateral military initiatives.

The successful development of military-political relations between SEE states towards initiating a common security system is also subject to the perceptions and readiness of officers and troops from different countries to work in cooperation with their colleagues towards a common goal—peace and security in the region.

2

CONFERENCE PROCEEDINGS

*Official Opening of the Conference
25 September 1999*

OGNYAN MINCHEV:

Varna is an interesting city. It has been established 13 centuries before Christ by Greek colonists and since then many different groups of people have lived here in the city—Greeks, Slavs, Bulgarians, Turks, Gagauses, Armenians in the 20th century. So this is a city, in which if not for most of the time, there has been a very strong tradition of mutual coexistence of different groups of people living predominantly peacefully. Varna has been a city, in which commerce matters much. This is a place, where practical attitudes have always dominated and from this prospective it is a kind of a good place to start a practical discussion on the issues how different people in the region of Southeastern Europe could coexist, live together for the future.

I would like to say just a few words about the idea of this conference. This conference is part of a process, which has started several years ago. A process of cooperation between think-tank institutions from the region of Southeastern Europe, in which a group of people, initially 20 to 30, started to develop the idea that it is very important for Southeastern Europe to start to speak in one voice policy analytical terms. This is very impor-

tant from several perspectives.

From the first perspective it is very important to try to detect and analyze the common interests of the people living in Southeastern Europe just because the International Community is treating this region as a region. The different countries from the region do not matter so much for the International Community but the region has its place, has its importance and recent development, connected not only with the Kosovo crisis, but with the Stability Pact, initiated after that. It became clear that Southeastern Europe matters for the International Community as a region. And that is why it's so important to try and convince decision-makers, public opinion and the analytical community to speak with one voice from the basis and perspective of our general interest. This does not, of course, imply that the different countries and the different communities do not have their own interests that they will continue to pursue in the future.

The second perspective for uniting the efforts of policy institutions in Southeastern Europe is the fact that in the context of the Kosovo crisis and the developments in Southeastern Europe throughout the 90s, we have seen very high levels of professionalism of our Western colleagues, dealing with the region. At the same time some particular details and developments, which need to be further elaborated. In this context only a local perspective may provide accounts that this region has particular, specific features that have to be treated, have to be included in the decision-making process in order to make this international decision-making process actually more effective than it is. So this issue is about how to influence as a group of policy analysts, how to offer our products to the broader community, to the broader public opinion in the West and also to reach the decision-making process throughout the international institutions, the decision-making process affecting the region.

The third very important emphasis of our meetings is the perspective from which we can participate in the resolution of

important and urgent issues. These are connected not only with the stabilization and the reconstruction of the region after the Kosovo crisis. They have to do with the fact that the Kosovo crisis initiated, we all hope, a powerful process of growing interest throughout the European Union, throughout the North-Atlantic Treaty Organization to make concrete steps in order to integrate the countries in the region into a new security system.

In this context, it is very important for the policy community in the region to contribute to the process with reasonable, truthful and helpful analyses how the different steps have to be made.

With all these possible aspects of the issue why is it so important to have a policy outlook from the region, I would like to say once again welcome and I wish you, on behalf of the Institute for Regional and International Studies, fruitful discussions at this conference.

JULIA GURKOVSKA:

I want to thank to Ognyan Minchev and his Institute for inviting us, to give our modest contribution to this conference, which promises to be a real event. One of the consequences of the Kosovo crisis is that regionalism is a fact, it's not a choice. So I believe in next two days we'll do our best to contribute to the process of the decision-making, to make this fact a good policy.

IVAN SOTIROV:

On behalf of the Atlantic club of Bulgaria, I would like to warmly welcome you here in this beautiful city, Varna. At this conference, as representative of the Atlantic Club of Bulgaria, I'm sure that I will get more close to the answer of one simple question, very important for the region and especially for Bulgaria. When Bulgaria will join NATO? This fact will have a very important impact on the new security system in this region.

3

**A POLICY AGENDA FOR
SOUTHEASTERN EUROPE:
CHALLENGES AND PERSPECTIVES*****Plenary Session 1*****OGNYAN MINCHEV:**

We are now starting the first plenary session of our conference.

Let me take the chance to present you in a few words the ideas, which were the basis of this Position paper, which the Institute for Regional and International Studies has developed as background for this conference. I think that those ideas have actually structured the very program and organized the different discussions, but nevertheless I would like to take the chance to say a few words for several things.

We all, the people, who live in the countries of Southeastern Europe, welcome the growing attention with which the International Community and in particular the European Union is developing towards the region. We are celebrating now 10 years from the fall of the Berlin Wall and we have to say that in those 10 years Southeastern Europe was not a priority for the European Union and the International Community in terms of development, stability, economy and so on and so forth.

Probably it was a bitter chance to raise the attention of the International Community towards the region as a consequence of the Kosovo crisis but nevertheless now we see the first steps made on behalf of the International Community and the European Union in particular. Steps, which show that the region will be the focus of organized attempt to turn the fortunes of the nations in Southeastern Europe on a better side.

The Stability Pact has been issued and it represents a large frame, which has to be filled with concrete substance from now on. The faster this empty frame is filled with substance, the better for us all. As I have said in the opening, the contribution that the policy institutions from the region can make to the filling of this frame with substance has to be considered as an opportunity.

There are several basic ideas from the prospective of the Institute for Regional and International Studies, which are meaningful to consider in order to think about the future of the Stability Pact.

The first issue is the issue of modernization in the region. The Balkans, Southeastern Europe, has seen different trends of modernization in the last 150 years. Some of those trends, some of those processes were successful or relatively successful and they led to the creation of modern states and modern economies on the verge of the 20th century. Other processes have not been so much successful and they have been abolished or marginalized in the process of the historical challenges that the region saw in the second half of the 19th and throughout the 20th century. What we have seen, however, in the last 10 years after the collapse of the Berlin Wall, unfortunately has been a process of substantial, of significant demodernization of the societies in the region as a consequence of unsuccessful transition from communism to democracy.

The disintegration of the totalitarian states had led to an institutional vacuum, which was filled, with illegitimate organizational forms of economic, sometimes political and sometimes

openly criminal behaviour, on behalf of large parts of the former ruling class in our countries. At the same time, this process of criminal redistribution of national wealth, has led to enormous decapitalization of our societies. People got poorer and poorer throughout the last 10 years and the ethnic conflict on the territory of former Yugoslavia was only an additional stimulus for this process of decapitalization and disintegration of modernity on the Balkans.

The people had to survive here in this institutional vacuum, in the vacuum of security, in particular soft security, in the clashes between different communities. People could survive in only one way. It is very simple to understand it. This was the way to slide down to premodern traditional types of social solidarity relationships. Those were the relationships of kinship, of clan-based solidarity. As a consequence of this process, what we have now in this region is an intensified unique process. Demodernization or sliding down to the traditional forms of human solidarity, has actually led to all those communal clashes, the development of the Mafia economics based on clan solidarity and to all other negative effects, we tended to witness throughout the last 10 years.

Of course, I am not saying that those 10 years were filled with only negative experience. Those 10 years saw many positive attempts to try and turn the process into the right direction. But they were the weaker trends in our society. What we need now at the first place is to reverse the process of demodernization. To try and develop a real plan for supporting the modernization trends in our societies. Where do we start? What is the best link of the entire chain to pull in order to enhance this process of modernization? Of course all links are important. Economic development is very important. Democracy is very important. Developing of a new middle class is very important. All those things have been spoken for quite a long time. We believe though that the most important thing, to start with, is rebuilding our institutions because a modernization processes

throughout the human history usually begin with establishing and developing new types of institutions. It was only North-Western Europe and North America which has created a modernization process coming from the bottom up, coming from developing a particular culture, realized and implemented into institutions. All other countries in the world, which are modern countries in Europe and elsewhere, are countries, which have adopted the modern world through taking the institutions, the models of economic development and adapting them to a particular environment, cultural environment in their own societies.

The democracy process in Germany after the Second World War and also in Japan, the development process in many parts of the world, including Asia, Central Europe and Northern Europe has followed the same model—adopting and after that adapting the institutions of modernity in their societies. We have taken the institutions, we have adopted the institutions of democracy from the Western world in 1989 but we have not adapted them adequately. Those institutions continue to exist in this region a great extent as hollow shells to be filled with real substance, with real interest, with real human affiliation.

What are the basic issues concerning adapting of the new institutions? Considering Southeastern Europe, I think there are three major issues of institutional adaptation.

The first major issue is the issue of developing a new institutional model of ethnic coexistence for the Balkans. Each country in this region is multicultural. There is hardly any community, which lives in ethnic purity in Southeastern Europe. What we definitely need is to try and approach the problem of interethnic coexistence from a very fundamental point of view. What kind of institutional system may prove sufficient enough to contain ethnic conflict in the first place and later on develop the prerequisites for better understanding and mutual living of different communities at the places where today we see conflicts.

Our basic approach to this issue is connected to the fact that

we have to see very hard but very much needed process of reformulation of the idea of the nation states on the Balkans. The Balkans have developed as nation states with a particular historical delay, following the consequences of the Ottoman and the Habsburg Empire and this delayed national development has led to the definition of the Balkan states as ethnic states. Nationality was defined in terms of ethnic and religious solidarity, which has actually always brought to the region the imminent consequence that minorities are an imminent threat to the national unity, to the national integrity and the national sovereignty. Even if this feature is not manifested, it has always been on subconscious level, on the level of the mass sub-consciousness as something, which you have always to bear in mind.

I think that the only chance of the region to try to manage this problem is to initiate the process of redefinition of the nation state idea in the region, following especially the recent developments in globalization. Nation states in the region should turn the emphasis of their definition on the civic side to define themselves as communities of equal citizens and to stop searching for who is coming from what origin or belonging to what community? Civic equality and civic solidarity is the culture that we need to introduce in the region by successfully adapting the institutions of liberal democracy. The successful adaptation of those institutions will be measured by the criterion of successful coexistence of different communities. Communities have to continue to exist and develop in civil societies but the Balkan states should stop treating citizens in terms of their ethnic, religious and so on belonging. Civic equality is what we need in order to stabilize our nation states and institutions.

In the last ten years we have seen quite many efforts, even on behalf of Western institutions to convince us that corporate, collective political rights are something good, which has to be introduced here—corporate political rights for minorities, corporate political rights for different communities. We claim that

this is a dead end.

All successful liberal democracies in the world are based on civic equality and guarantees for individual human rights by the states. Group rights have to be consumed at the level of civil society. State should not care, initially at least on the Balkans, on the issue of how different groups are politically institutionalized because throughout this culture of demodernization that we witness lately, the primary consequence of establishing minorities as corporate political entities is separatism. And this is so because the very fundamental mechanisms of liberal democracy integrating the citizens into one whole based on their equality do not function in the region. So the first issue, the first emphasis should be put in building our institutions by guaranteeing basic human rights, basic civic rights and the rights of civic participation on the basis of equality of citizens.

If we are successful in this process, then we can try, as most of Western democracies, to institutionalize step by step communal, political, corporate rights. I have not heard about an example, neither in the US, nor in Western Europe where the fundamental principle of civil equality has been replaced by the principle of corporate ethnic group political competition. So this is the first emphasis - to introduce and to try to make effective the institutions of civic equality, giving the opportunity to everyone, irrelevantly of his ethnic or religious belonging, to participate in public life, to develop his professional status, family status and so on and so forth. And give way for the communities to develop outside the state on the territory of civil society.

The second major institutional issue that I would like to mark is the issue of developing adequate public administration system for our region. Speaking about the democratic institutions as more or less hollow shells, we mean that we have regular elections in our countries. We have representative institutions, which are formed as a result of those democratic elections. But we don't have a system of real, effective public administrative performance, which is capable of implementing the deci-

sions that are taken at the level of the representative institutions into real life. This is where corruption comes from. This is where inefficiency of serving the people comes from.

The development of an effective public administrative system is a key issue if we have to speak about particular funds allocated by the international institutions to the region. Just because you don't have an administrative organizational network to take your money and put them into action you are pouring water into the sand. And probably we have some examples in the region, in which we had huge investments in the last few years but actually those investments did not lead to a real product, economic and public, social one.

The development of public administrative systems with clear standards of performance and efficiency is the second very important priority that I think we have to discuss.

The third priority, which I would like to mention, is the priority of trying to make the region more attractive for private foreign investment. I will mention this issue when outlining economic issues but I would like to mention one very important thing.

This region is not already self-sustainable in order to pull itself out of the situation in which it is as a consequence of all those years. What do we need? We cannot hire anybody, including the European Union or NATO or somebody else, to pull us out. Nobody will do that for us. We have to do that but we need selective help in particular aspects of our economic, social and political development in order to try to manage in the next years. Private investment is very important in this region, which is not a very attractive emerging market. From the prospective of developing, of initiating a developed mental process, process of modernization, private investment is very important from one basic prospective. Private investment will create a corporate environment in our countries and will produce 10 to 15 per cent stratum of the population with absolutely new mentality, an absolutely new entrepreneurial and skilled middle class of peo-

ple as a legacy of the former regime. This middle class has to be employed in helping modernization, the developmental process.

This middle class is now emigrating from our countries or it is dequalifying because of overemployment. We need this middle class transformed into a corporate middle class, dynamic new stratum of people, especially young people who are capable together with corporate institutions to press our governments, the public and establish this very important democratic dialogue between democratic institutions and corporate interests.

Second comes the economic reconstruction issue. We believe that the economic reconstruction is an issue of combining the efforts of the region with the efforts of the International Community and primarily of the European Union. The basic principle of applying economic help to the region, we believe to be the principle of subsidiarity. This means that economic aid should be applied at the adequate levels on which it can be most effectively developed and applied.

If this is the municipality, then this is the place where the economic aid should be applied—not necessarily national government, not necessarily regional. Every level of social organization starting from the municipality and ending up with the entire region should be considered as a level, as an organized level at which particular type of economic aid could be distributed, organized and put into action. What can be done at the lower level should not be allocated at upper levels.

Public investments are also needed, not only for establishing this corporate middle class, but actually in order to make those societies function as market societies. The decapitalization process of our societies has been huge and we have no resources to recapitalize our economies by ourselves in the observable future. We need private investment because public funds are very important but they are not the best answer to develop an adequate market environment. Private investments need public guarantees.

And last but not least—the economic aspects of the

European integration. Are we going now in Europe following two models of European integration? One horizontal model, in which countries, which have covered the criteria for accession, both political and economic, are accepted as full members, that is Poland, the Czech Republic, Hungary, and some others. The other model is the vertical integration, where instead of developing the process of adaptation of the countries to European standards, there is a kind of a protectorate top-down process of European effort to try to make those societies more manageable and stable.

Is the Stability Pact actually institutionalizing entirely different track of European integration, which may isolate Southeastern Europe from the process of European integration for quite a long time? Because if any of the countries in the region applies and covers the criteria more or less, even the political criteria for initial membership and goes to apply to the European Union, it may receive an answer: Oh, you are from the vertical track. This is another issue.

This is a very important issue considering the internal stimuli of development of the different countries in the region. I think that it is very important for the European Union to apply to the region a complex approach.

There are two basic possible approaches. The first approach is to judge different countries country by country. And the second approach is to try to develop a unified regional approach. Both approaches are meaningful. The region has to be treated as a whole but it should not happen at the expense of one or another country. Every country in the region should be treated in its specific way and its specific coverage of the particular criteria for European integration. Even more practically, in terms of starting negotiations for joining the European Union. This is not a technical issue as it has been for the last 20 or 25 years. It has been a technical issue because a country from Central or Western or Southern Europe applying for membership starts negotiations and those negotiations have been a technical

process of checking whether this country is really covering the criteria.

I think that the process of starting negotiations now changes its meaning. This is a very particular, substantial change because it is not a technical process anymore. It has another aim in the context not only of Southeastern Europe but also of Central Europe. It is clear to everybody that Bulgaria, Romania, even the Czech Republic, have not fulfilled the criteria for membership.

What you have to do is to try and see what is the particular way in which those countries can cover the criteria for membership. And the European Union has absolutely no institutional capacity to help those countries reach the criteria but to start negotiations. Because by starting negotiations, the European Union starts strategic planning, starts allocation of funds, and starts developing different aspects of national economies and adequate aid. Before starting negotiations, the European Union has no institutional capacity to help those countries to develop and fit in to the criteria. Thus, the negotiating process for membership and accession has now a completely different meaning.

We all know that starting eventually, hopefully, negotiations on the 1st of January does not mean that we will be in the European Union on the 1st of July. It will take 10, probably 15 years. But starting negotiations means that we are already subjects of the process, that we are already trying to address our problems from a very specific, very organized institutional point of view in cooperation with the European Union.

Just a few words about the security system.

Creating a new security system for the region, especially after the Kosovo crisis, is imminent, in order to avoid that kind of clashes for the future and contain potential conflicts. I would like to mention just one aspect of the security issue and the marvelous worldwide known experts on security we have here will elaborate on that in much more detail.

I would like to focus on only one aspect of the security agenda of the region. This aspect-question is what kind of security

system do we need and what kind of security system are we going to get here for Southeastern Europe? There are two polar options. The first polar option is that we have to develop a security system applied only and exactly to the region of Southeastern Europe. It will be designed as a regional security alliance, probably and it will actually serve specific issues of the region, which will mean that this security system will not be a part of the larger Euro-Atlantic security system that is now developing throughout Europe. But it will be something autonomous, something, which is treated in a different way.

The second major option is to try to develop a security system for the region, which is a direct continuation of the Euro-Atlantic space with its institutions, with NATO membership, with rules and instruments of guaranteeing security.

I am aware and my colleagues, who have worked on the policy paper are aware that the second option cannot be the immediate answer for the security system in the region because we have protectorates here. There are regions and countries here, which cannot serve directly as providers of their own security and cannot provide guarantees for their own security and the security of the region. No matter what decisions are taken for a new security system, we will consider it very important that all measures and institutions created in the region should consider that Southeastern Europe has to be part of the Euro-Atlantic security system.. The sooner it happens, the better for us all.

Two final words on regional cooperation.

Regional cooperation is something that is already not a discussed issue. Without regional cooperation, we cannot do anything for the simple reason that nobody is interested in our countries taken separately one from another. The region is, to a particular extent, interesting and we had to fit into this new trend, new perception of the International Community.

The problem is what type of regional cooperation to build, because in the 20th century we have seen many more or less utopian models of regional cooperation, even federations, even

larger efforts of trying to make different people living together and those efforts have failed. We tend to think that those efforts failed just because they all shared one basic feature. They were top-down efforts. They were efforts created by particular elite, sometimes utopian, sometimes pragmatic or greedy elites but nevertheless all those efforts for regional cooperation and integration of different nations here have been top-down efforts.

We believe that the process of regional cooperation, which is taking place now and which should develop in the future, should be a bottom-up process. This should be a process of constructing real communities of people, including cross-border, not only capable of living together but interested in living together. Most of them cooperate among themselves on an everyday basis and they need this cooperation in order to survive.. If we have that kind of growing communities, initially not more than 5-10% of the population of the region, if we can start and initiate and develop the process of growing and intensifying cooperation among real communities, then there will be no need of top-down decisions to live together. Real communities with their own interest, will be the most powerful lobbyists for the process of regional integration, which by the way is the only way for each country from the region to join the European Union and become part of the integrated European space.

Joris Voorhoeve
ECONOMIC DEVELOPMENT OF THE BALKAN AREA

When thinking about the subject that I am to talk about, I was reminded of an old anecdote that was once told to me by a Russian political scientist. A Serb fisherman captures one morning a beautiful golden carp. As it goes in these stories, the golden carp says something like: "Of course you can take me to the shop and get a lot of money because I'm pure gold but I would advise you to throw me back into the water. And if you do so, I

will immediately fulfill you three dearest wishes.”

And the old fisherman without any hesitation threw back the carp after formulating three wishes. First of all, he wants a very elegant young wife. Secondly, he wants a strong young body and third he wants a very important place in world history.

And indeed the next morning he awakens, he feels very strong. He awakens in a beautiful large bedroom and a very charming lady walks in his direction, sits next to him on his bed and says: “Ferdinand, it is high time you get up because we were supposed to visit Sarajevo today.”

So what this story teaches us is that we have to set realistic expectations, that is more sensible.

My subject is the economic development of the Balkan area. I think there are very important opportunities to be realized and I would like to make a few remarks about the Stability Pact, about integration in the European Union and NATO, about the former Yugoslavia and about the longer-term prospects.

First, the Stability Pact.

Of course, political, military and economic stability in Southeastern Europe is essential to prevent repetition of the bloody conflicts, which have ravaged this region in the 20th century. I would like to focus on the encouragement of social and economic progress in the entire region and leave military aspects aside as other speakers will be dealing with the security issues.

A speedy and full implementation of the Stability Pact for the Balkans, which was announced by the European Union in Cologne and negotiated by the International Community at the end of July in Sarajevo, is of course very important for the future. Because of that reason, the Netherlands government has just decided to contribute \$ 250 million annually to the international funds for this Pact, which will be repeated for several years.

Of course, economic development of the region is first of all a responsibility of the governments, of the people, of the insti-

tutions of the countries in Southeastern Europe themselves. They determine the quality and effectiveness of their policies and their mutual cooperation across all borders here. The Stability Pact is no miracle formula or panacea. It is an agreement to step up everybody's efforts to develop and stabilize Southeastern Europe and coordinate the various international organizations and national activities during several years. The risk is that this remains only an aspiration, only beautiful words.

The task is to turn it into reality in the next several months. The crisis in Kosovo was the immediate reason to conclude this Pact. I will not deal with Kosovo today because it receives already a lot of attention. What matters in this conference is to help determining development opportunities in the entire region of Southeastern Europe and that of course is more than the Balkans and includes also parts of Central Europe. Of course in the short term the safe return and housing, food and medical care of the various groups of refugees and displaced persons in all countries concerned: Kosovo, Bosnia, Macedonia, Albania, Serbia, not to forget and other areas and states, have to be improved. National and International organizations have not really met all challenges before winter sets in.

Now that the war seems settled, it is high time to encourage trade and private investment in the whole region. The engine of economic progress is made by small and medium size companies. They create much more new employment than large corporations and governments.

The World Bank and the International Monetary Fund have estimated a short and long term financing requirements of the budgets of most countries in the region and the policies needed to repair the damage of the recent wars and quicken the pace of reform.

I would not like to limit my remarks to purely economic subjects. Proper legislation, political stability, a functioning legal order, safety of persons and goods, reduction in small and large scale crime and fostering positive expectations about the near

future are essential requirements for economic growth. Our chairman Mr. Minchev has already dealt with many of such important requirements.

Functioning multiparty democracy, accountable government, a free press, civic organizations and citizens who think and act freely within self-imposed legal and ethical rules, are very important for economics. Economic advisers from Western countries and institutions sometimes overlook the non-economic factors and their importance—the factors, which are not quantifiable but more important than economic facts.

Adam Smith, the father of liberal economics, was not an economist but a professor of moral philosophy, who emphasized the importance of ethical values like thrift, prudence and honesty of citizens in order to help create prosperity for all. He also said defense is more important than opulence, in other words, safety comes before wealth. And this also implies to care for the environment, the conservation of nature and to personal safety, that is human rights.

Internationally, security will be enhanced by wider cooperation of the countries in the region with NATO and a prospect of membership in the foreseeable future. I hope NATO will invite a number of countries in this region, for instance Slovenia, Romania and Bulgaria in the year 2002, to start individual accession negotiations.

Belonging to the NATO sphere is important for economic reasons too. It improves the expectation of peace and stability and encourages domestic and foreign investment. The Southeastern Europe initiative, in which Bulgaria plays a crucial part, will help guide developments in this direction.

A real prospective of integration of the region's economies with the European Union is of course an important stimulus for reform of policies, of laws and institutions and for new investment, savings and trade.

At this moment the European Union negotiates, as you know, accession only with Hungary, Poland, the Czech Republic,

Estonia, Cyprus and Slovenia—there is only one Balkan country.

Next month the European Commission publishes reports on all candidates, also Bulgaria, Lithuania, Latvia, Malta, Romania and Slovakia.

In December the European Council will consider when accession negotiations will be opened with those other countries. The criteria have been formulated earlier in Copenhagen.

The Netherlands government has recently stated that Bulgaria and Romania deserve a positive decision in December for two reasons.

First, we should avoid new divisions in Europe and pull both countries as rapidly as possible in the direction of the European Union.

Second, the Netherlands prefers forming a large European economic zone. Both countries, which I mentioned—Bulgaria and Romania—are important and at present stable democratic factors in the region. And that is why the Hague argues in favour of a start of accession talks in the next year.

There is also a third reason. The Netherlands has the privilege and the responsibility of representing many governments in Southeastern Europe in the World Bank and the International Monetary Fund. They are part of a group of a dozen countries in one electoral group, represented by the Dutch executive directors in both institutions and they of course take a special interest in the well-being of these countries.

Of great importance is of course that the European Union and the International financial institutions help the region to finance new infrastructure, which will better connect the countries to each other and to their export markets in Europe and elsewhere. International Commercial Banks can assist by co-financing sound projects.

The greatest hindrance to progress in this region is, as it seems to me, the regime in Belgrade, which has driven its own country into isolation, poverty and ill reputation because of war

and war crimes. A reform of Belgrade towards openness, democracy, pluralism and market economics would give a boost to the entire region.

Yugoslavia's neighbours have suffered heavy economic losses because of the wars in Bosnia and Herzegovina and Kosovo, because of the embargoes and because of the political instability, which has reduced foreign direct investment, exports and tourism.

If Belgrade had been as reform-minded in the 1990s as for instance Bulgaria and Romania, notwithstanding the difficulties these countries experienced, the entire region would be much better off, much more stable and prosperous and closer to full integration in the European Union and NATO than it is today.

Full cooperation of the former Republic of Yugoslavia in all the benefits of the Stability Pact and other forms of assistance and trade benefits can, however, only come about after Belgrade reforms its policies, which needs a change of government, which in turn requires full cooperation of the democratic parties and their leaders and full respect for all human rights and minorities. Hopefully this change will come about soon. The common Serb people have suffered more than enough under what I should call autistic post-communist nationalism.

The Southeastern region of Europe has, I think, very exciting development possibilities once the political preconditions for steady growth have been established. There is not only what overwhelms us here, of course, the attractive nature, countryside, beach resorts, the cultural highlights, the mountain and winter sports potential, there is an enormous tourism potential. There are large agricultural export possibilities once the markets of the European Union are opened up, by aggressive marketing of the region's horticultural and agricultural products and wines. The relatively high level of education and low labor costs, are of course advantageous for industry and for commercial services.

The energy reserves of the Caucasian and Central Asian region could put Southeastern Europe in a crucial geoeconomic

position. The instability of the Caucasian region and the economic problems of Ukraine and Russia are of course complication.

Theodore Coulombis

A NEW SECURITY SYSTEM FOR THE BALKANS FROM KLAUSEVITZ TO MONET

If for security you take a comprehensive definition, rather than a very narrow definition where you add components of soft power to variables of hard power, so in fact you could call my presentation from hard security to soft security—a transition, which gives you more security as it becomes softer and softer, more and more comprehensive.

Let me address the topic from the perspective of the environment, the wider aspects of the security architecture, of what you could call the Euro-Atlantic community that begins in San Francisco and Vancouver and goes all the way to Vladivostok or even to Tokyo. That is a kind of concept I have in mind within which Southeastern Europe is not an isolated island but a part and parcel, an integrated parcel in this Euro-Atlantic space.

We are indeed living in interesting times as the Chinese curse reminds us. In the post-Cold war setting periods of hope for global consensus and order are rapidly succeeded by periods of mutual suspicion, crises and confrontation. Hopes for a new world-order are abruptly dashed in a platter of incidents suggesting a return to an old world-disorder.

In the waning days of our turbulent century at least in the vast space of Euro-Atlantic community we may be today at the gates of a long and sustainable era of peace based on principles and practices of economic interdependence and political democracy.

Following the Kosovo crisis, the Kosovo tragedy, hopefully the last avatar in the wars of Yugoslav succession, our collective

challenge is to move forward with unfolding peace processes in formerly troubled zones such as the Middle East, South Africa, Northern Ireland and of course the Balkans, not excluding the tense and protracted Greek-Turkish relationship. However, the outcome is not certain and we are not out of the woods yet. Much will depend on a cluster of factors involving social-economic development in the states, comprising what let us call, we could call New Europe. This is a Europe without wars, without fences that are drawn along cultural, ethnic, religious—read Huntington there—and economic especially, lines.

Major responsibility will rest on the leaders and authorities in various centers of power – economic and/or military from San Francisco as I indicated on the way to Vladivostok, Tokyo and Peking.

The United States, the world remaining super power, will play a pivotal role in affecting a sequence of events in the first century of the new millenium. At this point we can in a Delphic sense map the contours of Europe's security architecture in terms of two very different paths that could lead on one hand to a tolerable Euro-Atlantic community order and on the other—to a dangerous, explosive and unpredictable disorder. Both paths, in my view, fall well into the realist paradigm. In my own preference and I believe and I don't speak for them or anybody else, I believe this also applies to the Greek government, is for the first path of the two that I will outline.

We could call the first path a Concert system of order in the world. We could call the second path a Conflict system and it is a mistake to assume that conflict is realist and cooperation and interdependence is idealist. It is the easiest way to dismiss cooperation.

In the 1990s after the end of the Cold war a Concert system in my view has been mostly in operation. It is multilateralist rather than unilateralist in orientation. In the sense that the United States and NATO have chosen since the early 1990s to act within a context of collective legitimization based on resolu-

tions and decisions arrived at in the UN Security Council—the Permanent Five and more recently the G-8 framework. The Concert approach does not divide the world in terms of forces of good and evil. It emphasizes soft in addition to hard power. It adds therefore heavy portions of economic and diplomatic considerations into a comprehensive definition of strategy. In a concert world all states, not only the major centers of power, adopt variable sum, mentality, win philosophy in the respective worn views. The concert system needs patience to be sustained. And like the recent handling of the first phase of the Kosovo war, preventive diplomacy needs to be given much accident to endure. Unilateral decisions by the United States, NATO and the EU are to be avoided except in the most extreme circumstances when the authorizing mechanisms whether in the UN, G-8, as I suggested, appear to be irrevocably blocked by putative vetoes of one or more permanent members. Exhaust all remedies before acting unilaterally—that is the message.

The handling of the International Community as a response to Saddam Husein's invasion of neighboring Kuwait in 1990-1991 could be considered a textbook model for emulation of International Community action against future aggressors.

Needless to say in a concert system of Euro-Atlantic or even global security there will be ample room for division of regulatory labour. NATO will continue to play a central role, given its advanced infrastructure and its capacity for timely and effective action. The EU together with its new defense arm—the WEU, the OSCE, the Council of Europe, regional groupings such as Balkan Cooperation and Black Sea Cooperation, as well as ad hoc assemblances of coalitions of the willing, will offer heavy doses of preventive diplomacy based mainly on economic reward. Emphasis on reward, conditional reward, if you like, far less than sanctions, which have been a tendency in the past in return for spreading networks of economic interdependence and effective regimes of the peaceful settlement of disputes.

But there is the wrong path—the conflict path. There is the

wrong path, admittedly presented here in caricature form. It is a preemptively pessimistic approach that denounces the concert strategy as the product of “fuzzy idealism” and I quote prominent people when I use that term.

Leaders and advisers adopting this sound, divide the world in terms of good guys threatened by bad guys. The good guys of necessity cannot expect the bad guys to legitimize their actions whether in the United Nations, which they view normally as a highly troubled and ineffective institution or in other forum. For them, the only thing that the bad guys understand is force and accordingly, sometimes preemptively, they rush to employ military power. Their emphasis is on peace enforcement, rather than peacekeeping and preventive diplomacy. Their mentality is one of zero sums—the enemy’s gains equal my losses and vice versa.

The conflict system, here I come to the topic of my paper, resurrects geopolitical premises of the distant and recent past. Karl Von Clausewitz would be euphoric in his grave if we were to continue along this path. And clearly would not take long before new wars and new fences would be erected in our powder-tested continent, wars that would be premised on culture, on religion, on ethnicity, on poverty, on wealth and whatever else, the ill-brains of global image-makers and regional despots might seek to devise.

My hope, as well as my expectation, is that current and future leaders in the United States, the EU, Russia, Japan, China and other significant and rising centers of power will adopt the concert over the conflict strategy in a planet, where the distances between the haves of the North and the have-nots of the South are growing by leaps and bounds. We cannot allow the employment of old and rusty dogmas such as competing spheres of influence and bilateral dependencies to carry the day.

What we have, unfortunately, is the tragedy of spheres of neglect and spheres of indifference, especially South of the Sahara where CNN has a central concern and adds to the humanitarian consciousness but the rest of the world, in terms

of hard considerations of interest and capability, has very little to do in the process.

Regarding the challenges facing our region, which is Southeastern Europe and I add to it Central and Eastern Mediterranean, the question of the Federal Republic of Yugoslavia remains a major impediment in Western plans for regional reconstruction. There are two schools of thought of this issue. One believes in the unmitigated responsibility of Slobodan Miloshevic and even the collectivity of the Serb people for the violent dissolution of Yugoslavia and declares that this state should be excluded from reconstruction as long as Mr. Miloshevic remains in power. And to some extent we just heard that point of view a second ago.

The second school believes that the destruction of the Federal Republic of Yugoslavia constitutes sufficient retribution for what should hopefully become the last irredentism clash in the Balkans and that reconstruction cannot make progress if a black hole is left in the middle of the region. The second school also asserts, believes that the post-Miloshevic era will dawn more rapidly if the people of Yugoslavia are not penalized, are not equated with the highly flawed leader.

The most frightening regional problem, which we are all facing and which is bound to affect the EU as well as NATO, is the growth of the illegal trade and criminal operations. Smuggling of consumer goods and energy sources will graduate into the most dangerous, the development of dangerous and profit-making networks of arms and drug traffic. The weakness of the regional states to enforce the rule of law and to monitor organized crime could transform them into havens of such activities producing Mafias that may infest the fledgling democracies of the Balkans and beyond.

In such a turbulent setting various forms of domestic and international terrorism will find a welcome environment.

Our region is a host of other problems as well. It needs to address them, including nuclear and missile proliferation, envi-

ronmental pollution and the growing gap in the economic levels of the Northern versus the Southern so-called states of the region and the Mediterranean as well, all of which is urging radical, fundamentalist movements leading to internal and interstate conflicts.

Together these challenges are generating population movements, legal and illegal refugees seeking a safe haven in the European setting, the West-European setting, which is facing high levels of unemployment and marginal but vocal movements, harboring racist and exclusivist – in one word fascist mentalities.

The recent earthquakes in Greece and Turkey have exploded the myth about the two countries. These earthquakes exploded the myth of so-called chemical incompatibility between our two peoples—the burden of history and all that in my view nonsense. What has been referred to as “earthquake diplomacy,” as if diplomats plan earthquakes—is rather a cynical term—was a spontaneous expression of compassion and solidarity in the face of human disaster. Media, politicians and societies at large have responded with genuine appreciation to the rescue missions that each country rushed to the other in the height of their misfortune.

This inductive bottom-up approach to incremental normalization of relations and the two Ministries are now maintaining a discussion, a dialogue on the so-called low-political issues as supposed to high political issues. This approach is designed to identify projects and patterns of cooperation between Turkey and Greece at both bilateral and multilateral settings.

As agreement and projects on economic, environmental, cultural, educational and related issues proliferated. The overall climate will continue improving and authorities in both countries may start untangling the Gordian knots and I have here a knot, without swords, the Gordian knot of so-called high political issues.

Greece, especially since 1995, has firmly chosen to avoid

becoming part of the problem in this region but instead, serving together with its allies and partners as part of the solution. Clearly, the strategy of dual enlargements and/or engagements of the EU and of NATO in both the Balkan and the Mediterranean sub-regions will help the ongoing processes of economic development and transition of all states in our region to sustain systems of stable and consolidated democracy and that is genuine security.

Janusz Bugajski

BALKAN SECURITY: OBSTACLES AND OPPORTUNITIES

IN THE NEW MILLENNIUM

I want to outline some obstacles and some opportunities for long-term stability and security in the region. I am not offering any prognosis but simply I would like to review the negatives that need to be addressed, very seriously, and the positives that must be exploited in the coming years if Southeastern Europe is to become a stable and productive part of an expanding Europe.

So let me begin with the obstacles and I have located four clusters of issues. I am sure there are others but these are the ones that occurred to me.

First of all, territorial and ethnic rivalries and all these entail in terms of political destabilization. Secondly, national isolationism. Thirdly, outside interference and fourthly, international criminality, if you like the new international.

First of all territorial and ethnic rivalries. Several conflict points remain in the region: Serbia, Montenegro, Kosovo, Bosnia and Herzegovina still and potentially Macedonia. I do believe that unless Serbia undergoes major political rupture from its current system, which is the personality, the system, the remnants of Yugoslavia will remain the major factor of regional instability, not that they will necessarily create, let's say military problems for the neighboring states but they will discourage

investment, they will prevent a sort of infrastructural development, trade, regional cooperation we would wish to see.

I do believe that Miloshevic policy during the past decade has encouraged the series of crises, indeed the series of crises that have retarded the entire region through this insipid destabilization, emanating from that regime and I do not believe the regime is finished, not yet. Of course, it needs to be replaced by a more moderate, democratic pro-European administration but I do not see this happening. Indeed, I would argue that may be Serbia itself faces violent changes, potentially violent revolution over the coming months. One could argue, particularly on the record of the opposition recently, that Miloshevic simply is not going to lie down, play dead or surrender as a result of street protests, that may indeed be some kind, if not a civil war, some kind of violent conflict within forces for power in Serbian society. And indeed sometimes one could argue that this long-term security in the region might require some short-term instability before the problems are solved.

Again, emanating from this, the question of Montenegro and Kosovo, if these two regions do slip out of Serbia's grip over the coming year, the International Community will need to weigh the regional impact of three new independent states. There exist two possible outcomes of such a scenario. First of all destabilization, which is the sort of common conventional wisdom, if you like through an escalating war, minority demands, question of greater Albania, the question of further destabilization challenges of borders and so on.

The alternative scenario is progress towards settling some of these very issues by creating an independent Kosovo, independent Montenegro and actually taking these two issues off the Serbia political agenda because it is the national question. That is I think distracted Serbia from a very vital reform program and indeed is given Miloshevic ammunitions to preserve that regime in power.

I will not go to the other crisis points in terms of Bosnia,

Macedonia and elsewhere. I think you are very familiar. I am just trying to indicate some of the questions that stood out there.

Second question, related to this but a little bit different, is what I would call national isolationism. It is self-imposed or imposed from the outside or as a result of policies imposed by outside or in some combination of the two. For example, the long-term exclusion from NATO and EU of aspiring candidates, I believe is very regressive strategy. It counters the concept of an integrated Europe with a common security policy. Even more, importantly on the practical level it could lead to long-term isolation and marginalization of excluded Balkan states. The absence of what I would call security indevelopmental guarantees will have negative domestic reverberations in terms of political stability, institution building, the kind of issues that I think Ognyan mentioned at the beginning—economic reform as well as international relations, international cooperation, business investment and so on.

Exclusion, for example, could strengthen a position of anti-reformist elements, authoritarian elements, nationalists, populists, anti-Western forces, who will for example charge discrimination by the alliance, will become much more difficult to push through vital economic reform programs if it does not seem to be a target, a goal, an achievable goal. Nationalists, populists could gain increasing public sympathy by deflecting attention from these pressing domestic reforms to issues of ethnic belonging, religious affiliation and so forth. Long-term exclusion could also weaken the long-term position of democratic pro-Western forces in some of these countries but inside or outside the government. They may find it increasingly difficult to justify the necessity of economic reform, the necessity of a certain degree of unemployment restructuring, closure of industries and so forth. The opponents of course will charge them with loserly hopes of membership, of clubs that they really don't want them. Commitment to economic reform programs will then be a challenge that is merely serving international corporate interests in a

new sort of conspiracy, new conspiracy theories.

The third factor, which is linked with the second but in terms of the role of international outside agencies, in terms of indefinite exclusion, could also generate foreign policy turmoil.

Some states could try to ensure long-term security through alternative alliances that could lead to new divisions on the Peninsula. Again, this is linked with the deflection from domestic reform to ethnic and territorial issues. Some countries may seek a more independent security posture, which ultimately is going to be very difficult.

The larger Balkan powers may seek to control the major front policy decisions and economic resources of nearby states. Issues of irredentism could be revived and I do not need to mention all the possibilities in the region. More important is that some outside countries may be tempted to intervene more significantly in the region. And I have in mind particularly Moscow whatever its capabilities at the moment or capabilities in the future. I think that it is clear that Russia wants to maintain or rebuild some kind of sphere or zone of influence or interests in the region with an active political level or economic or so-called business level.

Serbia currently constitutes the most useful wedge for Russia in exploiting Balkan conditions to its advantage—in other words, creating disputes between US and EU, weakening the case for further NATO enlargement as well as further NATO evolution. NATO assumed a greater role in stabilizing the region.

Ultimately, I do believe that Balkan-Russian relations will have a built-in conflict, built-in contradiction, assuming of course that the Balkan governments remain committed to democratic reform and membership in NATO. The fact is that all these states with temporal exclusions like Serbia, desire NATO membership while Russia does not want further NATO expansion into the region. Hence, I believe Moscow is likely to engage in a range of measures, either to draw the Balkan countries away from NATO or to undermine the ability to cover the criteria for

NATO membership. I think it is worth at some point to do some round table on these issues, the role of Russia in Southeastern Europe.

The fourth area is international criminality. It's a threat not only for the security of the region but a threat to Europe as a whole. By international criminality I mean including everything from computer crime to drugs smuggling, international prostitution, arms smuggling, money laundering, corruptibility of governments, the close links between crime and politics, the susceptibility of politicians.

Criminality has gained ground as a result of various factors: war, sanctions, lack of domestic reform, institutional breakdown. Also the fact that former communists figured they could make a deal, that they would surrender power but make the money, make the profits or partially restrict the old state assets. Besides there is penetration of international mobsters from already existing Mafia organizations in Southern Europe, not to mention the activities of the Russian Mafia in the region.

If organized crime actually spreads and prospers and gains stronger political influence, then I think Balkan progress towards any of the European institutions and domestic institutional reform will suffer enormously. And I think instead of assisting each Balkan country to enter the EU, European alliance leaders may try to shield their countries, their region from the security risks, emanating from Southeastern Europe. This would isolate the Balkans in the long-term basis from Europe and in fact some have said that two new systems may emerge, let us say in the lines of democracies and the loose collection, connected collection, if you like of kleptocracies.

Let me go on very quickly for security in the region and again I have got three main areas here that I think worthwhile for each government to focus on over the coming years. They are in order bilateral relations, strengthening bilateral relations, these trilateral, multilateral initiatives, indigenous initiatives as well as various forms of progress towards NATO and EU integration (I am

just mentioning a few areas, it is a huge topic).

First of all, bilateral relations. I'm not just talking about inter-governmental relations, although I think they are very important, and there has been a lot of progress made in a number of areas between various countries in the region. Of course, not all sources of conflict are necessarily going to be eliminated, but I think they do build confidence, they engender the steady improvement in the area of security situation. But there are other initiatives, interstate initiatives, that can be pursued, whether between Parliaments' political parties, local governments as well as the huge NGO sectors in different states, meetings such as this, for example, is in itself a form of regional cooperation. Institutions can play a major supportive role in devising joint programs, in advising officials and in conducting assessments of critical problem areas. In many cases the NGO sector, for example, can be both a facilitator but a lubricator as well of relations between government officials, between the region and the outside world.

Again on the economic arena, more emphasis needs to be placed on building economic networks that cross borders—interregional cooperation, subregional cooperation, various joint programs, transborder entrepreneurship, joint ventures, investments will benefit the whole region. Economic reform in other words is not just a domestic factor. It's a regional factor.

Secondly, related to this but I think it is a building on it, are trilateral, multilateral initiatives, particularly between triangular sets of countries that can complement each other in various ways. I think Bulgaria's taken a very significant role in trying to develop this, as well as Romania, in the past few years.

In terms of the perception let us say of Southeastern Europe in the United States and I am sure in Western Europe, such programs are extremely helpful because it shows that the Balkan countries are taking responsibility for the region, not just looking after their own interests. You can argue that self-interest is to be regionally involved to project security, to cooperate with the

neighbors and to prevent conflicts.

The last issue is progress towards integration in NATO and the EU. NATO faces a lot of the next few years in addition to digesting its three new Central European members, learning the lessons already of the Kosovo operation but also applying its new strategic concept, restructuring its cost arrangements, developing the European pillar (however that goes, we have heard a lot, we will see what actually happens). During this period I would not have very high expectations that it is going to be imminent call or imminent, let us say invitations for new members. But I think, regardless of progress towards NATO of the next few years, the Balkan states can make significant progress towards these institutions, through the sort of internal reforms, note the countries' negatives and pushing for positives regionally that I have outlined. And by contributing to regional stability, they become naturally a source of assistance for NATO and each state in line with its capabilities, can work on different programs with NATO as a whole but also with individual NATO states as well as regionally but also with individual NATO partners.

DISCUSSION

FRANZ-LOTHAR ALTMANN:

On the topic of group rights for minorities. I would rather see examples in Europe where the granting of group rights in addition to the absolutely necessary civil rights, which you rightly stressed, not as a substitute for these civil rights, group rights for minorities can be very helpful, like the Swedish in Finland, the Danish in Germany, the Serbs in Germany. The cultural rights for these groups, the school rights, language rights helped to ease the tensions and there is no sign of any secessionist movement among them. So, there are also other examples. The Balkans is a bad example probably but also a good one.

Secondly, you mentioned membership negotiations are

absolutely necessary to improve the conditions for the applying countries. We do have already the so-called accession partnerships and in substance, this is a very substantial support for these countries. There are special funds and there are no additional funds in the moment you enter membership negotiation. That is a technical process which is a kind of final counting what has been achieved and where are the problem points for the final signing of the contracts. But these accession partnerships are really a substantial support and do not differ from the support during the negotiation process. So, it is not so bad as said.

The last one of you said safety before wealth! I think the improving economic, social-economic is the best what can happen for developing safety internally and externally.

ALI HIKMET ALP:

Regarding the question of political rights, we have different opinions with our European colleagues and European governments. For example, when a German scholar executive talks about collective rights for Finnish or Danish, I do not know how many they are, they could be a thousand, may be, in a given society but what about the same rights for the Turkish community in Germany. When I ask this question, they tell me: Are you crazy? I certainly am not crazy but then it shows that the circumstances even in a given geographic region immediately change.

I really would like to thank you that you have emphasized the need for regional integration—the word which some are afraid of using. They talk about regional cooperation but integration never and without regional integration I do not think the larger scale European integration can be possible.

PLENARY SESSION CONTINUED

Franz-Lothar Altmann

PROBLEMS OF SETTING PRIORITIES

I will not try to enumerate priorities or to give a real ranking of priorities because this is rather something, which then should be discussed within the working groups. But to sketch why I think that it is a problem and why priorities must be set.

So the first question, why priorities, I would say the Stability Pact and this is the framework here, which we move. The Stability Pact as such is a very huge program, a very broad scattered of different areas and in my understanding it is too broad to deal with it on an equal basis. Second, priorities must be set because we on your side and on our side have only restricted human and physical financial resources to be used for implementing this Stability Pact program.

The first question will be priorities between what? Of course, there are three major fields within the Stability Pact, which you all know: democracy, security and economics. One could start by thinking what kind of priorities between these major groups could imagine. Here, it is probably the general understanding that these three groups as such are on an equal basis. But as an economist, I would even try to put a slight priority on economics. For instance, it seems to me that economic development, social-economic stability in the countries as a result of improved economic conditions, can serve well for the two other baskets—for the stability, security basket and for the democracy and human rights basket. The better offer in society is the less the tensions probably are between the different groups in the societies, may that be ethnic or other divisions in the society.

Therefore, I will try to deal with the question of the problems of priority mainly in the field of economics as an example how this could be seen. If you take the economic basket, the economic part of the Stability Pact, it is not only the question for

financial needs, where the starting point what kind of financial needs can be distributed. It certainly is more. I would start reflecting on priority setting, first in two sets. The one side is the demand side; the other one is the supply side. The demand side is the needs itself, so the needs, which the region itself seems to have or feels to have and here to set by itself the priorities. The region itself must define what priorities they think they have. But here again there is this kind of decision tree. The next level will be which are the individual priorities, the priorities of let us say Albania or Croatia or of Bulgaria and which are the needs, which the countries themselves see within the region. So the regional needs, regional priorities whereby here on the demands side, it's not only the definition from the side of the respective countries, from the target countries but it could be also helpful if these needs, these priorities for the region are defined or are supported to define from outside by EU, by EBRD, by the World Bank.

We have here different players who should get together and define the needs, the priorities from the demand side—what is obviously needed. Certainly, these countries themselves are the number one players in this kind of counterplay. The question is what kind of forum one could imagine. Where these players or these demanders or the definers of demand meet and try to set these priorities?

The second side is the supply side. What do we have? What can be provided as a support for the development in the region? What are the possibilities? Again, if you have this picture in mind of the decision tree, you have the next level, which is either human resources or financial means. So, what in fact do we have as supporters in the human field, what kind of specialists, what kind of people, who can go into the region as administrative workers as police forces like in Kosovo? On the other side what kind of human resources do the countries, the target countries have? And the other one is what are the financial means? It's clear that financial means here in the region are

almost not available. But then we must look what, from the supply side in the financial means, is available. For the moment, I must admit I do not yet see too many definite answers to this question. At least to my knowledge there have been a lot of framework promises but no real figures, neither for the longer term from EU nor from the World Bank, nor from the EBRD. It is not yet definitely clear what will be the sums to be distributed according to the priority areas, which have to be defined from the demand side, unfortunately I must say. This is certainly a point to be addressed very soon but again depending on the needs, on the demands.

There are some basic priorities aside from this principal decision tree, which I tried to sketch in your vision. There are certainly some basic priorities.

The first one, I would say in general, is to keep the momentum of the Stability Pact going on, to capitalize on the present emotional effects, which we see, in particular in the Western countries. As soon as time passes by, let only some months go by, the whole momentum will be much lesser, much slower. So, we have to hurry up. We have to define the needs; we have to define priorities. We have to press those players on the donor side to commit with real figures. If you do not hurry up then as the momentum will be much lesser and the pressure will be gone.

The second is another priority here in the general setting. You should avoid creating too high or false negative expectations on the side of the target countries. That explains what I mean.

The third would be if we try to define priority projects. I think it is in the interest of these countries and of ourselves, to give priority to those projects that entail the European prospective, projects that encourage integration on both sides but in particular here in the region. If you have different projects to choose and you have only limited money, I would say priority should be into those projects, which endorse integration, the integration process.

Number four would be to settle political questions, impending political questions like in Serbia or neighborhood disputes, which to some extent have been settled recently, an example was Macedonia and Bulgaria. But if political questions within the countries and between the countries are open, if it is not clear, what we have discussed earlier, whether the principle of multi-ethnic states should be given up or what to do with the future of intrastate relationships between ethnic groups, if that is not settled, the whole issue of Stability Pact is endangered. Because as long as this is not settled, for example the idea of attracting foreign direct investment is still on a low scale.

Fifth, as a general basic priority, I would see, finding out which institutions are needed or need to be adapted, we had this also earlier, which are needed to be changed, to be improved. It means institutional building in the administrative and legal systems, is certainly needed to improve the absorptive capacities in the region, the absorptive capacity for this program. The program can only work if the institution building is accelerated.

One of these institution buildings as an example, is certainly the banking sector. As long as the banking sector is characterized by being very weakly functional or not functional at all, if it lacks credibility, as long as this is the characteristic of the banking sector in these countries, again the absorptive capacity of support is not existing because it cannot be like in Bosnia and Herzegovina, that only external funding is provided and no genuine development is taking place. Which needs institutions, which needs for example functioning banking sector, which needs credit facilities. Health and the support can come from outside but only if these institutions are working and then as I said the inflow from outside for improving the credit facilities, can be seen.

Another distinction of priorities when settling priorities, also at a general level, is certainly the distinction between short-term and long-term necessities. The short-term are clear, if you look at the Danube River, if you look at the transport possibilities or

roads through Serbia, in Kosovo, which is also in the middle of the region. And the long-term are also clear: the developmental, the strategic necessities.

These are the basic issues one should address, if trying to set priorities in an environment, which is characterized by no abundant facilities, no abundant possibilities, neither in human, nor in the financial field.

The Stability Pact itself is only a positive framework for discussion as I said so far. Success for the Stability Pact will depend on the extent to which it will be implemented but implementation cannot go without priority setting. The window of opportunity is open but we have to capitalize on the present emotional effects.

Saso Ordanoski

POLITICAL AND SECURITY ASPECTS OF THE "ALBANIAN ISSUE" IN SOUTHEASTERN EUROPE

Well I would not start with this anecdote if Professor Altmann did not drop very important drop of reality in this entire Stability Pact and everything.

It is about the fisherman and the golden fish, except that the golden fish is the European Union and the fisherman is the Balkan. The fisherman caught the golden fish. And then the golden fish told him: "If you put me back in the lake, I will fulfill you three wishes."

Following this instructions, the fisherman threw the fish back to the lake. That is all! That is in the nature of the instructions in the Stability Pact.

I would like to say a few words on the issue, which I think that is of highest importance of the political and security aspects in Southeastern Europe. That is the so-called Albanian issue, although I would like probably to speak about the current ongoing Albanian nationalism in the Balkans.

If you see the theater in the vocabulary of Mr. Wesley Clarke after the Kosovo conflict, probably in very short terms one can say that all Balkan nationalisms are diffused or defeated. And the only one, which remains is the Albanian one. I am saying this particularly with a big invested interest because I'm coming from Macedonia. If you see who is on the front of that Albanian nationalism, you will find out that Macedonia is going to be a state, which will probably go to confront the peak of that nationalism in next decade. Why? Because Serbia is military defeated. It should not be underestimated as a source of making, creating problems on the Balkan but I think that those problems are going to remain to the biggest portion problems inside of Serbia. Because Greece is too strong and too powerful and it does not care in a way that Macedonia cares about Albanian nationalism, because it is too strong to be jeopardized on the very basis of that nationalism.

Then you have Macedonia, which has a resource of 1.5 million Macedonians and then 500,000 ethnic Albanians living in Macedonia, which if compared to the number of Albanians living in Albania itself and in Kosovo, you would see that the relation is very disproportional and the challenge for Macedonia in a situation of the appraising of Albanian nationalism, will be very great. Of course, I do not think that Albanian nationalism is prevailing on the Albanian political scene in Tirana but I certainly see very strong signs of Albanian nationalism in Kosovo.

Now let us go to the heart of the problem.

There are several very strong reasons why Albanian independent Kosovo is very impossible or not desirable. First of all, I believe that the independent Kosovo is impossible in a very factual manner because if we get independent Kosovo, it's only a question of months when it is going to go in the same state with Albania. Otherwise why there should be two states of Albanians on the Balkan. Even if you are not going to have the two states—Kosovo and the Republic of Albania, *de facto* it is going to function as one state.

Secondly, the reaction, the result of independent Kosovo is actually going to be very ironic, especially if you consider Mr. Miloshevic platform. That is going to be the most ethnically clean state on the Balkan and that is going to be exactly the opposite of what Mr. Miloshevic wanted to do or exactly the same that he wanted to do with his greater Serbia.

Thirdly, the reaction of that and the creating of something you do not want to name, but which is in fact a greater Albania. It is again very ironic to Mr. Miloshevic who tried to create a greater Serbia. It is going to be very ironic to all International forces, who were actually declining that idea. Truly, the independent Kosovo State is going to be a very sticky idea for all Balkan nationalists in decades to come. If Kosovo gets independence then it is going to be the ultimate target, which Balkan nationalists have actually succeeded to convey. That is going to be an internal source in the next decades if not centuries for every Balkan nationalist to fight for his nationalistic and chauvinistic dreams, not to mention the ethnically clean Kosovo, which at the end will happen.

Fourthly, that kind of Kosovo will then very much dictate the political agendas in Tirana but especially in Macedonia. The Albanians in Macedonia are going to be hijacked by the independent Kosovo politics. Either they will have to stand on the front of this wave and start being themselves more nationalistic and radical or they are simply going to be swept out of the political scene. As a first reaction, you will see the bigger radicalization of the political scene in Macedonia.

Fifthly, immediately you would see ad hoc coalitions among other Balkan countries against this independent Kosovo and greater Albania. That will create a new circle of Balkan secret games, scenarios, dirty wars and so on and so forth which is exactly the opposite of all this Stability Pact initiative, integration initiative, etc.

Let me, not to mention that kind of development of the events is going to be an internal resource for Mr. Miloshevic to

stay in power in Belgrade. It is going to be a real political resource for Mr. Miloshevic to stay in power in Belgrade and we all agree that one of the most important targets of the Balkan security and political development in next decade is to get rid of Mr. Miloshevic, next week if possible.

I would like now to emphasize on the internal Macedonian political scene and to explain you how the Albanian nationalism is having its agendas and targets set.

First of all the conflict in Macedonia on the ethnic scene is wrongly read by the International Community, at least in some parts. Namely, you do not have a conflict between the state of Macedonians, which is not giving enough minority rights to Albanians. You have a conflict where Albanians or at least their nationalistic leaders—and I certainly think that Mr. Xhafferi, who is now President of the Albanian Ethnic Party, which is part of the government in Macedonia, is a nationalist—have a clear nationalistic agenda. They are fighting for a political status not for minority rights. We already talked here what the political status means. Political status means collective rights. That is why it is not important whether there is a political will for quotas in the Universities, for open policy, even further open policy, the administration. It is not enough.

For instance, take the Tetovo University issue. The Tetovo University is not going to be a better University than the Skopje University. It is not the better of the better education even over the mother tongue lectures, which are going to go in Tetovo. The Tetovo University is a battle of a political status, to have a flag, which is going to be put on the building in Tetovo. It stops the importance of how the University is going to be, its quality, whether it is going to be better and so on and so forth. So, it is a typical political status problem.

On the other side, the minority issues, the minority discussions are in the core of the individual rights. That is why Mr. Marx Vanderstul is having problems to fulfill his agenda and to try to negotiate on both sides the developments at least in the

educational area.

The collective, corporate or group interests, as we were discussing today, are exclusively ethnic concept. In Macedonia those forces that were running this agenda and namely Mr. Xhafferi and some others, have exclusive ethnic concept in their heads. The individual rights, the minority rights are the civic concept. And there is a lot of space. I'm not neglecting the fact that the minority rights space in Macedonia is quite open, beyond and beside of the fact that the trends in the Minority rights in Macedonia from 1991 are very much rising. You will see improvements of those rights and if you want we can discuss that in details practically every month. But we are now talking theoretically and on the level of values about two different approaches from two communities. That is why you have a crisis management situation where they cannot find the common language because the problems, they are discussing, are discussed from the different platforms.

In its core the Albanian ethnic concept, which is tried to be fulfilled in Macedonia, is a typical Serb understanding of Mr. Miloshevic nationalistic concept of how thing should go and should proceed.

The citizens, the individual rights concept is the concept of the Stability Pact and the EU and I would say that the previous concept is a concept of this century and the last century and the second concept is the concept of the next century.

Of course, the ethnic concept is always calling itself on the inherited rights, the rights, which are in the gene of people. The individual rights concept is always called on in the Constitution, on the laws and institutions.

The last consequence of this kind of Albanian nationalistic policy in Macedonia, is the agenda, which is publicly propagated by Mr. Xhafferi and his party for the federalization of Macedonia. They say Macedonia has to be consisted of two equal parts and the concept of unitarian state as Macedonia is today, is not good for Albanians. Their definite goal is federal-

ization.

If you have independent Kosovo, if you have Republic of Macedonia, then one should very easily consider this kind of a federalization concept as a first step of Albanian nationalist secession from Macedonia.

On the other side, the individual rights concept, if I can name it like that, is a concept, which is actually pushing for the ethnic integration.

The concept of federalization needs more borders. The concept of individual rights needs less borders. So it is much more involved in all these last initiatives for the integration on the Balkans. The concept of the federalization is most probably leading to war. In my opinion, it is going to electrify the political scene in Macedonia to the level where people are going to start behaving like some events that we already saw in ex-Yugoslav areas.

The last proposition from the so-called federalization concept is that Macedonia should have, and that was officially proposed by Mr. Xhafferi and his people, a vice-president who will be elected among the Albanians. So, you have a typical divided state. Because of the fact that Albanians are only 22 to 25 per cent of the people in the state, they know that Albanian in the ongoing events in Macedonia is not going to be elected for president. Now they are asking for a formal position, which should be put in the Constitution where we should say that the state will have a president and vice-president elected among the Albanians by.

Now it is very interesting to see the reactions to all these things. You have IMRO in the same government, which is the ex most nationalistic Macedonian party. I am saying ex because if you hear what these people are talking today, you will see that they have a very central ideological platform. In the economy, they are more social democrats, but in the political agenda they are very centralized.

Now IMRO, which is a very anti-Serb party and which can-

not be pro-Greek party in the sense that they will find some political backing from Greece, are now trying to get as close as possible to Bulgaria. And they are doing that every day. They are doing that in a very provocative manner. I'm advocating the position that after fifty years of divisions between Macedonia and Bulgaria, when we had a very high and a very concrete wall between the two states, you cannot simply do this brotherhood tendency in eight months (when IMRO is in power). But they are trying to do that very hard and they are provoking a lot of nervousness in the Macedonian society. Macedonian society is not prepared for a big brotherhood with Bulgaria. But these people knowing somehow probably subconsciously that the Albanian challenge should be then answered with equal power of the resources of the Albanian nationalistic challenge, are now trying to make as closest connections with Bulgaria as possible. That creates a lot of nervousness.

The United States and the European Union are of course, understanding the situation. Most of the international players now in the theater are acting responsibly, together with Mr. Shroeder who was a few days ago in Kosovo and said openly that they are not going to support any kind of independent Kosovo idea. They are trying to do the thing through two major channels.

One channel is that they have now created protectorates all over the Balkan. Kosovo is the toughest protectorate that they are creating. They understand that in this situation there is no atmosphere and there is no tradition in Kosovo and they have to start from zero there and they have decided that Kosovo is going to be hardest protectorate. They do have protectorates throughout, you know the Bosnian case, Albania and even to a certain extent Macedonia and Bulgaria—through the monetary channels, through the influence of the international policy and so on and so forth. They are doing this with protectorates.

Trying to get some time until the Stability Pact starts working because they see that the Stability Pact is a chance, which

will then negate the nationalistic concept in the region, namely among others, the Albanian nationalistic concept.

Unfortunately, I do not see that Europe is understanding beyond the words and beyond the political agendas of several politicians. I do not see as Professor Altmann was saying, real resources behind the initiative. I am not very happy with Mr. Bodo Hombach and his understanding of everything. But I hope that someone will understand the need of redefinition of the Stability Pact very soon in terms of resources and energy and concrete things, which should happen.

However, the other side, if you listen to what our government said, you will see again an equally chaotic approach to the Stability Pact. The Macedonian government (I do not see very big differences in other Balkan governments) simply thinks that the Stability Pact is going to be a Pact where Westerners will probably come with a lot of money and we are going to share this money among ourselves. Something will be invested of course but most of this money is going to finish in our pockets.

It is a very absurd way but if you see the initiatives of the local Balkan governments, you will see that actually this is the understanding of everything. For instance, in Macedonia the Stability Pact on the administrative level is supported by one single administration of the Foreign Minister office—one-man-office, I mean he does not have even a secretary. He is a bright man, he is a very clever young guy but I do not know whether he has a fax-machine, probably he is sharing the fax-machine with someone else.

There is a quite high degree of pessimism that if something does not start happening until Christmas the Stability Pact is going to be a history. Another good initiative never fulfilled in the Balkans.

Then we are going to deal with the Albanian nationalism in Macedonia and in the Balkans and then we are going to see how things are going to develop in a very negative way.

Daniel Nelson

MORE THAN STABILITY: REQUIREMENTS FOR THE SOUTHEASTERN SECURITY

I will talk about a few solutions or at least possible solutions to the dilemmas that are working. The Balkan Stability Pact in my view is neither a Pact, nor Balkan, nor Stable. It is certainly not a Pact because it is not legally binding. Many of the participants are not Balkan states and most of the rest of them don't want to be called Balkan. It is certainly not stable because it lacks the rudiments of what might create stability. Instead it is a fig leaf, a figment of an imagination. Right now, there is no money, no will and no foundation for a Balkan Stability Pact.

As the Balkan Stability Pact goes right now, we might hope that something like PfP develops flesh and bones but I am not sure and I am certainly not saying one about it.

The fundamental problem with the Balkan Stability Pact in my view and I try to explain it in this brief paper, is that you cannot have stability without security. Or if you impose stasis, which is stability, it will be a corrosive stability. Eating away of what remains so that the next conflagration, the next outbreak will be worse than the one that you just stabilized.

I think that the Balkan Stability Pact is very, very likely, regrettably, to leave the Balkans divided into some ways that I have described in various papers as consisting of countries that are either on-track, off-track, derailed or never left a station. Or as some of my colleagues have already implied, there are colonies, protectorates and supplicants in the Balkans.

We may debate on which countries we put in which category, which entities we put in these categories. I am not even sure whether we do agree on this, but I think there are colonies that have been created, like Bosnia and Herzegovina and Kosovo. I think there are also protectorates, I would include Macedonia and Albania, essentially paying many of the bills and supplicants—I include almost all of the rest of the states in

Southeastern Europe in that category.

Now let me back up and talk about some concept and ideas that go into this argument. I allow that we may have different terms of these arguments, of these definitions but stability to me is when you can tell today what tomorrow will be based upon yesterday and the day before. Another way of putting it—stability is the dumbing and numbing of a population. That is stability. Todor Zhivkov produced stability. That is not exactly the kind of future that I think many people on the Balkans want.

Security is a quite different concept. A much more important concept and we make a grievous error by confusing the two. Security to me is a dynamic balance between threats and capacities. It is a dynamic balance between these two and in the Balkans you have threat rich, capacity poor entities. And so deriving that dynamic balance is an exceptionally difficult task.

Now to pursue security, which I think we have to do before we talk about stability, there are a couple of choices. We can raise capacities of legitimate institutions, which I think the organizers of this conference are particularly interested in suggesting, which of course takes time, money, and energy and in fact takes risk.

We have heard from Professor Altmann just how difficult it may be to come up with that money and certainly the time and energy, the personnel power, the story about that lone diplomat in Scopje, brilliant as he may be. We can see that it is going to take a long time to build these institutions.

But there is also the past towards security, which is a bathing threat. You do raise capacities or you bathe threats but to maintain that balance.

Now a bathing threat really means a collective effort for generations, a collective presence of Europe in Southeastern Europe and a collective commitment to defeating if necessary those individuals and those organizations and those movements that would create threat in order to enhance their own political agenda.

One of the things that has been discussed at this conference and I think needs more discussion by all of us, is the relationship between security, democracy and economy or as I wrote once democracy, security and market.

I would argue that democracy is security dependent. Among all the things that we are trying to do in Southeastern Europe, to create a viable democracy in these countries, to ensure security and to develop through privatization and marketization viable economies, I think security is the first step. It is a guarantee. Let me put it in this way. I think we need to ask who become democrats and I think the answer to that is typically—the secure. And by security I mean broadly, concerned not just freedom from invasion but also security from unemployment, security from things like infectious diseases and on and on and on but security, broadly construed.

I think it was mentioned by Janusz Bugajski, but I also want to reiterate that security is often obtained through short-term instability.

Again, the problem with the Balkan Stability Pact instigates entirely that necessity. It presumes that you can create stasis and then somehow build security out of it. But very often a war, a revolution purges or at least attempts to remove, probably successful attempts to remove people who are opposing change. These kinds of short-term instability are absolutely essential.

The Balkan Stability Pact reflects the American and even more West-European fear of instability. It has been a constant drumbeat not only of the Bush presidency, but also of the Clinton presidency that instability is the greatest fear. It is kind of like repeating something that Franklin Delano Roosevelt said during the Depression, you know: “All we have to fear is the fear itself.” All we have to fear is instability itself. It seems that is what is been said today and I think that awfully mistaken.

Can this Balkan Stability Pact really buy the quiescence of this part of Europe? I think the prognosis is very poor indeed. A big part of the Balkan Stability Pact is the program of the so-

called SEECI or Southeastern European Cooperation Initiative. Let's face it. There is nothing there.

I have to say that I respect with great deal the originator of that idea—Ambassador Richard Shifter and I honor his endeavors to contribute a lot of his time and effort to this region. It is important to recognize right now that the only program that is up and running in SEECI is a border-crossing project to upgrade border crossings, improve the detection equipment, train people a little bit better and so on. And that is about 3 or 4 million dollars committed by the American government. They are trying to get 70 million dollars from the World Bank. There is no guarantee that they will get that.

That is one of the highlights of the Balkan Stability Pact in terms of project realities.

Is there a way out of this dilemma that I've described? I think so but it requires a lot of fortitude, a lot of creativity, a lot of innovation, things, that most of the political leaders do not have. I work for them; it does not come with the package of usual political leaders, and certainly not politicians I have known.

I think instability is required towards security. Let me be more specific. I think popular unrest to end the rule of a man and a regime that has led to three or four wars in the former Yugoslavia is an example of such instability towards security. Supporting those movements I think is absolutely essential.

I think in an election that would oust the reactionary leader in his party, that involves the Herzegovian Mafia, would be extremely useful to Southeastern European stability.

I think that privatization and anti-crime sweeps the rest economic control from the kleptocracy, the old nomenclature would be absolutely necessary and I include this country and others and that general recommendation if you will.

These are steps that implicitly are destabilizing if you mean by stability the absence of change, the absence of potential even violence, the absence of government and international intervention. But without these kinds of instability in this particular

region I see no way to obtain security.

What I am trying to suggest and to use a kind of metaphorical device here, crude though is this approach that I'm making, stance perhaps at odds with some of the other presentations. I think we need to get out of the box that we are thinking and think through. Everyone in this room has been to many, many conferences of this kind. This of course is the best. But having said that, the structure and kind of discussion that we go through, repeats itself. We must get out of this box of thinking that stability is the goal. I think not.

Ivo Slaus

THE INTEGRATION OF THE JUDICIAL AND POLICE SYSTEM OF SOUTHEASTERN EUROPE INTO THE EUROPEAN SYSTEM

I share what particularly Saso and Professor Nelson have just said. The situation is terrible and is actually difficult for those who are far and not in form to fully explain the difficulties of the situation in the South-East Europe.

However, first it is not unique in this part of the world. We do know that with different aspects, with different accent and so on, this is the characteristic of the contemporary world. And second, it is an enormous challenge, it is a moment when just as Professor Nelson said, politics is going to become something else, namely the field of ideas, the field of innovation. To speak about the stability, assuming that stability means no change, is a contradiction because we are living in a rapidly changing world. In this rapidly changing world, obviously stability can only be something, which is rapidly changing itself.

A century ago, Lord Deckton said that power corrupts and absolute power corrupts absolutely. A decade ago, Rummel actually proved that more than several hundred million people have been killed in this century, not only by war but by their own governments and he concludes power kills, absolute power kills

absolutely.

This is why we have to search and go toward that kind of power, which is highly distributed, which is first distributed in terms of the subsidiarity principle. And second, distributed horizontally, so that the power is not only in the government, the power is in all institutions, in various forms of institutions, which on the first side have absolutely no appearance of the government but they are the real order of the power. To quote Alvin Toffler, when he speaks about the power-shift, yes, the power is no longer in the hands of those, which have military, not even those, who have wealth. The power is in the hands of science and technology. So, we could actually think in terms of Universities as an excellent example of those institutions that should be powerful institutions.

We speak about countries in transition in South-East Europe, the very term “countries in transition” is euphemism. Neither we know where we are going because by the time we arrive there, you would highly develop or no longer be there and second we don't know how we are going in this place. I think that the best description of all of us, is the opening sentence of Anna Karenina, Tolstoi's *Anna Karenina*—where she says that all unhappy families are actually unhappy in their own very, very specific ways.

At the moment point number three is that we are part of the global world and yet we have to preserve our biological diversity, our cultural diversity. Our cultural diversity is based not on 200 UN members, but on roughly 10,000 different cultures in the world, which we want to maintain but is horrible addict to think of them as states in any form of the UN or anything like that. We need innovations, totally different ways to support the self-determination and yet keep all of these countries together.

What has characterized the institutions, what has characterized many countries in transition is the collapse of institutions. There are many institutions, which have collapsed. And what I will be arguing now and from now on—let me say that I come

now to the topic of my talk—is the integration of the judicial and police system of Southeastern Europe into the European system.

Firstly, I have to tell you that the inspiration and motivation for that idea came from Michael Emerson when he actually visited us in Zagreb and talked about the Stability Pact. I was very impressed by that and my small contribution was to try actually to think in terms of how we could integrate the judicial, police and customs systems of these countries into European structures.

Now the first comment is whether this is something that we really want to do. My answer is yes, because we speak about Europe of regions. We don't want to have Europe just of countries. We want Europe of regions. We also speak about the integrated approach to sustainable development in Europe and we speak about the integrated approach of how we deal with the environment. If we talk about this, why not to talk about the judiciary and about the police. One may but this is much more something the province than the state, the state authority, the government should be dealing with. But let me try an analogy—if you would have medicine, medical care, which will be entirely confined within a state, would not we end up just with witchcraft instead of medicine. So, in much the same way I feel that the judiciary and police system have to be integrated.

Yes, we speak about international criminality; we speak about the spread of organized crime, Mafia, of various sorts of Mafias, plural not singular. On the other hand, they are intermingled with individual, small, petty crime—smuggling, whatever and then they merge in some very, very powerful way. There are a number of things, which are involved there—there are drugs and arms, trade, smuggling, terrorism and so on. As a matter of fact, when one thinks of these things and takes them as a threat, as real problems of the contemporary world, then one becomes immediately aware that the ideas that were presented in the peace agreement in 1648, if I am not mistaken, are

really outdated. The concept of the state really cannot solve most of these problems. These problems do require something, which goes on.

On the other hand, we know that the idea of Russell and to some extent that of Einstein about the world governments, is not the answer but we want actually a different approach. We want the approach of, as much as it is possible, this interconnection, this spreading of the power that exists.

Now the question is how we can put into effect this integration. In terms of diagnosis, in most of the countries in transition in South-East Europe we really have more or less good people in the judiciary, in the Universities where they educate them, we have good people in the police, we have good people who know how to handle customs. This does not mean that all of them are good because this is the domain where there had been enormous infiltration of totally criminal elements. So the kind of weeding out is absolutely necessary.

What we do not have at the moment is institutions. Why? Because institutions had been hijacked actually by the existing governments who had put them entirely into their service. We are here in the process of rebuilding them. When I say that they have been hijacked by the government, let me be precise. It is actually the duty of any government to really lead the police and the customs and so on. What is really the hijacking is temporarily, those in power, specifically some political parties, have hijacked all of these institutions because they were not really interested in institution building, they have destroyed the institutions and this is where actually the problem is.

Their problem is that they are developed, to a large extent, to be antagonistic, rather than saying a stronger word, towards their neighbors. So, rather than thinking in terms of good neighborly relationship, they are to a large extent antagonistic.

What I am presenting is basically just a very, very rudimentary idea. The idea is to try to build up a judiciary and police system in South-East Europe which would be fully integrated in

the European structures, which would act in the same way as I said before in this analogy of the people in medicine. This is the same when physicians talk about anything they go and quickly look what are the problems in the neighboring countries in terms of sicknesses, in terms of infections and so on. In much the same way this should be done. Judges and police-leading commissioners should not only be appointed by one country but there should be an observer or there should be actually some ways for them to receive recognition from the whole region and from Europe itself.

So in essence this integration is important and as I say this is parallel to all other integrations that we have and that we had. We had medicine, we had science, and we had economy integrated. So the step now is to actually integrate the judiciary and the police system, which in most of these countries represent as Professor Nelson correctly pointed this out—that democracy and the free market depend on certain actions to be taken by precisely these things, these actors in the play.

DISCUSSION

ALI HIKMET ALP:

I intend to talk about the regional cooperation and I will start by asking the following question: Why regional cooperation? Not that I am an expert or very much versed in the problems of this region but this is at present the job, which I am doing in the Ministry of Foreign Affairs as an adviser. For three years I have been trying and my country also has been trying to develop the Balkan cooperation. But before entering the subject, let me think about this concept of Southeastern Europe. I participated in various diplomatic meetings. For example, now there is a Central European Initiative, of which only Greece and Turkey are not members. Then if we look from the prospective of the subject of this conference, the only two countries, which need to be stabi-

lized in this area—they are Greece and Turkey. The rest—there are all Central Europeans and there are old nobilities—the first point.

The second point, for example our Croat colleagues in the meetings of the Stability Pact and the Slovenians. They made the point that they don't need really stability because they are all stable, they want to participate, to assist the stabilization. Of course, this is a very noble idea and we accepted it with great appreciation. But when it comes to the economy projects, when we are talking the stability in Southeastern Europe, we know very well what we are talking about and basically knowing what is the region or the geographical section.

For example, taking Hungary. Hungary is a very important Central European country. It is now our ally in NATO but I can really not understand why Hungary has come in borders with Yugoslavia and we are lectured at every international meeting about the rights of minorities in Voivodina, etc. But still they are not in Southern Europe. The same is for Croatia. Croatia has problems with Yugoslavia. Croatia has important problems of refugees, transfer of population and all kind of problems but still they are in Central Europe and they reluctantly participate in such meetings.

So let us not to get obsessed so much by these geographical denominations. At present, there is a destabilized region, a conflict region and this conflict has not ended. Unfortunately, it may continue unless the Yugoslav question and others problems, will be handled, we hope in a consequent way, in an integrative way

Now we talk about the regional cooperation and I must thank you Mr. Minchev in particular for the excellent paper, which you and your Institute have prepared. You know, at one time I thought that may be it is better not to speak but just to make some comments on your paper because it is really a good one. It does not mean that I agree with every point in it but it is of very high intellectual standards.

When I think of the Southeastern regional cooperation I

remember an anecdote of Nastradin Hodza. Maybe most of you have heard about Hastradin Hodza. One day Hastradin Hodza goes to the market and he buys a cup of yogurt but when he is going home, the weather is very hot, he sees a lake and he goes there just to get some fresh air. Then immediately a brilliant idea comes to his mind. He just throws the yogurt in the lake and his wife says to Hodza: "Hodza, are you crazy? Why have you thrown the yogurt in the lake?"

The Hodza's response is a standard Hodza's response: "I'm going to transform the lake into yogurt."

The wife says: "You must be crazy because of the sun."

He says: "No, I understand that it is difficult. But imagine if I succeed—the yogurt, which we are going to get!"

I may not be polite, but some people think in these terms about the Balkan cooperation or Southeastern cooperation. By the way we are not ashamed at all of being a Balkan country, we consider ourselves at the same time Balkan, if you wish Southeastern Europe, not the denominations but the essence is important. And if we can make a contribution, certainly that will be in the interest, in the benefit of all countries.

Now in Europe we have so many organizations of cooperation, initiatives, projects, institutions etc. And we have the same in the Balkans, in Southeastern Europe and maybe we are approaching to a kind of saturation. But in terms of efficiency, I do not know to what extent we have respected the efficiency of these organizations. The Stability Pact has been mentioned here and the future activity of the Stability Pact has to be reviewed from this perspective.

In my opinion regional cooperation is a must for several reasons.

First, it is a prerequisite or condition for the integration to the Euro-Atlantic structures. You know, I put it as a first condition because now all governments, all countries in the region have as a priority the integration with European Union and NATO. But if a government has such an ambition, then it should

have cooperation and good relations with its neighbors because you cannot be a member of such an organization without solving some of the problems.

Now I was joking to Professor Couloumbis that, you know, NATO made this mistake in 1954 and accepted both Greece and Turkey. But on the other hand, it proved useful because it prevented a violent conflict between the two countries and it also helped general defense situation in that part of Europe and in the NATO area in general.

And yet another element. At present most of the security risks are of a regional or indigenous character. Regional cooperation will certainly help to eliminate these risks or at least will prepare the ground for peaceful solutions. That does not mean that we can solve certainly all the problems. Such a pretension will be absurd. But if we have more cooperation, a good dialogue and process of consultations, the atmosphere will be much more suitable for resolution of the problems.

Then we have not only in terms of risks but also in terms of the problems; you know democratization, administrative reforms, economy development and reconstruction, ethnic issues and tensions, organized crime, etc. These may not be problems common to all countries but there are problems, which affect in one way or another all the countries. Interdependence for major transportation, communication arteries and energy supplies and the list goes on like that. So, in order to be in time I'm going to skip some of the elements.

But for advanced, more developed cooperation in Southeastern Europe, of course there are negative elements too. For example, traditional distrust, which has real or imaginary roots in practical exploitation of these issues for internal political consumption, official politics, etc.

Then, the attraction of these two important elements – membership in the EU and membership in NATO. That is fine and it is frequently mentioned as an incentive. Of course incentive is good but as Mr. Minchev has mentioned—what kind of cooper-

ation we have in mind—a vertical one or a horizontal one. In my concept this is the vertical cooperation, since all the eyes are directed towards Brussels, a cooperation between Brussels and these individual countries. This is not of course a conscious policy of the European Union but looking from the outside, I am afraid that that kind of approach is not always in the interest of the regional cooperation and regional integration. More conscious effort by NATO or by the European Union is necessary in order to encourage this regional integration and regional cooperation.

We have not in the Balkans always the conflicts, the tensions, etc, we have also a tradition. I would say even a cooperation. Maybe the objectives of the cooperation were different at a given time of the history but we had even during the Cold war period these regular meetings or contacts between the Balkan countries. Of course, at that time the scope was more limited, more different; the emphasis was more on trade relations, cultural relations, etc. Certainly, matters of security and defense were never touched because we were living at a time of divided Europe.

Now the situation is changed but I wonder whether the Balkan cooperation has gained much substance. Maybe in trade, security issues, other issues, the vertical cooperation model—there is more interest but regarding the cultural and other aspects I do not think that at least at governmental or organizational level we are doing what we really should do and we can do.

Now what we can do and what we should do in this area is to increase the cooperation. Of course, the list of positive elements, can be extended and the action oriented projects, ideas, etc. can be ended. But I have a very specific way because I participate in the meetings of the political lectures of Southeastern Europe in the countries and from this prospective I may enumerate a few of them.

First to focus systematically on specific areas, selected areas, where cooperation is most needed and in the beginning can be

most productive. It would be absurd for these countries to try to deal with the very big problems, for example we cannot go around and bombing this country and that country as NATO is doing. This is beyond our capabilities. But as regional countries we can by our cooperation, by our consultations, we can ease the effect of such tensions and the role of conflict prevention.

4

STRATEGIES FOR DEMOCRATIZATION AND INSTITUTIONAL DEVELOPMENT

Workshop 1

Session 1

GEORGI TSEKOV:

This workshop will be chaired by me and Mr. Genc Ruli of the Albanian Institute for Contemporary Studies who will also be the first speaker.

GENC RULI:

I think that although these few differences among almost all Balkan countries have suffered over this decade the same symptoms. Like unpredictable policies, weak developed forces, less developed and less transparent institutions and widespread corruption. In difference with the communist period we can say that presently our citizens are more free and secure precisely in the domain of freedom and rights that were formally recognized by the law and no more in the domain of the restrictions and denying the rights.

Although that we have many analyses on this issue, different contributors have identified various groups of factors that are

causing this situation, institutional weakness and insecurity, or civil insecurity. My aim is not to contribute further in this analysis but just to select two of these factors that I think have more impact on this situation, which for me are the legacy of the past and the initial conditions of our transition. Interaction between these two factors materializes in the interaction between the two main participating players in the process of institutional development which are politics, or the politicians on one side, and individuals or the society, on the other side.

For sure, building democracies in our post-communist countries started as a process of reforms undertaken from above, so in this situation the role of the political class in developing the democratic institutions grew especially high. In the case of Albania, the political class in this transition period demonstrated huge deficiencies as concerned the reforming spirit, consequences in conduction the reforms, strengthening and respecting of the institutions, observance of the basic norms of liberal democracy. Dialogue and compromise between rival parties does not exist while even the inner party democracy is violated in various manners. The authoritarian forms of leadership, the placement of the individuals above the institutions are the most recurrent feature of each party and each political thinking. The state and the governing power are considered as the exclusive domain of those political forces that serve the clan clientelism, nepotism prevailed against the institutions and the public interest.

That is what we have to do in Albania: a political class with a mature mentality and democratic culture, and responsible as concerning the right and the interest of the public. I call it class and not political elite as it is often called because I think that this group of individuals has still to qualify to the convention of the meaning inherent to the term "elite."

Another shortage of this political type is the temporary psychology, which minimizes the dedication to the state and public interest and maximizes the greediness for personal benefit and

misuse of official authority. In such political environment, it is obvious that the evolution of the democratic institutions becomes very difficult. Most likely, they would be distorted. The identity and authority of institutions grows weaker and their mission resembles mostly the individual characteristic of the person that holds them. Democracy and good governing is not, for sure, only a matter of high policy. The citizens that stand on the other side are the most important players in returning the level of democracy and institutional development.

Unfortunately, it is easily verified that even this factor with very few differences among the countries in the region is incapable of stimulating positively the institutional development processes. A focus analyzing the given case would bring to light the existence of a society featuring mainly a rural mentality. The urbanization trend in Albania is a relatively late phenomenon: after the twenties of this century, while the industrialization started even later, in the seventies. Demographic movement or better described as outburst of the last ten years was stimulated even by our wrong policies, resulting into a wide migration, that overpopulated quite savagely the urban areas. The outcome of all this is that today we can talk about a reverse process, the ruralization of the urban areas.

Under such conditions, the social psychology and political mentality of the population preserves strong traces of patriar- chalism, clanism and distrust for public institutions. The indi- vidual is highly politicized, while the society and public opinion remain rather passive. Unemployment, poverty, crime, corrup- tion, shortsighted political class, that provoked shocking crises like the crises of 1997, have generated an unfavorable climate of aggressiveness, massive despair, ferocious individualism and tangible fragmentation of the family and of the society. All of these are likely to affect the relationship between citizen and the officials rather adversely. In such social environment it is very difficult to develop the so called "citizen competence," in other words the capacity of the individuals to exert pressure on the

state officials to ask justice or to avoid injustice. For example, in our city squares one can see thousands of people enthusiastically manifesting for political rights, but finding two people together, publicly protesting for their own rights against the state abuse, against the corruption or against the criminality is something still impossible.

The worrying social phenomena of our society is the growing of psychological elements of self-protection or self-security and elaboration of mechanisms to achieve it. Where the individual does not find protection of his rights and interests through institutional mechanisms, he is inclined to instinctively find and develop various mechanisms of self-protection. We would have to recognize as such mechanisms, phenomena we often encounter in our society.

So, working in the black market, taxes evasion, informal economic activities, clandestine emigration, illegal possession of guns to protect own life or own property, self-justice and why not the use of bribes and contacts to obtain benefits which formally are recognized to them by law. In such a way the citizen develops a negative culture of evading the law and the institutions and the capacity of the citizens to manipulate the officials. This practice will put us in a vicious circle. Any attempt to protect oneself with individual initiative and means and mechanisms only increases the further risks within the society because it damages considerable the network of institutional mechanisms for civil security.

Over the last decade the social structure of Albania has undergone chaotic and impeding movement, that made the crystallization of distinction and the distinction of the groups of interests and the organized communities much more difficult. Politicians still continue to represent the most organized social group: aggressive and with a clear identity of interest. The real power comes from usurping the state authority and using the public institutions as a social selected interest of the group itself. But mainly during the last five years in particular it is observed

with much concern the strengthening of the category of the individuals that got rich very rapidly, because of illegal activity or organized crime. It is not difficult to imagine what risk produced this group with specific matching of money, aggressiveness and force.

There are too many cases when politicians find much more advantages and convenience to align with this group, rather than fighting it. Such collaboration incriminates the political institutions and works toward the legal establishment of an illegal center of power, which starts functioning as a state within the state.

While business represents a relatively young, but very active social group, although it is still far from being an organized community that can serve as a pressure group, the business associations are increasing their presence and furthermore are managing to slip from political domination. Foreign investors are playing a stimulating role in this direction, but unfortunately their community is still very small.

The structures of civil society are still embryonic and with limited institutional, human and financial capacities, whereas the laws are undervalued and objects of prejudice in the domestic policies. Instead of some conclusions I should say that heavily and directly influenced by the legacies of the past, the initial conditions, mirroring the poor traditions and short democratic culture, both of the society and of the political class, the development of political institutions in our society seems to be more consequent than opposed to political development.

The Albanian society is now in a turning point, imprisoned in a vicious circle caused by the inefficiency of the political institutions, the irresponsibility of the political class, the passiveness and despair of the public, it is likely that the situation degenerates further to reach an irreversible point. An immediate intervention towards the strengthening of the institutions and reviving the civil society are more than necessary in order to avoid compromising further the future of the country. Within the

framework of the strategies for the reconstruction of the Balkans, policies aiming at the consolidation of the democratic institutions and the real guarantee of the life and interests of the citizens have to take the main priority. The accomplishment of these policies will gain wide support, even from our societies.

Taking into account the popularity of the history, the political and social history development of the countries of the region, imposes the adoption of the selective strategies to vitalize the civil society, to support the organized groups of interest and active citizens' communities. These social strategies will have an indispensable role in guaranteeing the rights of the citizens, as well as stimulating the integration process within each society and between the countries of the region as well. By really considering the reforming potential that already exists within the politics and civil society of each country in the region as the sole serious players that can really implement these strategies the international factors must provide a substantial political, institutional and financial support of that. On the other hand, it's high time that the international factor finally stop wondering and make a clear and outspoken distinction between groups and individuals with real intentions for reforms, and observe the reformists and the democrats.

WILLIAM HOPKINSON:

To put it blandly, do you think that the country can be governed by Albanians yet, I mean I'm extremely bland to you, you know that in your country there are people, common people who have to say openly that they do not trust anybody in Albania any longer. Not to misbehave when having power, economic and particularly political power, at the same time there is now a little sign of hope with Berisha's Democratic Party that has returned to the National assembly but if one presumes that you are right that all the politicians just know that they are the best organized pressure into his group in the whole country and the only one that even this step looks not promising. So my state-

ment is very bland is it if we spoke of protectorates, is it not something which should, if it were physical be really envisaged.

GENC RULL:

It is really difficult to answer but I am an Albanian and just to discover a mystery that I used to be a politician. So I am part of the responsibility and of the problem, so it is difficult for me to be a part of the solution. But really I still continue to be one of the few realistic and optimistic persons within the politics and within the analytical minds in Albania. I think that yes, we have still potential. The problem is how to reuse or how to use the potential? If we are waiting policy to fill the necessity of recruiting these people, engaging them in the civil administration, in politics, in government, its just a waste of time.

In this direction, I can see the role of the international factor. I'm very skeptical though of saying international community, international factor is better. One of the things we need is the international factor to be international community. The pressure it will exert on giving access to these people—reformists, modern, open-minded, serious, on coming to take administrative function and to politics, this is one of the solutions. It may resemble a difficult policy, but as far as we are doing this presumption, having a semi-protectorate, what does it mean: intervention. It is a clear intervention.

The problem is how to use better this intervention and to give it more result. Having a kind of protectorate as it is already featured in Bosnia and in Kosovo is not promising. Protectorates had sense when it was an original form of administrative or very evolutionary way for ex-colonies. After the First World War, protectorates by international organizations which are not the best example of bureaucracy, it does not work. Having this kind of semi-protectorate or protectorate, I am not really offended of protectorate, if you go in the streets of Albania and ask the Albanians: "Do you accept half a protectorate?", they will say: "Why half? Double protectorate!" Because they are already dis-

appointed, totally disappointed with our political class.

The problem is, how to have this half, this support? If the support will be with some advisors, close to our ministers, close to some state agencies, which are having ten thousand dollars per month and organizing workshops, it is not the way to have our administration revitalized. If they have to come, they are to come as employees, having responsibilities. We have for example a group of advisors who are helping our police. What are they doing? Seminars, workshops, parties! Is that the way things should be done? According to me they have to lead operations. We are talking about a new situation. You are saying "semi-protectorate" within these terms, I say. They have to take the responsibility together with the Albanians, to share the responsibilities and to teach the Albanians how things should be done.

TANYA PETROVAR:

Is it possible, or would it be possible to mobilize two things. One is women, and the second is somehow to use the clan system so that it worked positively rather than negatively.

GENC RULI:

The feminist approach. There is some progress in the sense that there is much more increasing in the sense of community, of the most prestigious lawyers, they are working on a decoration, even regarding the women. At least if they have been some non-political realists, which are not common case in Albania, they have been women, manifesting for peace, for example. The most concrete example of such an event is during the crisis of 1997. There were women coming to the main square of Tirana asking for peace. But really they are still very rare phenomena. It is still not yet a mentality. You have to spend a lot of time and energy to organize one of this kind of events. The second was regarding the clan system. Really I am not so sure about this, but really I can accept the concept that clans can be used for positive purposes, not in our system.

QUESTION:

But in Kosovo when there's a pursuing of non-violent, merely democratic strategies in the first part of the nineties, it seem the clan structure was actually used for imposing discipline to make sure that Albanians did not respond with violence when Serbs used violence against them. So was not it an example how the clan system could actually be used in a fruitful way?

GENC RULI:

You are totally right about that and it will give some more social stability to Kosovo, compared with Albania. But Albania has a degenerated clan system. Because it suffered a very orthodox communist regime, which tried to destroy this clanism, this patriarchalism consolidated. In Kosovo we do not have the same story. There were typical rural societies, with a genuine clan system and a genuine enemy. So, there it would be used as a positive factor and I know Kosovo no better than you do. I was only once in Kosovo, a month ago, but I really catch this point, that we have more solid society because of this patriarchal structure of the society. But we have a degenerated social structure. Because, what communism did in the first place was just to destroy the patriarchal clan system. so the king of clan psychology that I'm mentioning is a negative one. The clan—in terms of how to steal, how to smuggle, how to get power. That kind of clanism.

QUESTION:

First I would like to ask you how will you estimate if Albania will recognize the relation with Montenegro, because I was told on the conference that the impact on smuggling from Montenegro to Shkodra for the northwestern part of Albania was really marginalized during the communist system. Now it is again marginalized and it is really a crucial point, so I would like to ask you about your opinion. And the second is that despite all the negative impacts coming from the Kosovo crisis, I was

told by one Albanian politician that it was for the first time that in Albania the government got public support for opening the borders for the refugees. The Albanian government for the first time in its recent history for the last ten years got public support in its decision making process and that was a watershed, I was told, because it seems that society is trying to support now the government and go on in the same direction.

GENC RULI:

So this question how the people would react if the smuggling from Montenegro finished. Surely, they will react, but we had this kind of stories, even because it was the first smuggling during the embargo, oil embargo on Serbia, and when it was cut, there was no, let us say, turmoil provoked by them. Or, we have the same problem with both people from Vlora, for example. It is important to consider this fact.

The illegal strata of the society are not strong. They appear strong because the state is behaving weak. When the state demonstrates its strength and its force, they are the weakest ones and the most coward ones. The problem is how the state would be motivated to demonstrate power. There are really very few cases. We have such interesting problem in Tirana. In Tirana there are no green parks, no free places, because the kiosks have overburdened Tirana, when the government took the initiative only for political advantages to demolish some of the kiosks, everyone was expecting a turmoil in the city. Nothing happened. They themselves destroyed their kiosks and the others were so obedient to destroy the other kiosks.

The important thing for the state is to demonstrate its power. We are still societies we have too much fetish for the state and we feel bad when the state is no longer a state, which means a very, very aggressive dog.

QUESTION:

We were talking this morning about the future of Kosovo, and

the possibility of an independent Kosovo and my question is "How will Albania position itself in case that independent Kosovo emerges?" What does it do today and what do you expect for the future?

GENC RULI:

In fact the officials, the authorities have already an idea, stated that there is independent Kosovo, but being an Albanian and better knowing the Albanian politics I do think that this is not the kind of nationalist pretense and ambition of provoking us to proclaim Kosovo independent. But they are only considering something, which is evident. No one is accepting. When I say no one I say what in the international community is accepting officially the independence of Kosovo. But implicitly, too many of them, they are accepting this, because its hard for everyone to understand how they can co-exist together, tomorrow after three months, after one year, the Serbs and the Albanians under the same umbrella, under the same sovereignty. It is not very credible.

Generally, I do think that the Albanian nationalism is not an aggressive one it is a reactive one. Throughout history that has been proven by the fact that the Albanians have always, always been threatened by their neighbors, their big neighbors. And it is not an aggressive nationalism. Speaking about the Greater Albania, instinctively, the people who have in fact reduced Albania are nowafraid of this great Albania. No one in Albania is pretending of a Great Albania. We are suffering too much with the smaller Albania and consider to have a bigger Albania. How much is that? We are not able to manage this small country, this small society and not to be able to manage a bigger one. This is the common understanding of this matter in Albania.

ALBERT RAKIPI:

There are two separated issues, first of all the processes in Kosovo, are under way for the time being and for a while, but

not forever, Kosovo will be an international protectorate as it is now. But then the future status will depend on the Albanian people and the international community.

Regarding the position of Albania, for the time being Albania is too weak, as my friend said, and cannot serve as attractive nucleus for the Albanians in Kosovo or the Albanians in Macedonia. But I do not think that Albania will be forever a weak country. Well, it was an idea before the crisis, before the conflict in Kosovo, that a weak Albania will facilitate the business of the international community towards Kosovo. The idea was if we have the weak Albania as a state, then the international community or the other players in the region will have more opportunities to deal with the Kosovo issue. But personally I do not believe in this idea. If this idea raised within the international community or the other think tanks and is still in the agenda I would say that a weak Albania will be a problem for the region. I see personally the future of Kosovo in Albania and the future of Greater Albania as part of Europe, in the future, in the long run, of course, in terms of integration. Not this Greater Albania in the region as the old mentality described it, but this part of the European values.

TANYA PETROVAR:

Are we talking about the processes of democratization which would lead to stronger national ethnic states, or are we going about democratic processes which will lead to stronger democratic institutions? I think that the first question has some contradiction in itself.

I do not believe and I don't think that ethnic states are by definition democratic states. And I think that this is one of the crucial conceptual problems of the Balkans. Whether the societies will, at this stage, focus on the new ethnic states and look for models which will make them stronger and then sometimes in history look for another model which will put all these states together in some regional more coherent system. Or we will try

to search for a model, which will strengthen the democracy in the region, regardless whether that it is the ethnic one or the one of the state.

I do not believe in ethnic state democracy for two reasons. First, it is experience, we have, well let us say, in the whole twentieth century's history and second, historically, ethnic states were always authoritarian and later democratized by revolution and transformation into a civil state.

MIRCEA TOMA:

What I intended to do was looking at the Albanian phenomenon Kosovo from a higher level. I want to congratulate the people from Kosovo for the success of the anti-Milosevic revolution. I do not know whether this could be a new convenient way to interpret the Kosovo phenomenon. I am sure you will not agree but thinking about an independent Kosovo recognized by the European community, this would have a very bad impact on the other countries in the region. Romania is included. There is still a small problem with Transylvania, but it is very, very often written into discussions by the politicians, the nationalist politicians.

This kind of model, which is offered here, seems to be much more interesting. I am optimistic and I think that it has chances to be adopted by the politicians in these countries because there are two paradigms, both very popular: the national one, and the intense need of being accepted in Europe. So each citizen of these countries simultaneously wanting to be independent, to have his country, but he himself wants to be in Europe. Albania is a country of tourists. There was a poll there, I saw some results, I don't know how significant it was, but anyway, eighty percent of the persons that answered this poll said that they expected from the newly elected government, which was Berisha's, to arrange their emigration. So these are people, who want to leave home. Is it true? And in the same time, the same Albanians, I'm not speaking only about the Albanians from Albania, want their country.

Both these things, even if they look paradoxical, are true. And one can use the good part of this paradigm, the one which means: "You want to be in Europe." So, some blackmail can be made by the European institutions towards these people: "Yes, if you want, that is the single positive way to realize this kind of protectorate."

Igor Rajner
A STORY TO BE UNDERSTOOD

My point is that I perceive civil security not as a simple institutional issue. To me it is a quality of life itself, both of the individual and of the society. And everything else we are discussing is practically means and tools to improve civil security, for this is a goal, to my point of view. To me the Bosnia story, at least for a while I have seen it, is a good example of troubles and shortages on this way. Bosnia, better say was, not any more, but it was an archetype of a multiethnic environment.

Before the last war in Bosnia, there were no geographic areas that were at least ninety percent homogenous and that had more than quarter of a million inhabitants. All the rest was mixed. In Bosnia there was definitely no apartment house with more than ten apartments ethnically clean. Bosnia was not only a paradigm of Balkans' multiethnic environment. It was also a paradigm of Balkans' multiculturalism, transforming into interculture.

Three main religious communities have for centuries increased mutually, culture, habits, language, whatever within the last fifteen years before the war, in the so called mixed marriages, which is a very stupid explanation of people from two ethnic groups. We in Tuzla say that a mixed marriage is possible only between a man and a goat. Nevertheless, this percentage was in the bigger and newer cities between twelve and twenty percent. And this is interculture as we call it.

But the war in Bosnia still happened. It is very important to

say here and then we were in the other places that it is not, by norms and heritage. It was just a successful example of rigid and cruel, manufactured successful intolerance and hatred. It was produced. This has been happening all around the world for centuries. Only the modern science and modern media has made it very efficient, but it is a very old story.

Well, the war happened, it lasted for three and a half years and it halted by Washington and the Dayton peace accord, and now it is turned to a cold war, a real cold war. Unfortunately, there is always a very somber statistics of murders, expelled and people, violated in a thousand other ways, which I shall not repeat this time, for it is on the cold war. And it is a real war, not what we used to say—the period after forty-five and up to eighty-nine. This is a real cold war, which practically means the same cold war, but with other means. Not with weapons but with other means.

Why is it so? Because all the warlords who started the war in Bosnia and who are not only from Bosnia but mainly from the neighboring states remained in power. They just changed the means and continued to fight and their main idea for the so called “their people” who live on “their territory” remains the same.

So how is this performed practically? I do not accept the judgment used in the paper that all the institutions in Bosnia were destroyed. This is not true. First of all, we have to discuss, for I do not understand quite clear what does the author mean by the word “institution.” There were pointed out the communal institutions. I have to remind you that the Bosnia communal institutions, as other former Yugoslav countries, were the best in Europe after the Swiss ones. This trend survived, although the system now is trying its best to destroy it, it is not possible, communal systems still exists, it is very strong and is a very good heritage from the past times.

In Bosnia, either survived, or were rebuilt many other institutions which used to work before the war. The problem is that

they are abused. In Bosnia there is not a problem of representation. We have a very good electoral system representing even one percent of the public political share. This is not the problem. The problem is now produced by the international community or the international factor. They practically need troubles now, for they don't know where to lead. The problem is practically that they do not want to have a state.

The ruling forces, a problem, which is solved in every normal country: "Do the people want their own state?" was solved centuries ago. In Bosnia it's so far not so. The last question was put in 1992 and thirty-seven per cent said no, and this was before the war. I am afraid that now, after the war, the percentage of those who don't want the state is much higher.

The problem after Dayton peace accord, which practically formed Bosnia as it is that it's not possible to set the same question again. You have to reformulate it. You have to ask this people what this country, this state should be? You like to live in it because nobody asked do you like it or not. The only possible change could be: "What do you expect from this country?" This is the only possible question you can hear what people really want. And this question should by no means be set to the administration as it is proposed here, and to the people. For I can perceive the administration anywhere else than like a service, serving the people.

Maybe this is idealistic, but I am an idealist. But what I would like to stress the point out of the Bosnian example, which I can prove, I think I can prove with much more arguments. But first, different culture and ethnic communities are able to co-exist and to prosper together, but under just one condition, that no one of them has the feeling that its right of specificity is endangered. This is the key point. If everybody is sure that he has the right to be specific, there is no problem. Of course, it could happen somewhere on the moon, but not in the Balkans.

The Balkans is a multiethnic environment, of course, but the whole world is too, there is nothing specific. Even with those

contemporary media and transport means and so on, the world is smaller so we became more multiethnic than we used to be. But the second thing is very important. The stability of the multicultural communities is lower than of the monocultural one, that is very clear and it could be easier threatened. A multiethnic environment is very often followed by latent conflicts, which is not a tragedy at all, for the conflict is a normal social reality. Only violent conflicts are unacceptable. But conflict, in which one party tends to diminish, easily turns to violence.

And any recommendation that we saw in Paper 1 to forget or on the contrary, to neglect anybody's ethnic rights I perceive as a direct threat to the Balkans' stability, very direct, just opposite. It is absolute illegitimate to put an ethnic problem as a political question.

Ethnic rights, as an inherited part of human rights and minority rights in particular must be protected up to the level of not disturbing collective rights of others. The only way to overcome this situation is to achieve a real equality of citizens as ethnic means. Not to neglect or to forbid it. Then, the independence of Balkan states appears in the moment of the retreat of the Turkish military multiculturalism.

I think it is the original of the so far existing idea of hegemony, politely called interethnic competition, in my paper as I see, or one-nation state, which is the same. So it is not the question of isolation we heard this morning. It is a question of hegemony.

Balkan nations intend to close themselves and to rule over the minorities. This belongs to every ethnic Balkan nation, the smallest and the biggest. This plague has been deeply rooted among all the Balkan nations. That is why I think that any idea of regionalism as a simple sum of Balkan states is a very dangerous utopia, if the stability pact should be understood as a two stage process.

First, we have to regenerate and associate and then we shall see who deserves to be adopted by the European integration. In

other words, if Balkan states see no clear prospective in the European integration and if they do not perceive Balkan associations as a limited and transitional phase, the regional association alone has no chance. Weaker states should be concerned of stronger states' hegemony, the late shall see the first as a sort of dead weight, and this is the end of the story. Many desirable relations and processes would suffer and civil security probably the most. But in favour of civil security the European integration is a must for the Balkan peoples, not for the Balkan governments, but for the Balkan peoples.

The European integration, by taking part in the sovereignty and the responsibility will remedy the weak local authorities, local I mean state authorities. And slowly but tangibly fall down the existing state borders. This is the answer. Not to withdraw borders, it is impossible. Not to change them, by no means, just to make them fall. And even the Brussels' bureaucracy is not such a good price. It's an acceptable price.

Without any reserve I am following those who prefer the democratization processes as a way to gain civil security, in stead of administration processes, however light they might be. But talking about administration I think that the modernization of no clear-cut administration is possible in terms of cutting any relations with our past. A good question would be if it is desirable too. A paraphrase that every people has the administration that it deserves is less cynic and most honest, than the famous sentence about government. You know that.

Each people deserves government and administration. But in promoting democracy we often use the expression European democracy for something, which does not exist. In every society, we see the rule of the stronger over the weaker. In a democracy, the stronger is practically placed with majority, but it's the same story. And it works successfully in an environment of rule of law. There is no problem if they would be conservatives or the social democrats in Sweden. The difference between them is so small, that for example now, in Germany, so they say, the best

social democrat was Kohl. So, it is not a big deal. But in a high profile of conflict a majoritarian democracy achieves much less success, if any. It is the best way to fight.

During the fall of former Yugoslavia, we know it, a referendum so recommended democratic means was so many times drastically abused and I can name it from the Croatian case after the Macedonian case just because it was practiced in the wrong circumstances. Too much confronted interest about too important matter, that it practically should be forgotten in the Balkans for a long period of time. Instead much more mechanisms and more institutions of negotiation and of consensus, this is what we need in the Balkans.

GEORGI TSEKOV:

I think it was very important to go back to Bosnia, after we talked about Albania and Kosovo, just to hear about certain things that many people tend to forget, and that happened not so long ago. On the other hand, it was some piece of good news to hear that institutions in Bosnia are still alive, I tend to believe you, but maybe the discussion is going towards talking about tolerance and different ethnic communities living together and how it is possible. It is interesting to see, wherever you go through the region there are too many questions, but usually there are not so many answers and different people telling different things and that is why it is so good that there are so many different people gathered here at the table.

IGOR RAJNER:

First, I think Bosnia demonstrates that one can create new forms of state. Bosnia is not a nation-state, as we know it. It is not even a state in the normal juridical sense, it has two entities more like the Holy Roman Empire than a modern European state. That was good as much as it brought the fighting to an end and the price to be paid.

This is my second point, that having set up that new form of

state, and pointed the way in some senses towards what might be done in the Balkans and other places. We are not perhaps necessarily looking at instant nation state of Kosovo, just like France and Belgium. But we have the entities, which are themselves now sure becoming obstacles to civil societies, that we refer to the communities and common values, in Bosnia, but in the sense there's now a force into the ethnic move.

Everything in human history is temporal. This perception of the constant fighting is very wrong. But the same situation happened in Russia, for example, the civil war in England or anywhere else in the world. Clashes within one society are very frequent. The clashes in Bosnia were very well accepted among the inhabitants, the original inhabitants, but they were mostly imported from the outside. We have a good neighborhood. And this is not only a question of neighborhood.

Sixty years ago, the Serbian and Croat politicians divided Bosnia, which was for the first time after its appearance on the political scene seven centuries ago. We used to say a thousand years, but it is a lie, it was seven centuries ago. That is what was the first time. I think they did it very successfully, because they did not count on Bosnians.

You know what the Bosnians are: Slavs with an Islamic background. They did it successfully. Well, not so successfully, because it was recomposed a couple of years later, during the Second World War and that time it was bloodshed. Now they try the same story again, but it was not possible.

The Second World War came in Bosnia in order to support this first division of Bosnia. Very clearly, without any doubt. This war started in Bosnia because of the interests of the neighboring states to again split the country. It was very clear, there's no mystery at all. Any time it happened, in Bosnia—the last time it happened in 1876, again it was imported. It never started from the Bosnian area because we practically used to live together. It does not mean that people loved each other. The point is that we expect that human beings are very logical. They are not. And

what you can preferably produce, is the image of people's interest.

And the examples of intercultural? Well, they are very interesting and very colourful. You know that in the Islamic religion it is forbidden to follow any picture. But in Bosnia you can see thousands of tombstones with pictures. It is known as "a Turkish cemetery," something forgotten. In Bosnia, the Muslim cemeteries are as nice as the Christian ones. It was forbidden to women to go to the funerals. It's normal for women to cry at the funerals in Bosnia. I can give a hundred of other examples of the vice versa side. This is only intercultural. It happens. Small, concrete examples, present all over Bosnia.

AHMED ZINIC:

I will take the opportunity to give some response from the historical background. My explanation would be much more ironical, because of the lack of time and in order to explain you something, which is unexplainable.

You remember in the very beginning of the sixteen century, there was the Westphalia Peace, based on the principle *cuius regio, illius religio*, which means the owner of the land will impose the religion. One century earlier, when the Turkish conqueror Sultan Mehmet Fatih conquered Bosnia, he signed an international treaty, called *Akh-name* where he gave full freedom of religion, because religion was the most important thing in the Middle Age to Fra Angelo Zvizdovich, he was the head of Bosnian Franciscan Catholics.

Just from these two examples, of course, I do not follow them so precisely, because of the lack of time, I wanted to describe the position of Bosnia, compared to Europe. On the other side, there is a Latin proverb, describing better than anything else the problems of Bosnia and Bosnians, *ex oriente lex and ex oriente lux*, which means that we followed from the west the law and from the east, the religion. During the five centuries of Turkish governing over the half of Europe Bosnia took privileged position.

The Austro-Hungarian Empire after the Berlin congress also gave it privileged position. Even of the basis of current Austro-Hungarian law many students in Bosnia from different nationalities can get many advantages of fellowships in Vienna, Graz, etc. After the First World War the kingdom of Yugoslavia was created. Bosnia was not recognized, Muslims have been recognized just as religious minority. Anyway, it will be a long story.

Now, let us turn to the Dayton Accord. I had the feeling after this morning's discussions, that there is a disbalance inside these discussions, because I am not just a patriot, I will tell you and I will explain you why Bosnia is of the utmost importance even for the southeast and the global importance of the Bosnian example.

First of all, I convinced myself, which is another provision that a man learns the lessons of history very hardly. We had plans before in Croatia, which the international community offered to the Serbian community. Ten percent, less than ten percent of Serbs were given by the international community their flag, their coat of arms, military forces, Ministry of Interior, Ministry of Foreign Affairs. After that we had the Dayton Accord. Half of Bosnia, according to the Dayton Accord was divided, and another half was united.

On the other side, the Dayton Accord stopped massacre, stopped the genocide and the war. The irony from the point of internal law Bosnia is a divided state, we have got two entities, two entities have their two own governments, two assemblies, two legal systems, two ministries of interior, two ministries of defense, et cetera.

On the other side, we have got just from the level of the international affairs, I mean in the international law Bosnia is united as a state. Now we have that disbalance. Bosnia is a form of a new protectorate. No one among the international community wants to recognize it because they are trying to avoid responsibility. On the other hand, domestic politicians, do not want openly to recognize the protectorate, because the protec-

tion of the high office and the high representatives, because the people can understand, what we are going to do with you, because we have our protectorate. I am putting the question, because there is a lot of questions and I am not an optimist that even this table can give an open final decision about Bosnia.

TANYA PETROVAR:

I think that talking about the Balkans, of course, most of all Yugoslavia, as a real arena of a serious conflict, I am talking about serious projects. One project is to re-map the territory in order to be able to relocate the national wealth, which was the case with Serbia, Croatia, Bosnia and so on. Of course, it started in Belgrade. Do you understand me?

Socialism in Yugoslavia, the socialistic state was a rich state. In terms of revenue, there was a lot of national wealth. To relocate this into the hands of the minority it was necessary first to start with a territorial re-mapping. Croatian, Serbian, Muslim or Bosnian, or whoever people, the minority who were mostly the party élité, could not take over and control the national wealth without a real socialist system if they had not raised conflicts. And if you try to assess this thesis, check today who has benefit out of this conflicts and you will see. So that is one project.

The forces which created this project are still in power, and they are very powerful. They control the national resources, it's very tiny amount of the population, but they do control it, and they are closely related with Russia and other similar socialist forces in the other socialist countries, Russia is the most arrogant for the Balkans, for the former Yugoslavia, in particular.

There are the other forces, which politically articulate themselves through Dayton A, No. 2, and now, finally, through the stability pact, and these are forces, linked to the European democratic alliances. Realizing that this is not the way, why, we all know and this is not a matter to debate.

For our discussion here I think it's important for us to realize that we are the other, at the other side, that we are people, who

want something, which is different, than Project No. 1 and we want as an ultimate aim or target to defeat this project. Because this is the issue which David Nelson mentioned this day. There is no stability, there must be some sort of instability in order for this power of those who really control and steal pursue Project No. 1 and we have to know that this is the project. It works and it has social forces, very powerful and very rich, they control the national money, which our side has all the generosity of the Western countries, including the United States, can only dream about. And we are here to tackle, to fight, to find the way how to win the battle.

As we are democrats we can do that in a violent way, of course NATO is this one of the examples why force must be used against the force, and must be used for democratic purposes, for human rights purposes, but our means are different than their means. I am sure that when Mafia serves Albanians, Bosnians and Russians and they are sitting at a table like we are here, they are not so much with history, they are very focused and they know what they want to do. They make very clear plans how to perform.

We here are very much fluid, with different concepts, "yes" to an Albanian state, "no" to the Albanian state, "yes" to an ethnically homogenous state, "no" to the ethnically homogenous state, and this is natural and this is part of democracy, and that is why we are democratic.

I do think that it would be useful if we start thinking as a front. However dispersed, however fluid, but as a front against them, but we have to understand that we have somebody against that we have to act and do something on a long-term basis.

Of course, there is a way, which many Western politicians try to impose. This is a dialogue with the other side. That is what a journey and understanding of democracy in the long-term democracies. It is not a majority rule or minority domination, as it is with autocracies, but it is a dialogue, give and take. And we

believe that there is from this side somebody, who is ready to start a dialogue due to the fact, that from that side there are some weaknesses and from our side there is some power or some advantages.

I think that we should try to talk this way: what are the forces, where are the people, who really have an interest to get into this dialogue. Who want to strengthen this processes and who is against them, whatever you call them, I do not know, I have my idea about it, probably not a similar as it is with others, but I know that they are them and us.

Session 2

Rafael Bierrman

THE STABILITY PACT FOR SOUTHEASTERN EUROPE: PRINCIPLES AND HURDLES

Due to the war in Kosovo, which finally pulled international attention to this part of Europe, today the international community has announced a fundamental policy shift in its approach towards the region, eventually drawing the lessons of history.

The simple truth is that Europe cannot fight another devastating conflict as in Bosnia and Kosovo—neither on the Balkans, or elsewhere. The international community was simply compelled to reassess its approach toward Serbia and the region as a whole. In Kosovo its credibility, its capacity to act, and its resources were challenge to the utmost limits. The international community will hardly be able to manage another crisis of this proportion in the coming years.

The Euroatlantic community has to accept that Europe as a whole is at stake on the Balkans. As a consequence two lessons have been drawn—lessons, that have also become the basic rational for the Stability pact. At the meeting of foreign ministers at Cologne on the tenth of June 1999, this year, the German

minister Joschka Fischer declared and I quote: “the previous policy of the international community vis-à-vis former Yugoslavia had two severe deficits. It concentrated on the consequences, instead on the sources of the conflict, and it tackled the problems of the region individually and separately from the ones in other parts of Europe”—end of quote. Fischer expressed what has become a common sense in the European leaders in the aftermath of the Kosovo crisis.

The predominantly reactive, fireman policy of the recent years in the Balkans concentrated on managing crisis after crisis. A coherent long-term policy of conflict prevention that addresses the looming conflicts well before they erupted was never designed. In addition, the international approach towards the Balkans has been piecemeal and country-oriented, fatally following the geographic direction Milosevic chose to take. Thus the transnational patterns of many problems in the region were hardly tackled. In this regard, the Kosovo conflict surely has been an eye-opener. The amply demonstrated and inextricably regional nature of the enormous problems, shared by the whole region, drawing Macedonia, Albania and Montenegro that could have escalated further.

Principles and hurdles, the second point. The Stability pact has been met with high expectations and great enthusiasm, especially in the countries of Southeastern Europe. Sometimes the pact is even perceived as a *Deus ex machina*, solving instantly all the problems, which have plagued the region for centuries. These expectations were raised by some western politicians, who initially used the term “Marshall Plan” to describe the magnitude of the challenge that lies ahead. Nine months after the concept of the Stability pact was designed in the German foreign ministry, people have become more cautious and realistic.

After the glamorous inauguration ceremonies in Cologne and Sarajevo, people are beginning to look for the substance of the pact. Initial over-optimistic hopes are fading. So what does the Stability pact in practice really mean? What can it achieve in the

years to come? It is surely too early to estimate the contribution the Stability pact will make on the transformation of the region. Yet the inauguration phase of the pact, that ended with the Sarajevo conference on the 29th and 30th of July this year has revealed some guidelines, that need to be observed. I will give you three "no" qualifying what the pact is not, and two "but" elaborating on the potential of the pact if properly utilized.

The three "no." Firstly, the stability pact is not solely designed to meet the needs of the Western Balkans. It also holds a great potential for the neighbouring countries. Surely, there was some reserve in the beginning in Slovenia, Bulgaria and Romania, questioning the use of participating in the pact. At first sight indeed the stability pact appears to benefit primarily Macedonia, Albania, Croatia, Bosnia and maybe even Serbia at a later stage. True, the rest need to differentiate.

The stability pact is an immediate response to a specific crisis, which erupted in the Western Balkans, namely in Kosovo. It is designed to prevent another armed conflict, which is much less probable in the Eastern Balkans. True, in Slovenia, Bulgaria, also Romania, the stabilization process has already successfully taken place in the last nine years. There is less focus on stabilization, than on integration. And true, Slovenia already negotiates about EU membership, and Bulgaria and Romania, likewise, already have a clear ticket for a EU membership. Both are actually on the verge of becoming negotiating partners of the EU Commission, maybe already in December this year. However, the stability pact has been intently designed for the whole region. For one, in the eyes of the international community Slovenia, Bulgaria and Romania are successful examples of democratic transformation. They demonstrate, that there is a way to escape the claws of history. Secondly, Slovenia, Bulgaria and Romania are the main anchors of stability in southeastern Europe.

Spreading democracy and good neighborly relations from here to the other part of the Balkans, means to make best use of

their stabilizing potential for the region and Europe as a whole.

Thirdly, Slovenia, Bulgaria and Romania have a key self-interest in strengthening stability throughout the region. All the three countries are to a high degree dependent on peace, stability and the western respect of their sovereign borders. As the last year has amply demonstrated, embargoes and the disruption of trade routes and the tremendous refugee flows have a severe impact also on trade and welfare, especially in Bulgaria, Romania. And fourthly, by actively participating in the pact all three countries will present themselves to the international community as trustworthy exporters of stability which are worth to be invited in the Euro-Atlantic community for their own merits. Slovenia, Bulgaria and Romania will gain a lot, if they are perceived as countries, taking on responsibility for the region and Europe as a whole. This will surely strengthen their stands towards the Euro-Atlantic community.

The second "no." The stability pact is no fast track to the EU, nor to the NATO membership. And it also offers no EU membership light. But it holds out for the first time a real perspective for membership in the long run. President Constantinescu stated in Sarajevo, I quote: "our peoples want and will unite around such a major and vibrant project as is the stability pact. The process of integrating the democratic, European and Euro-Atlantic structures is the most powerful incentive, for unity, mutual respect and cooperation." End of quote.

During the inception phase when there were serious discussions in the German foreign ministry among the EU foreign ministers and inside the EU Commission, as to how to facilitate the path of membership for the countries of southeastern Europe. These discussions are centered around the sensibility of the giving the countries of the Western Balkans a real EU perspective, at this early stage. On the one hand, there are those experts, closely following the undergoing accession negotiations of the European Commission with the accession republics of Estonia, Hungary, Poland and Slovenia. Many of these experts

already see innumerable hurdles for the countries of the first round to enter the Community, fearing that a further widening of the group of candidates will have intolerable consequences for the EU. These objections have to be taken very seriously. They are shared by many in the EU countries.

On the other hand, there are those, advocating a sincere EU perspective for the western Balkans, as the decisive and only incentive for real and lasting change. Many of them, including the experts on southeastern Europe, and Fischer himself are aware of the fact that the Western Balkans are at a decisive cross-road. They realize the historic dimensions of the decisions to be taken. For them, the Stability Pact is a strategic decision with enormous political repercussions for the region, and for Europe as a whole. As it turned out in Bonn, Fischer was pretty successful, however in Brussels he was less successful in the discussions with its European counterparts.

The EU governments that finally agreed on the Stability Pact, reads, and I repeat that because I think there are interesting points in this and I will stress them. I quote that the EU will draw the region closer, this is very carefully drafted for the perspectives of work integration of these countries into its structures. In case of countries which have not concluded association agreements with the EU this will be done through a new kind of contractual relationship, taking into account the individual situations of each country with the perspective of EU membership.

On the basis of the Amsterdam Treaty, and once the Copenhagen Criteria have been met. It is this final formulation which will be the yardstick for considering EU membership for any of the countries of southeastern Europe in the coming years.

For the first time full integration of all the countries of Southeastern Europe into the European Union is envisaged. This is good news for the region, the countries of southeastern Europe will join the European Union, even if this perspective is still years away. However, the perspective of membership is explicitly linked to the Copenhagen criteria of 1993 and the

Amsterdam treaty. There will be no fast track, there will be no shortcut and no membership light. Each country will be judged individually by its own merits and progress. That is a principle decision, reflecting both the realities of southeastern Europe and the need to treat all candidates equally. However, the EU has offered a new kind of contractual relationship.

On 26 May the Commission came up with a proposal for starting the so-called Stabilization and Association Process. The core of this process is the establishment of a new category of stabilization and association agreements for the countries of the Western Balkans. It will also include an enhanced political dialogue on a regional level and deepened economic and trade relations has to be awaited. And it should also be said that the new contractual perspective does not concern Bulgaria and Romania.

The third "no." The Stability Pact is no horn of plenty, endowed with unlimited financial means to solve all the problems of the region. It is a project, endowed with considerable, though limited resources to invest in some crucial areas, where change is most needed. To be sure, the issue of money still awaits clear commitments. The donor's conference, scheduled for October has not yet taken place. Nevertheless, the financial issue is an important yardstick to measure whether the international community is really serious about the stability pact and willing to accept own burdens for the sake of the region. And this also includes the opening of the EU markets for products from the region and the lowering and even removing the EU trade barriers.

The EU Commissioner Van den Bruck already cautioned at the Sarajevo conferences, I quote: "those who hope the pact to act as a conduit for vast new financial flows into the region will be disappointed." End of quote. There is some need for caution, indeed. For one, with the reconstruction of Kosovo, the donors' community has just started an enormous aid program for the same region. As you know it is 2.1 billion dollars already, just for Kosovo. The second, the farther the war in Kosovo moves away

in the horizon, the less the readiness to pledge money will be. The budget deficit and the recession in the main Western European capitals need to be taken seriously.

The EU government will refrain from spending considerable amounts of money for a concept of conflict prevention, thousands of kilometers away, when at the same time the own population has to endure severe cuts in social welfare. The German government just decided to cut its budget by 7.4 percent, which aroused a large storm of protest and under these circumstances it is very difficult to grant huge sums of money for the stability pact. Nevertheless, the German Parliament has asked the government to grant 1.1 billion DM for Southeastern Europe for the next year.

Fourthly, this reserve is nurtured by the discouraging reconstruction experience in Bosnia, we already talked about that, I'm not going into details.

However there are two "but." The Stability Pact is a process that will unfold over time. It means more communication, more contact, and thus also more understanding on behalf of the international community. Finally the countries of the region will receive the attention they deserve, they will have the chance to create a new, much more positive image of the region. Let me just stress at this point that the stability pact is designed according to the CSE process. At the beginning of the CSE process none knew where it would go. And it was designed as a process, intently. So the stability pact is also a process, so we have to see where it leads and it depends on the participants themselves.

And the last point—the second "but." The stability pact is a two way street. The more the countries of southeastern Europe take the initiative and cooperate among themselves, the more they will be drawn nearer to the EU membership and illicit the money they need. The founders of the pact have repeatedly stressed that the countries of the region are the owners of the stabilization process, the pact is supposed to represent a partnership that crucially depends on the full commitment of both

sides to this undertaking. This is for two reasons. Firstly, the call for a real partnership stands from the experience of the Balkan conferences of the nineteenth century. Secondly, time and again, the founders of the stability pact have emphasized that they are not willing to spend money in a project, where the beneficiaries do not fully cooperate. This is to be taken seriously.

The Pact is doomed to fail if there is no sincere and lasting determination among the governments of the region to co-operate fully in this project. Let me just quote Mr. Hombach because this is a statement, which is very serious. He said, I quote: "the international community will engage in Southeastern Europe in the same measure as it perceives the unmistakable determination of each individual country of the region to create the pre-conditions for further democratization, for building up civil societies, establishing favourable conditions for investment and trade, good neighborly relations and regional cooperation." End of the quote. This form of policy will drive the whole process in the following years. And the key topic will be regional cooperation, as Bodo Hombach said.

We all know about the obstacles. There are some positive trends and I am not going to talk about this, I'm just going to the conclusion. The stability pact is not intended for a month, but for many years to come. It is designed for long-term and to have an effect all participants will need patience, resolved and persistent, as set backs will surely come. At this point of time it is paramount to get the pact really going. What the pact now needs is three signals.

Firstly, a clear financial sign, signal of commitment by the donors' conference. Secondly, a credible signal of determination by the European Union that the countries of southeastern Europe really have a perspective of membership. This might be an invitation in Helsinki to begin accession negotiations with Bulgaria and Romania. And thirdly, a credible signal by the countries of the region to go ahead, to take the chance and act in a new spirit of cooperation and new neighborly relations.

Amalia Herciu
CORRUPTION: A CHRONIC DISEASE IN THE BALKANS?

I am Amalia Herciu from the pro-democracy association in Romania. And I am going to talk over one of the most important issues in the process of democratization of CEE countries: this is the corruption, as a fact, which is delaying both the democratic process and the transition to a free market economy.

The omnipresence of this phenomenon is not specific for the Balkans area, but it does flourish here and one cannot say whether it is a common characteristic of all forms of institutionalized power or for the developing countries, if it flowers here because of some historical and cultural traditions, or because of the scarcity of resources.

The analysis of corruption could follow more theoretical frameworks but I prefer to regard it a consequence of the totalitarian experience. Even though one should not forget the common historical experience of those countries, experience, that includes the domination of the Turk empire with its specific attitude towards the bribery of civil servants. We can take into account as a cultural explanation for the corruption in the CEE countries the remnants of the tradition of the pre-modern societies, where presents, tribute and other social obligations were a customary and normal part of their social networks. Here, culturally sanctioned gifts denote the respect toward higher-ups and taking care of proteges by way of reciprocating advancing, so it became especially difficult to say where those customs slide over into corruption.

Added to this, in these countries, the government officials are so poorly paid that they are unable to maintain even a modern standard of living. So we can say that the corruption is for this region somewhere in the conference of poverty, relicts of an old tradition and bad governance.

A planned economy, where many prices are below the market clearing levels provide incentives for pay-offs, as a way to

relocate scarce goods and services. Transactions that are the legal trades in market economies are really pay-offs in such systems. In addition to soaring goods and services to the higher bribe bidders, public servants can have incentives to create even more as a way of extracting higher pay-offs. The fundamental problem is not simply the existence of controlled prices, set below the market clearing level, but also the monopoly power of state officials, who are not threatened with entering by more efficient and lower price competitors.

Throughout the former Soviet bloc the state of the economy gave officials an incentive to exploit their position for private gain and give their customers and clients an incentive to make pay-offs. Corruption was common, because the former rigidity of the system was backed up by an impartial legal system, capable of enforcing the rules. Instead, ultimate authority was exercised by superiors in the hierarchy, who often had their own reasons for bending and changing the rules in their own authority. Subordinates could not appeal to the law as a reason for resisting the demands of their superiors. The system was not just rigid, but also arbitrary. Its requirements and irrationalities turned almost everyone into a law breaker. The widespread complicity of the citizenry in corrupt transactions became a method of social control. Corruption cases were also used to punish dissidents, and not to improve the functioning of the state bureaucracy.

This observation might suggest that the decline of authoritarian governments and centrally planned economies will reduce the incidents of corruption as the competitive market forces came into the floor. According to this scenario, illegal pay-offs will be converted into illegal market prices and the level of monopoly rents will fall. But the case has not been such. Corruption and lawlessness have been rampant in the emerging market economies of Eastern Europe.

Stories of the American nineteen twenties robber barons are invoked to argue that cowboy capitalism is just a transitional

stage that must be endured in the way of a more stable capitalist stage. The danger, however, is that corruption can be so widespread, that it can undermine and destroy the transition stage itself. Even if corruption is consistent with economic growth, under some conditions it does not imply that it facilitates growth or that it does not have other negative political and social consequences.

During the transition periods, if prices are permitted to reach market clearing levels, no one would pay a bribe to get supplies. If, however, pockets of state control remain, they may be called "the loggia of pay-offs." Thus the privatization process is ultimately reducing corruption by luring state involvement into the economy, may initially be a source of corrupt activities. Therefore the basic source of corruption is no longer the rigidity of the system, but the uncertainty that surrounds it.

The transitional stage lays both legal legitimacy and institutional strength as a result of fragile and poorly developed administrative and political structures. People operating within this transitional stage structures seek certainty and they may try to achieve it paying off officials. In the worst case citizens and business people simply opt out for the legal economy and rely on organized crime to provide protection, both from the state and then the competitive threat. Corruption may then be merely a device for inducing public officials to look the other way. The state becomes not just weak, but irrelevant, as well.

The other results of the destructive cycle around is the public pressure to limit the role of the market and return to a planned economy. If stability facilitates corruption, in the past and instability encourages the present, what is to be done?

In spite of the dramatic changes in institutional structures, that have occurred in the transitional societies, an important obstacle remains—the lack of credible state commitment to the rule of law. The response of transitional states to corruption must be both substantive law reform and institutional restructuring. The countries in transition should liberalize their

economies by reducing incentives for bribery and eliminating subsidies, trade restrictions and preferential treatment in government purchases. As they deregulate and decontrol in some areas, however, transitional states will need to introduce regulation in other areas. They will need new laws, regulating the environmental pollution, worker and consumer health and safety and financial and security markets. They will also need new subsidy programs for needy people, unable to survive in a market economy. These new programs, however, should be designed to keep corruption incentives low. Thus pollution may be regulated throughout tradable emission permits and welfare.

In a recent opinion pole in Romania it was proven that eighty two percent of the population considers that the corruption among public officials is high and very high. This I think means a very low trust in public institutions and hence in democracy. That is why, I consider corruption as probably one of the most important threats to democracy at that moment.

I am going to say a few words about the weak states in the region. All of us agree that the construction of peace and stability in Southeastern Europe would be a fundament for peace and security in the international system. The supporter of the theory of democratic peace, which is gaining more and more ground, at least in the end of the cold war have a single and well-known answer.

The international peace, however, does not seem to be endangered by war or conflicts between states. The case of issue is now securing peace within states. The assumption that the problem of war is primarily problem of relations between the states has to be seriously questioned.

The security between states in the Third World among of the former republics of the former Soviet Union, including the Balkans and elsewhere has become increasingly depended upon security within those states. The classical formula was that the national peace and security provide an environment in which the domestic policies could unfold untroubled by external secu-

rity risks. The question is now becoming reversed. The problem of contemporary and future politics as it turned out is essentially problem of domestic politics.

The region consists actually of a chain of weak states with regard to the functioning, in terms of democratic institutions. Weak states are incapable of sustaining themselves as members of the international community.

A multiethnic state consists of a majority of weak states. The phenomenon is spread even to the national state: why the institutions do not function or function in a serious deformation. There is peace which is obviously a politically motivated violence, doubtful and unconstitutional use of police, secret service and as the case might be in the Balkans, up to physical elimination of the political opponents. Altogether they bring institutional anarchy in a situation of almost a failure of the state, presenting problems, not only for the national security, but also for the regional and international one.

In both sorts of states, multi-national or national, the absence and lack of legitimacy is a major factor, where instability, even anarchy prevails. Legitimacy after 1991 cannot come out from weapons, but from the will of the people. The principals of democracy consist now of law, even of the international law.

Holding free and fair elections cannot be realized within a short time, but the point is that there cannot be two standards. There has been a tendency, especially in the region, in the Balkans, to make a compromise with the international standards with regard to free and fair elections. Escaping from these standards, which starts with election in September 1996 in Bosnia, and continued with the elections in eastern Slavonia and Croatia, it culminated with the national elections in 1997 in Albania. Albania, Macedonia, Bosnia and Herzegovina and even Serbia can be classified as weak states. This is because of the absence of legitimacy.

The degree of weakness of those states is different. At different levels one can easily see in this country the control of state

over the media. Violence or dismissal for ethnic motives or on ethnical basis, political life and so far. The common feature of all the weak states is the identification of the state with the government, the security of the state is misunderstood as the security of the government. So, if the government is in danger, the state and the nation is in danger, but if this identification of the state with the government is encountered in almost all the weak states, it comes out in different forms. For instance, if the government is overthrown in Albania, the state is overthrown as well. Where the new government comes to power, the new states come. The result is security and anarchy, while in Macedonia, for instance, the legitimacy of the institutions is consisted by the ethnic Albanians, who consist of less than thirty-five according to Albanians, and no more than twenty-two percent, according to the official Macedonian authorities.

The weak states combine the structural weakness with a regime, which is presented by one part of a community or one ethnic group. This is the state with Macedonia, where the state is built-up as a national state of Macedonians, and Macedonians representing their collective rights. The Macedonian experience and that of the other multiethnic states raises the critical question whether the institutional free and fair relations is sufficient, so that the institution of the state be legitimate. However, by way of free and fair relations the parties of one ethnicity may win the majority and they do not have the necessity of involving the parties of another ethnic groups in the government. This is not in the connection with the government, but with the state. Winning a legislative majority through free elections, an ethnic group sets up its own state and excludes the other groups from the state institutions. What should be the reaction of societies and institutions in Southeastern Europe?

Furthermore, what would be the reaction of the international community. You know that the phenomenon of the weak states, the failure of the weak states is not a new phenomenon. There is a tradition towards reaction in the international com-

munity, a traditional reaction toward the weak or failed states, which was under the experience of the United Nations, the League of Nations, before. They created a system of trustship under which weak states and even the international organizations were charged with promoting the political, economic, social, cultural and educational well-being of the people.

For the independent states the most successful experience has been the Marshall Plan. The results in that case were the restoration of the state, that have proven to be economically productive, politically stable and strongly supportive for a peaceful international system. Now the international community offered the stability pact. I believe that it is a good framework just to increase stability and security in the region. In order to close this short presentation, it would be true to say that after the Second World War the basis of modern civilization were broken down. But, however, the process of transformation of a nation-state into states, which is already going on the Balkans, was already concluded in Western Europe.

The time to reconstruct one of the most problematic regions of the world, as our region is in terms of crises and instability is actually going to be the first attempt for the international community in order to respond to a number of issues that could put in danger the international peace and security—the conflicts between the states. The question now is how to find, according to my opinion the appropriate way not to stop this process, but in the same time to avoid essential changes in the Balkans map, which could bring danger to the regional and international security. Thank you.

Elisabeth Pond
EUROPE AFTER KOSOVO

I will try to be very brief and I should start up by saying that I am in a double position. I am an observer and not coming from

the Balkans, and also an observer, and being an American, living in Europe. But the one point that I want to make which is really quite striking and is so conscious and has not been articulated by any public official that I have heard is that the map of Europe has changed in people's heads. If you take the two examples of Bosnia and Kosovo, in the case of Bosnia the whole attempt of the EU (I'm not talking about the United States right in this point) but the whole attempt of the EU was to keep the barbarity from coming inside the wall, to keep it from jumping over, keep it outside.

With Kosovo for the first time I heard this was in an interview that I had on 31 March, a week after the bombing had started and when it has become clear that the original expectations were not going to occur as to the effect of the bombing. I heard in talking with the senior German diplomat what I then heard from everybody, which was we cannot allow this kind of barbarity in Europe.

It was already accepted at that point by a self-conscious process, that the Balkans and southeastern Europe were parts of Europe, and I think that this is extremely important. Now there are various reasons for this, just to take off the difference in the reaction towards Bosnia and Kosovo, part of it was surprised, just being unprepared after all the earthquake changes of 1989 and 1990. The reluctance of the West to accept a nuclear cold war balance, remember there were still Soviet divisions, powerful soviet divisions outside Berlin, until 1994, so that was the return. There was a lack of clarity who were the bad guys, because there are a lot of people, murdering other people. It was not clear to the Europeans if the Serbs, the Bosnians or the Croats were the worse at the beginning. The British and French were still suspicious of the Germans, many Germans still wanted to be nothing more than a bigger Switzerland and certainly did not want to get involved in this kind of thing themselves.

The common phrase was Bosnia came too early, we Europeans were not ready for it. But the most important thing

was simply this fact, that the Balkans were not part of the mental map of Europe. Now this changed by the time of Kosovo.

It had begun talking bravely about a common foreign and security policy, and most of all, the EU, the Western Europeans could no longer plead ignorance. This was after Srebrenitza. And if there is one incident that affected this map of Europe was Srebrenitza. The worse mass murder in Europe since 1995. And I think that Joschka Fischer as a foreign minister, as a green foreign minister who had started up demonstrating is, let's say his political career, demonstrating against NATO, demonstrating against the military intervention of the west, he was really torn, and this was very clear in the Greens' party convention.

I do not know how many of you had the opportunity to see that on television, but he said passionately, for all my political life I have had two principles. One is no more war, and the other is no more genocide. Here these two principles are in conflict. And he persuaded against a lot of resistance, he persuaded the greens to go along with him. Now, what he meant, I think this has not been articulated by Fischer and by the Germans, but I think this is important. What he meant by no more genocide was not 1945, not even 1942, or 1943, after the Holocaust had started against the Jews and against the Roma. He was talking about 1938. He was talking about *Kristalnacht*, when Nazi thugs went out and just destroyed the synagogues. Kosovo was important to the US, because it was important to Europe, to the European definition of their own character, their own identity, their own dignity.

It became important for the United States once action has been started, because that was a threat to the survival of NATO. But it was still a derivative interest for the United States, and one of the many risks of failure of NATO in Kosovo. It came very close to this was that at the end of the day the American voters would look at it and say: "Why were our pilots flying those missions, when it was a job for the Europeans, let us just go home. I mean this is a recurring theme in congress, but this was a very

real risk. In fact because NATO won there was not this kind of recrimination.

The reaction in Europe: One is the shift in the perception of the international law and the balance between the international conventions and human rights and the sovereignty of the state we have addressed, many people have addressed, but I want to say anything more about that. Second was the shock at the evidence how far behind the US the Europeans are in terms of military technology. The revolution in military affairs, US lead in satellite intelligence and heavy air lift, electronics, and even in just providing rapid reaction forces for this kind of operation.

Third, I think, although it remains to be seen and perhaps what Rafael Bierman said is the best indication of the landscape here. I think that this project of the Southwest European Stability Pact is giving a certain sense of purpose to the EU in a way that grows for its lack, that you know, all the debates about the agricultural subsidies, and so forth. I think there is a sense of purpose here that could work here, again, it is a race against forgetting, but I think this is a possibility.

In fourth which is a kind of self aspect of this is that Kosovo really pushed the whole idea of the European security identity and of the common foreign security policy, now, it remains to be seen how far this goes. I think that without the push of Kosovo, I cannot imagine a senior politician like Solana would have been appointed. He is going to have a very hard time as it is, asserting a common European policy against a every head of government, within the EU, but there is a start on this.

Just again, very briefly, what are the aims or what would be the aims of the common foreign and security policy. I think this is probably different, for each of the members of the EU and a very different, certainly the French view it, or tend to view it, as an opportunity to diminish America's hegemony. This is not the German view. The German view is that if anything the Europeans have to demonstrate a better capability militarily in order to keep the US engaged in Europe. And keep the armed

forces first of all compatible enough, so that they could fight together without the Europeans just getting in the way of the Americans, and also to give Congress the feeling that there is more burden shared going on. Why is US leadership indispensable, again in the views of the Germans and the other Europeans, first of all to avoid German leadership. The other Europeans do not want this and no German official wants German leadership.

I would say that it's only the US in the last resort that guarantees the central Europeans, that reassures the Central Europeans as they come into NATO that this really means something. Now the EU has wanted to postpone this kind trying to make some progress, in a common foreign security policy and European defense identity until they had solved some other major problems. And what is being going in the EU in the last ten years is really quite incredible. The single market was only established in 1992, and beyond that to go to this really extraordinary move of European monetary union and the Euro, this was a major undertaking.

Second of all, the EU had wanted to solve, to get through institutional and agricultural reforms, before they got into this they were able to do that. Third of all the EU had wanted to get through the first wave of widening before it addressed any broader foreign policy questions, but this was not to be.

Then let me just make two final comments. Let me ask the question: "Can this be done?" and I leave it to you to define what this is, but in terms of the EU establishing a common foreign policy, and particularly doing it in the Southeastern European stability pact, which is the most concrete area. Obviously, it is difficult, but I think that it can be done. I would give two examples as to why I have this relative optimism. The first is the example of Germany in turning democratic, I mean, nobody in 1945 would have dared to predict that the Germans would be model democrats. These were different circumstances, there was an occupation, but the fact is that the Germans really took to

democracy, and beyond that the German-French reconciliation, again, could not have been predicted in 1945, but it took place and it became a model for a chain reaction of reconciliations between the Germans and the Poles, the Poles and the Ukrainians, the Ukrainians and the Romanians. Now, you can argue about the quality of the reconciliation, but it is out there as a concept, and it has been followed.

The second example I would give is Poland, and I do not mean by this just the economic and political success of Poland in the last ten years. What I mean by that is the change of mentality and I will give the example that I went to Poland quite a lot, particularly at the beginning of the nineties, and in 1991-92. I think that almost every conversation I had with a Pole always ended up with blaming Poland's problems first on the Russians and second on the West. And saying: "the Russians occupied us for fifty years and the West abandoned us and betrayed us," I forgot what the dates were but 1733, 1839, 1863, 1939, 1945 and probably now again in the 1990's. And by about 1993 maybe, this had changed. What I was hearing from the Poles was talk about what Poles were doing concretely, and in particular I heard a contrast, which was really new a suppose for several centuries of Polish-German relations, which was a self-confidence towards the Germans, manifested in particular with the saying "OK, we are a lot poorer than the East Germans, but the East Germans are there with their hands out and their sugar daddy is taking care of them. What we are doing as Poles, we are doing ourselves."

Markus Jaeger

**THE COUNCIL OF EUROPE AND
DEMOCRATIC STABILITY IN SOUTHEASTERN EUROPE**

Dear colleagues, you have just heard the topic for an international civil servant in the Council of Europe in a situation where

we are competing, or no, I should not say such a thing, we are cooperating with the EOE and the UNNU namely. In such a situation it is a golden opportunity for me to describe and explain all the wonderful things we are doing with respect or within the framework of the Stability Pact, what we are also doing in order to contribute to the implementation of the security council resolution, 1244.

Rather I suggest that I speak on three selected points out of the paper, which I found very good, the discussion paper, presented to us by our hosts.

The first point is the recurrent question of minorities. We have in the paper a clear statement which I like very much, there has been a major miscalculation, on the part of influential international institutions and human rights groups, and local reformist movements, that a system of institutionalized collective political rights for diverse ethnic groups leads towards inter-communal peace and understanding. Here we are again with the story of collective rights and individual rights. My organization is directly targeted here, because we have got the framework convention of national minorities, we are the big champions of that. I should like to tell you that personally I totally agree with your criticism.

It is not wise, if you want to have coherence of citizens behind the state and not behind the nation, to push them eternally to claiming their part of an ethnic group in order to get their rights. So we should have been choosing before what we want to do and it is actually leading toward a dead end.

This attitude also is very unhealthy for the individual with respect to his own group because in human rights you have the notion of negative rights of association, which means that a trade union working in a specific activity is free not to enter a trade union. Likewise a Croatian citizen of Serb origin must be free from the pressure of the other of the group and he might want to do that and by pushing him to the corner by saying: "If you want certain rights you must claim you are a Serb" is not a

good thing.

Moreover the group exerts pressure on him, saying, "you are a traitor if you do not always say that you're from this and this ethnic group." So, please add this contra-argument in your future presentations.

I should also draw your attention to the technical reason that pleads in favor of the collective rights. Because, see, here we are confronted with pattern of individual rights violation. When ethnic rights, collective rights as we had defined them now are being breached and you treat this breach as, let us say a hundred of thousands individuals, being breached in their rights, then you have to go in the international plan, through mechanisms, control mechanisms, complaints which are not fit, which cannot fit, which cannot cope with the hundred thousand individual complaints. This is a technical reason, which pleaded very much for the establishment and the reliance on collective rights. This is a real problem for me and for you, who are against these collective rights attitude, because under the framework convention you can deal with such things, and with the European convention of human rights you cannot deal possibly with a hundred thousand complaints of the abuse of this and that of the civil rights. So we have to balance this likely and find a way out of this.

The second point I would like to address is the problem of the filling of the empty shells of the democratic institutions, with adequate people. It is a double question. First of all we have the problem of not finding qualified personnel in the judiciary, in the police and because there is brain drainage and the sector is so terribly ill paid. My proposal is a personal proposal, a submission, I would say, I have an idea on this one. If you establish fair access and objective criteria for entering the public service then you still have to pay for that.

Imagine that nowadays the government of Albania (let us use that country) decided to pay each judge a thousand dollars per month which will be a hell of a lot money. This would be very

good to even trying to find qualified Albanian lawyers into that business, which is, as you all know, essential for democracy. But the government could not afford it neither financially, nor politically, because the other groups will cry out and say "Hey, why are they so privileged?" and financially they could not afford it neither.

However, let us just think about the if the EU were to say, "We give you a fund, but it is exclusively designed to pay minimum wages of so and so to your police offices, regular policemen, judges, prosecutors and take it plus a certain number of others. We give you the money, you distribute it. In that case, the EU would take the political and financial hazard and one could perhaps try to start on with this essential categories of civil servants and get good results.

The second idea of this point is, I totally agree with our colleague from Romania, that corruption is one of the absolute worst dangers of the these democracies and countries. Because of corruption, bad decisions are taken because they are flawed, because take them for bad reasons, for personal reasons, and what is as bad as that is that nobody has any trust in the state.

So, you have institutions, but they are staffed with people, regularly one after the other, who would enrich themselves and it's absurdly appalling and nobody can be motivated in such an environment. Here I suggest a radical, horrible, extreme situation, I suggest an extreme remedy. The extreme remedy has come from Hong Kong, where it has been tried out ten or fifteen years ago. It lies in extreme personal accountability of those who govern. Let me explain.

In Hong Kong you have legal provisions which say that any public official must be able at any time to explain all of his income plus the income of his children and of his relatives. This poses a lot of problems with the Human rights convention in Europe to expand such a legislation on the relatives, but it is necessary for the fight against corruption. It certainly means that you do not have to be accused of something. Public officials

until a rather low level have to, at any moment positively themselves explain where their richness comes from. And this is even post job for a certain years applicable. It is an extreme measure, but it would be the credible measure if you had such a personal, direct accountability of all those who hold responsibility.

The third point is, and I would call it the last point, the myth of assistance and particularly the myth of coordination of such assistance. Of course, here we speak about the Stability pact but also about all other assistance, including obviously the one which my organization has been offering to a number of countries in the south-east.

First of all, this assistance is business and it is fierce competition between the donors. Let us be clear. We all try to explain why we are there, explain our salaries, and explain what are our uses. And so we are competing in your country and coordination has never ever worked. One takes the lead and attributes as always does for the Stability Pact. In such case this could be the first time that there is forced coordination and that is precisely the way it works, you heard it from my very initial words. However, the voluntary coordination, forget it! It has never worked because nobody sticks to the game. What is the result of that? The result is double and the risks and the hazard and the bad results for the receiving countries is double.

The receiving countries have to be polite and it have to be kind with the donors, so they have to take a little bit from everybody. Because they do not know, there might be their governments behind that, and there might be trouble behind that, for officials and both the personal plan and on the country plan, they will not be rude to somebody and they will not altogether, so they take a little bit from everybody. What does it mean? No coordination and taking a little bit from everybody, from every donor. It leads to contradiction and incoherent products and it leads to overlap. Contradiction is obvious. If you have continental plus an American offer for making and codifying your basic laws, for instance, and you take a little bit of everything I

am sorry, the Common law system and the Anglo-Saxon system are not very compatible, although the distances and the gap are no longer as wide as it used to be.

Also very often the American vision of the constitution that could be very presidential to my personal views is in a dangerous and not adequate form for a coming new democracies. We as countries have to take a little bit of everything you cannot come up with charts, it is incredible, I mean honestly we are producing things in the receiving countries which are not good. The overlap of work meaning that many of us took the same thing and that whenever you discuss with a colleague with a bilateral programs from various countries or when I discuss with a colleague from other helping donor organizations, I always discover they are doing the same thing, as I do, in the same place, often with the same people. Not always. No, there is a hell of a lot of work to be done and one could think that the overlap is not very dangerous, because there is so much work to be done. All of us have enough work and if we do sometimes the same work you do it twice but it should not be harmful. This is not the case. It is harmful, because we are stealing the attention and the working time on the receiving end. I mean, when I am here I am not in the office. I must get my bum on the chair to get the work done and people in your countries have to do the same thing. And what we are doing, we are taking away your time, in all kinds of seminars very often and all of us imposing on ourselves, and you do not mean to refuse, but we are all friend and kindly.

I have something to what do not agree with Mrs. Elizabeth Pond. I fully agree with her argument that Kosovo is not only a burden, it is a possibility and because now the Balkans are not accepted like external problem for European countries, but as their internal problem. I am ready finding you for the map of Europe.

But I do not agree with your arguments for your optimism. I am talking about American who said after the war that they did

not need to invent Germany, they have to remind it, because there was institutional culture in Germany, and here in the Balkans you have a lack of institutional culture, which is the problem. It is not only weak states, which is one of the problems, but also a complete lack of institutional culture. That is why I do not agree with your argument for Germany. We have to reinvent something in this part of Europe and concerning the other argument for France, you are right. Maybe I am not right, but I think there is something else here. We have to begin from the zero.

ZORAN JACEV:

I would like just to stress couple of points. I have to say something about the weak states. Of course, some of the countries in the region are very weak, they are weak, but there is a need for right presentation of the situation in the countries. I cannot agree about the idea of discrimination of Albanians in Macedonia, because there are a couple of things that nobody can put down.

First of all, the only country in the region where the minorities are involved in political life, in the government, in the parliament, with political parties on a minority ordination level is Macedonia. I am coming from a couple of ministries where I used to work until one year, and believe me, most of the ministries have at least one deputy, who is Albanian. At least one out of six, or seven, or eight assistant ministers and of course one of the three under secretaries is almost always Albanian. I want to add something more to that.

Listening to the whole panel I cannot escape from the couple of impressions. I thought that I'm maybe on the wrong panel because I did not hear much more things about the strategies for democratization and institutional development. From time to time I had the *deja vu* feeling because I was in a couple of conferences of this kind and most of the things I have heard on the conferences, and after that, I do not know why, but we start to

look like our governments from the region. We are just describing the problem, not fighting with the problem, and we are spending the money of the donors just in order to improve the eleventh thesis of Feuerbach, it is a Marxist organization and education. I am sorry I have to say that, it is a matter of explanation and dealing with the problem.

Speaking about the conferences and the panels, there is no doubt about a couple of things. I am quite aware of the fact that I am going to repeat some of the things which I already said down there or here, but anyway. The region has to be reconstructed and integrated into Europe. It is definitely without doubt. There is a need of Western support to the countries of the region on that road of reconstruction and integration. The Western countries dedicated themselves to help the region do that, and the Stability Pact is the final result of that commitment. They hope that the commitment will last long enough until the governments from the region wake up and grab the chance, because after that it's going to be late.

Maybe hundreds of conferences and projects are organized on this field how to reconstruct, how to integrate the region and the countries and most often we are discussing about what we have to do. It is very interesting thing. We all know what to do, we all know democratization, building institutions and everything, but the problem is that there are questions that are not answered.

First of all, who is going to do that? Are we speaking about the administration, which is overcrowded with obligations in domestic issues and international issues. Just a little mathematical operation. Let me estimate that there are at least three thousand people working in the EU, NATO, the European Commission, and the European Parliament. Three thousand people, who are dealing with the region or something like that. Can you imagine if they are producing only one piece, one sheet of paper per week. I did a mathematical operation. It's three hundred thousand...

The countries are in the middle of transition. We have to adopt hundreds of laws on transition. We do not speak of the integration of the law system into Europe. Do not forget another thing. Mentioning the question who is that the last person who was employed, under socialism—let us keep in mind that that last employee of socialism is going to be retired, believe me in more than several years from today. Do you know what that means? The cloning of new generation of socialist way of thinking orientated governmental servants, that is it.

He is coming from the Ministry of Defense. He is going to say that one of the most important things he heard for the first time there was: “you have to be at least forty to make comments!” You are young, or something like that. That is it. How can we expect from the top to bottom organized governmental institutions to deal with the documentation of three tons per year? There is no way, believe me. It means that most of the documents are coming to the cabinets of the ministers, there is no single minister that can read three tons of documents.

The other question is, why should the governmental organization do that? Can you tell me why? It is very nice position not having obligations. Why should we create a problem to ourselves in the government? Because it means complete reconstruction and reform of the administration, and believe me, the possibility of losing the position for most of the today’s administrative elite. Nobody will do that. Or, if they are forced to do that, there is a very short anecdote about that.

The sultan at the end of the Ottoman empire called the vesir—the vesir is, for the people who do not know that, the prime minister of the Ottoman empire and said, “I can see that Turkey is behind the other European states. I would like at least one hundred young, educated people to go to France, England and elsewhere, to be educated in the European way in order to pull Turkey into Europe. After four years they came back and the sultan said to the vesir—give me the list, please! And he started: “Oh, this is a doctor of medicine! Put it in the Ministry

of Interior. And this is a construction engineer. He will work in agriculture." He completely mixed the list. And the vesir finally said, "Dear sultan, do you think that you are missing the things?" "Dear vesir, if we put them in the right places in a couple of years you are not going to be a vesir and I am not going to be a sultan." That is the real thing happening in the region.

I spent twelve years in the government and believe me it is true. Do you know why? Because putting a mediocre person who is with average possibility to work is the only way to be sure that he is going to listen to you like a dog, otherwise some day he is going to be better than you. After that nobody puts real pressure on the government to change that structure and to reform it in order to integrate the country into Europe. And nobody is putting so high pressure, it means nobody can put the pressure, except two categories that the governments are afraid of—the first category is domestic. That is the voters, but only in the period of elections.

The second factor that the governmental officials, the governmental organizations are afraid of is international organization. It means that here is the place that we should look for a possibility how to make the governments change something in the countries.

The third question is, for how long? That is a problem. Because if we are dealing with discussion for twenty years or fifteen years or two years, or I do not know for how long, it is a problem. If the region is going to be delayed for two or three years, but if it took a time twenty years ago it is not a problem, because twenty years ago was two years, two years today is twenty years, because Europe and the other countries are running on a fast track. It means it is going to be very problematic.

The second issue is for how long the population can stand without light at the end of the tunnel. Somebody has to explain that. The proposal is that there is a need for creating young, when I say young it means modern oriented way of administration. There has to be a way to educate the young persons

because there is no time to take them for eight years and educate them in a secondary school, and a high school, and so on and so on. How to reeducate the people and make sure that they are going to come on the right places. Maybe there is a way for organizing some regional institution in the management of governmental officials and so on and so on.

The second proposal is to provide support for NGOs, preferably think tanks, who are dealing with the integration of the region and find the way through the international organization or donors to make sure that these NGOs or think tanks can help the government fight with that huge pile of documents proposing this kind of excellent materials like your organization get it. It means they have prepared with the formula what to do. These are two proposals just for the beginning.

In response to the question towards the end for how long if we are realistic it is twenty years. Twenty actual calendar years. It get to be compressed in much less than that. And why? Because there are at least three tasks to be tackled.

One is to educate the politicians, who can operate as politicians, no matter how long would it take, and you have to grow, and you do not grow politicians over night.

Secondly, you have to grow as you said people, who can administer the machine, the civil servants, the judges and so on.

And thirdly, and this is the most important, you will have to inculcate habits in the society so people go to the policeman rather than they have a rifle under the bed, so that they don't expect to bribe and so on.

Unless one does always three pillars of this conference are not going to be successful. The economic system will not take off until there is not a rule of law, that is a legal code and judges to enforce it. Security has to be imposed and cannot be imposed until there is a state machinery that got to be imposed internally, it has to be exposed externally. We may hear nothing new, but eventually someone goes away with a better understanding of what has to be done, and realized that the intergovernmental

machinery can be made to co-ordinate for all the better.

I dissent from our colleague on NGOs. NGOs are useful, but they are as particularistic as governments. They are not the golden key. We live in the sad age, when governments actually have most of the power.

QUESTION:

You have Albanians in all ministries and so on and so on. How do they decide? By voting? Or by the decision of the minister?

ZORAN JACEV:

They are part of all the decision making processes. It means in the ministries, inside at least the so called national key, you know what it means by the Yugoslavian standard.

Let us clarify the concept of the weak state. It is not my concept, of course. All of you know that.

The problem of the weak states, I mean in the multiethnic state the best way to camouflage the national state is just to appoint some ministers and some deputy ministers from other ethnic groups. It is the best way. When brought the examples of the weak and the fail states in the region, I started by Albania. Not the government, but the state in Albania is representing a part of the community. While I think in Macedonia, which is a multiethnic state, the state, not the government is representing the ethnic group. Well, there are steps, of course. I mean the concept, the best way, I stress, the best way to camouflage the national state in a multiethnic state is just to appoint ministers and deputy ministers. But the problem is still the same.

Back to the fisherman principle. A fisherman caught a golden fish. Again. And the fish asked him: "Let me free! I will fulfill you three wishes! You southeastern European!" This was what the fish said. And the southeastern European fisherman took the fish and asked it: "Who do you think you are calling southeastern European?" And he killed the fish. I intend to transmit something through this. It is about the Stability Pact, which is

involving Southeastern European countries. In this situation southeast European becomes more valuable than the geographical notion. It is a third-class European, a passenger, which travels in a train, which is not connected to the locomotive.

Each country will feel first of all disadvantaged by the Europeans by being put into this, I would say, southeast European group. But I think that in some other words we can use that here. And this will not work. If a Stability pact would function this should be an European institution. So I think about Germany being a member of the stability pact for southeastern Europe, together with Albania, and the other countries. This pact should be a military structure for the moment to respond maybe I am crazy, maybe I do not know the pact in details, I only listen to you.

GEORGI TZEKOV:

I want to use my position as a co-chairman to take the floor, if you do not mind. Just a few comments, mainly connected with the Pact, and what you just said.

I think that there should be the understanding that the Pact is something that is in the middle, and then you have two types of expectations—the expectations of the countries of the region towards the pact and then the expectations of the EU towards the pact and towards the countries in the region. In this respect there is one basic very principle thing which is missing and I want to connect it with your anecdote about the fisherman, that you just said.

Another possible outcome would be that the fisherman is a vegetarian. Can the Pact predict that? And I am saying this in order to show that what some people think may happen the others know that it will not happen. The expectations were form of rational thinking and mentality, is not really happening or is happening very occasionally. And also it is not a question of generations, I want to connect it to what you just said before.

While we talk about mathematics and calculations we must

know that not always two and two make four here. One day it may make three, one day one may make five. No, it does not depend whether you are trading or not. Basically what some people may think as something usual and something evident in the different circumstances and the different environments is something completely different, because the expectations of the people in this environment are completely different.

You said this Ottoman anecdote, which is very interesting, because wherever you go in the region people would give you Ottoman anecdotes, so that is why I want to give you one too. It is again about the sultan and it is again about the vesir, but it is also about the Young Turks. So one day when the Young Turks went to the sultan, and said "OK, we want the power!" the sultan said "OK, I will invite you to dinner, so that we could meet and then we could talk about it." So he invited them to the dinner, to reception, but there were two halls and in the one hall there were the Young Turks and in the other hall there was the group of pashas, like the old rules and governors.

The dinner started but suddenly the Young Turks could not eat anything from the table because it turned out that all of the utensils were huge. They were so huge, that nobody could eat from the plate with the utensils. So they could not eat anything and the sultan went there and asked them "What is going on?" and they said, "The utensils are too big and we cannot eat from the plates." Then he took them to the other hall where the pashas were and do you know what they saw? The pashas, sitting on both sides of the table were feeding each other across the table. And the sultan said, "Well, when you learn how to feed yourselves like this, I will take you to the government." Thank you. Well, just one... The reason I told you this is that you missed one very important thing that the old elite which is there, it is very experienced in many ways. And this is the major problem.

ZORAN JACEV:

Sure, but I am going to change it a little bit. The rabbit is coming to the fox, asking for an advice what to do because all the animals are chasing, running after him, in order to eat him. He said, "What should I do, because you are very experienced, very clever, can you give me an advice?" "Yes, of course! For example you can turn into a snake. Nobody is going to search for you because the snakes are not suitable for eating, they are dangerous and so on and so on." And the rabbit said "Perfect, it is OK!" and turned back and got back and said "Sorry, but could you tell me how to do that?" and the fox said "Sorry I'm dealing only with strategic issues!"

MARKUS JAEGER:

I will make a very, very short remark, I mean many things are to be done, between the various countries of the west, of the east and between international institutions and countries and it can be done and the only problem is that the time frame is not realistic and you are a little bit linking towards what Hopkinson said. I do not know who defined the time frame and everybody is so impatient and vitally and the populations want to see the end of the tunnel. But the whole problem of coordination of expectations that are raised and that cannot be met comes presumably from an unrealistic time frame.

But something is still interesting in our societies, that there are no more that kind of the expectation that the population had at the beginning of the transition. They are getting more realistic and more experienced with the transition. Because it becomes twice as hard as they thought at the very beginning. So I'm saying that sometimes you cannot satisfy and meet their claims and their needs, with some basic reforms and changes.

If, I am taking the example of Albania, people are not more waiting for this economic prosperity, ten years of transition. What they need is some basic order. For their life, for their children and for their property. So, a government would be suc-

cessful in providing this basic service and because of that I was saying that putting attention and privatizing institutional building as a priority of the priority, I do not agree that economy is the main priority, no! Basic democracy is a main priority and civil security in this sense. We will provoke the kind of enthusiasm we had from our population in the very beginning of reform. Now they are in despair. But if we bring some changes, some quick changes in basic civil security, they will be optimistic again. And it's crucial for the configuration, for the following of the reforms. This was my understanding of the reality.

OGNYAN MINCHEV:

Just one remark on what Igor Reyner said from Bosnia. I am sorry to interfere in the conversation, but I was not here when it started. Considering collective rights and individual rights we can discuss whether it is good or bad to have collective rights with no real answer to the issue, unless we define what it is.

Civil equality and individual citizen's right are the background of a real functioning democracy, just because only on this basis you can really provide some collective rights to particular underprivileged people through their citizenship. If you take as an example the United States, you have the so called "affirmative action" process, which is designed to help underprivileged communities, for example the African Americans community for being discriminated in the past they now have some privileges. But they have those privileges as underprivileged individuals, underprivileged citizens.

The negative connotation of collective rights means that first, you do not have in the region enough guarantees for civil security and civil equality of the citizens in the country, and second, the collective rights are understood here as the right of a particular organized, strongly or not so strongly organized group of people, to claim as much as it can take out up to the level of separation. And without having the integrative process of effectively functioning liberal democracy or civil equality, effective civil

equality, this is disastrous, this is obvious in the region that collective rights in this sense of the word, without strong liberal democratic institutions is disaster. This is a matryoshka doll, Russian doll which you produce smaller and smaller and smaller entities and fractions and you are producing smaller and smaller political corporate groups, claiming to become states. Where is the end of this process? I think this is the end of this process.

COMMENT:

On the level of legislation under the auspices of the Council of Europe, from 1994 you had already a better framework convention for the protection of the national minorities, or the European chart of original and minority languages from 1992. These documents are with higher legal power than the positive law, and the contents of these documents is the recognition of the so called collective rights.

I just wanted to stress you that maybe it should be wrong direction to discuss, because that is the result of almost a half a century effort of European peoples states, individuals, NGOs, etc., just establishing a European convention. The European convention is an integral part of the Dayton constitution, and also there is a constitutional provision where clearly was stated that any governmental body or the court, has to apply directly the European Convention. Recently, I told to the president of a district court who is a friend of mine from Sarajevo, "I will pay you a lunch, just find me one case where any court directly applied the European convention." He could not find out. Obviously, I told him that I would keep two months more and also for your information and others'. We are afraid of Bosnia and Herzegovina, but we are not aware of that. Because of well-known reasons. Germany was out of leading institutions under the auspices of the General Assembly of the United Nations and all the international conventions were adopted following the categories of the Anglo-Saxon law. Tricks from the fields of human

rights.

On the other side, we in Bosnia and Herzegovina as a former part of the Austro-Hungarian empire inherited Austrian, German, roman legal traditions. These are taken from two completely different logic, deduction and induction. The one starts from the general notion and the other starts from particular cases, et cetera. And now we in Bosnia have to harmonize, but how to harmonize these completely incompatible standards. It's very hard. A post war country, a country in transition, ignorant attorneys, et cetera. Because during the Communist period the human rights area has been treated as dangerous ideological area, and now we have very qualified judges, authorities, et cetera, from your thirty years generation who do not have any idea about the human rights. That is all because I don't think that I can conclude positively.

5

**THE PROCESS OF ECONOMIC
RECONSTRUCTION AND DEVELOPMENT****Workshop 2****GEORGI GANEV:**

The topic of our workshop is the process of economic reconstruction and development and the three subtopics are in the way I have called them: infrastructure, investment and integration. The full names are as following: Transport, telecommunications and energy infrastructure; Foreign investment and European integration and development along the lines of the Center of European Political Studies paper, the so-called Green paper.

I will read you the names of the people who have asked to present something: Wolfgang Hager, Institute of infrastructure, financing, cutting through the confusion, I think he is a representative of CEPS.

Branislava is presenting Developing regional, economic cooperation and integration of the Balkan countries.

Visnija Samardzija, Approach to economic reconstruction and development of Southeastern Europe, a Croatian view.

Rod Azama, Western-Balkan cooperation and reconstruction projects, some lessons learned from recent experience.

Srboljub Antic, Infrastructure reconstruction of Southeastern European region and Serbia.

Daniel Nelson, Marketing ideas affecting policy, and Cristian Mureseanu, Berries to economic reconstruction in the Balkans.

And of course Petar Ivanovic, he is my co-chair. He is the Executive Director of the Institute for Strategic Studies and Prognosis, Montenegro. So he will present also a Paper that he has prepared.

I have ordered basically the subtopics in the following way: infrastructure, investment and integration. So the first hour we will deal with the infrastructure issues, especially the so-called hard infrastructure but anybody who wants to talk about soft infrastructure is welcome.

Wolfgang Hager

INFRASTRUCTURE FINANCING:

CUTTING THROUGH THE CONFUSION

I was for five years in the Center for European Infrastructure Studies and I am not a Balkan specialist at all.

My paper essentially is a proposal for solving a potentially disastrous bottle-neck in the development of infrastructure in this particular transition period, the one we described this morning with all the difficulties that there are. And that is to create a Public Holding company, which carries out the legal and other functions and as such time as subjects exist either private or public that can take over the equity, and that legal Property owning, company that assumes lawns, guarantees lawns, etc.

Let me start now by saying why infrastructure is so important in this particular juncture, politically important.

Infrastructure is important for two reasons. One of them is that aid to infrastructure, either in the form of grounds lawns or soft lawns will be the prime way, which the Union will try to help. I have seen in some publications, references to funds for

industrial investment and things of that nature. That is not the way it is done unless in a very late state of regional development. Basically the Union likes to give money for things that do not install competition, which means the basic infrastructure, particular economic activities with a commercial purpose. You may doubt but that is the case.

And I have a vision of an extremely ineffective donor system. A Commission is terrified about corruption itself and of not doing the things the right way and is composed of many heads and many DGs and many EFs, which more or less are under contract to it. That multiheaded slow and clumsy entity called the European Union, very badly organized, is channeling money to a recipient, which is hardly existing properly in political terms. So the combination of those two spells constipation, spells no flow of investment or very slow flow of investment. People will talk at storm about all the beautiful things that can be done, there is money there, there are funds, there are budgets allocated.

The second political reason is not an, if you like, old and future Union issue but in terms of issue of the region that infrastructure is one way of causal expressing the region's identity and much more practically—they need each other and success of each other to develop and I want to just spend one second on this interest of each in each other's prosperity through successful infrastructure investment.

One of course is simply the integrity of networks. When they talk about network infrastructure, they mean that it actually functions across countries. And one of the most interesting things I have got out of this book that Minchev produced on Regional Infrastructure Projects in Southeastern Europe is a particular perverse kind of internationalism, which is very different from our problems in Western Europe. In Western Europe each nation plans infrastructure with total disregard of his neighbors in most of the time. We have to force them through the European networks. We did not think of their neighbors.

In the Balkans it is the opposite. Everybody thinks about international links but in a perverse way of getting transit traffic and something, which makes vaguely sense for getting oil. It's transferred onto roads, rail, Telecom networks, anything that there is some virtue in capturing transit traffic. When in fact the International integrative networks should be quite grounded in what is useful to service a transport need, not getting a feed for a transport service.

A transport service is simply a necessary evil if you like, something, which is necessary, which is transporting goods and people across borders. So that is something, it is not my main topic at all but it is something that struck me: this perverse internationalism, which is a form of nationalism. In Western Europe it is simply disregard of the neighbours and eventually a long period of joint planning through various Ministries and then *de jure*. Here it is perverse internationalism and this celebration of transit as a good thing.

There is an interest in regional networks, there is an interest, which is often forgotten in the discussions in Europe. The local exchange economies, wherever they are—across borders among various countries in the region, that building up local exchanges is very important indeed and this sort of colonial division of labor that we are preparing with enlargement in Eastern Europe as well. There is basically a kind of trade generated by upgrading raw materials across very long distances without real division of labor at a local level. It is a very dangerous model and it's typically one that appeals both to recipients and to donors.

It seems sensible to think only in terms of very large links to the rest of the world when in fact the links among you here are locally, economically, in terms of frequency and traffic and will be there very important.

The third is the interest that each has of course in good performance of the economies of the other, to create a sort of critical mass for exchanges and also to change the collective image of the Balkans. It will be a moment in five years time hopefully

when some smart Alex in Wall Street with a sharp tie will discover this as the new “tigers,” whatever. Collectively you cannot, I think it was said this morning very well, there is a collective image. But that to happen, it is not enough either for Bulgaria, Romania or Montenegro, to be a success. It has to be much broader. Let us say: “Ah, this place is now hot. Let us go for it.” And then suddenly there will be a fashion of investment and it will last two or three years but what you have, you have and you will get a jump up.

What I am talking about is the difficult part of infrastructure, which is called public infrastructure. I am not talking of pipelines and oil and gas pipelines but the public infrastructure. But I include unlike this the municipal ones that are being very important indeed, especially in this aid context, water especially, very important indeed as an infrastructure for industrial development, clean waters is one of the bottle-necks in Eastern Europe, in the streets, you need clean water, Coca-Cola needs clean water, agricultural food-processing industry and multinationals need to be, for their own internal standards, able to treat it in their own ways correctly. So there is a bottleneck as far as the investment comes, which comes from bottom, what is not just something for health or for local, what is actually industrial infrastructure these days, which wasn't true 20 years ago.

We have the situation where money should flow into something called public infrastructure. In any country in the world this is a flawed process, in any country in the world the link between construction and authorities is a corrupt one or potentially corrupt one.

In this particular setting, it is particularly everybody's will as the commissioner is paralyzed by the fear of appearing corruptive for the Commission and you've all spoken about corruption as a major problem taking place.

I see this is the first problem: what we are using as speedy vector both for Union aid to the economies and for regional cooperation. It is particularly badly suited because if you look at

how Southeastern Asia jump started, say Asians it was the industrials that caught the bureaucrats and not talk for 20 years, nothing is happened. They jump-start the bureaucratic arguments and corporate as this was very much easier. Here it is public to public and it is very complicated.

The problem with serious development is that any investment beyond the immediate now emergency aid, which is in form of grants, has to be in form of debt. And the question here arises who assumes this debt and the entity, which assumes this aid: how does it deal with the money? There is a limit to the status, which is set by macroeconomic restraints by the IMF, by simply prudence. The municipalities, which assume debt instead of grants, are not necessarily very competent and trustworthy in guaranteeing debt on their own, so there will be further state guarantees.

State corporations are likely to be in the business of assuming debt as railway companies, telecommunication companies. That means that expensive new money, I am talking about debt, not grants, goes into channels whose style of management and whose style of initial specification of infrastructure is less than the top level that is now available internationally.

I am reading this book, I am reading about four lane motorways or two plus two motorways with 6,000 cars travelling on it. And these motorways cost exactly the same as motorways in more than 80 per cent of what is the cost in Western Europe, where the minimum level is 30,000 cars.

There are still naive spirits who think that this can be done without the process of somebody bringing the money to the table. You can bring temporary lawns, financing your own work for a while but at the end of the day, there has to be revenue, to reward that capital investment and this revenue comes from two sources in infrastructure, subsidies from tax-payer and user charges. In the condition of poverty, now if you look at the project, you would never consider a project viable which is based on debt or some source of outside services.

So we seem to be here in a box where lots of negatives come together, including the economic assessment; in the end of the day the economic assessment will kill the project and there will be no viable project.

And there comes the solution if you give me another minute to solve the problem for each and once and for all. Which is to constitute what we call a Troihand: a public holding company, which for an initial period takes on the property rights of the new investment and this can be an overly modernization investment on the railways, which does not touch the property rights of the existing railways. It takes on the property rights of the upgrading and others, whatever, but the property rights stay for the time being with a collective Public Holding with a majority of the donor community but with participation at the board level of the recipient countries. When the civil society is turning out to have laws, which are reliable in contract enforcement, when the economy has picked up to use charges, affordable by population for electricity or roads or rail or whatever it is and/or tax money can be made available to pay for public services at the water sector at a level, which is sufficient, then the question will be posed and the holding will divest itself of this entity, either into the public sector or into the private sector, depending on the nature of this thing.

So when in the German transformation, the Troihand, the Public Holding to over the entire stock of assets, of capital assets in East Germany, anyway this would be a Public Holding at the beginning of the process but also divesting itself, it would be like an adventure capitalist who does not take any money and wants his capital to appreciate and when the moment is right, to divest itself.

That in very short, there will be some discussion I hope, is the suggestion of cutting this gorge not without a sword of a very awkward situation of infrastructure, finance, once being on the simple ground for the better.

One of the questions I hoped when I was invited for three

subjects for three hours to discuss with knowledgeable people, especially from the region, is what people told me when I proposed informally to the President of ABB, to the vice-president of the IB, etc. But they will never tolerate the implied insult to the sovereignty in the Balkans. And I say this is very much dislike but if the alternative is nothing happening or something happening, perhaps it is not such a bad thing.

Now this judgment of the sensitivity of the implied sovereignty although I would suggest that there should be a formula at everybody on the table. As a part of this institution, that still is de facto majority control, cheap risk, lower risk through property rights being kept by basically the West wing of the Union. Whether this would effect already the debt, something that cannot be discussed. That is one of the questions.

The other one is your feeling from the first experience of your concrete projects, that in fact this is a false problem? Montenegro, for example—we are happily landing and I say well, yes, that is the first easy landing and then we will continue landing once you make a due diligence on the debt position of Montenegro, not Montenegro, Macedonia. We will go on doing this happily and while there is no longer public debt to be raised. Again it is asking of information.

Also it is my judge, my feeling from looking at project description, project economics, that in fact all the plans for infrastructure development on the tables are wrong, well I see—this will be a motorway with asphalt base and covered with concrete whatever that means, but this is the level of specification. Once the financing is 2005, which is insane, meaning that this kind of specification already exists now for a plan. That one for the road and look at the road sector with fresh eye and say what do we do, what is the most effective way of doing it, what is the traffic forecast? How can we make this flexible, building something first and something as the second lane later but you can build the bridge already for the larger thing and in railways. It is a particular subject, again it is assumed that the railway compa-

nies go to the investment and supply the services in a Balkanized Balkan and then continue through Balkanized East and Western Europe. It is an insane thing that a long distance means a real freight and is run by a succession of different organizations and we are now pushing very strongly in Western Europe and Western-Eastern Europe of having integrated operations and integrated management of infrastructure.

Now to start in this situation when there is a desperate need for effective, reliable and efficient service and quite an easy way of supplying them with very little investment, to give money to a succession of railway companies is such a gigantic waste of money and gives so little benefits in terms of opening and allowing reconstruction of transport to take place. That is why I say that the states have already failed. They have not thought about that in these countries the railway companies simply have exercised a vector, which none has even thought of challenging. And they are not the best at doing this. They are definitely not the best to make a railway. The Western people do their railway. There are so many bad habits that it is almost impossible to, anyway.

You see the subject leads over from my property rights, the banking question of how do you give debt to something, which cannot assume that, either for legal reasons or for macroeconomic reasons. How do you, for the banking question, which is solved by the property rights, to a management question of who in fact would this organization be, where is to run. It's property, it's infrastructure. Or would it make contracts with the local operators or would it in fact put it out to pendant, jumping ahead of any EC conformed way of doing these things, which may be necessary in 10 years but should be probably done today because resources are so limited and the need for effective infrastructure is much greater here, the good use of resources. But anyway Europe will have the luxury of pandering monopolists a little longer, of giving a little more time; you do not possibly have the luxury and needed improvement of your system.

I think I will stop here, chairman.

QUESTION:

I have one question. This Public Holding Company is in fact one very huge direct investment.

WOLFGANG HAGER:

No, a Holding is not an investment. It holds investments, many investments: Coca-Cola plant, a car factory. But there can be of course, let's say a water company in Skopje where the old water company and the overly investment form a new Limited company, in which the local city owns 30 per cent and this Holding owns 70 per cent. They will own a share and that will be in a Holding. Once you transform public agencies and public providers into Limited companies that have shares, then you can have partial shareholders, it does not have to be 100 per cent. The same is true for foreign investment of course.

QUESTION:

I have a question also. Is there any potential risk of conflict of interests in the decision-making process? We are basically talking about two levels of making decisions: one of the Main company and the second level of the company that can be some kind of a share-holder, may be a domestic enterprise and a domestic company and a part of the Public limited company. So what if there is a danger that the Leading company does not want to make any kind of decision to step down of the municipality level and let's say the Water company in Skopje or something like that. Is there some kind of danger and would be the solution to result the danger?

WOLFGANG HAGER:

I am not sure I have understood the question but there was something it reminded me that I should have said, which is how to put *ex enter*, the trigger for disposal. That is one thing. The

other one is the role of political authorities. Infrastructure is ultimately the responsibility because it uses public land, public monopoly rights. It cannot be done by the private sector in the usual way, the way the Coca-Cola Company can be set up. And that would not change.

And concession can be obtained by treaty of many countries along the road, one treaty giving guarantees so that one country comes throughout the process for another and would be a treaty that each country exercises its sovereign rights to give the concession for that particular solution.

On a national level you have a treaty, on a municipal level you would simply have a concession in the usual way but a concession worked out with the help of the interested parties so that there are some provisions on who decides when to end this. And in the sense that you only have to say, once you are rich enough to find someone to buy it, "We want to get rid of it."

Whenever you are ready, either you are sitting or you find the private operator to take it out of your hands and own it and run it. We will be very happy but I have not thought, I do not know exactly how to divest, the divestment is the important thing. It is not supposed to be you know a 50-year monopoly of our aid capital and we agree here it belongs to the Balkan infrastructure. And it is really for the next three or four, five years where the situation for solid contracts, which involves the banking.

QUESTION:

If you think of a land, will you allow your Prime Minister to do that company, holding company because suppose as a king you own the land, everything is yours, so on the property rights.

WOLFGANG HAGER:

Yes, I will continue to own the rights of the grounds. I am glad you asked this because it is really the property rights of the investment, which becomes immobile but not really, it is not that immobile because it has a limited life span: the modern

senses is by what the French think of the water sector, where the city owns the pipes and then one of these corrupt but very effective multinationals come in and say: "We offer you a deal," a scenario, which is a kind of willful leasing. And we do the following deal. We, the Water company, rent from you for 15 years of concession the Public Water companies. The property rights of course will remain with the city. We invest our money in better plants, treatment plants and so on. For that we make a deal with you to be able to charge the customers money, more money and the rest of 15 years we now can work out today. What this investment is still worth after 15 years, And that is called residue values. And the next concession can come and compete with the old one and say: "I am willing to pay off the residue value to the regional investor and take over this contract with the city for a better deal."

And this is actually happened in different fields, in Israel, in Manchester, Toulouse, in all sorts of places. We have in fact the concession terminated residue value we knew what was worth.

After four years it worked beautifully, the people who put the investment paid out; new people came in and took over the operation. And the process continues.

So, in this world of leasing, which if you forget about this co-leasing, is a kind of legalized theft, but real leasing and operational leasing, which allows all sorts of using of property where the, it's called juridical property and economic property include the right to use property, which is not the same as the actual ownership of property. You get a much wider range of combinations of ownership and right to treat something for a certain period which makes banking and contracting very much easier. But actually you loses up this nationalizing privatization kind of conundrum, which in public infrastructure is deadly because it really cannot be private and clearly if it's public it will need, no money will flow.

To get out of this mess the French have invented wise techniques, which we should introduce very quickly because they

are very suitable for this particular area.

Srboljub Antic

INFRASTRUCTURE RECONSTRUCTION OF SOUTHEASTERN EUROPEAN REGION AND SERBIA

We think that the real role of the Marshal Plan has to be to enable financing of development from private sources in the sense that you are talking about on the basis of guarantees and even subventions. Of course as preconditions for that we need to introduce some kind of harmonization of macroeconomic policy and suppose that this could be so-called Washington consensus.

In effect we think that the real role of this Marshal Plan has to be to assist instead of giving credit but also for Serbian that is very important, we need some kind of support at the very beginning of the reform process of course in the future, not now.

We know that this Washington consensus economic policy is based on direct foreign investment. Region does not have it or not have it as many as they can. So there are big political risks in these foreign investments and that is may be why they did not happen. Of course, Serbs have some other opinion. They say that we do not have infrastructure and industry, which is capable of attracting this investment but we can talk about it later.

We need a new strategy for this macroeconomic part of the policy and the main role of this Marshal Plan is to eliminate the risk for foreign investors, mainly through some kind of subventions.

I think that it will be bad idea to give the money directly to the government. We have weak states in the region and this will be very corruptible process. So that is why we are relying on this foreign direct investment and about this regional framework, we think that the reconstruction of infrastructure in Serbia is not possible without this regional view, in fact regional framework.

I saw a number of studies in Serbia about the so-called coun-

try approach of development in infrastructure with very high costs because a country wants to be self-sufficient in everything. And I think that the similar situation prevails in all the countries in the region.

So, there is also some kind of disease in this process of regional integration. Every country regards it as the main part of the region and that is why we produce a number of proposals to the foreign investors, which are not viable in fact.

I also have to say that there were some investments in infrastructure in the region but all of them are done in a not very transparent way and that is a special problem. At least there is no sharing of experience of a very specific technique like this PPP arrangement; BOT and even real privatization like BOO operation.

Up to date infrastructural privatization in the region reveals that there is no adequate knowledge in privatization in these contracting procedures and in regulation issues.

We have in fact to harmonize our wishes with the wishes of the European Union and to see what are the real possibilities of doing something. We cannot put a list of our wishes to the European table.

About the infrastructure in Serbia. We had even before a lot of problems but the NATO bombing provoked another type of damages. We have problems in electricity transmission. We do not have refineries anymore and we have real problem with fly-overs. But I first want to stress one advantage of the region, which is may be not known.

Drina River, which is a border between Bosnia and Serbia, is the last unused potential of hydropower in Europe. In Kosovo there is a very huge coal reserves, which could be used only for electricity.

Serbia, Kosovo and Bosnia do not need new power plants because we have enough of that but in this regional context it is clear that some of the countries have shortages of energy or use the technologies that are not so safe. So there is a possibility

even to develop some things through this special context arrangement in the region.

I will not speak about this Caspian oil because it is clear that we will be some kind of transition or transport country. Also I just want to mention that in Serbia we also make some proposals for our needs in infrastructure. I saw first this figure and it was very high and I asked who would pay for this.

We produce a figure at about 5.2 billion dollars for Serbian infrastructure. So we like to see the reaction of the people from European Union on this figure. And I think that this idea of this fund is good but I am afraid it will be some kind of monopoly and may be, I will also ask you just to check if I am right on that?

WOLFGANG HAGER:

Let us assume there is an investment made in upgrading a part of the electricity network. That does not create monopoly in electricity market or in the distribution. It simply owns that particular piece, that particular upgrading. And the same will be true for a rail-line, which was specifically built to use lignite reserves, which are presently not used to feed the power plant. That is not a monopoly or that particular line of monopoly. It is not a monopoly in the bigger sense. These are modernization overly investments, which do not touch on the ground property rights but also not even on the property rights of the existing infrastructure. There will be additions, bits and pieces to modernize the extra, the new and the problem will be to compete between perhaps systems. We have to make them living out in the market and use the charges of some kind and those who are simply run on a subsidized base from the state budget. That is the real issue, not monopoly issue.

SRBOLJUB ANTIC:

Our messages are that we have to cooperate not only in macro-economic policy but we also have to go a step further and start

to cooperate in infrastructure because if we are going alone, every country can produce a number of projects and I think that it is not a good approach to the European Union.

WOLFGANG HAGER:

If you introduce a mechanism, which looks at the economics of the project, you will automatically exclude projects, which are nationalist excessive. Automatically because they are positive on winning export shares, which may not be there. The entire project will have to make sure that the conditions on the other side will in effect allow exports. An example is making transport infrastructure for the purpose of creating, and subsidizing transport services. The Bulgarian truckers are getting market-shares from Romanian truckers, which is an insane piece of economics because at most you can have perhaps 3,000 jobs by spending 200 million on motorways. It is such a tremendously wasteful way of looking at infrastructure investment.

Anyone who looks at the project, would look at these 3,000 extra trucks and say: "Well they will make a difference." But it is in the heads of planners both in Romania and Bulgaria, that this is not important thing to get this extra trucks. Important thing is to get efficient transport so that foreign investors will have reliable and fast links to one of the countries and to both.

Having an intervening economic rationality introduced through project assessment will anyway prevent the shoppingness of being simply fulfilled.

I mean I'm not as confident as I should be because there is a certain amount of diplomacy both in the Commission and the IB, which says: "These are softening countries and if they want from us the last analysis, we have to give it to them." Which destroys the regional consistency of these investments.

But in productions as well, power productions are very, very dangerous fields where even in Western Europe took us 10 years to beat this Spanish and Portuguese over their heads, to close the old, dirty power station and buy some cheap French nuclear

energy. It took a long, long time for this to happen. That is a very sensitive area that supposes new infrastructure, which allows some sensible arrangements, which make each equal value because it is connected to some other view.

Let me ask you a question. We are going about what is going to happen in the end. And of course we have this complicated concession contracting that is going to develop eventually of this Troihand operation. Initially the difference between the Balkan Troihand and the German one is that the German inherited a lot of assets and on the Balkan we start with money from the European Union, right. (Yes, and the assets will then be great on the ground eventually) Yes, so the question is where is it going to get its first of all reputation of the Balkan Troihand and the credit-rating lines, let us put it this way and the management.

From basically the EIB, EBRD, Great Anstaltz with Alfa whatever, big Public Banks put themselves together to in fact underwrite that capital with the governments behind them. It is simply a massive guarantee, become flesh, modern guarantee, which is a piece of paper but a guarantee, which is backed by the fact that they acquire real property rights through the investment. At first, there is only debt being dispersed but eventually there are holds on the ground and bits great and so it becomes real. And at some point the investment will probably be then partially, simply writing off the debt, once the thing is there, it is forgiven. But in the meantime it is treated in the proper way, in the proper economic way.

One of these very bad ideas, the idea that has been agreed by the vice-president, who is head of the Balkan task force, is to use the PHARE money to subsidize interests rates. It is an insane idea because a bad investment does not become viable, making it half of its expenses; it still remains a bad investment. If I give money, let us say to the Bulgarian railways, it is money badly spent and it does not matter what the interest rate is.

So what I suggest in my written paper, which should be around somewhere, is the use of PHARE money, the subsidy

money to create revenue for these services to the extent that they are public services. Not the subsidy, not the direct investment through PHARE money, not grants and not subsidies to interest rates, which is what they used to do. So we buy again 5 years of water services for the Scopje population with that money and in the meantime the Scopje government builds up slowly its system of connecting user charges, so that they can take over this operation.

GEORGI GANEV:

Well, I would like to make a little comment on this one, on this Troihand idea, what in the plan I think was called South-East European Reconstruction Agency, (No, that exists, it is not my idea—Mr. Hager—This is a technical fund, banking fund, financial fund, a holding).

The long-term interesting part of this is all this contracting, sort of contracting mentality that is going to bring because if it manages the fund well and actually invests in valuable property rights in terms of good investments. Then, of course it is going to attract interest internationally and that will be very important for introducing this business sort of property rights and contracting mentality that is so much needed here. It is going to be beneficial on another level as well as on a long term, sort of indirect influence on the business culture of the region besides the concrete infrastructure. It depends very much on the way it is managed and the way it works actually in reality.

WOLFGANG HAGER:

In a very short term it avoids the fact that the contract cultures are so bad. If ADB wants to build a system somewhere, it contracts with the Union. The concession is the Fund contacts with concession of course with the political authority but the actual economic contract is made within us. (Yes.) And then it is transferred bit by bit whatever suitable and you can transfer lots of bits of these things to local business or local administrations.

GEORGI GANEV:

To me as a non-politician from the region it sounds fair that the one who is giving the money should bear the responsibility basically for running the thing. And if we manage to overcome this sovereignty question that may come politically, then I think it stands a decent chance, you said public utility is always a dangerous field but I think that it's time to conclude on this one.

PETAR IVANOVIC:

Actually I have been asked to prepare the introductory paper and the idea was to prepare a paper that will be focused not on any particular issue but be some kind of might be broader view on the economic development in the Southeastern region.

For some years the countries in the region have been trying to build the new economic system but events are not going in favour of such a process. Despite the fact that development of the private sector started almost decades ago, and some new institutions have been created, in most of the countries a great need for a total and radical reform has been created especially after the wars and I do not mean war but wars in the former Yugoslavia.

Someone might call that reconstruction but I think that the more proper term will be reform. The purpose of the reform is to build up a new system based on the market economy and to build up the institutional framework based on the market foundation, which does not mean just a simple adoption of the existing institution mechanism from the developed countries.

In the case of Montenegro and perhaps in the case of the most countries in the region, transition program into the modern market would involve simultaneously action in the privatization and restructuring of the economy, stabilization of the economy, institutional framework and political support.

I know that someone will probably ask why I am raising the question of privatization. Because it is obvious that in some countries that question has been, how to say, more or less suc-

cessfully resolved but there are still countries in the region that are handling or struggling the problem of privatization and we are talking about regional problems.

Privatization is the key link between the transformation of the developed countries and the national programs of transition from command to market economy. Privatization is inflow of the civilization standards and the system of values into the system that functions on the domination of the standards from the past.

Stabilization like the second issue of the economy includes simultaneously steps in different areas of economy such as introducing currency board, establishing budget equilibrium as a very hard and difficult question in the region, managing monetary flows, liberalization of the prices, reforming banking system, developing social programs, international aid, etc.

Together with the privatization and stabilization programs it is necessary to build a completely institutional framework that provides creation of a new system and its establishment on the long-term basis. Institutional framework includes two parts: macroeconomic framework and framework for the development of the private sector.

The first one is dealing with the several different reforms like taxation, customs, monetary policy reform, budget and fiscal control, pension reform, etc.

And the second one deals with the different types of laws such as a banking law, enterprise law, antimonopoly law, regulations like that.

Now, the speed of the whole process depends on the political support and only reduce the size and the strength of the reform.

What could be the expected results? Internalization of the individual economy and bringing changes to the prevailing beliefs and logic to the region of South and Eastern Europe as No. 1 adoption of the basic principle and institution of the free-style democracy as No. 2 building up a climate of belief and confidence in the reform and changes in the region as No. 3. As

No. 4, transfer of knowledge from the developed countries and modernization of the region. As No. 5, training a local staff and creation of a new class of experts at the government level that understand the logic of the market from the municipality further more.

Now the need for the fast recovery of the Southeastern countries also comes from the real economic indicators. And I don't want to bother if those indicators are already prepared in the Paper but if we compare just the two years—1989 and 1998, we will see that only Slovenia in the region succeeded to have two points larger GNP than 10 years before. All other countries are struggling at the level between 60 and 80 percent.

We are talking about huge gap that has been for almost a decade. The future development of the region is linked to the foreign capital investments. However, there is a great dependence between foreign investments and the so-called DPRD average indicators of transition. Now correlation coefficient for the period of 1989-1997 is 0.89.

The elements of political risk, stability of the economic system as well as participation of the private sector in GDP make the essence of the European Bank transition indicators.

It is obvious that the largest problem for investments is investment climate in the countries in the region. Why? Simply because there is no enough government support to the open and competitive market and number 2—because economic system is not developed enough.

Should we stand alone or just follow the megatrends in the world? The reform in the economic system in the Eastern Europe relies on the megatrends in the leading countries in the world. That means the economic system understood as a group of rules and institutions should make possible the acceptance and development of modern market oriented ideas. Economic system is like antenna. It receives outside impulses but recognizes only those that are at the same frequency.

How to develop the economic system in the region that

would recognize new market oriented ideas or new way of thinking that comes from the developed countries.

What is development trend? What are the megaprocesses, which are coming like a worm at close towards the most parts of the world?

For those who know everything and express their knowledge easily, I have to say that these processes are not obvious. The consequences are the only thing that is obvious here if they are positive or negative. But the processes themselves are invisible. Have anybody seen freedom of justice? Have anybody seen supplier demand? We are talking about the invisible hand of the market.

I do not help people if they do not have information bases in their brains, if the man does not have thinking capacity for abstraction. Only the pictures from the real world that may inform his brain in his way thinking system, are the pictures from the essences and through those pictures one can see invisible and visible and the real world and the rules and laws of the trends.

Let me skip to the operative principles. I think that we are aware that the countries in the region are so different that we have to be rational. Rational in the sense to reduce the costs, work towards the integration in international organizations and work to provide free flow of goods, work capital and information in the region. We have to respect differences but try to minimize them because those differences might jeopardize the process of regionalization in the future.

Competition is necessity if we want to achieve fast progress. Because we will have exactly the same legal solution in every country in the region. Competition should be stimulated instead of regulation. Even before when we did not have regulation. In all other cases we had a strong regulation.

I think that it is very important to liberalize the prices, conduct the reform of the tax system in order to attract foreign capital and to privatize the economy. But the most important con-

dition is to open the existing economies and to join the International Community well before GDP per capita reaches satisfactory level, simply because GDP is a consequence of integration and not precondition for integration.

Otherwise if you put GDP per capita as precondition for integration, we will have a very long process of integration in this region.

In the political framework the principle of traditional sovereignty, which essentially means closing within the borders and preventing interference in the affairs of the state, etc. This was until recently the dominant principle in a hierarchy structured relation between the states and International Community and should be totally abandoned.

Instead the principle of democracy and democratic decision-making at all levels should be introduced. The same refers to the principle of human rights protection, respect for the fundamental political and economic freedoms.

What should be our goals in the short period of time? Obviously infrastructure is one of the most important key for the development of the region. Some states in the region do not have a single modern highway at all. Should we create principles that will stimulate the differences among the countries in the region or have a broader way of prospective? For example, one may try the question: "What happened to the Adriatic highway that connects the East through Italy, Macedonia, Albania, Montenegro, Croatia and Slovenia? That project was very well prepared in the European Union before the break of the former Yugoslavia. What about the road between let us say Portobare in Sarajevo to Zagreb or the road from Tirana to Zagreb?"

Perhaps we need to involve in such a debate experts on these issues from all countries in the region and may be listen what they have to say. We cannot be experts on everything.

Number two, we need network of regional institutions but not only to create the network because of the network but also to make a transparent and open network for new ideas and new

people. Actually what we are looking for is some kind of a very flexible network.

Number three, which might be the most important problem in the region, is that we all need transfer of knowledge and new technology. Without that we will still be at the end of the line.

Regarding the trade in the region all countries should try to obey the principle of maximum liberalization and respect for international rules and standards particularly those of the old trade organizations and that probably might mean abolishment of customs, protectionism, quotas, license, approvals, etc. Drastic reduction of import restrictions introduced to protect the balance of payments and prohibit the direct and limitation of indirect sanctions on imports.

What would be the hardest problem for probably most countries in the region is to have equilibrium in the balance of payments. Most of the budgets in the countries, most of the balances are not at equilibrium and that would be a very hard issue for all of the countries.

Those are the things that I wanted to bring to the table and perhaps to discuss them. I recognize that the logic of the workshop has been a little bit changed but nevertheless may be some of those ideas have been a little more explained in the papers. So those who have an interest will read them in the paper. Thank you.

Rod Azama

RECONSTRUCTION PROJECTS:

SOME LESSONS LEARNED FROM RECENT EXPERIENCE

I would like to offer some comments based on some of the earlier experiences in Scopje and the US Balkan Agency where for a short period of time I managed a small program aimed at some private investment, infrastructure reconstruction and some industrial development in the Balkan area.

Very briefly some of the projects that we sponsored and that have survived or at least were successful following war banks microlawn guarantees in Sarajevo, which operated fairly well and currents of private investors and in fact were fully subscribed as far as the amount of the available war bank capital about 10 months after the survey, was set up. We also got involved some rehabilitation work at the park land at KOKONO as well as some of the mining facilities within Bosnia and Herzegovina, in Reublika Srpska as well as in the region.

We helped to get larger miner manufacturers involved in the production in Republika Srpska as long as the relationship that existed, to some degree the prior to the conflict naturally disintegrated, during the conflict, the job that we were doing.

We sponsored some studies focused on trying to help Bosnia and Herzegovina attains some degree of self-sufficiency for the future, post-departure of some of the UN sponsored military forces. One was focused on looking at Tuzla, which is primarily the military airport in Bosnia and Herzegovina. And determining if it had some feasibility post-UN departure for use as a small regional cargo airport.

We did some rehabilitation work at Sarajevo airport and also we were able to help even in Mostar, Lamardza oven production facility. We started, this required simply some specialized technical assistance because the smelters were shut down in the middle of production and there was a simple task: remove the ovens from the smelters without damaging them. In fact the facility resumed production and then in late summer of 1997 the technical assistance was started and they were also able to increase their production capacity but naturally it will take some time before the full productive capacity of this facility is vitalized.

We were also involved in starting the rehabilitation of some of the steel production facilities as well as getting a foreign private company invest and starting a brick manufacturing facility with the local company in Mostar area.

Ognyan has asked me to say a few words about the need for

Western-Balkan cooperation. That is an essential point. This conference as well as the sort of predecessors, that have occurred as Borianna told us—in last February, I think are a good start in encouraging policy research and information exchange, especially between think tanks, research institutions and among governmental organizations.

It is important though that information also be shared as much as possible or at least to some degree between the various foreign assistance international development and trade planning agencies, those in the United States and all in the European Union. Let us not forget the Japanese: they are fairly well involved in the region also through a new organization that will be formed this October 1, which will be the Japanese Bank for International Cooperation: a union between the old Japanese International Cooperation Agency and the former Japanese Export-Import Bank. So this organization becomes a factor.

It is also important when you examine Balkan reconstruction needs to involve the private sector, I mean especially in certain sectors—in transportation—it is probably the best example, in essential public services, in social and political issues: it is essential to have a strong public private partnership.

The Poles found this out. There are extremely ambitious private programs, which if we implemented, would require about 12 million US dollars investment. And what they were the real buy, was the setting up of the concessions, where they did not fully appreciate the needs and desires of the private sector investors and their specific requirements for Polish governments' support, which at the current times is not really big.

There was also a problem in the very ambitious private tolerated projects in Hungary, which did not turn out very well because, let us make the point, we made earlier, they use fees that are very difficult to obtain under the current conditions.

I will give you one example, where information ensuring as simple as it may sound, was not really being implemented in Bosnia and Herzegovina. As you know there are a tremendous

number of agencies and institutions, donors, governmental institutions and in the infrastructure area where I was involved we found that there was no common infrastructure project database. So, one of the things that we did, we took one individual and used him and allocated him to set up a common database. There were different databases, some of the US agencies, the European Union's, IMU—International Management Unit. So naturally you run the risk there of redundancy, inefficient use of money and so what we did was set up, starting set up a common infrastructure database, calls at the IMU because they in our opinion had the best start on a comprehensive database.

Some lessons learned, I will give you some guidelines based on my briefly experience. Regional cooperation is essential especially here in the Balkans. Some things are already made and somebody outside think a lot did your countries as a region. There can be a benefit in this. Regional projects should be considered as well as regional project financing. Obviously it would be easier to attract foreign investors if you have a group of countries involved in common larger projects.

The various foreign and NGO programs obviously will be formed in starting the infrastructure reconstruction. Within those programs—because some of them as you know are very converse or very slow moving—some of the organizations require approval levels and any level can take a lot of time. It can help to streamline those procedures as much as possible, to expedite for example even right now on projects in the pipeline, to expedite at first place the form of implementation. The EBRD, which recently announced in the wake-up Kosovo, it will speed up the dispersion of 150 million Euros of project support that end in 300 million Euro pipeline in the region.

We explained this in various stands today, but in addition of rebuilding infrastructure, it is important naturally to continue some of the processes that are already in action, already started or the pace or extent of these varies by country. The marketization, the market reform, law enforcement reform, privatization

transparency, all that stuff. The stability is naturally important. It is important for the long-term progress, but don't forget I am speaking from a financial prospective. It is especially important from an investor's point of view because the greater extent that he thinks of a current, the less uncertainty there is in investor's mind and uncertainty will risk, risk equals money and the higher risk premium, the larger return of invested one.

It is important that the member countries do what they can to encourage and foster foreign investment. This means looking at your policies, your tax regulation with respect to the prospective of investors. One of the tax policies that in my opinion is not used very much and this is what Wolfgang referred to, is credit tax regimes for Holding Companies, which are a very attractive vehicle for foreign companies looking around your market. I really mentioned that private sector participation is essential and that public private partnerships will be key especially in the public infrastructure areas.

The next calling refers especially to my prospective from my experience in Bosnia and Herzegovina. Foreign assistance international development programs in my opinion must be planned and implemented with the view of making recipient companies, agencies self-sufficient. I do not think that was done as well as that should have been done in Bosnia and Herzegovina. Because these programs are not going to last forever. They must be implemented and planned with a view of helping that economy stand on its own feet.

This is less of the problem where private investment is involved. Why? Because any smart investor before making the investment, has already calculated what should be the expected annual real return from his investment.

Cooperative governments, capability, transparency, rights: this is the environment, in which private investors are operating, so they are especially attuned to this.

The World Bank and the EBRD and the OSCD recently announced the establishment of a World Bank and OSCD

Global Corporate Governors Forum, which will try to encourage reforms in this area and help your countries in the longer term get better access to foreign capital in international capital markets.

I guess the final point that I would like to make is: privates themselves have to be looked at very carefully, with respect to the individual project. And this is with respect to several aspects. One very basic aspect is at what level should that projects be implemented. I think Wolfgang mentioned it earlier that in some sectors and what comes to my mind is: water, ways treatment sector. The municipality in my opinion in most countries is the best local point.

Trying to focus on a national level for both types of projects, in my opinion, because the municipality will need in the longer term to operate and maintain that facility. They have the best appreciation for what the local needs are.

Even with respect to potential investing organizations, the specific private is important. If for example it is a private project or a project involving an agency or company that assume to be privatized or privatization has already been planned, the new has some additional multilateral or bilateral financing institution to conclude it. Public sector privates are obviously the World Bank, EBRD, EIB. Private sector projects can also go under international finance cooperation. In the World Bank, they normally want a small equal state, they would only consider private projects, typically built on for 10-30 percent equal state and all of bilateral institutions that will also focus on private sector and investments in the United States, the American equivalent of the IFC as Overseas private investment cooperation.

Cristian Mureseanu
BARRIERS FOR THE ECONOMIC RECONSTRUCTION OF
SOUTHEASTERN EUROPE

I want to warn you that probably it is going to be a general sensation that it is quite a gloomy presentation because when one speaks only about barriers the general impression might be that there are only barriers here. It is not the case but I think that when we see our region especially from the economic point of view, we have to be very honest and to look at this region as to a sick person and the first step in curing the sick person is to put the correct diagnosis.

I will start with these two paths, two ways. They seem almost alike. So are we just going to be the path for Southeastern Europe, way to reconstruction and then to development and then European Union and NATO membership. The other one, which says that mainly these countries should provide for the main efforts of reconstruction and then rich in prosperity and democracy and in the end: the final goal would be peace.

These two different paths, as a matter of fact, are coming from different points of view. The first one comes obviously from the region itself. We think here in the region that after reconstruction for some countries, after real classic war reconstruction for others, still reconstructing after the Cold war, we should reach to a decent level of development. The latter eventually is going to take us to the European Union and/or the NATO position, which will encompass of course a lot of benefits.

The other approach comes from outside, especially from the Western world that says: the countries should provide for the main effort and then going through prosperity and democracy, the final goal should be peace.

They are not contradictory. Of course the peace would include the benefits of becoming evolved from the economic, from the social form, from the cultural point of view. But it expresses mainly the fact that what the Western world expects

from us is peace or coming to a kind of stability, which will not trouble the other side of Europe.

We are not excluding the fact that peace is very important for us but we want something more: not just any type of peace but a peace, which is provided also with welfare and for many of us this is the EU and NATO membership.

So let us start and see which could be some of these barriers? The fact is that Southeastern Europe or the Balkans, although some people do not prefer to approach this denomination, is a non-homogeneous region, ethnically, culturally, linguistically, of course politically and economically. Is this a barrier for economic reconstruction? We heard this morning that probably common projects, for the whole region, would bring benefit for individual states more than any individual efforts. I do not think that the fact of lacking homogeneity would have to be a barrier but it seems that general plan supplied to this region, they first meet these blockades of not knowing how to cope with this overall diversity.

The problem has been especially for the Western world how to see this region, how to structure it. And there are mainly two approaches here. An EU based outlook. From the European Union point of view we have a lot of diversities here: with Greece as a member state, there is a Customs Union with Turkey; Slovenia with its European agreement is already negotiating, Romania and Bulgaria are waiting, probably for December of being accepted in this long process of negotiating. As for Albania, only cooperation agreements and waiting for more cooperation for Croatia, Bosnia and Herzegovina and Yugoslavia.

From the NATO point of view things that could be expressed, simply are—there are member states, those, who are expected to become members, short- or medium-term, of course we can discuss what is short- and what is medium-term—and some countries, whose prospects are not so happy from the accession point of view.

We have something that I should call general barriers. Why are they so important? Because these barriers actually exist in the region. We don't have time here to see how they became barriers for reconstructing this region. Some of them have historical origin; some of them emerge after the recent events of this decade. It is generally accepted that this region is the least developed region on the continent. The problem is that this mentality has the tendency to become perpetual. And this is a real barrier.

There are of course successive war destruction and war induced collateral losses. We speak of the war destruction especially in the former Yugoslavia but the other countries has also lost a lot after and during the war.

Nationalistic economic behavior. For instance in Bosnia and Herzegovina there are trade exchanges between the Croat-Muslim Federation and Croatia. There are quite free exchanges between the Republika Srpska and Yugoslavia but there are, some absurd I would say, taxes imposed in trading between the same parts of Bosnia and Herzegovina based on only nationalist behavior.

There is still coming this legacy of mentalities, structural immobilities, corruption that are a widespread disease. My Romanian colleague is presenting on corruption on the First workshop.

Too longer and painful transition has reduced the possibility of expectations. A poor infrastructure, we know what we are speaking, of course. It is poor cooperation. It is still a perception of zero sum games. For instance, Slovenia and Croatia—they have the tendency to cut off links with the region. I don't think that we have any Slovenians in this conference. Do we have? No. A Slovenian friend of mine has recently told me that: Oh, we are so glad that you have escaped. They saw this region like a kind of a prison and definitely they do not want to be considered anymore belonging to this region.

From the economic point of view, Croatia and Romania see

the same thing. If you are coming into my country, you are never going to hear people referring to this region as the Balkans, Southeastern Europe: yes, but not the Balkans. Especially in Romania Balkan as an adjective has a bad connotation. If something is bad, they say: Well, this is something coming from the Balkans. This even applies to individuals unfortunately.

There are distorted trade flows. The underground economies are in flower here and also evolving through Mafia and criminal activities.

The insufficiency in foreign investment is a direct consequence of the investor psychology. A lot of them, when they hear of Southeastern Europe, they have a tendency not to come here and invest but better to run as fast as possible, unfortunately.

And there is the braindrain, which is going to show its flow-ers after a couple of years.

I'm just going to show you what specific problems could be met in the countries of the region. I have already eliminated Greece and Turkey because they have a special position for the European Union and NATO. Slovenia has very few barriers; you can read them there. I'm not going to waste time and present them anymore. Croatia is doing quite well from the economic point of view, only the political problems about democratization and human rights are quite difficult there. Bosnia and Herzegovina—there are many problems concerning economic performance towards reforms, corruption, high bureaucracy. The banking system—there is some payment bureau, which is politically controlled. A Bosnian friend of mine explained to me how they work; it is really terrible, if everything is true. A low influence, of course, of foreign investment.

Allow me to spend of a positive macroeconomic performance and low inflation as still this widespread corruption and the Kosovo crisis, fragile institutions and management. Yugoslavia cannot say more now until democratization and real modernization occurs into this unfortunate country.

Albania has extremely weak institutional framework. From

the sociological point of view there is a situation of enemy, which led two years ago almost to anarchy and it is still not very well solved. It is deeply divided politically, low economic capability—it grows from a competitive point of view, abnormal structure of economic activities and traffics, corruption. Most of the economic activities are criminal. Sorry, many economic activities in Albania are criminal activities.

Bulgaria seems to have a better tendency because it recovered after that sharp economic crisis but still there are serious difficulties, competitive, especially competitive pressures, the same corruption, if you see, corruption is probably present everywhere.

Especially in the last years, there is a significant resistance to implement reforms, low influence on foreign investment due to external and internal causes.

Corruption in Romania is obviously structural now. For instance, if you have the possibility of removing corruption now, I think Romania is going to cease to function from the essential point of view. The corruption is almost parallel to all the Romanian institutions. Cumbersome state companies and banks, which put a tremendous pressure on the budget, especially nowadays. Inefficient public administration, even concerning laws implementation and bureaucracy, of course.

You know probably some of the economic data but they show a general picture of what's happening here. We do not have to be very enthusiastic by this high percentage of economic growth. Bosnia and Herzegovina have to admit it, so these are the data for 1998. It was after the very bad year of 1997. We can observe that Romania is the only country that still decreases from the economic point of view and this year assumptions are also very clear, for instance a couple of months ago the estimation for 1998 at the GDP per capita is approximately 1,400.

Unemployment is very important in some countries. Inflation is big in Romania and trade deficits can also affect this region. It is up to the plans, like the Pact of Stability and also

some other as I said that plan that was issued at the Center for European Policy Studies in Brussels, which I saw and which is a very good plan that probably will come to an end and will try to solve such problems.

WOLFGANG HAGER:

When things are really bad, corruption is simply a market for government services, which is better than nothing, which is more or less what you suggested. This general thing of criminal activities, if it is smuggling, it is a rational response to unnecessary terror but there is corruption that is the one point.

The other one is the experience of Italy, which really shows two countries—one if you like, more like the Balkans—it is the South and the North. And the Northern part had enough force for fifty years, to live with a corrupt state and simply ignored it and paid taxes. And the corrupt state continued without problems until the swamp was dried out by privatization, which acted as a moral root. But as long as it had power and owned the big companies, the state fed on this, fed on the rest of the economy.

The South was more in the bad government situation of being taxed by the Mafia and nothing could actually grow. Nothing could happen because of such a heavy tax in terms of regulation and permission and interference and actual money taking by the Mafia, which is like the governments in your countries, not like the Mafia in your countries but like the governments in your countries.

In the North it was not enough to kill the economy. On the contrary, it flourished in spite of this while in the South there was a heavy weight.

In both cases, the regulation, which allow you to abolish corruption, rather than by peace and morality, by change of mind, but abolish the ways that allow corruption and on the economic front of course, that means privatization to allow to take away all the sources of patronage.

CRISTIAN MURESEANU:

There is a project of the Southeastern European Cooperation Initiative on diminishing corruption in the area but as I know by now it is just a project and nothing has been done from the concrete point of view.

I think that corruption problems have to be solved only by states. I do not think how a regional approach to corruption could work especially because of what you had just said now. That is a problem that involves especially governments and people in an official position and public administration. So program should come from the interior. We have in Romania for instance a Commission of fighting against corruption but it is accused of lack of any concrete result.

WOLFGANG HAGER:

That was my point in fighting against corruption. It is not to fight against corruption but to remove the opportunity for corruption. That is a very, very different approach. Not to punish the people.

All I want to say is a response to your question. Transparency International try to track the state of corruption and to determine it in individual countries and in fact they compile in index a ranking of countries. And what the World Bank did, is study on global corruption but indeed obviously look in individual countries and it was released last September at last year's annual meeting. So there is some battle available.

GEORGI GANEV:

I also have something to add. Transparency International already has a Chapter in Bulgaria. Actually Ognyan Minchev is its President. It has prepared an index for last year but we also have another coalition: non-government organizations dealing with corruption. It is called Coalition 2000. They make a whole range of interesting surveys on corruption sort of attitudes, corruption practices and they even break it down in sectors of the state

administration and so forth.

So, for Bulgaria you may basically say that we have a lot of information on corruption. It still remains to do something about it.

DANIEL NELSON:

It is always good to know that you are corrupt because when you have that knowledge, the step about doing anything seems to be a rather big one. I suspect that not only in Romania where I spent a lot of time but also in other countries it will be quite a while before that is addressed fully.

I am sure that I am an odd-man-out in the sense that I am a political scientist, certainly not an economist, certainly not a businessman, at least in the origin. However, 1989 changed many things in my life and all of our lives. I was a political scientist that studied Communist systems. Now, as by January I will be a professor of democratization. The same difference but you know it is an interesting metamorphosis. For years, I have thought that I was only a solely academic in an ivory tower. Now I operate a consulting firm and we deal with projects that I'm going to describe very, very briefly and that is I think my role here today on a panel dealing with economic reconstruction development. I am identified with global concepts as supposed to the University or to the Marshal Center where I will be in January. As a consequence, I take off hats and put them depending upon which audience.

Today I do want to talk a little bit about that experience with global concepts, not because I am marketing the Company, although if any of you would like to hire us, I will be perfectly willing. But, you know a number of things that happened. The kind of work that we do and the kind of work I have been involved in, are somewhat infrastructure related, economically focused, investment related.

The second arena is political. So we have done work regarding, for example, Lithuanians, who want to know why they

weren't invited to join the European Union or engaged in talks leading to joining. They were under the impression that it was largely because of nuclear power generators and opposition environmentally. We found out for them that they were very wrong in that assumption that there were many, many other legitimate objections.

We have done some work for the Croatian Investment Development Agency. We have done some work for the Ministry of Transportation in Romania. We have done some work regarding privatization of what was once Yugoplastica: a huge firm all over the former Yugoslavia on and on and on. We have done some work on intellectual property rights for Microsoft and so on.

As a political scientist, who founded this company in 1992, I was initially astonished that anyone would hire us. But in fact it has progressed and progressed. So that what I found out is that, number one, in terms of economic reconstruction and development, there is some synergy, some connection between economic, rather academic expertise.

We have also done a lot of political work, which is not divorced from the subject, which we are talking about here today. Indeed writing speeches and engaging in contacts for trips of significant individuals from Bulgaria, Romania or Croatia or Lithuania or wherever. In Washington, it is important for precisely the issue of reconstruction and development. Who they see, why they see them and their preparation priorities are seen absolutely critical. If they are going to Capital Hill, who are the Chairmen of various Committees, who are the key step-members and such. That is absolutely essential if they are to gain anything in terms of reconstruction and development, investment and/or positive thinking about potentials in a country to change the image.

Platforms in policy development for particular political parties, to get, for example, a post-communist Socialist party to think in terms of marketization is not easy. And indeed we have

been engaged in quite a bit of that in several of the countries in Central and Southeastern Europe. Getting people to stop talking about a market only with a human face or something of that and get them to talk about the market mechanisms as they really exist, is an education process.

So, what I am suggesting here is that I and my colleagues—political scientists, academics, starting in 1989 and the last 10 years—have become quite something else. I think I like it, I enjoy it but I could have never predicted it. It is directly related to all of our discussions today because the topics we advise on, are precisely these of reconstruction development but also the nature of the expertise that academic students or politics can bring to the subject matter that we are talking about and to the international relations.

This whole experience has by the way reinforced the opinions that some of you have already expressed and we have heard this morning about the problems, the obstacles, the roadblocks that are in fact precluding a jumpstart to this region's economies. Pervasive corruption and crime, which are not the merely rational acting of individuals, engaged in shall do we say, smuggling and things like that. It is in fact much more pervasive and involves people in positions of power asking for handouts, asking for under-the-table contributions. This is a pervasive thing that I have encountered, which is certainly not unique.

It is also the case that there is dense and impenetrable bureaucracy, who really is an impediment to any kind of investment and I think we do not need to go on in detail about that. There is certainly a light.

There is one immutable fact—there is no capital and without capital you cannot really buy and in terms of domestic selling off—a privatization is who has the capital, well it is usually the corrupt people who are part of the nomenclature.

The sovereignty issues and fundamental problems with the notion of profit, I think are pervasive in terms of the populations in many of these countries. And of course the inadequate data

and insufficient studies. I mean we were asked by the Ministry of Transportation to look into the problems, the possibility of finding financing for infrastructure projects, particularly road modernization, look for data, try to find data. About you know, for example, the road bid or anything else that would be related, that a typical investor would want to know: could not find it, did not have it, have not done it.

We were asked by the Croatian railroads to look into what they needed to modernize, signaling, tracks, everything else of this kind. I think that when a political scientist is going down to a railroad track, a signal should be heard. What we do in a case like that, I will not take too much time here, but we know how to put together teams: Norfolk Southern and other people and so on. We put together good teams.

What I am suggesting here is to point out that there is an important intermingling of expertise that must be undertaken, that is very positive. But that intermingling of expertise is particularly important in a region like Southeastern Europe, where these political, cultural and other factors are so intertwined with any decision-making.

DANIEL NELSON:

The end of communism could have meant the end of my career because I have been a student of Communism and I have written a dissertation about Romania and the Chaushesku period. But long behold, it has blossomed another directions.

Some of the worst advisers, I think are, let us say people, who engage in political risk analyses, but who have never studied politics. Some of the worst advisers are those, who try to recommend to a political party aspects of their program about economics and have never studied anything about economics and have never been engaged in economic policy making, in any kind of body.

All of those are examples of intermingling of expertise, about which I am speaking.

GEORGI GANEV:

In your work as an adviser and expert here in the region, have you used local expertise, local knowledge and how important do you find it?

DANIEL NELSON:

Yes, of course. And it is essential, however, how can I put this delicately. Sometimes local expertise can be the absolute worst because some of the preparations are not adequate; some of the representation of self is worst inflated, etc. But we have been very pleased and very happy and we have in each one of the projects, a Senior local representative and that is absolutely essential because you have to set up a small office, even for a low overhead operation, and that is mandatory. And these are nationals of the country in question.

GEORGI GANEV:

So, another thing: it is a little bit high risk using the local expertise.

DANIEL NELSON:

Oh, I mean you have to know the people. In the case of some work that we did in Bulgaria, we fortunately had Bulgarian nationals, who were in the United States temporarily on study trips and some of the team were PhD candidates in economics and in politics and other principals in the company. We knew them and we looked at their backgrounds carefully. We would not simply put an air on the paper and get the first. I mean it is a very careful process and we are not talking about a company with hundreds of empties, we are talking about dozens, so it is very, very important to select the right person.

WOLFGANG HAGER:

Finally I come to a very crude conclusion about foreign help (which is the translation of what I said to be foreign investment.)

This is the perception that in a sense foreigners need to come in as much as possible to take over the large state enterprises for investment, foreign participation, co-management, etc.

The real tissue of economic development must come from local exchange economies. And to wait for foreigners to come in and produce bottling plants and all the rest of it, is except of the very margin through technical assistance as we heard, is probably quite wrong. I think it is a sort of colonial thinking of everything coming from outside. New investment, new markets, the new, the transit thing again, should come without relying on the ability of the domestic economy, once it is liberated a little bit from the Mafia type control of the government, which is an important condition.

You actually need local exchanges. If you look at development, I used to be an adviser to Veneto, which is the most successful of the Italian industrial regions, the richest by far.

6

**NEW SECURITY SYSTEM FOR THE BALKANS:
POLITICAL-MILITARY DIMENSIONS****Workshop 3****ALI HIKMET ALP:**

Now we have questions of security, in which of course, we have to include political-military cooperation and military cooperation. I read the paper, prepared by IRIS. As you have summarized, the main question is whether the future security in the region will be an integrated part of the European security or other. I believe you mean by that NATO or that will be an independent security identity.

You know, I personally would think that at least at first stage it is going to be something in between. And before, we certainly continue to think in terms of systems, but by nature I have somehow reluctance to use the word system because when we are talking about a system you are talking about arrangements which are preconceived and probably treated based and irrigid set of rules and set of arrangements.

In the region which is a variable type of region before entering into such discussion and also taking into account the realities of the afterward the policies of expansion, enlargement of NATO, the positions and attitudes of various governments, the

reactions of public opinions and how the security questions of Europe and of this region are perceived from outside. But one fact remains: there is a continuous change in the character of NATO. As you know it was and still it is an alliance, a defense alliance which was established for specific purposes but now it adapts itself to new circumstances. And its operations are extending beyond its classical area of defense and together with its functions and responsibilities which it assumes.

So, in my opinion the system, the security system, spear-headed by NATO is extending. It is not as yet on a data basis on specific agreements on the basis between the governments of states but by a consensus of the participants, the members of the alliance, it extends to areas where there are no states-members of the alliance. So, my first conclusion would be that the protection umbrella of NATO extends beyond the borders of the states which are its members. In a sense automatically I would say these regional countries have a kind of that guarantee of at least predictability of protection and security assistance from NATO.

Secondly, there are questions of enlargement and the public opinions have to be prepared in a way it might be different in some European countries there might be other feelings about it. We also have to think somehow on a larger scale. Now, if you extend a defensive alliance in particular in this case towards East, you have to think about the limits to what extent, to where you can enlarge NATO, where you have to stop. If you are going to stop somewhere then you have to think about the implications.

In particular whether there will be again two or several regions in Europe with different security protection or security coverage. Where, for example one is going to place Ukraine? What will be the reaction of the Russian federation and what are the limits or the possibilities for further involving of Russian federation within this larger security structure, of course without opening the question of membership. You know, we are some-

how also in a different geographical region. We have certainly the support and we are supported, I am not speaking as somebody from Turkey, the membership of Romania and Bulgaria in the Atlantic alliance, but on the other hand we have I must frankly admit some concerns about on how we are going to handle the Ukrainian security concerns and we are going to handle also the Russian security concerns and Russian perceptions and reactions to this enlargement.

I hope that this enlargement is going to take place maybe it was a mistake not to do it from the first day, but as I said you know such progress is rather slow. While contractually extending and enlarging NATO we have to take also into consideration other things. Secondly, the new members or perspective members at the preparation for membership. Now, this morning the words like soft security or a change in the nature of challenges and risks I have already mentioned. Indeed, most of them they are not direct military security challenges. In other words in do not anymore expect from the outside and armslot, an aggression, a large scale military operational aggression in any part of Europe. Of course this is what we think of and there are always enforceable situations that I have to leave aside for the moment, but as if we prepare the basis for such a better soft security situation certainly we are going to prepare automatically for the enlargement of NATO.

And again from this I have to come to regional matters and regional cooperation. When I say regional cooperation, this is not simply cooperation in trade, infrastructure, cultural exchanges etc. No, it is something, it is at leads it should be something beyond that. First, a solidarity and second—consultations and as I say harmonizations of the foreign policies and military policies. More closer, establishing of closer contacts between the military establishments to the extent of going into details of for example moralization plans, mechanisms to detect unusual military activities and the means of solving or defusing any tensions which may arise from such activities.

Well, of course, this list can be extended if and when as regional countries we come to that kind of maturity, then I believe that a NATO membership will certainly first be facilitated and secondly, when these countries are members they adapt themselves very easily into NATO environment, NATO procedures and the integrated command of NATO. This is not very much seen from the outside but NATO has in this respect quite rigid rules which certainly would not change because of the accession of new members. In order to deserve the name of a credible defense organization such arrangements should continue and new members should be ready to adapt themselves to these conditions.

Then, regarding the actual situation let's for a moment aside the probable tensions or conflictual situation. I mean Ukraine, the Baltics, Russia etc. Now come to our region, we know that Yugoslavia is a problem at present and maybe it will continue to be a problem also militarily. I would hate to use the word content but I am almost sure that the neighbors of Yugoslavia for quite a long time will feel this uneasiness, unless Yugoslavia is integrated into this European framework. But how and when we can do it is another question. For the moment we cannot be very optimistic about it. And second other crisis or tension situations now today, at present NATO forces are in Bosnia and are in Kosovo and I am sure that the day these forces are withdrawn from Bosnia, the day after we may very well face a new conflict in the area.

Of course, the same situation is valid for Kosovo. It is a relatively smaller region and like or contrary to what we see on Bosnia we do not have these three ethnic communities which are supported by their neighbors but we have at least two big ethnic communities which are supported by their neighbors that I say: Albania and Yugoslavia, Serbia and this may in future also create problems. You know what status is going to be foreseen for Kosovo what, in which direction its economic integration will be oriented. These are open questions and I am sure that for

if not decades for a few years they will keep occupied the Western governments.

Now on the military side I again in your paper, you made very good résumé of the situation, now the military cooperation it is first made of course by NATO channel, various programs the Partnership Council etc. and also by the meeting of the ministers of defense which is somehow linked to NATO but it is not officially a NATO organism or NATO connected organism. Not all NATO countries are participating there. Somehow it is exclusive, it was, from its exception from the very well known situation in Yugoslavia.

I come to the same issue how we are going to make an integration, an actual integration of Yugoslavia into this system of European security and also what will be the role of other organizations. We almost forget the OSCE for example which has started with good intentions. It has on its charters, documents etc. very good ideas, maybe sometimes romantic, but it is obvious that we are not taking the advantage of the existence of the OSCE in some respects.

Now the OSCE's role should not be confined which became practically so during last conflicts to the preparation of elections or sending inspectors here and there. A real security consultation in OSCE unfortunately is not possible, although it is a praise that Russia and all others are participating and that that kind of consultation and examination of the security matters, security risks can be taken in a different way.

I believe these are the main problems and in particular maybe it is not kind of obsession but I have again and again come to Yugoslavia because it is a region of conflict, because the pride of Serb people, and we now how proud and absurd they can be. It is going to be a problem then in the stability aspect, you know it is a comprehensive approach. Some of the things are foreseen, but frankly a majority of the points stated in the document of the Stability Pact there are already under examination or daily subjects of other organizations. Take for example

the military matters, arms control matters. Now at least there are three main activities in the field of confidence building measures and arms control. One is the ongoing activity within the OSCE and then secondly there is this agreement on location of Bosnia, Croatia, Yugoslavia it is a subregional arms control agreement.

Then in accordance with article 5 of the appendix of the Dayton peace agreement, negotiations are supposed to start with the participation of Yugoslavia on a new arms control in the region which is called Regional Stabilization. Maybe it is a big word for the arms control agreement, but that is the terminology which is used in the Dayton agreement. So how the Stability Pact is going to unify these mechanisms. Certainly, it should not, it's not cannot do it and it should not, but that leads us how these connections in various areas of the Stability Pact with activities of other organizations are going to be regulated? There for example they talk about the review of the implementation of the arms control agreements in other fields. But this review is already been done early in the OSCE for example. For the safety treaty there is a separate arrangement, for the confidence building measures already early reviews are being done.

I believe that we are almost reached to the limits of these CSPRMs not only for this region but also for the whole of Europe. We have to find a new, more imaginative ways, more imaginative CSPRMs. For example the crisis management and conflict prevention measures but with certain obligations. The question of or the procedure of giving information about military exercises or the budgets, the category of weapons etc. this is already being done and it is difficult to add more on that. But what about other measures, as I said for example the crisis management measures, and why involving that we have at present tensions and crisis in the region? I have mentioned at least three of them.

So these are in my opinion, Mr. Chairman, a few issues which we have to take into consideration but if the regional countries cannot prepare the ground, the atmosphere or the psy-

chology I do not believe that they cannot cooperate in problems which are considered more serious or more down to earth as military matters or political military matters. So I would like to emphasize this connection, I would very amply advice to governments that their contacts and talks between general stuff is not necessary. It should be extended to all levels and we should create this environment for cooperation and environment for solidarity.

JEFFREY SIMON:

Just a preface, my comments are not at all reflection of the policies of the US Department of defense, there are just my private views. And as far as what I am going to talk about today, I would like to just broaden the title slightly and talk about the birth of the Partnership how we got to the map and what it is all mean in terms of the future of Balkan security and/or stability.

Now I would like to build on some of my colleague Nelson's comments this morning particularly as notion of what is it in terms of the Balkan Stability Pact and stability for example not being stability. In the Partnership and the programs that we have put in place as you will get in a second I think that I would argue that through basically process, through interaction we do intend to try to develop stability. You do not just declare something as stable. But let me go back into the history of the Partnership and word is that we are of this does impact on this region very directly. But if we step back in time, roughly one decade, I think all of us would recognize that one would say sort of a security earthquake hit Europe roughly in 1989 and we are still living with the impact of that earthquake.

We began to see in the early 1990s limited crisis begin to appear in what had been basically two icebergs, sitting on the continent. It did have an effect on NATO. I think the impact it had on NATO was that it forced NATO to look outward in terms of the way it began to operate. I looked outward in order to

project stability. Frankly the new mechanism that it developed was you know the word: cooperation.

At the Rome summit November 1991 NATO did two very important things. It initiated a new strategic concept, we got rid of the old flexible response for teens/3 and the new strategic concept talked about the need for more flexible and mobile forces in this changed security environment. What we also did do was to create a North-Atlantic Cooperation Council. Cooperation is the byword here in the fall of 1991. What we did was try to bring former adversaries together to begin to talk about forms of multilateral cooperation. It was not yet partnership, it was cooperation. And the emerging political dialog that occurred amongst ambassadors at NATO headquarters and what not basically began at this course, began to understand more fully what really is defense and what were the requirements that one needed in order to deal with defense.

And I think slowly people began, political leaders began to realize that defense in compass more than just quote "military issues" but there were such issues as civil emergency planning. We have had earthquakes recently, it is an example of the need for civil emergency planning, it is a security issue. Airspace management, a whole series of other questions. That is the backdrop to the response that occurred in the European timeframe. I want get into the genesis and the evolution of PFP, the Partnership of Piece, primarily because I would argue that we are right now in a similar period of genesis and evolution for the MAP, the membership action plan which I will get to, but I gotta get through this history because I do not have. Well, I think I have got an idea.

Wherever we have gone in the partnership non of us I think can predict quite wordless where we will be going with the MAP. I think we know where we would like to go. Americans at least are not like our European allies, we are not very good architects we have sort of model through and we do things and that is why, and I think that is the way the partnership evolved over

time and frankly that is the way I think the MAP will evolve over time and therefore we really cannot get into sophisticated architectural notions.

Anyway, Partnership for Peace has undergone enormous change since its acception back in January 1994 at the Brussels summit. Now you remember when we introduced PfP, many people in Central and Eastern Europe were disappointed. They were disappointed because they wanted enlargement to occur at the Brussels summit and they view it about the MAP at the present point in time, in terms of start develop. Nevertheless, PfP I think did move non-NATO members beyond dialog and actually into various forms of practical partnership. This is how you build stability I believe.

PfP developed a framework and a process. It established the norm that partners should be contributors to security, that is people were beginning to think about that. This is important in light of new members of the alliance. It marked a shift in terms of the alliance away from purely multilateral dialog that existed under the annex C to bilateral: partner and alliance relationships in the form of individual partner programs, the IPPs and self differentiation. In other words it basically marked the establishment of a wide environment of cooperation, of activities. These were things like the plenary of youth process, the parp, transparency, civil control, the democratic oversight of the military, piece support operations. These are the kinds of issues that we began to discuss and deal with pragmatically in the IPPs and through the processes that were put in place under the partnership. I stress that because I believe that is building security and I think it also contributes to the building of stability.

During this period the alliance aside from just looking outward actually began to move outward because you will remember that we did have some problems in Bosnia, we did have in implementation force that was deployed in the begging of January 1996. Many partners went with that shoulder to shoulder and that was gone on in the SFOR and now obviously in the

KFOR situation in Kosovo. The point is, this cooperation and process was I think absolutely essential, it was necessary condition for what happened in the aftermath. If we did not have that we could not have done it.

Now the next phase in the evolution of PfP was the famous Madrid summit in July of 1997. Famous because of the partners at the time 28. Three got invitations and a number did not. At least that number wanted to get into the alliance, we had basically 12 partners that have gone through enhanced dialog. So, there are three very happy people at the time of the Madrid summit and nine who were not. Now, the point is that in Madrid, recognizing this, the challenge that we had was how do we deal with these unhappy partners. And we basically at that summit made credible the open door and again to advance the process further established enhanced Partnership for Peace and we also created the Euro-Atlantic Partnership Council which was a deep in form political cooperation with the partners. It is not membership but is a deepened form, it is a process both in the military side, enhanced PfP as well as the political side. And as the ambassador noted there were efforts to try stabilize the situation with Russia and Ukraine through the creation of PJC as well as the Ukraine commission.

Now, that is all as a backdrop, it is not a security architecture but it's building, putting pieces in place and finding out what the needs are or what it is that you need to do. By the time of the April 1999 Washington summit, the 50th Anniversary of the alliance, some significant changes have occurred. One the alliance which had become pregnant if you will at Madrid, actually gave birth to three new members and we now went from 16 to 19, again they joined the alliance 6 weeks or 4 weeks before the alliance on the March 12, 1999. So we pulled the Czech Republic, Poland and Hungary as full allies.

In that summit declaration we did a number of things which gets to the MAP, this is the backdrop of word is that we are, we introduced a number of programs. Those programs basically

were efforts to make PfP more operational and we did approve yet a new yet another strategic concept, the new one to deal with the further changes that occurred in the European security environment. What is important about that concept is that it does mention specifically the partnership in paragraph 35 as an official element, as a core activity of the alliance, a course we could not do in 1991 because there was no partnership but it clearly is essential to activity.

We launched a defense capabilities initiative which would basically try to improve the capacity of the core allies to deal with each other. The ambassador mentioned before the need to maintain a military credibility, a core and there is a concern that we have basically become more of a hollow shell than a reality. So the defense capabilities initiative is an effort to strengthen the capacities of the United States and our European allies in the alliance to be able to be more effective in doing our combined operations if it's necessary in the future. With the MAP partners of which there are nine and many of them are from this region - Albania, Macedonia, Bulgaria, Romania so you have got four MAP members here with them one includes Slovenia, since Slovenia's sort of touching the region, it is five. Aside from Slovakia and the three Baltic States.

So, in other words we have a number of MAP members that are in this region, we also have a new, a NATO member, that is Hungary, sitting astride the region and that played a fairly pivotal role during the Kosovo conflict and therefore NATO is present but not in totality, not in totality. What about the MAP? And where is that we are going to go or think we want to go?

MAP as where it stands right now is at the same stage that PfP was just months after the Brussels summit that in the spring 1994. Now I think we have some advantages though today in how we can breathe life and to put flesh on that scale of the MAP, I would argue as I am an optimist, that we have been given by our policy masters, political masters a tool to basically make this into something. We have got the guidance in other words to

make this into something as we did with PfP there our political did not understand at the time that PfP was launched.

But on the way of this fully blown MAP I think that there are a few lessons that can be learned and we can be informed by the experience. We are a richer alliance today because rather than 16 we have 19 three of whom have been partners and who share many of the problems that the MAP members have today. Let me just walk you through briefly this is by no means a full laundry list but some of the lessons that we have learned from the first tranche of enlargement and how I think that will inform the implementation of the MAP over the next 12 to 18 months.

On the first Poland, the Czech republic are the only members of the alliance who were partners. So, their experience is going to be very helpful to us in terms of tailoring and building the programs in MAP as well as the rest of the partnership in future years. There is by the way one important difference that Poland, the Czech republic and Hungary experienced. I want to say it here particularly because I am in Bulgaria, I would say that if I was in Romania as a very significant point.

Hungary, Poland and the Czech republic went through significant, serious downsizing of their armed forces before that got into the alliance not after. And that downsizing was fairly critical because when you downsize and restructure it does create as one would expect some fairly severe civil military frictions. In other words it is going to be necessary to do that before and I think learned from the experience we had in those countries.

On the other hand I think that one could say that the experience in Hungary, Poland and the Czech republic informs us a lot about things we will be doing because their experience is very similar to the problems that the MAP members have today. They have top heavier officer course, they have got to reduce their conscription service or want to, they need to build non commission to officer course, they have got to modernize their armed forces and they also have scarce resources. So, they have got to prioritize and do long term planning. Tough thing to deal

with and it creates political problems and social pressures. That experience I think is going to be very helpful to us as we go down the MAP road.

Now what lessons? There are three lessons I think that we have learned from the first tranche of enlargement that will inform the development of the MAP. One, political ambition drove the three new members into the alliance. As a result practical cooperation that developed under the partnership frankly was a derivative of the process of their desire to get in. And the truth is there was a huge disparity between partner expectations and reality even on accession day March 12, 1999. Their general staffs were stressing military modernization, the defense ministries, the political imperatives of membership you were constantly going through this. Funds were scarce, bureaucratic curdles were menace, frankly the entire political system in all three countries was not, say not ready for membership. But they are in and they have a lot of work that needs to be done. That is one critical point and I think we have learned something from that and I think that will have an impact upon the MAP members.

Second, resource scarcening when I speak resources I am talking not just about money, I am talking about trained personnel. Resource scarcening in Hungary, Poland and the Czech republic is the same as you will find in the MAP countries. Their common problems there. Frankly, the experience of the new members, these are generalizations, during the parp roughly 15 per cent of the forces in the new members were nearly broad up to NATO standards and what they were doing was streaming off resources and basically choking the rest of their armed forces. There were two teer military systems now evolved.

Frankly the MAP is going to be different. We do not want that to happen the next time around. We do not that to happen. And the third cycle of parp, the enhanced parp that we initiated is going to basically try to flesh out through the annual national plan process, the planning for all of the forces. That would be committed to NATO. This is going to be a very difficult and

long-term task. The third, and we have learned this with our new members is that the application and incorporation of NATO staying axe which is harmonizing the forces to NATO standards etc. was the enormous physical overburdened physical capacities of these ministries.

I could give you examples that would probably for those of you of here make you hear stand on ins in Poland but we initiated the initial 15 staying axe that had to take three people in the MOD to build up and train to basically work translating and harmonize those few elements of the forces to work with NATO.

By the Madrid summit we were going to 700 staying axe and then upon membership roughly 1,500 staying axe, the polls has 600 people working in the defense ministry and the general staff to do this. Just as an example of what we require. Under the third cycle of parp, the enhanced, we now are giving to our MAP members 1,169 staying axe to work through the system. I do not think the capacities are there. These are just some of the basic challenges.

To try to summarize my comments I would say that there are huge challenges out there but I believe that where we are in the MAP right now and the MAP countries are developing annual national plans to try to figure out what forces they would like to build over a period of time and to work with NATO is forcing a planning process and is forcing governments to try to find resources and link resources that would lead to the creation of certain capabilities. That is critical because it has not occurred in these countries in the past and is going to require certain accommodations internally in the political systems. I would argue not totally different from the extensive a key that you have got to deal with in the European Union process. This is what basically is going to go on.

Being an optimist I think that this is perhaps one of the greatest gifts that we have, it will require challenges but I think in fact will lead to the practical cooperation and partnership through activities that would have direct streaming in this area. And is

going along the lines of the bilateral and multilateral military units that had been created, the multinational peace keeping force southeastern Europe and I could go on and on with various forms of cooperative defense capacities that are spilled out from this kind of a program.

The Romanian views of the real political and military use of engaging into cooperation in Southeastern Europe. And there is Dr. Simon was explaining us before that he had presented his point of view. I am going to present you a kind of a hybrid with my explanatory point of view with the official point of view of my country, of Romania in this respect. So, why, how does Romania perceive this political and military cooperation. I could start with the conclusion of my presentation.

It perceives it only as a second level importance because Romania is engaged in regional and subregional cooperation only as long as these cooperations forms are seen as indispensable components of the process of NATO accession and European Union integration and not as an alternative to this.

I do not know what is going to happen after the election in the year 2000 I can make some forecasts, but I cannot say for sure. So, this efficient political and military cooperation should lead to increase security only as an integrated and functional part of the European security architecture. So this European security architecture is the main concern of the Romanian decision makers here. Why this? Two sets of answers could place the correct issue here.

First, the security European architecture has to exist as a necessity resulted from the new shape and content of the insecurity environment. It is generally a knowledge that the new multiform understanding of the security consent and such architectural organization of the response to security challenges could better meet actual requirements. Second as a regime for the international organizations with responsibility in security fields either as justification for the very existence of some of these organizations or for harmonizing security actions, institu-

tional specialization and placing the institutional interactions under the interlacking and not overlapping structures.

The concept has definitely western origin, from the Euro-American space, the need for European security seems to be too fold. From the United States' point of view it would lead to a better shelling of the security responsibilities and security expenditure on the continent. It is more a security approach which generated also the European security and defense identity project.

After the Cold War Europeans assumed a more extended role in decision-making and managing their own security issues. It is more an institutional approach based on the experience of economic and social successes of the European Union having produced the common foreign security policy concept transformed to the second pillar, still week now, of the European Union treaty system. Now, I would have needed that our head projector the forming of the European security architecture from the European point of view can be displayed in 40 years, we all like to imagine 40 years organized on a heretical base.

The first one, from Romanian point of view, is the level of the international organizations that is NATO, OSCE, WEU and also the Council of Europe. The second one, the regional multilateral cooperation. On the third place would be three party cooperation structures and the fourth one, the bilateral relations. Looking at the first important level, can it perceive a tendency of constructing a security architecture around the major pillar.

In 1994 in Budapest OSCE appeared after a compromised process of the Western option, especially the American one, off-structuring security actions in Europe around NATO and a Russian one of giving to the formal CSC a new alliance security responsibilities and especially normative and decisional powers. Eventually OSCE is now more than a simple consultational forum with no institutional body and definitely less than a multifielding compass in organization producing legal decisions for the European security environment.

Let's look at another organization The Western European Union. Especially after the four implementation of the article 17 of the treaty of Amsterdam will integrate into the EU. As for the Council of Europe, it's responsibilities and performances highly notable in south security fields. The Council of Europe has no political legal and institutional instruments to arrange around this cell of the continent or security multi institutional structure. So, this is how by eliminating only for NATO and EU to balance this security process.

This European architecture although, the concept seems to aim a precise geographic location systematically organized, includes real understanding more evasive. Both geographically and inclusively, this architecture does not lead to a conclusive structure. While imagining the European security architecture one should picture a functional structure, gathering international actors of the European security environment sharing common basic, civilization principles and defending common values. Embodied as convoyinal, fundamental interests. The preamble of the NATO's Washington Treaty of 1949 expresses quite clear this set of principles and values worthy to be bitterly defended as essential for the very existence for the specific type of the what I prefer to say the Euro-American type of civilization.

With this, the believing in such values, Romania sees the preservation of its fundamental interests by participating into this forms of security cooperation. It is to say that this participation implies bydirectional vector. Romania perceived that only through its forth inclusion into the European security structures can reach its indispensable security level, while it is assumed that the Romanian contribution to the process has to be substantial to the benefit of all the other partners. As it is spelled out in the Romania's strategy of national security and now I'm quoting: "In the assembly of the European civilization Romania develops and promotes its own spiritual and cultural values as science of its identity in a permanent changing world. Faced to a historic opportunity of building a valuable structure for col-

lective security and integration in the new security architecture Romania asserted an international role in accordance with the expectation of its own people and those of the family of democratic states.”

In this respect Romania locates its foreign policy goals around the accession processes to NATO and the European Union as the main pillar of the multidimensional European security architecture. This does not mean that regional cooperation, three party and bilateral relations are left out of the Romanian foreign policy issues. It means only that these ones are part of the integrative process, subjoining to it but not offering substitutes. As for establishing which is the main political goal from security point of view between the European Union and NATO accession opinions differ in the Romanian society both on temporal and social determinations. And for instance in March 1996 95 per cent of the Romanian population was in favor of NATO's accession, in May 1999 it remained only 62 percent of the Romanians to support this direction. NATO bombings in Yugoslavia, the disappointment of not being included in the first wave, the erosion of continuous expectations have diminished a pro-NATO inclusion public support.

The European priority has not been similarly challenged. In this case it is more an experts' debate about the real chances of present Romania on the winning track of EU accession. Some experts conclude that a European Union membership would offer more opportunities for Romania than NATO's inclusion. The EU members status could definitely encompass social and economic advantages and induce as well an informal security mutual agreement, based on the intrasecond independence between all the EU members. While NATO, although providing rather strong security qualities of the article 5 of the Washington treaty, could help less in solving the intricate Romanian economic and social security problems. Some Romanian experts even uphold the idea that chasing both EU and NATO membership would be a useless waste of efforts. Therefore only one

objective should benefit from the main part of the national political analogies. And that one should be the European Union accession.

However, the NATO membership goal because of its main political dimension not so much influenced by economic exigencies. This is generally upraised in Romania as more accessible than fulfilling the difficult European Union criteria. The national strategy for accession to NATO has been drawn and then continuously adapted on the events. The European Union is the friendliest kind to facilitate for the member states the achievement of internal and external policy subjectives with the consistent respect and the application of certain common fundamental principles which are assumed by Romania in their entirety.

Well, at this point I would like to make a personal consideration. This entirety is more an official position because it is not sure even from the political point of view how many of the actual opposition political parties in Romania assume this common fundamental principles. Especially in the last years, speaking of this erosion processes of vain expectations of some signs of possible accession especially for NATO. Some of the very important opposition political parties in Romania had launched quite a different political discourse based not so much on European values but on nationalistic and autarchic.

Romania's aspiration to integrate into the European Union is a natural expression of the identity of the ideals, values and principles of its location and as a democratic nation. Deeply anchored by traditions, cultural civilization and a single European space. Well, we hope that Romania is going to be perceived in the same way also after the fall of 2000 general elections or if they are going to be at the beginning of 2001.

A programmatic approach to the integration of Romania in the European Union must be such that the premises stated at the European Council in Copenhagen in 1993 as preliminary criteria now that require European Union membership. Now, the

subject of this regional cooperation, of course it is a significant contributing factor to stability and security in Europe. And it naturally enjoys the active support of the Euro-Atlantic structures. It is not worth that existing regional mechanisms comprise countries setting a different status NATO or WEU members candidate for such memberships and countries which for one reason or another might not be expected to join NATO structures.

From a military point of view, it is the Multinational Peace Force for Southeastern Europe, with its military dimension at the brigade level force—the SEEBRIGS—Southeastern European Brigade that gave substance to the South-East European Cooperation Initiative, the South-East European Cooperation, the Black Sea Economic Cooperation, the Central European Initiative, the Royaumond Process and.

The three-party cooperation represents a flexible form of the regional cooperation that functions according to the principles and within the domains mutually established between the participating countries.

Romania is engaged in five types of three-party cooperation: with the Republic of Moldova and Ukraine, with Poland and Ukraine, with Bulgaria and Greece, with Bulgaria and Turkey and with Hungary and Austria.

To end my presentation here, Romania's specific location makes it be a possible key point for regional cooperation. Being placed at the crossroads of three important geopolitical European subregions: Central European, Southeastern and Eastern, Romania can enhance to help these areas and through this—helping itself, finding better solution to the specific subregional but also regional and continental problems.

If we look at these subregions, we observe that from the Baltic Sea to the Adriatic Sea there is nothing but former European Communist states escaped ten years ago from the red slavery. Many of their problems were not still uncommon.

It could never exist a comprehensive and workable European

architecture ignoring these aspects. Some of these states are well-developed and better-integrated into Western European structures, other still remain in a great uncertainty. Romania unfortunately belongs to this last category, for how long, let us wait and see. Thank you.

Mustafa Turkes
**TURKISH VIEW ON THE SECURITY PERCEPTIONS AND
HINDRANCES IN SOUTHEASTERN EUROPE**

I have just three main issues. I will talk about the place of Southeastern Europe in the International system. I will attempt to analyze in these three. Second things that I'm going to address is the different perceptions of the stability, security and cooperation, on one hand how is the West attributing to this concept and how the regional states in Southeastern Europe perceive this concept. Finally, I will be talking about the consolidation of the stability in the Southeastern Europe, how it might be possible to consolidate the security.

When we look at the Southeastern Europe in the last hundred years, we can conclude that there is no clear initiative led by the South-East European states, with a proposal to solve its own problems. Perhaps there is only one exception of the 1932 Balkan Pact, which had also some shortcomings, simply because it did not include Bulgaria and Albania. So, in the end, that Pact nevertheless pacified the region. Apart from this, we do not have a clear proposal offered and implemented by the states in the region. We have so many proposals, none of which were really implemented yet.

When we look at the periods, let us say, right after the First World War, the region was not occupying so much importance in the eyes of the Western powers for at least three reasons. There were three main constraints, one of which was reduction of the German power, containment of Soviet Russia and recon-

struction of the International Order. These were the priorities of the Western powers. So the Balkans did not play a major role in the international system.

When we look at the Second World War period, right after the Second World War, again Germany was so important but the region was not really paid much attention. It was left to the Soviet Union more or less, etc. It did not play a major role in the international system.

When you look at the end of the Cold war period, the region became very important. It is not simply because you are affectedly important but mainly because it could cause insecurity in the region, which could not necessarily destroy the Western security architecture but it could affect and it affected it. That is why it became so important.

But when we look at the perceptions from different angles, when you look them from the Western point of view: it treats the region as a place where you may find some local conflicts, which might be contained, nothing more than this. So far we saw this in the case of Bosnia, in the case of Kosovo. In other cases the conflicts were contained one way or another, nothing more than this. This perception is the main hindrance.

When you look at the other side of the picture, the states in the region have nothing else, but basically ask how we are going to be paid attention. There are two ways: either you create a problem or you create institutions, with which you pose your own position.

So far, the states in the region mainly caused problems rather than propose new alternatives or new proposals to strengthen the stability. Therefore, there are two different perceptions on the understandings of the stability and security.

On the part of the Western powers the minimum security seems to be sufficient for them. But this is not sufficient for the states in the region simply because the minimum security and minimum stability does not solve the problem. How to maximize the stability and security depends on the factors and the

attitudes of the each case in the region.

When we look at the post-Cold war era, we have seen a clear tendency on the part of NATO, which attempted to extend the security umbrella to the region, either by accepting new members or by proposing or giving a kind of hope for the states, willing to be participants through PfP. But for instance when you are interviewing the advisers in the Balkans most of them may say: "OK. PfP is good but it does not guarantee security." There is no defense security, therefore why should I pay much attention to that.

In the case of Romania and Bulgaria, for instance, they are expecting that they will be full members of NATO. Considering that, this would bring, guarantee the inflow of foreign capital. These are the reasons they formulate their position. They are right in some sense.

When you look at the whole issue, the security and stability can only be consolidated through different levels of strengthening of the security understandings and the initiatives.

So, if the regional states do not propose regional initiatives, feasible to be implemented, then they will be imposed one way or another. This is the reality.

There are some certain initiatives, which were launched even during the Cold war era years. One of them is, for instance, Balkan multilateral cooperation, which began even earlier than the end of the Cold war. However it did not gain ground simply because the regional states in Southeastern Europe mainly paid much attention to the larger security organizations as if they were the real answer to insecurity feelings. If they were accepted, that is OK, but it seems to be very difficult, even if they are accepted as full members, to function and to have a full membership position within the institutions unless they solve certain problems. This is the fact. Therefore, the regional states have to prepare themselves to form regional initiatives and to implement them. Security organizations have to support those regional initiatives. Otherwise, either you have to extend the full member-

ship to everybody in the region, not only Romania, Bulgaria but also Ukraine, even the Russian Federation. So where is going to end this. That seems to be difficult. But if you support the regional initiatives, with which regional states may form their demands and they can pose, they can force those demands through those regional initiatives.

There are other initiatives for instance: Central European Initiative, which thinks there are more European than the rest of Southeastern Europe. This kind of different initiative in the region is posing some sort of difficulties in fact. That is why I am not arguing that there has to be so many different initiatives but it is the interest to have some sort of coordination among the different initiatives.

The consolidation of stability more or less depends on the three issues, on which there has to be some sort of consensus, without which it may cause further problems. First is the hope at least to give to the states a full incorporation of the whole region into the major security architecture organizations. This hope has to be definitely kept alive.

The second is the maximization of the security, without which the structural problems cannot be solved.

The third is a vertical framework, in which major security organizations can organically be linked. That is also possible and some steps had already been taken but at the same time created some difficulties for instance Turkey. Turkey is a full member of NATO but not full member of WEU, which is much debated topic in Turkey.

You are supporting NATO, you are giving something there but in return you are not treated as a full member in WEU, simply because you are not a full member of EU. So your assets will be used one way or another, there are some reservations the Turkish might make but there are very ways, in which they can bypass. In other words, this could create problems among the political elite, which sees this trend as not so much satisfactory to the Turkish elite.

Therefore, the larger organizations have to renew their perceptions and change their arguments in the sense that they have to maximize the security in the perception of the security in Southeastern Europe. Otherwise the whole region is already divided into two parts, if not three: Central Europe and Southeastern Europe. So it may further cause problems.

In conclusion, I would say that there is a strong need to reformulate the concept of the stability and security on both parts – on the part of the West and on the part of these states in the region. Minimum stability and security is not sufficient for the states in the region.

Second, local initiatives have to be one way or another supported by larger institutions as a complementary to the incorporation of the whole region into the Western world.

And vertical framework, in which all the major institutions can use its assets but they have to accept all the members of the region as full members. Otherwise one of them will be definitely creating problem.

Ali Hikmet Alp

REGIONAL COOPERATION: PROSPECTS AND LIMITATIONS

The first question: NATO membership is fine and it certainly is going to offer prospects for the countries, etc. But now, I personally feel some contradiction in what NATO is and what are the new risks and challenges. In other words: NATO is a vital organization. Now, we speak more and more about the soft security risks, challenges, which start with the ethnic clashes, extending even to arms and drug trafficking, etc.

So, if the risks or challenges are so numerous and certainly they are not in the agenda of NATO directly, how the expected NATO membership is going to solve the problems, security concerns of the regional countries.

An alienated question: the decision-making process. NATO

in principle should not take decisions, which are supposed to be taken by other political bodies or in the United Nations, etc.

Then I see another discrepancy. Maybe it is not directly related. We made this in 1991 CFE Treaty on arms control and the Eastern European countries; they deserved a rather large number of basic equipment quotas.

Now comparing the security situation, the security environment, the financial and other capabilities, which, these quotas imposed—how it will be possible to maintain effective, efficient armed forces in terms of arms for example take one country—1,800 tanks. I am sure that the maintenance of 1,800 tanks is not an easy task and the modernization should be even more difficult.

VALERI RACHEV:

Ambassador, can I answer you in only two sentences. The first answer to your question, why we are going to join NATO, is like a joke of course, that on the Balkans there are two types of countries. Some countries want to go into NATO, in the other countries NATO goes into. The other question concerned with the arms limitations we received from the heritage of the CFE Treaty, I want to tell you that no one country in the Euro-Atlantic area received more arms than Turkey and Greece, no Eastern European countries, no.

JOVAN DONEV:

During the morning session, I was thinking of the presentation and everything, some responses to some ideas, which were said. So I am not going for a real presentation of some kind of a paper but what I will try to do is maybe to turn a little bit attention on a much global picture than Balkans. I am not going to be so Balkan minded and looking only the situation on the Balkans, but also around Balkans or Southeastern Europe actually.

If you look the picture of the Balkans, you see two vectors crossing each other exactly on the Balkans. It is North-South

vector starting from the Baltic Sea and ending somewhere in the region and the second vector is the vector, let us say a horizontal vector starting somewhere from the Adriatic Sea and crossing the Balkans again and finishing somewhere in Central Asia.

Looking from that point, we can see that the NATO enlargement in Central Europe was some kind of a strategic endgame to cover the central part of the vector but from the other side that enlargement did not close South possibilities in respect to stabilization of that vector.

On the other side, you see that horizontal vector, you see that Adriatic-Central Asia vector, was completely uncovered. And in that way we have a threatening of the situation not only on the South NATO's wing, the Greek and Turkey but also the region from one side and from the other side threatening the situation in the region where we have at least 100 years great game.

From the other side this vector or this horizontal line also covers or raises the internal Russian question, but also the question of Transatlantic alliance about the correspondence between the Russian border and Russian role in the world, in the New International Order.

Looking from that point of view, we do have now after the Kosovo war, NATO presence in the Balkans, covering the complete vertical vector from one side and covering the west wing of the other vector. For me it is actually some kind of a final game for the Balkans, looking in the whole picture, if I am correct on that way.

From the other side, speaking about this, it seems that we have some kind of establishing, at this moment or maybe for the next 10 or 15 years, a political and security regime here on the Balkans. Maybe it sounds very optimistic from my point of view, but from one side, for the first time in history the Balkans are not divided according to the principle of balance of power. We have something: in Serbia at this moment but I am not sure that we can say that there is a real power behind Serbia.

At the same time you have the political leaders who are very

interested in some or other way, to enjoy European Union and NATO. In some way, they have to deal in some correspondence with that idea and policy.

But from the other side, it is not a short-term project. It is not very easy. Balkans as you know, may be Turkey and Greece are not, but the others are the back yard of European Union. It will take a long time to change education, change economy, to change completely the system inside the society and so on.

From one side, we have some kind of positive circumstances, from the other side: some kind of a historical experience. And many things does not depend on the will of the leaders because the political leaders are products of the will of society. They could affect the situation in order to stabilize or destabilize a situation but actually they are the products of the society and the circumstances inside the society. So, what we have to do is to change the situation inside the society, which again takes time, a lot of time.

If you again turn at the three-way track, in that case you can see that maybe the political, the track, which is dealing with political issue, is the faster one, the easiest one may be. And very dangerous at the same time, because actually there is no social strata behind the Balkan leaders. Behind the political parties in the Balkans, again speaking about the new democracies on the Balkans there is no kind of social strata. So it is very easy for them to change the situation. To be in one moment democratic or social democrats, in the other moment they are going to change the situation and be nationalists or will become right-wing because there is no strata behind them, there are no groups who are supported. And actually the behaviour of the political leaders or the leaders of the political parties depend on their expression of the attitude of the electoral body, nothing else.

We have the same situation now in Macedonia. The most nationalistic party now, is the most democratic party. The most democratic party is now a little bit nationalistic and so on and so on. It is very easy to change.

If we try to get into the European Union and I am a little bit suspicious about the money and the taxpayers whether they will give money for the European Union, for something to reconstruct the Balkans. May be in that case it is easier to try to involve the political leaders. All the political leaders in the Balkans through the Stability Pact and through NATO and the European Union criteria for enlargement try to go into some kind of political, permanent political network. May be it will be some kind of Balkan Parliamentary Assembly, may be a Permanent meeting of the Prime ministers, Defense ministers, Foreign Affairs ministers and on and on.

In that case the possibilities for moving, if you look at the leaders without the strata behind them, putting them into that kind of network, it will be very difficult for them to change the position and in that case to increase the possibilities of destabilization of the region.

And in the same time if you go through this kind of political cooperation, we could hope that the leaders will take care not only of the internal situation but for the regional situation and vice versa. Destabilizing the regional situation is destabilizing the internal situation. From the other side, involving the Parliament's cooperation, involving directly citizen in the political network and block any possibilities or at least, some of the possibilities to destabilize the complete region and so on.

The second problem, which I would just want to put some remarks, is the problem, because it was mentioned this morning, about the situation in the Republic of Macedonia.

Macedonia in this moment is maybe the only one serious multiethnic state after Bosnia and Herzegovina altogether. I mean serious—it is the serious percentage of ethnic minorities living in Macedonia. We have 30 percent of minorities—a serious number, in that way I am thinking it is a very serious multiethnic state.

We have this situation. It is very difficult, looking from our historical background, to change and to turn from ethnocentric

state into some kind of civic state because it is the result of one, at least for Greece it is 170 years old. Something let us say for Macedonia—80 or 50 years—it is lucky time to cross that period of time as the European states have done.

From one perspective it is also a problem of stabilization and eventual vacuum. At this moment, there is no vacuum but there was vacuum: military and political vacuum in the Republic of Macedonia. In some way to deal with these actual problems, interethnic problems, time is needed, economic, very serious economic support is needed. The leaders go very strongly in developing and cutting the cultural heritage, about which I will speak a little bit later.

Maybe, one of the ideas for all of us dealing with some kind of, more or less public life in our countries, is to press, to involve the Republic of Macedonia in some kind of central and political activities in the region.

Together with the other activities or interests, if Greece has serious economic interest in Macedonia, it will support independence and sovereignty of Macedonia. If Bulgaria or Albania, later maybe Yugoslavia, support us, it will be easier to solve that possibilities of interethnic clashes in Macedonia. But at this moment most probably it will be through some kind of bristle formula. I am not happy with bristle formula because there are a lot of problems also in Belgium, but it will give a time to go with the other measures, to go with the other approaches of solving that problems, because obviously we have a lot of problems.

Finally, I want to say something about the relation between policy and culture. The problem, which I am trying to call, is some kind of Balkan labyrinth.

It is difficult to see what is the influence of cultural heritage on the Balkan leaders in the policy making, in the decision-making process. How that cultural heritage influenced actually the behavior of the leaders of different states on the Balkans from one way. And from the other side it is again the problem of that

idea of all the European movement, mentioned previously.

Is it a real idea between the Balkan people, between the different NGOs and everything to adopt really European standards of dealing with everyday life? Or it is just an idea to have some kind of a European standard of living, with European welfare but in the same time to keep out orientalism. I am not sure about this approach. It seems to me that in this moment it is very difficult to say what is really behind this idea of European movement.

But, from the other side, it could provoke some problems again or destabilize the whole region. If we do not succeed to take our time now, with a different approach to dealing with the problem, may take one generation to have some kind of resistance. I was looking for another word, there was another word, not resistance, I am not sure that it is the real word: some kind of resistance against European idea.

If this process of integration took a lot of time, the new generations of leaders would start to speak against the European Union because it will be a political conjunction. And again we will have the other kind of leaders, who would not care about the situation, about the position of the European Union towards the region and going may be to destabilize the region, together with the ethnic, ethnocentric position of our states. To change that ethnocentric position will take may be 100 years, even more in this moment. It is very difficult, you know. And if we have that kind of behaviour, I am not speaking about the Constitutional problems because there is democracy, there are human rights, individual rights and everything. But ethnocentric means that always the individual would take care or would be put under the pressure to take care of some kind of imaginary interest of the nation as a whole.

With the combination of these kinds of leaders, who resist the European Union idea, it will mean a new cycle of Balkan labyrinth that I mentioned. A new circle in the Balkan labyrinth means destabilizing or ethnic cleansing or war on the Balkans.

Enver Hasani

REGIONAL STABILITY AND SECURITY

AFTER THE END OF THE ARMED CONFLICT IN KOSOVO

I have in fact divided my paper into several parts. The first dimension is the Kosovo final status as for the regional stability and security in the future. The second deals with the threat whereas Serbia poses a threat to the region stability and security. Third is Montenegro and its fragile democratic reform course and the last one is related to NATO and the neighboring countries of FYR: Serbia and Montenegro.

Since these are the dimensions that have been started by Mr. Bugajski and others, I will just focus my efforts in the Montenegro dimension for I consider it is the next step where Miloshevic most probably would go. I will discuss the implications for the wider region, which I do not think as we shall see that can be to the extent that the Kosovo case was.

In the Montenegro case can be seen the facility of the assumption, theoretical assumption that democratic reforms foster peace, stability and security. It is as in the case of Kosovo that all the three variables are dependent on the response of International Community, Serbia as that is Miloshevic behaviour and the very location of this tiny Republic.

International Community stands that it would not support nor encourage Montenegro's independence, as in the case of Kosovo emboldens Miloshevic further and his radical allies to harass and frustrate President Jucanovic of Montenegro and his commitment to democratic reform within it.

There is one difference to Kosovo though. While Kosovo proved to be a pretext for aggressive behavior both for Miloshevic and the Serbian opposition, in the case of Montenegro the territorial integrity assumption favors only Miloshevic' aggressive and repressive policies. In essence if the rest opts for encouragement of Montenegro's independence, very unlikely scenario for the time being at least, then it would

weaken the opposition in Serbia even further. On the other hand, if it opts as it does for the territorial integrity and sovereignty of Miloshevic's Yugoslavia, that would further strengthen Miloshevic determination to put pressure on Montenegro leading up to a violent conflict. He believes that even after a bloody conflict, Montenegro would be forced by the West to remain within Yugoslavia. This would in any case lead to a certain ousting from power of Miloshevic.

Serbia does not represent any more a threat to foreign efforts at reconstruction of the whole region in terms of projecting all sorts of types of borders. Formerly, it was believed that Serbia's democratization was a precondition to Balkans and wider stability and security.

After NATO air strikes against Miloshevic, it was proved that the democratization in Serbia does not mean the same as the stability and security in the region.

At present, there was achieved a minimum order, which guarantees a stable and secure milieu for foreign efforts to reconstruct and develop the Balkans, while Serbia at the same time remains aside engaged in the process of self-democratization.

What matters the most beside the Western efforts to reconstruct and develop the region, is the fact that Miloshevic can no longer pose a threat to the peace processes in Bosnia and Herzegovina and Kosovo.

Montenegro, even in the worst scenario, does not represent a threat to the new stability and security environment either created after the end of the conflict in Kosovo. And if it happens, I mean a violent conflict, it will be in my view a strictly localized conflict but disastrous to Miloshevic's holding in power due to the very nature of Montenegrin and Serbian relationship. This nature, on the other side, counts us well for Montenegro's intransigence from Albania and Kosovo despite its democratic course pursued so far. It further means that in the case of conflict, the only way out for Montenegro authorities would remain Croatia, which would probably be very reluctant to help given

the animosities with Serbia.

Miloshevic has shown himself very capable and skillful in manufacturing the crises for the purpose of remaining in power. He was skillful because he inhabited the huge power resources from Former Yugoslavia. His enduring experience has exactly been based on these power resources. He is capable, on the other side, because he still has been left with a solid power base despite the NATO air strikes against Yugoslavia. Yet this time space for maneuvering and the available options are narrowed for him. He has to choose now between Montenegro and the opposition in Serbia, other than Voivodina and Sandzak areas. Whether he bents on Serbia in the proper way, he might attempt to dive in blood the mass protests that are obviously drawn near Belgrade or rather he will pop to return to Montenegro where is the current dilemma.

The logic of Miloshevic' lust for power, though suggest that whichever grows stronger that will be his next target. This has given the radicals an entry into the Serbian government two years ago and that marked the prelude to the bloody conflict in Kosovo. The August 1999 reshuffling of the Federal government indicates that Montenegro rather than anyone else will be Miloshevic next target. The cabinet reshuffles spells the trouble for Montenegro as it aims to obliterate the borders between Serbia and Montenegro and create a Unitary State. It is now only a matter of time for Miloshevic and his new radicals start to turn attention and animosity against Jucanovic reform in Montenegro.

In the case of Montenegro though at least the West should not pursue the old logic: that is, to leave the internal dynamics to evolve around Miloshevic will.

LASLO MAGI:

I would like to make a comment about the readiness of the political systems in Poland, the Czech Republic and Hungary when joining NATO. I cannot speak about Poland and the Czech

Republic but I think the situation is more or less similar in the three countries. I think that simply the fact that the countries were invited is a declaration of the readiness of the political system. The invitation is a bilateral business. On one hand we need of course the willingness of the candidate country but it is even more important on the other hand to have the willingness of NATO itself and the countries of the alliance. As I understand NATO invites a country when the Alliance is interested in the invitation, when it is important and useful for the Alliance itself. Therefore, since it is a political decision I think it proves that the political system is ready enough.

What I agree with, that was the second sentence that the military were not ready for being involved or invited or integrated. Yes, you are right but again I come back to the character of the invitation of the decision. That is political decision on the first place. On the second place it is, let me say, strategic decision and only on the third place it is a technical military.

If you say that only 15 percent of the Hungary military let me say, on the necessary level, I agree. But I did not see any requirement how many percent of the military should be ready for the integration, for the, how to say, for the contribution to the security of the Alliance itself.

We can discuss how many percent of the officers should speak English and on what level. But we will never be ready for NATO membership if we have very high level requirements. But again, you were right because if you speak about the officer corps, may be 10 percent or more of the officers speak English well enough for cooperation. That is not a high level but I can imagine that in different NATO countries you have the same situation.

But we have absolutely few, several persons of non-commission officers speaking English, that is very, very bad and it is very difficult to change. The reason I wanted to say this short information is because I think the candidates in the region to be invited later on can learn some ideas from the moment's experi-

ment of new NATO countries. At another conference organized by the Ministry of Defense we discussed the issue that the new members have a very strange situation. The second, after the Cold War, wave of invitation or enlargement depends very much on how long or how fast they could be integrated, how the process is going on and how much they can prove that the invitation and the enlargement was a right step and wasn't a mistake. Because it is even now a discussed topic: was it right or was not it?

JEFFREY SIMON:

When the actual enlargement process occurred, on a military side as you said there were very rapid movements. These occurred primarily because there was some discussion in the fall of 1998: that we might have accession in January. That literary scared the daylight out of the people in the three capitals as they had a number of fundamental tasks that just had to be done by accession.

Well, it was pushed back until March 12. But the reason why I say that it's still not quite there politically, on the political side, is and it gets to the general issue that we totally agree with and that is that the smooth and seamless integration of the three new members will have a direct bearing on when the next wave occurs. I think that the fact that Hungary basically came to the Alliance and said in a force-goal process: "We are going to do this, this and this by certain dates in a target forced goal." The government agreed and said: We are going to increase defense expenditures, we are going to do this, this and this. They come into the Alliance and then they say: We cannot rise our expenditures what we said and we want to now renegotiate the force-goals.

That suggests a certain political unpreparedness in the sense that, there is a feeling that we have been, shall I say we have not been dealt with straight. We thought we had certain agreements and that is going to, I think, have an effect.

I know from the United States Senate standpoint, having been a few weeks ago with senator Lugar, who is a Republican senator but supports enlargement, in Bratislava. He was very clear when he spoke to the Slovaks and said: "When we voted on enlargement, we were told that we would have certain capabilities that would be added to the Alliance so we could say to the American people that we were basically adding producers of security, not consumers of security."

The argument here is, and the Senate has put the administration on notice and any future administration, whether it is Republican or Democratic, that the first time around we saw them based upon our agreements with the governments bill of good and now if they conclude and conclusion has not come yet, I think a lot can be done, that we have sold the Senate the bill of goods. Senator Lugar was saying very clearly: "Next time around, we are not convinced," that is what they told us. "We are not convinced but we will take your word for, we also do not want to create an international incident but listen to us. The next time you come and bring us someone you want to enlarge the Alliance and basically commit the United States to secure the application, we want to see these things completed."

I think very much notice: on the administration. And the problems that we have in the Alliance: how works out is unclear. This creates some very significant political repercussions. That is point one. Two, on the political readiness level. The one critical issue that we hear only come in and out of Hungary in terms of: we are an island and NATO has to defend us; we do not have a NATO country touching us.

One of the failed target force-goals was satellite communications to allow NATO to come and protect you. Indeed there was a problem and it failed. And those are manifestations I think of lack of political readiness, that fact that the politicians will not do those fundamental things that are so critical: to allow NATO to do its side of the obligation to Hungary. So, it is a very serious issue.

THEODORE COULOMBIS:

You used the term “we want the states to be producers of security, not consumers”: a nice, delphic thing. What do you mean, give us some examples of what production of security for them means and what consumption means.

JEFFREY SIMON:

On the producing side I do not want to be totally critical to Hungary. Hungary as a producer of security provided a trezor, the government went over backward to basically support the FAT flights to, in the air operations against Kosovo. I want to be balanced here, I mean the government did things during that crisis where we were pushing and dealing with Serbian society. That is producing security. During the crisis situation and Hungary heads off in terms of what it did. By the way so does Bulgaria and so does Romania but they are not in the Alliance in terms of producing security and contributing to security.

When we are talking about terms of producing security in narrow NATO sense is when you sit down and the defense planning questionnaire and you agree as a country to contribute certain force packages to the Alliance in order for the Alliance to carry out its co-defense tasks as well as its other tasks. And if one fails in doing that we all, Greece, the United States have to sit in the hot seat each year to defend. Why it is that we have chief or why we have not? The point is that there were specific agreements that we have done at the government to Alliance level, that are now being pushed back. Those are the areas where the contributions have not met the standards that had been agreed to government to Alliance level.

The consumption side is also an important point. I think it gets to how this works out in the Alliance's outreach program. The consumption side is when we find, and I do not know what the final conclusion to something like the Kosovo war, will be. But when we come to the conclusion, when we have the final assessments and lessons learned of let us say going through a

crisis like Kosovo, that operating at 19 (members).

If operating at an adequate level at 19 (members) is more complicated, what it would be like at 23 or 25 or 26 or 27 or whatever number is that you want. I think that somebody at the table talked about maximum limits.

I think that in some cases as you go through the crisis, we did see periods where there were problems that had to be dealt with and lack of understanding, etc.

On the positive side, I think that many of the partners coming out of this crisis are now looking at, and I know Bulgaria is, crisis management. How does interagency crisis management work and not just crisis management interagency, how to deal with that in Bulgaria, Romania, and how to deal with the Alliance. It is putting together and dealing with those kinds of issues. That is the way I am dealing with defining very clearly a consumer and a producer.

CHAIRMAN:

One of the programs in the Stability Pact is for civilian officers in the Ministries of Defense. I am afraid some of the military are going to lose their jobs. I have as a next speaker or questions I don't know, Ms. Tanya Petovar but before that may be I should make a comment.

You know I understand this terminology: consumer of security or producer of security and it is more or less clear after Mr. Simon's explanation. But the actual situation within NAC: NATO Council, there might be a problem because now you have a group of countries, which are interested of course in security and stability in the Balkans but they are not in the region. They do not feel the way some of the participants feel the intricacies of the situation: the minorities, ethnical, allegiances with one or the other, you know party, etc. When you have such countries of course the situation becomes more complex because you have problems in the cooperation.

Of course, the extension or the enlargement of NATO or pro-

jection of security towards the East is a good thing. But at the same time these issues, you know to what extent these new members can go with the rest of the majority. This is also the other problem and they are fully justified to have different positions and contributions, etc.

Maybe it is an euphemistic way of saying producers and consumers of security without saying the problematic situations. That is the question of the compatibility of national interests. You now in general strategic level it is good in the interest of everybody. But when it comes to specific regional situations then of course there will be problems. For example, the way Greece and Greek people felt about bombing of Yugoslavia was different from the other countries and for understandable reasons. But it does not of course prevent the emergence of complications within the Alliance.

TANYA PETOVAR:

I will have to say a few words about myself otherwise it will be hard to understand my position. I spoke at the other workshop and they could not understand how a Swedish lady could have such an attitude. I have to tell you I am not Swedish. I am from the Former Yugoslavia. Human rights lawyer now in Sweden. So you will understand better what I am going to talk about.

I would like to talk about the legal aspects of the security system in the region. It is not included in the title but I think it is equally important as the political and military aspects. And I would also suggest that this dimension gets its place in this Workshop.

I would like to focus on a very particular issue, which is the role of the Tribunal, for my commitment to take the Former Yugoslavia as a part of the security procedure, particularly focusing on a possibility of extending of the co-mandate of UN and NATO forces on the ground to act as an executive force on the Tribunal: the liberations. I know it is a politically tricky issue but long-term I think it is a very important issue, at least to be taken

into consideration to discuss and to longer term become a part of the system. Also have in mind that the International Convention on world crime has been in procedure and that sooner or later it will become a part also of the process to cover all other countries. Why I have it in mind. Because I think that what we have as a main issue in this Stability Pact process is a serious fight with a project, which implies in itself a use of force and crime as its mean. In the case of Yugoslavia I understand the whole of ten years war as an instrument of re-allocation of the national wealth and remapping of the territories, of the borders was only one of the instruments for this re-allocation of the national wealth.

I do not believe that these forces are defeated. I think that they are very wide active and are not only a matter of the Balkans. It is a wider context from Moscow and to Caucasian and other countries. Everyday we can read about it. And I think that this dimension should be considered seriously and it also includes financial control and certain impact and interference into financial flow, which comes with the criminal activities, particularly when it is in cases where it is a clear cut issue of embezzlement and economic profit or result: money collecting on the basis of crime.

CHAIRMAN:

These are certainly interesting points and I know from my experience within the Steering Board of Peace Implementation Council, Bosnia and Herzegovina, that we have real difficulty in enforcing the indictment. That is a problem. There are so many political orders, questions of the safety of the security of troops, etc. But certainly there is no doubt about the importance of the issue. Then financial control, control of the flow of money from criminal activities.

This is one of the, what they called this morning: soft security measures. I would add another. What about the proliferation of arms and small arms in particular? Which country, which

company has sent all these arms to Rwanda to kill hundreds of thousands of people? Certainly I am not going to accuse any specific country. I know that intimate knowledge but why we are thinking about the control of the land mines, etc. We should pay equal attention to this proliferation of that kind of arms and the end use of certificate, which does not mean much for the present procedures. The International Community should be able to follow from the start till the end in whose hands these arms are gone, for which purposes they are going to be used. It is sometimes taken from the prospective of human rights, etc. But it is more than that. It is a genocidal instrument and also there are immense sources of instability in some parts of the World.

MICHAEL EMERSON:

Supposing we are tomorrow in post-Tudjman, post-Miloshević world and both countries now have let us say enlightened and well-meaning leaders by Western standards. Still they have very weak structures underneath them, then how should the security system starting where we are today, how it should be adapted, reshaped for this serious new situation.

May I just elaborate slightly on the question or motivate it. I mean one could go through in a rough antiseptic way the questions of disarmament, policy enhanced, peace-keeping, partnership for peace cooperation but I would rather focus the attention to what I feel to be the essential issue which is perhaps NATO enlargement and the paradigm attached to NATO enlargement, as also EU enlargement. What I mean by that is the following.

Both EU and NATO enlargement are so far proceeding along a paradigm: Get yourselves very well prepared, able to contribute something and to raise your standards and when you are up to standards, then we will let you in. But until then go away and do your homework and let us know when you are ready. That is a kind of brutal interpretation but I think quite a realistic.

I think the EU for the Balkans is shifting the position that that paradigm is not good. For the unruly Balkan states there has to be some virtual membership technique for bringing in the countries ver substantially, very early rather than waiting for so long that the countries in question be destabilized by the exclusion factor.

Now, the military case, let us take an example, let us say Croatia. NATO enlargement proceeds according to its normal model. Slovenia comes in and gets the Article 5 guarantee against being invaded by Croatia, which is obviously meaningless or inappropriate in a hypothesized case. However, what is absolutely necessary is to seize window opportunity with some good leaders in Croatia to install some new rules or system or methods for integration of a downsize Croatia, may be political integration such that the Croatian army does not go off in undesirable directions.

This is exact analogy also to what Ivo Slaus was saying this morning about the soft security domain, namely take the judiciary. How do you integrate the judiciary somehow into the European system in order to strengthen their lacking institutions?

JEFFREY SIMON:

The question focus on some of the issues that we dealt with in the Plenary today in terms of how do you develop either a sense of security in the Balkans. It seems that many of the architects really cannot go anywhere until you are in a post-Tudjman and post-Miloshevic environment. So, everything is a holding operation until that happens.

I cannot speak to the Serbian case because I just do not know enough about it but I have been in and out of Croatia and I dealt with the Croatian military and the Defense Ministry people, etc. And on one level the Croatians make it very clear they want very much to get into Partnership for Peace and they know very well the reasons why they have been excluded. They also admit to

know that on getting into Partnership for Peace they would want to join the map. In other words they want membership in the Alliance. That is what they tell us at any rate and I assume that they will go through and enhance dialogues and do all that.

Croatia for a country of four plus million people has a fairly substantial military force. I mean they are serious about their military and on one level could in fact be contributors although as you probably know the budget has been going down very substantially and probably it will continue to do so. But I think that there is a lot to work with there and I will not be surprised that the first response clearly would be to work within a context of the Partnership program and then let that develop. I think most of the work there would have to be clearly focused on what Laslo and I used to argue on in the early 1990s. It is about the civilian and democratic oversight of those forces to prevent precisely what you were talking about in your scenario of keeping military from wandering, from the reservation.

The other area and I cannot speak to it as much although I work honest through the backdoor, is clearly the EU's relationship to this entities and it seems that just as we have been talking this morning about the Balkan Stability Pact and what kind of resources will be put up front and how those resources should be expended in a rational fashion. I think it would obviously then also apply to the post-Tudjman Croatia, post-Miloshevic Serbia.

If the past is any guide it seems to me that the Post-Miloshevic Serbia will be rather traumatized society. If you will, in some ways I think Romania had this kind of trauma in the wake of the Chausescu demise as I think that Albania did also with the Hodza demise. I think that we from the international standpoint would have to recognize that we are going to be dealing with the after-effects of what has been truly a dramatic experience. I mean if we look at the people whose identity is similar to Russians, were people who in the Soviet Union are trying to restructure their identity in the context of that disintegration.

This disintegration is a little different because of the policies and the mind process that is going on within Serbia.

I think we are going to have a double-duty problem in terms of the reintegration of Serbia on a longer term and I am not sure the Partnership for Peace or even EU related judiciary, you know working on internal as border guards and clearly the issues that are of nature security concern, are internal ones. We have talked about the kleptocracy, quatorcracies, the Mafias and all those kinds of issues, which are clearly central to concerns about security. They are not the things that NATO normally does or has done traditionally. They are really the things the EU does and that is to a certain extent.

VALERIY RACHEV:

I would like to speak about the political-military dimensions of the regional security system and most of all to help to our co-chairmen to prepare the report for tomorrow morning.

I think that you would agree with me that if we want to have a concrete discussion on the parameters of the security system for the region, we at first have to identify the most probable scenarios for this security system. I think that we share the common understanding that the worst case scenario for the Balkans is the nationalization of security in defense policy. This is the worst case scenario for Europe especially for the Balkans. This means tragedy. Is it probable this kind of scenario? In my opinion, yes. Yes in three cases. The first one is if the process of enlargement of NATO and the European Union stops, if we lost the visibility of this process.

The second case is if NATO decides, based on one or another reason, to leave Bosnia and Herzegovina and Kosovo or to decide to give the prerogatives to another institution. The chaos and the collapse in the region will be out of doubt.

In my opinion, the third possibility is if somebody somewhere decides to develop a buffer zone between Western Europe and Russia or a security belt around conflicting area on the ter-

ritory of Former Yugoslavia.

The second alternative is the best case scenario and this is the integration of all countries in the region in NATO. I share the opinion that there are more than hundred reasons to say “no” and all these reasons are realistic and if we are talking without any preliminary political considerations, we have to accept these reasons like realistic. Hundred “no.” And there is only one reason to say “yes.” This reason is NATO to take a great responsibility, super responsibility and through enlargement to decide to enlarge the security area in Europe. A very difficult decision but it could be taken based on a flexible approach to the Washington Treaty. It is not necessary always to look at the Washington Treaty like a Bible because it is well-known that it was made 50 years ago in absolutely different conditions. There are no reasons to go into the 21st century with the same parameters of the collective security in Euro-Atlantic space.

I would talk a little bit more about the flexible approach to enlargement of NATO a little bit later.

The most unclear alternative—the third alternative—is the so-called regional security system of closed type. There are some ideas, that if we develop a regional security system here, we could solve all our problems working together. In my opinion this is unrealistic. From the military-political dimension, this type of system will look totally like a military alliance. And because the United States are strongly involved in the security affairs in the Balkans, this will look like a military alliance led by the United States, which is good from the security point of view but not good from all other possible points of view.

The fourth in my opinion possible scenario is cooperative security with NATO plus institutionalized regional security system.

We have one bad experience until now: to have a cooperative approach only from NATO to the Balkan countries. This type of approach means only one thing. NATO's countries describe their cooperative interests and send to us to satisfy or to go to them

from the Balkans. This is not an effective approach. This does not produce security and stability what the Balkan countries need. Parallel with the cooperative developments with NATO, we have to develop institutionalized regional system. We have the basis of this system. And the basis of this system is not the so-called common European values and etc.: unclear things. Common European values are something very, very complicated and it is not so easy to say that with one document we can accept the European values.

The basis of the regional security system as a contributor, counterpart to the cooperation with NATO, cooperative security with NATO is the common understanding that we have a common fate and the security of each country depends on the security and stability of the neighboring country. Without this understanding nothing positive will happen on the Balkans. It will be a very great mistake if we permanently connect the future of the Balkans with the case of Yugoslavia, to wait to happen something positive in Yugoslavia. In Yugoslavia could not happen anything in the next 20 years. Yugoslavia can become another Cuba. Yugoslavia can become another Iraq. Who can say what could happen? Why do we have to depend on the developments in Yugoslavia? We are enough mighty countries, we have small but positive democratic developments, democratic practice, we made great changes to break the terrible chain of the heritage from the past. Why not to take our fate in our hands?

If you agree with this, I can say some consideration about the parameters of this regional security system.

The military basis of this system is that NATO entered in the Balkans. And we have to use this chance. NATO cannot leave the Balkans in the next 5-7 years and we have to use this chance.

The second element: during the crisis in Kosovo we exchanged with NATO so many strategic and military-technical secrets, details, plans, etc., that in practice in some aspects we have some elements of a common defense planning.

We have some very important multinational projects in defense affairs, projects like air-sovereignty operational center. Accession for all countries in the region to this initiative that will provide for every country information for the situation in the air space. What is better than this for early-warning? This is an excellent, this fantastic possibility.

The other issue is that NATO produced initiative for improvements in anti-air defense of the Partnership countries. We have to use this possibility to develop a joint regional system for anti-air defense and to solve one of the key problems for modern defense: surprise attack from the air.

On NATO's criteria: We put the same criteria, the same standards in the basics of our armed forces. There are no reasons not to integrate the air armed forces in one system for reaction. There are not reasons not to do this. We have a Southeastern European Defense Ministerial process, which is the only one thing all the politicians have to recognize, that the only one thing we can call common for the Balkans is the defense cooperation. This cooperation has only one, how to say, bad aspect. This is that we are not enough active. Most of the ideas come from the United States or from NATO.

We have to make the initiative to become engineers of this process because this is a process, which could be useful most of all for us. To be successful, in my opinion, this scenario has to have some specific elements. First, and this is the most important: integration prospective to continue to be, how to say, the bright star at the end of the road. Integration to continue to be visible prospective for all partners and the integration to depend on their readiness, their view, will and their political and military readiness because the discussion for the political readiness was very important.

The system has to avoid any regional rivalry, any regional competition. There is nothing more trouble for our countries than the regional competition. In economic areas we have to recognize here that there is not interlocking project, etc. There is

total interlocking of all regional projects.

Two years ago we were very happy that for the first time Europe stressed their attention on a transregional project. Now after two years we have to recognize that in the brink of the Stability Pact we have nothing in charge. Everything was blocked because of the regional competition.

The third key word in this system is multinationality. We have to agree at least that we cannot do anything alone. Without multinationality we cannot take our part of common burden sharing, of common benefits, of common efforts to guarantee the security in the region. It is very important to put the modern parameters in the basic of the system. In the basic of the system it is not necessary to put the collective defense like old NATO. Let us NATO has collective defense. For us it is not so important. For us much more important is early-warning plus rapid reaction. Put this on multinational basis and we will have perfect system for conflict prevention. Early-warning, but to be political and military technical. The political element is very important and we have to add to the Southeastern Defense Ministerial process another political constructions.

The other thing is to continue to enlarge the transparency between the armed forces. We did a lot of things, impossible things, unthinkable things before, but we have to continue because the transparency is the key element for the confidence between armed forces. We have to go to things as for example exchange of officers in the planning staffs, exchange of officers in the most combat readied commands.

We have to press NATO to enlarge NATO's contribution to the enlarged understanding of security. If we talk about security system, let us talk about security as comprehensive term. You understand what we are talking about. NATO has to influence through the specific political mechanism the other European institutions and the member countries.

Finally, I would like to stress your attention on two additional issues. The first is that we have to keep in mind the new

process in the European Union to develop a real common defense policy and to go to common defense. We permanently have to keep in mind that in the future it is possible to appear not two parallel tracks but two alternatives, two specifics and we have to be prepared for these specifics.

The second specific issue is to keep in mind the factor Russia. There is something totally wrong in the Western approach to Russia. Western partners permanently repeat the thesis of the years, I do not know, of Gorbachov or a little bit later, that "we are interested to involve Russia on all issues concerned with the European, Euro-Atlantic or global security." They permanently repeat this. In the same time Russian leaders with one voice, without any doubts repeat that "we will never follow the West in the global security policy issues, we will never repeat the mistakes during Kosirev's time," etc.

We have to keep this in our mind because one of the places in Europe where Russia still has a field for maneuver, are the Balkans. I have to stress that this is the only one place in Europe where they still have a field for maneuver. And if Russia decides to use their factors of influence like gas factor, trade, arms, etc., we have to look for a common approach to Russian Balkan policy. I do not want to say anyway that this should be anti-Russian policy, forget for this, these are not my words. But we have to find out a common solution of all possible influences, which are against our common interests, against our common strategic goals. Thank you for your attention.

ALI HIKMET ALP:

Thank you very much, Valerie, for that frank and open statement, which we should certainly expect from a soldier. Certainly, your idea of institutionalization of the regional military cooperation is music into my ears because wherever I mention, you know much modest concepts in the meeting of the political directors, they look at me as if I am somebody from the Moon. So you have to convince your diplomats as well as your

statesmen but certainly nationalization of the security policy is also an important point. About the reasons, we were able to get discussed that our security policy could never be nationalized, it was part of NATO besides when you compare the strategic environment, population size, etc. Let us accept that you know, why Bulgaria for example having 1,800 tanks, Turkey: three and a half, 2,800 tanks. This is regarding military aspects.

THEODORE COULOMBIS:

Listening throughout the day and especially this panel, I think Robert Caplan, who wrote *Balkan Ghosts*, will say: "Hmm, there is a future for me here," with a phrase like the re-Balkanization of the Balkans. I am thinking of a title of a next paper of mine, how to produce protectorates. Is that the kind of future we want in the Balkans?

The other thing, random thoughts, referring to Russia. Here we are talking about security in this region and up to this moment we had not mentioned it. It reminds me of a conference, attended in Bulgaria some 20 years ago, the old days—1986 in Bulgaria and it was about protecting the environment. And Chernobyl was never mentioned until Vilads Ibiot raised his hand and I mentioned Chernobyl.

Russia was not mentioned. When we are talking about the security of our region the question is what kind of Russia we think of? We ought to have contingency to each of the kind and then to think of our policies and the implications of our policies in terms of its future. I will just give you the adjectives: do we want a Russia that is globalized politically and economically, in other words the transition continues or do we want a nationalist revanshist type of Russia? Do we want to see further fragmentation in Russia; you know Dagestan and Chechnya, etc. Do we want a Russia that is an exporter of kleptocracy, a proliferator of nuclear missiles and of nuclear weapons? Our security here in the European space very much depends on the kind of Russia we are going to have. Our policies or act of omission or

commission are going to have quiet a bit of an impact on development in this country that remains a strong military power and despite its internal problems, and I nuclear state.

MICHAEL EMERSON:

I just want to come back to some of the interventions. To Jeffrey Simon I would say, if EU responds part of his answer, I mean I am referring to the economics and politics of the EU, I think we know what means a desirable policy or whether we are still in the military domain.

On the military side, I was thinking of one kind of new NATO development, might be useful, would be not like Mr. Lugar is in the Senate, I mean, excuse me, I do not mean to be exulting, but let us go right to the opposite spectrum. Let us say Kosovo, Albania and Montenegro become completely demilitarized zones and enter into the sphere of absolutely explicit NATO territorial protection.

Mr. Rachev, you raised two very important points, very forcefully but you just wetted my appetite to know what the conceivable answer might be. First you want an institutionalized system and I have no idea whether this is a new regional institution or a new development of NATO or whether this is an EU institution. And second, on your Russian policy, which is not an anti Russian policy but I did not really understand what it was because you were sounding like you are making a diplomatic remark but the basically thinking in terms of defensive policy towards Russia. Could you be clearer on that?

VALERIE RACHEV:

Institutionalization of the process of regional security started with the framework of Southeastern Defense Ministerial. You know that these are Balkan countries plus Italy and the United States and some observers. This was the first level. After that we have institutionalized meetings of the Deputy Ministers, Ministers, after that another level—Chiefs of General staffs, after

that we developed Southeastern European Peace Force. Now we plan to have another Peace Force with construction type in the size of brigade. We plan to develop a regional network of exchange of information concerned with the crisis management and all these I call institutionalization of the regional military cooperation.

Concerning Russia I have in mind that from time to time Russia is using the differences in our interests and positions to make breaks on the Balkans. And what is unacceptable: a neighboring, friendly country to provoke difficult situations based on concerns with the relations with Russia. It is not so easy to explain with one word. I do not want to keep the attention of the audience but there are a lot of specific concerns with the relations between defense and security issues and political pressures, etc.

JEFFREY SIMON:

What I had in mind, one point to your earlier question regarding let us say the future of Croatia or Serbia. I think other tools such as SEDM: Southeastern Defense Ministerial plus the multinational peace-keeping force in Southeastern. Those kinds of activities will also be means, by which you could try, in a place like Croatia, through the cooperation to prevent the military from getting out of line in conjunction with things like the Partnership Program. There are other tools that I think are out there.

In response to your specific question, when I was talking about, I cannot deal with the issue of protectorates because I face problems when they come whether it is a NATO protectorate in Kosovo or Montenegro, wherever. But I want to touch on EU. One of the problems that we have—that is clearly one of the security, major security elements in this region—it is basically internal—how do you protect us from ourselves to a certain extent and it involves Ministries of Interior, involves border controls and what have you. To a certain extent, NATO is not

terribly well-equipped to deal with those kinds of security issues where the European Union is better equipped in terms of its jurisprudence as well as indeed some of the programs that it has been engaged in. For example when Albania imploded, we did see WEU police forces go in to please the situation in Tirana.

What has been a problem until recently in this main shift now that Solana was going over to head to come in European side and Robertson comes as the new Sec. Gen. And I think he will in fact push with Solana as well as others for greater institutional linkage in coordination if not cooperation of EU programs that have a domestic interface with NATO programs that are clearly more concerned in a traditional sense with external security issue. That has been lacking, that has been very slowly developing, even though the two institutions sit in the same town, they have not been talking to each other.

That I think is the way we can try to make some progress because the EU has made some significant progress working with the Ministries of Interior, police forces and I think the two have to be more carefully coordinated. So, I think that is coming, it's taking time.

ALI HIKMET ALP:

You know I am not going to try to make a resume of the discussions but certainly two things in my opinion are rather clear. There is a consensus that if not outright NATO membership, at least the extension of the NATO security cooperation towards the region is necessary and being one of the last speakers. I would like to make a reference to what Colonel Rachev said. This can go very well hand in hand with the regional institutionalization of the regional security cooperation. As I understand the region is not independent from the other. I will try to make tomorrow a resume without trying to enter into details because this is a very large subject and in fact, you know as Mr. Simon in his last intervention has touched upon: there is this question of sufficiency or insufficiency of the institutions

according to the security situations. It is obvious that NATO is not capable to deal with all situations. It is basically a military organization. I see for example in Bosnia. Bosnia is not a NATO protectorate. Bosnia is EU protectorate. Even there is not a direct link between the civilian implementation and military implementation in Bosnia and it is one of the problems.

In other terms the KFOR; SFOR is not the military or security implementation arm of the civilian body. May be in Kosovo they have to develop another model, may be a more advanced model. But these are problems, which the European Community, NATO and other nations have to think indeed very deeply because they are repeating first and secondly they are not going to disappear in three, four, five years even.

Now both NATO and EU entered in very complex matter, business. We have to think about these matters without a competitive prospectives as the Colonel has said and I wish you have a nice dinner.

MICHAEL EMERSON:

I would say the question of the Europeanization of the Dayton Bosnia progressively, the democratization, combined with Europeanization: that is absolutely something to get stuck into, supposed to the caricatured situation and political debate about Bosnia is: do not touch Dayton.

So there is a very interesting subject matter there and then for Jeff Simon's remarks business of trying to get down to the level of the type of military-stroke police mechanism that connect better with civil democratic legitimate organizations like EU as supposed to NATO. I think this is the domain, which is very promising by now for the reasons you mentioned. The post members have changed in Brussels. Prodi and Solana is the best possible combination for opening the matter up for today. I think that it is particularly important that the think-tank community claims that part in trying to pass along rich ideas for that process.

ALI HIKMET ALP:

Do not touch the Dayton Peace Agreement. It is my conviction. You have to prepare things and then to pass into implementation. When you go in other discussion in such matters, like to change the Dayton Peace Agreement, then we will be at real trouble not among us but these three communities among themselves will create real trouble. They are expecting, they are waiting for that opportunity. So let us wait a little more, see the results of the elections. There may be a need to change the Constitution in order to have a better election law. This is just an example but Mr. Holbrook not hear me but it was from the beginning a bad agreement, a bad construction but it was the best probably under the circumstances. So the transformation, the change should be step by step.

PLENARY SESSION 2

JEFFREY SIMON:

Welcome to the final session, where we are going to stitch things together and try to make conclusions from the hard work Ognyan put us through yesterday and our workshops. But before we do that Ognyan suggested that Andrew Pierre, who had a very long, torturous trip to Varna and got here late last night, make some comments before we actually go into the formal program.

ANDREW PIERRE:

Some of my American colleagues here such as Daniel Nelson and Jeff Simon and Janusz Bugajski: I guess he is American I do not know, and Elizabeth Pond have been working the Balkan issues and questions for decades, and my measurement is months. I came lately. I have always been interested in Western Europe and Trans-Atlantic relations and NATO and European security in zone.

Nevertheless I and I suspect most of you have come to an important conclusion the recent months that the Balkans or Southeastern Europe are a crossroad and this is a worship moment and starts an opportunity to really integrate the Southeastern Europe into Europe as whole and free.

Now I think that this task, which we talk about, is really the task of a generation. People are getting married later than usual these days. So I think a generation has to be measured in about 30 years, rather than 25. That means that a generation is 10,950 days: 30 years. Now, so happens that we are the hundred, if my calculation is correct, we are the 109th day since the end of the Kosovo conflict today. So we have traveled 1 percent of the road of a 30-year generation, which obviously is a very, very short travel. We are going to face 99 percent of that trip with many, many ups and downs.

I am going to say a few words about NATO and the Stability Pact and the economic dimensions of these issues. But I would like to profess that with just a few words about how I see the current US environment.

The Balkans as a whole I think hardly appear in the American Press these days or in American discussions. I say it is foreign policy. If you study in Washington, you are hearing about China and Taiwan and North Korean missiles and Russian money laundering and American banks and who lost Russia and of course East Timor.

To the extent that there is a Balkans discussion, it is very much focused on Kosovo and very much focused on KLA and NATO.

The important meeting in Sarajevo on the 3rd of July was a one-day event in the American Press and did not get much press coverage. The meeting was to place a week ago the first meeting of the Southeastern Europe round table, which set the working plan for the Stability Pact through the year 2000. Virtually no mention, there is not a word about I could find in either the Washington Post or the New York Times. Do not ask me what Mr. Gore's or Bradley's or Bush's views are on the Balkans. I don't think they know what their views are. If you look at the most likely successor to Clinton at this point that could change the course is George W. Bush but if you look at his advisers, who are identified, they run the gambit. Some were in favour of NATO

enlargement, for example and some were not. So it is almost impossible to know what is going to happen in the future on the American scene.

Let me turn briefly to the three topics I would like to say a few words about.

My own view is that NATO as an organization will be in the Balkans for another 10 years and quite possibly longer. NATO is in a process of developing cooperative security relationship with the region. Obviously that includes KFOR in Kosovo. It does include Bosnia for a continuing period of time. That is where NATO forces are of course but I also think it is highly likely that NATO will remain in the modest position, remain in Macedonia and quite probably Albania for some period of time, That depends of course on their being invited to stay but I think that at this point it looks like they will be. This is as much for political reasons in those countries as it is for military logistics reasons. There the innovations, the OSCE may have a larger role in the region than today. I think it is still likely to be a case of NATO, it would be the primary security partner of the West for that region. I think that is quite well understood at NATO headquarters in Brussels today where there is more talk of something called a Southeastern Europe Initiative. Much to the discomfort, I might add, of the Baltic States who wish to cover NATO and who see themselves to play a secondary role at this point.

The Southeastern European Initiative is rather amorphous but certainly includes the regional consultative form, which has begun at the first meeting of the Washington Summit and which has met several times since. It includes operationalizing the Partnership for Peace and enhancing it, the European, the APC and of course the membership action plan, which I know that Jeffrey Simon spoke about in some detail yesterday.

My own impression is that membership action plan is rather a serious endeavor both in terms of the NATO countries and the aspiring countries and I will not go into further detail about that. But obviously as you know from the title release designed to

make a number of countries NATO-ready.

Now here I would introduce a word of caution. There is no automaticity about it when a country can do everything asked to do under the map that does not guarantee entry to NATO by any means. And I think this word caution, which has been expressed by NATO, in some ways rather should be taken because we all kind of hear what we want to hear. And if we don't want to hear something like does not mean you are going to get into NATO, you kind of do not really accept the similarity in our minds. But I think that word caution needs to be taken seriously.

More broadly, I think that NATO today faces a conundrum. It is in a sort of a box of its own making. It does not quite know how to get out of it as it faces the future.

The Kosovo conflict has had a significant impact on the question of NATO enlargement, although it is not yet clear what the residual effect will be. On the one hand, what we had this year has made it very clear that NATO is an important provider of stability to the area and of course it raised high expectations on the part of a number of countries, which assisted NATO in one way or another.

If one looks around now as I see it, there are four countries in this region that clearly want to enter NATO, obviously Bulgaria, Romania, Slovenia and allow me to, it is not a regional country, but allow me to add Slovakia. Well, if one adds Estonia, Lithuania, perhaps Latvia, possibly Austria, you have got 8 or 9 countries, each of whom takes that it is a prime candidate to get through the hollow door of NATO entry in the year 2002. And that is really very unlikely to happen. So that has to be looked in a very cautious way.

The Kosovo war raised, it seems to me in some lines serious questions about the desirability of significant enlargement of NATO. First of all, there is the question does enlargement not mean that you are magnifying, multiplying the difficulties of waging a war by committee. I think you are all familiar with the task that Gen. Clark had in maintaining the military coalition.

For those of you who are really interested in this and you happen to have the chance to see it, there is a quite extensive and fascinating set of three articles in the *Washington Post* of the last week. They go in greater detail about the difficulties of waging a war by committee. Well, if you go from 19 to 22 or 25 or possibly higher, you are multiplying that problem and the dilution of NATO, of the allies is a subject of real concern for many people and a doubting concern for some—at the United States at least, perhaps else where.

Secondly, the technology gap, which is clearly demonstrated during the conflict as it was a subject of discussion among NATO Defense Ministers in Toronto just a few days ago. Even the British defense and Germans had difficulty in maintaining the technology levels and adaptability with the United States. Take it how much more difficult it will be for other countries. There are people who take the technology gap issue very, very seriously and will argue that their countries are not prepared to come to NATO unless they are technology capable to fight alongside with NATO forces.

Third, there is a question of Russia and NATO as old story, which I will not go into except to suggest that Kosovo is a reminder that Russia wants and feels it is entitled to a role in the region and must be taken into account. So the Russian reaction will be a continuing factor in any further decisions on enlargement.

So we have this conundrum of conflicting arguments and a set of dilemmas. In my own view for whatever it's worth is that NATO should now seriously re-examine its open door policy and address the question of future enlargement of NATO: how far to go, at what pace and so on.

I am not negative or posed to NATO enlargement but I think NATO has to know what it is doing. Otherwise, it is going to be a subject to continuing disagreements, disappointment on a part of some countries. The way NATO is to do this, is to have another report, which took a look at the future of NATO and came up

with a sort of way of looking at that, which had impact for years to come. I think these issues become more and more pressing—the further down-the-road-NATO and enlargement goals. In a process of such a review, I mean it is almost inevitable that there will be two may be more models of NATO, which will be developed in people's minds.

There really is a NATO1 and NATO2 in the future. One NATO will be a transformed NATO, which is Pan-European, substantially increased and numbers larger, looser is the Article 5 commitment as not quite as seriously undertaken, more emphasis upon coalitions of the willing and probably much more emphasis upon European security defense identity. That is a sort of transformed NATO and then we have a traditional NATO, which would be the other model, which would lead to much more gradual enlargement, which will maintain many of the current standards and requirements regarding military efficiency and cohesion of NATO as an organization.

I think eventually NATO's leaders; political leaders of the Alliance will have to choose between roughly these two.

Now what about the Stability Pact. My own view is that there is less in the Stability Pact that meets the eye. I hope I am wrong. But to me it looks more like a diplomatic exercise, which will keep officials busy with jobs but what results is it having? So far there have been meetings about meetings about planning about conferences. And we have a framework organization but really not much within it.

If you look at the three tables, each one assigns certain topics to discussion but there is not much substance. I am particularly looking at the security table, which is divided into two sub-tables: one of home and civil affairs, I think, the other one – security and the security issues are confidence-building measures and transparency, soft security issues, which are not unimportant, they are important. And the man who is heading this, the Swedish Minister of State is a very good person but these are not types of questions and this is not a type of organization,

which is going to replace NATO or deal with some of the hard issues of the coming years.

So I think it is important to stabilize the Stability Pact and built it up and making it more effective with some concrete commitments and action.

Finally a word about economics, I am sorry I am rushing through this but I am trying by the limitations of time, I know there are other things to do this morning.

A word about the economic dimension of this. Clearly the political and security task of stabilizing the region and bringing it into the Euro-Atlantic Unity depends upon economic security and prosperity. I think what it means is that the West must accept the task is not just reconstruction. It is more, so develop it!

I wish I mean to say that we ought not to be just bringing the Balkan region to the level, where it was in January the 1st 1999 before the war but we all should be developing it into the region, which has a role to play in Euro-Atlantic Community that it ought to play. And this is going to cost money, real money.

Reductions in tariffs and credit guarantees and macroeconomic systems with balance of payments is not real money in terms of further development. Real money goes beyond what the European Union or the United States have presently allocated. Real money involves infrastructure projects, transportation, energy. Real money is probably on the order of estimates, which have been made of 30 billion dollars over 5 years or 10 or 100 billion dollars over 10 years. I was quite disappointed as I could tell by what the outcome was at Sarajevo. The fact the the Kosovo operation has been well-funded through the donors is good but ought not to replace in my judgement what needs to be done for the rest of the region.

There are others here who are better attuned than I am perhaps to what the thinking is within the European Union. I think that there are people there, who take the primary task of the Union, must be bringing in the countries in the accession

process: Estonia, Slovenia and others. Money is in need for that process, ought not to get in the way of the Balkans where one could argue the political necessity is greater than in the most prosperous countries, which are more likely to enter the Union first.

In conclusion, I should say that this is a two-way street. Broadening the European Union is probably more important than NATO for the countries in the region. Both are important but the Europeans have a major obligation ahead themselves because you, people live in Europe, the United States have an important role to play and that we are in along task ahead as I said we have only taken one out of the hundred steps.

DISCUSSION

MICHAEL EMERSON:

There were a lot of interesting concepts presented and I liked them very much the contribution of Mr. Pierre a moment ago.

I just like to flash some of the key concepts that I picked up from these interventions and make some contribution in trying to put them together to what the model system for the region should become.

Yesterday morning there were very eloquent views like the democracies that became kleptocracies; there was the transitions that it means collapse of institutions; the Stability Pact may actually isolate the countries in the region from the European Union; the concept of the nation state in the region has to be particularly considered; positively there was some groping for some kind of concept to the Europe of the region applied to this region and so on.

So there is a really big dilemma here. And the Stability Pact, I think everybody agrees, does not resolve the dilemma. The Stability Pact we are assessing in the following way. It is a well-meaning initiative. It will get together lots of ministers and civil

servants repeatedly and there should be some kind of peer pressure communication, beneficial diplomatic impact up to a point but it will not be a strategic action. It will not be a hard core action neither in the security field, nor in the economic field. And you have to look at the rather difficult task of the Coordinator, of the Deputy Coordinators and the Co-chairman in drawing up their work programs, to understand that this is not a new institution with political authority to drive the principal political initiatives.

I would agree entirely with Pierre that this basically, the real responsibility, the strategic responsibility has to fall back on the one hand the European Union and NATO in some kind of mix. Now if both of those institutions are able to follow what you would call the transformation model, rather than the progressive enlargement model, then I think we are in business. And those two institutions will make proposals that will be the "key" into the European political process and also, by the way the Stability Pact. So the stability Pact then will be a forum in which these things could be discussed.

Now I may just return to the process of gradual enlargement and transformation. I think the gradual enlargement is running out of plausibility and relevance and adequacy as you were equally in both NATO and the European Union. This is the case, in which the countries concerned have to reach models and standards and that is no good for this type of region. I would say the paradigm should even be turned completely around. The European Union and NATO need to embrace most, most countries, which are most unreliable and dangerous and so the old paradigm is not good. It was OK for the visigrant countries, let us say, who were virtue Central Europeans and very close to the European Union, it is OK for them but it is no good for this different type of situation.

So where do we go from there more substantively? I would just like to signal a few ideas in terms of headings and I will not speak much longer, Gentlemen, I know we are running out of

time.

I think that in the economic sphere the train is already rather clear conceptually, I mean we know what an integrated market is, we know what a good sound common currency is and we know what a well-organized transport, infrastructure network, Trans-European, Pan-European could consist of and yesterday we discussed into mechanisms for the proper governance of that. So, what of that could be done embracing the region? And that is discussed. What I think we need to add to it in terms of greater clarity, it is the beginning to happen, these conference is a contribution, that is to take the two security domains: the police and the military.

Slaus yesterday was trying to explore and I am sharing with him in this endeavour, ways in which the judiciary, police, the civilian functions might be integrated in some way in, with the emergent, third pillar function of the European Union.

That has to be absolutely clear. There has to be a change of paradigm in the European Union in the region because the principal paradigm in the European Union is rebuild up now proudly on you third pillar function and basically this is going to be watertype system for keeping out of the bandage and the illegal emigrants from the East. That is rather brutal characteristic but frankly when you look at the mechanisms it is more or less what is happening.

So again the system has to find a new dimension in order to get into the judiciary, police systems of the countries concerned. I think Slaus was suggesting ways of doing that, with my Albanian friends we have been discussing ways of doing that. But that means having intervention, it is not just cooperation.

In the military field, I will not go into that, I am beyond my area of competence but I think we are beginning to discuss from you and yesterday the way, in which the military function can be reshaped and broken up in terms of forming some kind of new regular defense concept under the umbrella of NATO and EU.

Now what is all added to in terms of the constitution of the

region? This is the next big question that needs to be addressed more clearly. I will be slightly provocative and very brief. I am advocating the Belgium model, the Belgium Balkans. By that I mean multity of system, a complex multipillar system, in which the very strong Euro layer—the top and then it is the nation, which does not have all that much to do actually but it is still there and then the Federal structure, territorial but then coming to Ognyan's point—Federal structure in terms of territoriality does not mix very well with multiethnicity, so you have to have cultural layers by language groups of certain function to a regional and local government.

I think as we accept from Dayton Bosnia and to some Bosnia of 2015 and as the Yugoslav, Serb, Kosovo, Albanian problem solves itself out, then I think we have to have the sort of some new constitutional model. Thank you.

WILLIAM HOPKINSON:

I just want to pick up two points from what the earlier two speakers have said. And very much endorsing the thrust of what they pointed to.

My point is simply on the nature of membership. I focus principally upon nature but I think the same thing is true of the EU, the EU has done better in this. I am sure it is absolutely necessary that both NATO and the EU embrace the states of this region. I think what NATO is going to grip, though there is no longer the scope for the absolute or either any of the cities out there of the Barbarians. There is much more graduation possible and Partnership for Peace points: the way that one can be a country member, an associate member, there is much less of a cleft together, therefore a transitional phase and if NATO can do this equal, would solve a lot of problems, that otherwise would have to tackle not only in this region but in handling Russia in avoiding lines across Europe. You know if you let in Slovakia, it does not mean the Baltics are out and that this will have implications for Russian influence there and so on.

The second point is that one is going to have to face and it is already there in practice that everyone denies it in principle, the need for directing toward the reform of institutions. I mean it with all the respect possible that if the EU grows to 30 and NATO, to 25. The sort of 25 ministers that will surround the table means that no business will be done. Twenty-five or all the 35 perhaps Commissioners, similar numbers of the Courts of Auditors and so on. It is nonsense. This will be bad news. There are members of both institutions who are small and want to hang on to reserved rights as it were. It may be that one has to have posed a certain date members and preascertain date members and that may be one fights years through day by day or year by year. But that is the other thing that has to be faced. You see it happens already. You know that NATO is run by a small group. The EU, well the front states, they run it perhaps.

If this region comes in, it may have a degree of equality. It will have to recognize though that it will not be quite so equal as others and that is and that is in fact life but your image is not damaged.

ALI HIKMET ALP:

Yes, indeed it is difficult to understand the Balkans but on the other hand since 40 years, they don't understand the West. I assure you that it is equally difficult.

Now regarding your comments on the Stability Pact, I could not share your evaluation. I believe what was unfortunate with the Stability Pact, was not the intentions but the name.

With such a program, which is an outward program you cannot stabilize any place in Europe let alone the Balkans. As you said the quick look at the value baskets: three baskets, regarding security all the issues had been handled or are being handled in other organizations. Then what is the Stability Pact? Is another organization is going to do in these fields? Is it a super controlling mechanism? Or it is going to repeat the same thing, which is made in other organizations.

The democratization, human rights, etc. Why the Council of Europe has been established with its 5,000 bureaucrats in Strasbourg? They are dealing with these matters since years. So that is not an essential task of the Stability Pact.

Then it comes to the economic basket. Indeed the Stability Pact can do something there because the EU programs; they have a differentiation according to the quality or the degree of progress of various countries in their relation with the EU. Some of them, they will have this possibility may be in a decade, the others: three, four, five decades. But in order to push, advance the Balkans or Southeastern Europe towards a standard of living, economics prosperity: this graduation or different treatments are not certainly enough. There must be specific programs and this is not the business of the EU. The EU after all tries to establish a super state, in my understanding.

But the substance of the economic basket although it should be rather a generous funding, not to put money into the pockets of people but to have concrete projects and to control them very, very strictly. But there we do not see much: the famous principle of conditionality. If you are a good boy, if you behave well, then may be you will be rewarded. It is reverse of the finding, which the gentleman has just mentioned.

Of course they are not easy issues, you know the national pride, individualism, complexes, etc. They all are in question and some of the members of the EU probably think that why they should make so much sacrifices for a region, which is not close to their own countries. May be we are going to have the same in NATO. The American strategic priorities have not yet encountered this problem. But it is in my opinion a problem for the decision-making process. It is going to be more slow, more selective eventually and to be more difficult because coordination of effort, financing, etc.

JEFFREY SIMON:

I just want to pick up on Hopkinson and on Andrew Pierre and

it refers to the future of the Alliance and its role or relationship to this region.

And again this is the fuzziness, the two models and what is the capacity of the institutions to change. Just stepping back, if we look at the evolution of the Alliance and its relationship to the countries outside the Alliance since the early 1990s.

When the Alliance introduced Partnership for Peace at the Brussels Summit in January 1994, the concept in the Alliance's relationship to the partners stated specifically that the Partners did not have an Article 5 guarantee but they basically had an Article 4 guarantee. It means that if there was a threat at their territorial integrity, they have the right to then come in front of what used to be the NACC and the Alliance would attempt to seek a peaceful resolution of what is the cause or the threat to that security. It is not an Article 5 guarantee but it is a sort of an Article 4.

Now, that is something that needs to be stressed because it, we thought and hoped, would become a confidence-building tool, a measure. And obviously we changed institutions midway in the sense that we used to have a North-Atlantic Cooperation Council (NACC) and it went away just before, what summer was it, it is hard to remember when we created Euro-Atlantic Partnership Council (EAPC)—that is right, it was 1997.

Anyway, we created the EAPC and this Article 4 guarantees so to speak, still prevailed.

Now, we did have a crisis in this region and we obviously had enhanced partnership in various countries particularly in this region. They really deepened the relationship with the Alliance. They went through enhanced dialogues, the PARP (?) and went through the process of enhanced dialogues and made decisions that they want to join the Alliance. So we did create, shall I say there was a self-selection process among them: 28 partners that some wanted to be in and some chose to have the relationship with the Alliance and not wanted to be in?

I give you that backdrop because I think something did hap-

pen, that was very important at the time of the Washington Summit in April 1999. We had a war going on in Kosovo and there was a statement that was issued at the Washington Summit. This is at the time when the Alliance prevailed upon many of the partner states to use their airspace or their territory in cooperation with the endeavours of the Alliance: Bulgaria, Romania, countries in point obviously. At that point Hungary was in the Alliance. We were operating on the territory from Albania and Macedonia. So we had different relationship.

The statement that we issued at that Summit was a statement on Kosovo. It stated that the Alliance would in fact protect the states if their territory was threatened but it was a specific source from Belgrade. It was a conditional Article 5 at least as articulated and was interpreted as such by the capitals in this region and I saw the statements of Kostov here or others saying: "we now have an Article 5 guarantee." In a sense it was great because you for a limited time had a one element of what a NATO membership would provide in terms of a guarantee without real obligations of having upon you or the things that are going through on a reciprocal side of this. Well it is not, you know if a man from Mars came or from some other place to threaten your territory you did not have that Article 5 guarantee.

What I am suggesting is that indeed you cannot predict the future. But if you have this close relationship as, let's say a map member and you've deepened this ties, if at some point in the future a crisis were to arise, it does not prevent the fact that you have the capacity to come to the NACC and say: "I have got a threat to my territorial security, how is it that you could help basically to seek peaceful resolution of this" and be, if indeed it was a crisis of that magnitude that the Alliance could not in fact create or declare a conditional Article 5, guarantee to you what has in the past.

I think that those are elements in terms of these models just from practical actions that set a precedent for the way we have acted. I am not, this is no way to predict that that is the way the

Alliance would in fact act in the future but I would think one would look at that and think of that in terms as a confidence-building tool in terms of the Alliance.

One final point and that is: when we announced the Partnership for Peace program, going back to 1994 and it is gone through enormous change. One of the hopes that we had, and this was dealing with some partners who wanted to be members and some who did not want to be members, was that it would become overtime through activities a seamless process. Some countries would perhaps come to the conclusion that they really did not need the burdens of membership and they were very comfortable with the forum of security: it is a mix between soft security options and this hard security Article 5 guarantee. It does not seem, it may an awful happen overtime but that was the hope and it gets to the question of, you know the NACC at 19, what it is going to be at 22 or 25 or 27 and what not, which we discussed this morning, which clearly from an architectural standpoint is, you say: we have a problem here and we have to think about where we are going, where is the end of the road if there is the end of the road.

THEODORE COULOUMBIS:

As I attended the Workshop yesterday on security, I felt, what you could call a feeling of pessimism about the prospect of what one could call the re-Balkanization of the Balkans. People like Robert Caplan would feel very happy if that were to prove them right in terms of Balkan ghost and the tendency of the region to move toward conflict. That is not our objective and that is not the reason we are here to discuss.

We do not want to see developing in the Balkans under the dual enlargement strategies; a series of broke states and proliferating international protectorates. Is that a kind of vision that we have for the Balkans? And taking off on something, my dear Ambassador here said on conditionality and also Mr. Emerson said on conditionality.

I think if we want to move away from re-Balkanized Balkans, we have to have a degree of conditionality. And the key question here is, do new member states enter the EU or NATO in order to reform or do they reform in order to enter? These are two very important alternative strategies and one can find a mix. But it seems to me that if we are going to be spreading a security community of the variety that the Euro-Atlantic space wants to develop. If we are going to spread that we have to have some criteria to be met in order for new members to enter the EU in order for new members to enter NATO. Criteria need to be set. They should be uniform and non-discriminating, especially on issues of culture, religion, etc.

Perhaps the synthesis of the two because I see a lot of wisdom, even in my own country we entered the EU: the question was were we ready? Or did we enter the EU to improve? I hear this often in conferences. And it has proved to be, once we entered, as self-restraining mechanism, a disciplinary set of criteria so the intermediate and with this I want to close this very short intervention, the intermediate suggestion that has been made about pre-entry cooperative arrangements, so that the long range orientation of countries that want to enter either the EU or NATO or both are not going to have the feeling that they have lost a train, and this intermediate that they are outside the possibility of becoming members.

So this pre-entry cooperative arrangement in the variety of PFP in NATO need to be developed in the European Union as well. And that is an orienting principle in terms of EU Southeastern European cooperation and then the stability Pact in order to be a Stability and Development Pact needs to take that kind of principle into consideration. Thank you, sir. That was the Greek intervention!

SOLOMON PASSI:

After the Greek intervention, we shall have a Turkish clarification.

ALI HIKMET ALP:

You know I used the conditionality not in the context of membership in a foreign organization if of course organizations are entitled to set their criteria conditions, etc.

But the Republika Srpska, they really do not understand the conditionality, although you say: if you are behaving, if you cooperate, you are going to have this reward, that reward, etc., but without practically any result. It is indeed a dilemma how you can reform and change a society, which resists to change for various reasons, I see a reason of course ethnonationalism and probably also the Mafiosi organization.

But there is a contradiction. We should do more in the regions, where the need is most but these people eventual are the least cooperative people. So, how to overcome this difficult dilemma? I have no proposals, no formulations and may be we have to act, to think according to the circumstances of every specific region. But Professor, I don't mind that the EU has its criteria, you know that I personally do not care at all of being a member of the European Union, my Galom (?) wants and I wish them good luck and good wishes.

SASO ORDANOSKI:

I am sorry that Ivan Krastev is not here because he certainly is a bigger specialist than I am for what I would like just to drop here as an idea, intervention and discussion. But there are a lot of definitions of the problems of the states on the Balkans but certainly one of the most acceptable at least in my mind is that the major Balkan problem is the weak states. Weak states that cannot deliver public goods.

So the proliferation of protectorates has at least in my opinion a job to pacify the region. So the hard core issues of security to pacify some states are going to be unfortunately denazify but most of them are going to be pacified. What the Stability Pact should do, at least in my opinion, is to strengthen the states not in a way to have strong states in a Miloshevic way but states,

which can deliver public goods. Of course it is a very complex formula, it is basically very democratic states but that is how we see at least the role of the Stability Pact. Is it going to do that? I do not know. Good intentions are there and I respect what the previous colleagues were saying. I am not a very big optimist but we cannot allow ourselves to be pessimistic.

OGNYAN MINCHEV:

I just want to mention an issue, which probably we cannot discuss in detail here but I think that at this conference it should be mentioned provided that we speak about the process of European integration and the process of integrating the Balkans into Europe.

This is the Shengen problem and we have discussed the Shengen problem from many different perspectives. Just because our Greek colleague has mentioned that the European Union has to develop criteria irrelevantly of culture, religion and nationality, ethnicity.

I want to mention that the Shengen system, I don't know consciously or subconsciously is passing exactly on the borders between Western Christianity and Eastern Orthodox and Islam. And it passes along this border provided that there are quite many, quite controversial examples that the criteria might be also different in putting this barrier, if it has to exist at all. For example is Romania less democratic than Croatia? Croatia does not have Shengen restrictions. Romania has Shengen restrictions. Bulgaria criminal cases in the frameworks of the Shengen system are 0.08 percent of all criminal cases in the area. Polish criminal cases, of course Poland is much bigger country than Bulgaria, amount to more than 2.1 percent: those are the data from 1996.

So if we have to consider the opportunity of equal criteria for everybody on the European continent, I think that the Shengen system should be significantly reconsidered, not to speak at all about the general point of view that this kind of Shengen wall is

a kind of a brutal violation of the right of free movement, which is a basic right in all human rights Charters.

ALI HIKMET ALP:

May be this is not an issues of this conference but it should have been in my opinion.

You know I have started in the OSC Business in 1972 and I had all these dreams of free circulation of people, of free circulation of ideas, etc. It has been achieved after 1991. But now we have new restrictions. You have mentioned criminality rates and it is probably reflection on border control. But the problem is not really criminality. The problem is of course to keep away some people, who come to work to Europe and of course European's reticence to receive them all. But how it is implemented in the practice?

In Turkey we have two cases where people are under tent. One is in the earthquake region the other one is the street on the German Embassy. People are waiting to get their visas, just electing tents and they are not ordinary people just to go to Germany, they have relatives there. I know a gentleman, who is being for about 15 years in Germany and he has not been able to have permission for his wife to come. Now I mediated for a new application but since 3 months there is no answer.

So those people who lecture us on humanitarian and humanistic issues, they should really correct that side of their bureaucracy. It is becoming too much.

My daughter lives in the United States. She lived for eight years in Austria but when she goes to Austrian Consulate with Turkish passport, she meets all the difficulties imaginable and unimaginable difficulties. This is a situation, which has to change. And countries, you country, my country and others, they have to open these issues in the OSCE but unfortunately they do not have the courage of doing it.

L. SPONBECK:

We have talked a great deal about NATO and the changes that had been occurring. I would like just to take a short minute and tell you that NATO has already changed dramatically.

One of the news ball-turns that came out of the Defense Ministerial in Toronto talked about the commitment for the Alliance to change even more. It indicated that Robertson's task, when he takes over now in a couple of weeks, would be the transformation of the Alliance into the new millenium. Now that news report indicated that there will be tremendous changes coming. I would like to point out that changes have already occurred.

I sometimes use a mathematical thought to kind of illustrate this those of you who had algebra, you know you might say OK, $N = A+B+C$ or something. If you were to judge down NATO = PS+CCC+CD. That formula has a meaning. NATO equals PS's problem solving, the triple C, I would call collaboration in a common cause and then the last + CD would be collective defense.

I came to NATO, first I was exposed to it in 1992 and as I looked at NATO when I arrived in 1992, I would tell you that the Alliance at that point, about 75 percent of the effort of the Alliance at that time was being used and so forth was in the collective defense.

The time spent in problem solving by the Alliance, by the political leadership and the military, which may be 25 or 20 percent perhaps, so: 75 percent, 20 percent.

And the thought process that went into discussions for the ideas how we should undertake things for a common cause was may be only five percent.

And the time since I came into the Alliance in 1992 to this last year, if I were to look now and venture probably a close, give a close picture as to how the changes have occurred. I would tell you that collective defense in the time being spent involved in collective defense is gone down from 75 to may be 25 percent.

The problem solving—while we spent 20 percent in the time involved in problem solving has increased from the 20 percent, at least doubled if not more to 40 percent.

And finally the area of discussion where the Alliance was concerned with problems and the cooperation, the collaboration in the common cause—five percent, when I arrived in 1992—has increased the most: up to 35 percent. Those are the two areas that are increasing: the problem solving and the collaboration in the common cause.

I would tell you that I think that that is a trend that we are seeing and the future of the Alliance is going to look more closely at the problem solving issues and issues of a common cause and that is what this conference is all about.

Looking at this South-East European region and it demonstrates the Alliance's commitment to looking at areas outside of its membership and finally I would like to mention because Jeffrey touched on it. Sometimes we tend to forget that the Alliance NATO is really a Treaty and a Treaty is member nations signing a Document. And if we look at that Document very carefully we know that it has various Articles and the Article that everyone is so familiar with and talks about is the Article 5: the security guarantee. But there are other Articles and Article 10 is the one that we have been talking about and that is the enlargement of NATO.

So in 1948 they envisioned the possibility of enlarging of NATO and Article 10 was written. But I would like to submit that there has been a shift and these numbers are indicating here: this increase in problem solving and this increase in collaboration on a common cause. That shift has occurred because there has been a shift of emphasis from Article 5 to Article 2. And Article 2 if you look at that and read that very carefully you see that is where the emphasis is on promotion of stability and that is why the Alliance has been looking outside of its area. It cannot survive in today's world without trying to promote stability outside of its area and that is why we are so interested in this region.

8

WORKSHOP REPORTS

Workshop 1 ***Strategies for Democratization and Institutional Development***

GEORGI TSEKOV:

I will give a really brief report on the first Workshop so that there would be enough time for the other two reports and we can fit in the time frame.

In the Strategies for Democratization and Institutional Development, we tried to organize all the comments and the presentations around three main topics focused: the first one being the containment of ethnic conflicts, the second one, effectiveness of public administration, and the third one, civil security and civil participation.

It seems that one of the main understandings, the basic understandings of all the people that were there, were that enhancing civil security and guaranteeing civil rights is, and of course improving, rebuilding the relevant institutions is the major priority of the entire region. Any single country from the region has a priority, which fits into this frame.

Talking about the civil rights and the civil security many people mentioned that they were very closely related to the ethnic security. Actually in the first part we did have time to concen-

trate on two cases and the case of Albania and the case of Bosnia. The case of Albania being a present nowadays case and the case of Bosnia being a case that we can all think about and learn from what has happened there.

I would like to mention also that in the first case, in the case of Albania, it was mentioned that the nationalism that is rising is a product of the reaction of the endangered rights. These are ethnic rights and also the low level of civil security, which is the major problem and there was the similar problem in Bosnia where most of the rights were endangered as we heard yesterday.

Civil rights, this main idea that was going through the entire Workshop was also connected with the second part: the effectiveness of public administration, which of course was focused on corruption being one of the major issues and one of the major dilemmas of the entire region.

The reform on administration in order to work effectively was recommended to go through serious training of civil servants. There was another recommendation that outside organizations, international donors should allocate funds that would go straight into the administration and make them secure financially so that the general belief was that they would work properly: that is still a question that could not find an appropriate answer.

The interesting thing about the Workshop yesterday was that there was a separation of two viewpoints. One was the outlook from the region and the other one was the look from the outside of the region. We talked a little bit, we heard people saying about the international help and support that was provided for the region and the individual states. And it was interesting to hear that most of this help and assistance or support was not coordinated, which means that the different international institutions or countries or organizations are in a very interesting way competing in order to provide the assistance.

So certain things could be done in this regard. It was mentioned that more help should be provided for the NGOs from

the International factor as Mr. Ruli named the International Community. So that the local NGOs would be institutionalized and developed, and at one point in time they will be able to provide local support and help for the governments in the region that would be very complementary to the international support that we see right now.

I would like to finish with my report by saying some of the really specific recommendations that were made in this regard.

Concerning the more assistance that is needed by local government from these NGOs and also besides putting the questions the astute questions that we have here about the reform and about transformation. Most of the governments and most of the people around here know what to do but the main question is how to do it, which is there to do it and how long it would take to accomplish the results.

Workshop 2 ***The Process of Economic Reconstruction and Development***

GEORGI GANEV:

First of all let me excuse Petar Ivanovic who co-chaired yesterday's Workshop, the Economic Workshop. He had to leave early this morning, so with the hope that by late tonight he will be able to get to Podgoritza.

The reason I am saying this, it turns out that it is more difficult, requires more effort of time to get to Podgoritza from here than to get from here to, forget about London and Paris, but Chicago.

That is one of the problems actually of the economic development of the region. And yesterday one of the things that we talked, many of the things that we talked was actually concerned with problems like this.

Our Workshop had three subtopics: the three "INs" as I

called them, infrastructure, investment and integration.

First of all let me tell you that we over the discussion we identified many, many I have ten of the first kind and eleven of the second kind barriers and proposed solutions to the development problems on the Balkans and Southeastern Europe.

Probably the most important barriers that we were able to identify, almost everybody mentioned them, were weak statehood. We already heard about this in the security discussion not so long ago but that is very relevant for the economies as well. The backward mentality: a sort of a culture that is not really conducive to doing business in the most efficient way, which is also a generational problem and I was very sorry to hear that we now have to wait five more years than before.

Another problem was corruption and crime and this sort of backward practices that are very common in the region. One of the statements, that was really striking made by one of the presenters, was, that if you buy some magic wand to remove the corruption practices in my country, the state would stop functioning.

Another problem was what one of the participants, and thank God he is from Europe, named the EU constipation. So that is the inability of the most important donor to organize itself, to be quick, to have an efficient decision-making process and of course to provide the money necessary for the assistance of the region. This is in combination with the impossibility of the region to help itself. It has reached a point according to us, where some external assistance is a necessary condition for development.

All the projects, the infrastructure projects in particular are very international here. They start, their plan is international, interregional project that will link countries and so forth. But the goal for all the projects is transit traffic. The goal is to get to Paris, not to Podgoritza.

There is the lack of regional vision, priorities and strategies and also their significant political risk in the region, of course

with nationalism and braindrain and many other problems.

Now, what are some of the proposed solutions to these problems? One is waiting for the five more years of generational change. But there of course, we know that there can be considered effort, organized effort towards having a mentality change, helping the new more productive, more efficient mentality establish itself.

The second one, very closely related to the first one, is continuing sticking to economic reforms, especially property rights definitions and enforcement.

The third is cooperation within the region. Cooperation, we had a little bit of differences on the integration within the region. Of course establishing networks of regional exchange for ideas and solutions and what one of the, another of the participants called intermingling of expertise.

Other solutions would include aid, which is aimed at and that concerns the donors, aid, which is aimed at self-sufficiency rather than anything else, self-sufficiency of the recipient.

A very important issues in light of the Stability Pact is the issue of project assessment, management and implementation. I will come back on that a little bit later.

We all need to reformulate the regional vision priorities and strategies. Each country has to do that. The EU also needs to provide a strategy and credible commitment for a future assistance to the region and so on and so forth we had many solutions.

About the infrastructure we had one very clear, concrete idea and that was setting up a Troihand sort of Troihand based Agency Holding. It would have all the money and which would then build infrastructure with the money, public infrastructure, not only roads and and energy and transportation infrastructure but also a sort of public utility infrastructure, sewerage, lightings, clean water and so forth.

Of course we had many questions on the design of such an institution, on the procedures, on where the money is going to

come from, how it would be managed and so forth. But it seems like an idea that struck to cut through the problems, we know all about them, of public investment.

On the investment side of the picture we had many and different suggestions. Most of them were concerned with improving the overall environment in the countries by continued economic and political reform, establishing market democracies everywhere with securely defined and enforced property rights, so that we get this sort of different type economic security where a private owner knows exactly what and how to in order to get the most out of their property.

In the integration side of our discussion we had basically two views. One was that there were two, types of integration: EU integration and intraregional integration. The countries in the region seem to be more prone towards the EU intergation, to like it much more, than the regional integration. Both of them are very important for the eventual success of the region. We had some arguments on what the integration means and I think that finally we converged on the view that it is, we are talking about economic integration, not so much political.

The other view was that actually the EU integration is the only practical way for regional integration.

Workshop 3 ***New Security System for the Balkans:*** ***Political-Military Dimensions***

ALI HIKMET ALP:

In general, I believe that we had very interesting presentations both from regional participants and from participants outside of the region. Although there was not sufficient time as usual for discussions, questions and answers, all participants have found a possibility of expressing their views.

There was a consensus, that NATO will play a major even a primary role in the formation of a new security architecture in Southeastern Europe through its enlargement process and through its various cooperation mechanisms, which are continuously developed and adapted to new circumstances.

It was argued that Bosnia example and even more, the intervention of NATO in Kosovo have shown that NATO's new role and its adaptation are not theoretical exercises but an effective process of projecting of security towards areas not specifically in the Washington Treaty. But this new role while much appreciated could not gain full effectiveness or momentum without sufficient and efficient security cooperation and coordination between regional countries themselves. This cooperation is not meant to be as an alternative to or decoupling from the general European security system but indispensable, complementary element.

According to some participants and particularly according to the ones who come from the region such a security system could not be complete until the enlargement of NATO is completed though we are not sure what the enlargement or the completion of the enlargement of NATO means.

Two regional countries are closer than the others for full membership, however as specific reference to these countries is not the result of discriminatory approach or disqualification from the start since the official policy does not close the door for others in principle.

Membership depends on several criteria and considerations, including the readiness or the ability of the countries to contribute in political and military terms to collective defense and security, and on the considerations, which go well beyond the regional frameworks.

A couple of speakers elaborated on the existing partnership and other cooperation mechanisms. They provide for non-members quite substantial possibility short of membership and emphasized that NATO has benefited much from the experi-

ence, which the three new members had gone through during the pre-adjacent period as partners in this program. A short description of the proximity of the candidate was whether the candidates and applicants were, I caught, producers or consumers of security.

Beside the public support the state of readiness of the armed forces or compatibility and of the officers' corpse had been mentioned.

This short definition gave rise to some questions in particular with regard to the wisdom or waiting for the maturation of certain conditions and of capabilities. It was argued that this might risk losing the momentum of, when the outside enlargement would have been more appropriate. Here I see some guarding unfortunately.

Another question that one participant and if I am not wrong, spotted by others, raised the issue of institutional limitations of NATO at the time of diversification of threats and risks, there being challenges not of a very classical matter for which NATO has been created and which require political decisions by the Alliance on matters, which are not of a military character. This suggestion was made on the appropriateness for NATO, eventually a reformed WEU to assume such roles, which could not be directly performed by NATO.

Stability Pact, other European Organizations and regional cooperative schemes were also mentioned in the same context.

Last but not least the role of the Russian Federation was mentioned. Russia should of course be taken into account and its cooperation be thought. However the Russian involvement should not be sought at the expense of the emergence of a sound security blanket covering the whole region and its democratic evolution.

OGNYAN MINCHEV:

I just want to make a short introduction to this discussion by saying that the basic topic of this conference was to give the abil-

ity of the people from the region and our guests from Western Europe and the US to meet and to figure out what are the opportunities of their further cooperation on two basic directions.

The first direction goes from the West to the East and in this direction I will be very glad and very grateful if we can use the know-how accumulated by our Western colleagues in the policy analysis field and try to adapt our research. I'm talking about adapting to the standards, to the logic and to the conceptual basis of our Western colleagues: in this way we make our products convertible.

This is the second direction, in which this cooperation should go. Namely, our products of the policy institutes from the region to be able to reach our Western colleagues, their institutes and by this channel be capable of reaching the Western public opinion and the Western decision-making institutions. The region has to have its own voice in the decision-making process on issues concerning Southeastern Europe. This is a very basic priority, which is a priority not only of thinking and writing anymore but also of organizing concrete system through which this product is reaching the Western public opinion and the Western institutions.

I have to say that in the last two or three years we have particular success in organizing a network of Southeastern European Policy Institutes, a network, which is already dealing with particular joint projects. This network has been established two or three years ago. We started with bilateral projects. We have had speaking about Bulgarian project institutes; we had joint projects with our friends in Macedonia, in Albania, in Yugoslavia. We have had very good relationship even before that with our friends from Greece, from Turkey. We are contacting our colleagues from Romania also and I think that this coalition or network of Southeastern European Policy Institutes is gaining momentum right now.

We were lucky two or three months ago I think after the Paper of the Center for European Policy Studies has been issued

to have Mr. Michael Emerson and his associates from CEPS joining this network. This network has partially started to work in favour of developing the substance of the Stability Pact. This will be one of our basic directions of work from now on.

I will stop here for the moment and I hope that Mr. Emerson and also Mr. Saso Ordanoski will give you much more details on how our recent work goes and probably some insights how it can continue in the future.

SASO ORDANOSKI:

I have to say very openly that we are sick and tired, that always someone else organized us in the last years. I mean all the independent think-tanks of the region.

We cooperated with various NGOs and think-tanks from the region as Ognyan said: from Bulgaria, we tried to cooperate from Greece as well. But basically it was always, so in that sense the network existed but basically we needed some kind of more organized way when the Stability Pact was invented and then to take some kind of a stand toward these developing issues.

After one conference, which was organized in Budapest some time in June this year, by the Freedom House and then especially after the Lublana conference organized by Soros where the position paper of the Stability Pact was approved by more than 30 independent people and institutes from the region we decided to organize a small meeting in Scopje on the 18th of September. We invited more 30 institutes from the region: think-tanks, which are working on the issues connected with the Stability Pact and we invited also 10 to 15 other players, major donors and CEPS as one of the players in this theatre as it is said.

So after that meeting in Scopje and I think I hope you already have the minutes from the meeting because I think that yesterday they were shared with you. We know formally have a so-called Europa South-East Policy Forum Network, which exists on the level of more than 30, 40 think-tanks and which idea is

as follows: We have three major if I may summarize, tasks. First of all to press our own local governments to be more active in the process of the Stability Pact Initiative. Secondly to show ourselves in front of the all important Western if you want and the Stability

Pact Western side institutes and think-tanks that we do exist, that we do have our opinions on the subjects and issues raised by the Stability Pact. And thirdly to provoke CEPS to form equal network from the other side consisted of the Western think-tanks.

The Network that we have organized is a very interesting structure and I think that Michael helped us to find a very, if you want the best definition of that Network. It is organized like Internet in a sense. So it is very democratic in a structure but it is also very structured. So you can enter the network and we are now working on the establishing of Web sides, web side of the network, which is going to be very interactive and very linked to all independent think-tanks from the region.

We have chosen ten so-called cooperators, we avoided the terminology of coordinators because we again want to underline that it is not something that somebody is above that and someone else is working for those above. There are ten cooperators from each nation from the region including Moldova. So we now have ten temporary cooperators, which are going to be approved by their national meetings. This is going to happen next week when the national think-tank meetings are going to talk about how long the mandate should be. The cooperators are only a kind of a focal point on a national level where information from the network is going to be disseminated to other think-tanks. So they do not have any kind of heavy political or I don't know coordinative job in a sense that they are going to be some kind of presidium or whatever. They are going probably to rotate each year or whatever the decision of the mandate or how long the mandate should be.

We have a very good experience with think-tanks from

Albania. People in Albania in a very good manner explain that they already have that kind of network in Albania and that it works very well. We should discuss during the next week what exactly the scheme of organization of this network will be because there are some ideas that it should mirror the Stability Pact organizational scheme. This means that think-tanks should be divided in basically three groups: stability, democracy and security, and security, democracy and economy. And according to, as needed to the enhancing of the Stability Pact or important conferences or even without this special needs that there are going to prepare projects, position papers of different issues.

I believe that even to be a member of this network you have to accept the Stability Pact. That is the only criteria and to be think-tank of course from the region.

No matter what happens or does not happen with the Stability Pact, the network will stay there. It will support and be used as a vehicle for better communication among think-tanks in the region. It will also be used for better communication among the think-tanks in the region with their Western partners interested in the regional issues and with possible donors as well.

I am not going to talk a lot about that any more. I also hope that we are going to have a very fruitful cooperation with CEPS and that together with CEPS we are going to succeed in making points of EU and our ideas visible to people in Brussels bureaucracy and in the politicians structures also this initiative.

MICHAEL EMERSON:

Saso had said that he kindly suggests that CEPS, we ought to network ourselves in Western Europe, to make ourselves cooperators and that is behind us, we haven't done it yet. But Saso, we take the point that this is a good idea. So we begin to do that. We haven't had really time to think about it recently. But we will do that, we are going to help conversations with some of the obvious, seriously interested institutes and we will complete that

process, I am sure very soon.

Secondly, more fundamentally. I received myself a very strong refreshed message from the debates in this conference in the conversations we are having here, about what is the role of the Community of think-tanks in this business in the region and ourselves and the European Union particularly in the region.

What struck me very strongly is really the distance between the rather consensual idea, modern ideology, integrating ideology that we share in the Community and signatures valuable on declaration by other people here, completely independent people and then what you have in the existing national governments. They occupy very different and all sorts of ways. The overall message I guess is that the government structures and the institutions are still terribly weak and distorted and corrupted and all of the issues we have talked about.

In that kind of situation the role of the completely independent, completely honest public policy think-tanks is extraordinarily important, much more important than in I would say boring Western Europe where the degree of ideological overlap between government and leaders and the think-tanks is like almost 90 percent overlap. Here you only have 10 percent overlap or something like that. So that is one very, very strong reason why I think your grouping together has extraordinary important future.

I am going back to the European side where as a general ideological level, I mean we are not, we don't have particularly big problems with our national governments. There are very serious problem as to whether the European Union plus NATO plus the Stability Pact and additional activity have very serious problem as to whether that sect will drive really strong enough in the desirable strategic direction and be able to get them act together.

About the nature of this problem, corruption. It is a problem of governmental structures which are not yet delivering goods or anyway they are adequately delivering the goods. So I feel in a

sense a, for about in a CEPS side you have very strong messages for your national governments of a certain sort. We have very strong messages for us of a different sort but they are complementary functions.

Otherwise I am sure at more organizational level you need to go into now and there are many ways, in which we can put together joint or either joint working parties on topics or we have Western and Southeastern working parties that work away and they are joint together, in which of course we can share with you the delivery mechanism into the Triple Brussels institutions—we call the EU, NATO and the Stability Pact—all of the three are together. And that situation is extraordinary good, I mean basically you have new leaderships in the EU, NATO and the new body of the Stability Pact. They do not know exactly what they are going to do but at least you have people's good will and who are willing to listen to us and so we have a really open door there.

JEFFREY SIMON:

I am going to just talk about some of the things that we have: One-year Program, generally Generals are Colonels and what have you and frankly we have had military officers from almost everyone of your countries or more siphoning through.

My institute, I am part of the government. I am not a non-government organization. I am part of the government and the Institute supports the Secretary of Defense and the Chairman of the Joint Chief Staff. We are basically there to provide advice, insights so that we and I can formulate programs and policies that hopefully have a fit with the needs of the region. In a part of that, in fulfilling that mission for the past ten years at any rate I've been involved closely with the Defense Ministries and the General Staffs in this entire region. Some of you know because you've been to these things that at least over the past 6 years I have put on in the region in different countries including Bulgaria back in 1994 conferences. Again, these are the govern-

mental levels. It is an effort to bring together military officers from General Staffs, Defense Ministry people, people from National Security Councils and Foreign Ministries, etc.

The goal is to establish networks amongst military officers in the region as well as civilian officials dealing with security and defense affairs in the region. And we basically each year have focused on issues that are current and relevant and programmatic in policy terms as an example as Andrew knows it is June that we put on an activity where we brought in roughly 15 countries, many from here. We did this in Slovenia looking at issues of the future of the Partnership after the map in the Washington Summit and the Kosovo war and practical issues that would flow out of that. We did one in Brashov last month in Romania looking at the difficulties of building armed forces and as you know in this country you have a 2004 army Reform Program. Romania has a similar Program and almost every other map country has significant problems in that area. They are all relevant in terms of training and developing networks amongst the military officers and civilians in your governments with other partners as well as with members of the Alliance in trying to grapple with these kinds of problems.

I stress that primarily because just as we have established networks at the official level that have I think somewhat on one level greater success than the non-governmental organizations. There is the institutional continuity, I mean I know many of you on the non-governmental organizations and I can open up my file cards at home and I can show you the same name at least 10 different institutions over 7 or 8 year time frame in a non-governmental area. This is I think a primal problem in the region.

But I wanted to recommend that you recognize from the non-governmental stand-point that there has been a serious effort at building in your particular national capitals with officials to deal with issues that are quite pertinent to what it is that you are looking at and dealing with here. And I would advise you as well as networking outward try to make contact with

those people internally and that I think would be important in terms of the non-governmental organizational con activity. That is one point.

The second is, there has been an effort at a broader level at establishing a Consortium of Defense and Research Institutes. I tell you in Switzerland there has been for this doing back a number of years. We had a very large session of this in Zurich about a year ago and I know that Bulgaria is to host the next large Consortium, which originally was to be in October, I think it is now being extended to December.

The point though is that this is a Consortium of Research Institutes that deals with defense and security issues. There is basically a computerized interface. It is connected now to the Marshal Center. It is hooked under the Euro-Atlantic Partnership Council. Daniel Nelson would talk about the Marshal Center I think in a few minutes. And there is also an effort to develop a research capacity. It becomes basically an information source. The problem is accessing, reliable and decent information on the one hand and the second problem is learning who is doing what and communicating with them.

So, there are already notes and tools that are being put into place to Consortium session that will meet here in Bulgaria in December. I think it is the fourth of the Consortiums that would later off going back into the early 1990s. And those I think are significant efforts that, you should know that there is a skeleton out there and there have been efforts over the years to put flesh on that skeleton that I think is quite complementary not only with your interests but also with what your objectives are.

DANIEL NELSON:

As we were talking about various linkages that institutions, NGOs of this region can establish with the West and so on, I think you should also consider what NGOs can do.

I will be going to the Marshal Center in January and have had other contacts including serving on boards with NGOs like the

British-American Security Information Council and so on. It seems clear to me that there are several things that NGOs can do. Certainly they can speak and say things and create events stay visible just that. I remember one comment that was made to me when I first came to Washington in 1989. I am not sure that anyone of you want to hear this but it is, was very simple. What counts, as being heard is not what you say? Or to put it in another way: people remember that you spoke not what you said.

It seems to me that and of course you will not remember anything what I am saying in substance but you will remember that I spoke. But it does suggest that the visibility factor of NGOs in this region is a principal goal. Simply to be heard not necessarily to argue positions and not necessarily to laboriously restate the history of the region or anything of that kind but to be heard. Another thing that NGOs can do is to serve political leadership in a sense of opening doors for scalarly and analysts and scalarly and analysts opinion and finally NGOs can do still and simply find correct scalarly findings both for leadership and for mass consumption. So these three types of functions to merely speak and the invisible, to open doors and to translate in a sense more complex ideas into more simple ideas or both the people on top and the population as a whole ought to be borne in mind. It is essential to know what NGOs are trying to do institutes and organizations like yours because trying to do too many things and confusing these tasks I think could be dangerous.

The Marshal Center has begun in 1993. It has had a chequered history to say the least. I hope I am not part of that chequered history. It seems to be strengthening but what it is exactly: an American Government, German Government jointly sponsored teaching and research institute that has students. Many of you may have been there but these are people from Ministries of Foreign Affairs, Ministries of Defense and Uniform Military Personnel, some of whom are at the rank of Major and above but there is also Senior Executive courses for people who

are Ministerial level as well as General and High rank officers.

This presents an opportunity I think for many of the people in the room who are representatives and directors of NGOs for cooperation. Certainly my presence there and the presence of other people for example Ambassador Victor Jakovic who was American Ambassador to both Bosnia and Slovenia on different occasions the arrival of both of us I think will make a difference in terms of the attention of that Institution towards Southeastern Europe as supposed to Poland, the Czech Republic, Hungary and so on.

I would welcome that kind of attention. My particular responsibilities will be in the fields of democratization and civil-military relations and these are two parts of the coin: the three-sided coin in a sense that you mentioned.

But let us try to make that linkage stronger! And I would welcome conversations with all of you later. I know that Janusz is also going to talk about CSIS and some other things related to Washington. I am turning over the floor the Janusz by the way now. I am taking charge!

JANUSZ BUGAJSKI:

I just want to say a few words about collaboration, cooperation between Policy Institutes. The text I have seen that has been mentioned, I think is good, is a worthwhile initiative. I have just one reservation, which I Saso I think have already mentioned. The text I have seen seems to be too closely tied to the Stability Pact as such, which has referred over the past day may be less than meets the eye or may not meet the expectations that we all have. So the only thing that I will suggest there is to restructure may be to transcend any single initiative, to look at other initiatives and look at longer terms. Seen as a first time it seems a Stability Pact initiative.

With this in mind I just want to make four points.

First of all clear indigenous objectives.

Secondly, stress on regional multinationalism, which I think

you are doing.

Three, a more precise Western role. By Western I mean NGOs, Policy Institutes such as mine.

And fourth, a more concrete agenda. I know these are early stages but I think at least you should begin to flesh out a little bit of what you want to achieve.

So let me just very briefly go through this.

First of all, what I mean by clear indigenous objectives? I think you need to define the primary objective of such cooperation. It seems to me it is very clear the over arching goal is at this critical time to assist the governments of Southeastern Europe, the democratic governments in developing their original secure and durable democratic foundations. That is why I agree with Jeff the interface between non-governmental organizations and governmental agencies and officials as we do in Washington with CSIS I think is essential: to have some influence on policy because I think you can have some influence on policy. And of course tied to this there will not be any success of the Stability Pact or reconstruction if there is not domestic reform and institution building as we heard over the past 24 hours.

Again secondly multinationalism—very important. I think you have a good list of whole group of institutions from different countries. Of course to broaden it up you have to leave the network open to others to join. Different institutions of different strengths and it is good if you cooperate both in country and between countries because you have different strengths.

And again, I think these different ways, different institutions can influence different policy makers, some of them more experienced than others, some of them may be more closely to particular parties, political parties in particular countries. And this of course has to be a cross party format, not tied to anyone political interest and anyone country.

Thirdly in terms of the Western role. I think there are a lot of Western NGOs that contribute to your effort, organizations such

as mine, CSIS have been around for 37 years. We started very small above a Grocery store in Washington in 1962. We were part of George Town University. So we had that strong academic link and then we declared our independence.

I think we can share, such organizations as CSIS can share organizational experiences, fund raising experiences, outreach publications, how we are trying to influence politicians? In other words there are a million different formats in which we involve Congress, in which we involve the State Department, people from National Security Council with the White House: these different forms and kinds of influence and involvement. I think the important thing is not simply to preach the politicians, not to appear in the Media telling them what to do but actually involve them in the institutional work that you are doing. Particularly those are the series about reform. In other words, that they feel part of the process, that they are collaborating with you.

And lastly, in terms of agenda. I have specified you know three issues that I think you need really to put upfront. First of all and I am repeating what has been just said: institutional building. I think such an initiative can offer a broad multiparty venue focusing on institutionalization, democratic institutionalization and what I would say: the combating of ideological and political extremism in the region, which continues to be a threat and we just talked about nationalism, extreme self-interest, anti-democratic movements. And I think the NGO Community in an international format can share their experience, can offer very concrete suggestions on how this can be done and how Western institutions can help.

Secondly, in terms of developing an effective civic sector. You can build institutions but you need to have people involved in those institutions. And of course NGOs are part of civic society in any case but there is no reason why you cannot involve not just policy institutes but also other institutes in your countries such as independent Media, Women's groups, environmental groups, all the organizations that can play role in building those

institutions and helping you.

And thirdly and I come back to this that I talked about yesterday: crime, international crime. I think this is a very important, I mean the only way you can combat international crime is internationally. And I think this initiative for example can assemble security, crime experts from across the region, people from Interlope, from Western organizations.

So again these are just a few ideas and I wish you all the success. I think it is a very worthwhile initiative and we certainly would want to be involved in some way. Thanks.

VISNJA SAMARDZIJA:

Well, I would like to say just a few words and few brief comments on our nowadays discussions and on this discussion we have now on think-tank cooperation between our institutions.

I think that cooperation between the countries in Southeastern Europe is really of extreme importance today in the light of our strengthening the mutual relations and in the light of future integration into the European Union. I think that this process should be stimulated through two ways, could be stimulated through two ways. One is the bottom-up approach and the other is top-down approach. I think that this bottom-up approach through the cooperation of such institutions like, we have here today is really extremely important and it could bring results through different ways.

So I think also, I would like to stress that there was, we have heard a lot about foreign assistance, the prospects of foreign assistance to the region and our local inputs. And I think that we should have really a balanced approach, not only to rely on foreign sources but also to somehow strengthen our mutual cooperation and local resources.

I would like to just address to three points, which I think are very, very important.

The first is the role of joint analytical work. Mr. Minchev yesterday at the beginning addressed this issue on the need of seri-

ous analytical work in this area and I think it is a right approach. Yesterday at our working group for economic development and reconstruction, we had big talks about the possibility of trade liberalization within the area. The question was to which extent free trade areas are possible and needed within the countries, which actually do not have strong economic cooperation and trade cooperation. So I think the analytical work here is needed to see, the example might be to make one serious cost-benefit analysis of trade liberalization within the region but with the participation of countries, of the institutes from the area. I think it will be welcome and I don't know that such a work has been carried out until now.

Second issues I would like to address to is the exchange of information and influencing the society as it was already stressed now through this information, publications and so on. I think we all have strong possibilities for exchanging the information through different sources, either publications or information through the Internet or whatever. I would just mention one type of cooperation, which seems to me relevant just to mention it—that was really one of the first outcomes of the Stability Pact. It was the meeting of Chambers of Commerce—most of you probably know for that. Chambers of Commerce, National Representatives of Chambers of Commerce tried to make a network within 11 countries with the purpose to create their own database, to exchange information on statistics on, on different issues that are relevant to strengthening mutual cooperation. I think it is something also important to mention.

The third point I would like to address is the question of education and training. This is in my opinion extremely important area, which is only touched by the Pact of Stability. The question of cultural cooperation and the cooperation in education has been given a marginal role. I think it is extremely important for the countries in transition, which have to educate the people even for future cooperation with the European Union.

I will mention also one initiative, which I think is important. It is the initiative of the Council of Europe to establish one joint Center here in Southeastern Europe to educate the people on transitional issues and the issues of integration into the EU. So I will finish with it and thank you very much.

ANDREW PIERRE:

After a brief career as a diplomat 30 years ago, I joined a think-tank.

Now over these years people tend to ask me two questions. The first is: What do you really do for a living? You cannot get paid to go to conferences and write papers once in a while and think that it does not make sense to a lawyer or businessman and so on.

And the second and more difficult question is: Does your Institute have influence? OK. You have got these papers, these meetings but does not have influence.

That is very difficult to answer because not just in the United States but I am sure elsewhere is very hard to find a particular policy or bed, which is tied to a paper or conference, there are some of that but it is not easy to do. And yet I think we all agree that that is the purpose of think-tanks basically as Janusz said to have influence upon governments and so on.

First of all I comment everything that I've heard about what was going on in this region as all terribly important and that goes without further libration.

I think that as far as the United States is concerned and to a considerable extent Western Europe, one has to move beyond the framework of think-tanks to have influence. Think-tanks, individuals such as myself and many of us here have a tendency to meet with each other and to talk to each other. And there is probably no more think-tanks in the world than they are in the United States, in the Washington D.C., where they proliferated to the point of being a kind of productive, many of which are single-issues think-tanks or single ideological prospective

think-tanks and so forth, fighting with each other all the time.

But speaking for the United States one has to get beyond people like us in the room. To politicians, to the Media, Janusz mentioned that, various forms of the Press and you know one gets the sense sometimes that entertainers, God knows who else? Dissemination is extremely important and this dissemination has to be at multiple levels: the expert level, so product has to be tailored somewhat to the audience.

I think that no matter how much, no matter the quality or the quantity of product that is produced let us call it on the Balkan region and cut among the think-tanks.

If you want to reach a broader American audience, which is very important, if you want to for example have Congressional support for funding, for projects for this part of the world or Congressional support for certain situation involving NATO, EU, what have you. You have to reach the newspaper editor in Iowa and the politician in Texas, I do not mean George Bush and the broad segment of society, which does have influence in national politics and therefore international politics in foreign policy in the United States, which is a very complex I think you all know policy-making process, really. So dissemination is important. The mere fact that countries in this region and the think-tanks are cooperating is a wonderful thing but you have to reach the broader audience.

Now if I were here, I would have a terribly hard time knowing what my colleague institution end is, a colleague think-tank in the United States: you have representatives here from some of the best, I remember Henry Kissinger used to say when he wanted to call to Europe, he did not know what number to dial. Well you people when you want to reach the code of the United States, you do not know which number to dial, I would guess. Basically what you have to do is dial all the numbers and frequently.

There is a lot of static and noise in the policy debate in the United States. It is perfectly true that it is not so much what was

said but the fact that somebody said something at some point or somebody wrote a book at some point that stays remembered. And that is a sort of a constant a process.

I remember 30 years ago, 20 years ago when the Trans-Atlantic connection was still fairly weak in the sort of think-tank world and that has improved a great deal. It is going to be fundamental of course I am talking about Western Europe and the United States.

It has to be developed also between Southeastern Europe and the United States. Beyond the think-tanks I would encourage politicians from the region and newspaper editors and whoever has something to say of interest to cross the Atlantic to meet broad groups, meeting broad groups beyond Washington: that is very important. Some of that is already taking place but certainly not enough. So that Americans who vote and who do count and there are members in the Congress learn the difference between you know various countries. I will not name them and what is occurring in this part of the world. A healing contact is absolutely essential and unfortunately it has to be very diverse in terms of the American ceiling. I sitting at my computer in Washington, have picked up a lot of the CEPS work and I think that the CEPS work has been magnificent and very important and very useful to me as I said to Michael earlier today. But CEPS I understand will remain essentially a European institution: it is founded for that purpose, a very important purpose.

I think you have to work on the Trans-Atlantic network in a way that you reach beyond, such people, one of my American colleagues here who have been following this ground, working on these issues all their lives. As an ongoing process, it cannot be done and making a sending product out: a large mailing list even if it is you know fancy product. I think not everybody when he comes to his office; her office spends two hours looking up all the sites of the foreign affairs institutes so that mailings are important, meetings are important.

SOLOMON PASSI:

Actually the ambition of any non-governmental organization is to influence the government. And what our experience shows is that sometimes it is much easier to influence the public opinion and ask the public opinion to influence the government than to make at the other way round.

I would just give the example with the public opinion vis-à-vis NATO membership.

Bulgaria was one of the few, very few countries, in which we succeeded first to change the public opinion on the question of NATO membership and then to change the position of the Bulgarian government. Actually we needed a dramatic change of the government itself but anyway this is a result of the process. This is just opposite to what happened in Spain or in France or even in Hungary where the governments were the leaders of the change of the public opinion and in Bulgaria we have a Bulgarian special patent to make it in the other way.

We succeeded to create a kind of non-governmental culture at least in the area of international relations. Now when our government is to make an important decision, the first question that, the red lamp in the governmental office is the what will say either Ivan Krustev or Ognyan Minchev or the people from the Atlantic club. And this is something really very important, psychological moment, which drives the government into a direction, which all the organizers of this conference may say is the right direction.

For example now we have a debate, I do not know how many of you looked through the Bulgarian Press but there is a very hot issue and about the potential establishment of a NATO base in Bulgaria or an American base in Bulgaria, military base at the Black Sea.

There is another public debate and in this case this debate is facilitated by this non-governmental culture, which we do not necessarily expose at any particular moment but it stays there.

When the journalists come to our meetings they expect that

we shall give the right answer and the answer, which will boost the public opinion into direction, which will facilitate the government to make such a decision.

And this is a result of a very strong cooperation between the think-tanks and the non-governmental organizations in Bulgaria. And we are privileged to have established such relations inside the country. So I was very happy to hear from Saso Ordanoski that such a national experience is to be transferred on the international and regional scene.

THEODORE COULOUMBIS:

Speaking a little bit in terms of our institute, which is Hellenic Foundation for European and Foreign Policy, known as ELIAMEP. We are delighted to have been invited by this initiative to be here and we are also willing and able to participate in the networking in the months and years to come. I think the important thing that you have known, especially Mr. Ordanoski emphasized is defining your own agenda as supposed to having it imported or exported for your purposes. And nobody knows better what the priorities are than the people in place and the think-tanks in place.

I just thought I just give you another three minutes of what the Foundation is all about. We are 11 years old, non-governmental, non-profit and supported generally to the tune of about 25 percent with project public money and 75 percent other sources. The, and I will make some references in a moment, sources include the EU for some projects, include NATO, include foundations such as Rockefeller, Ford, Volkswagen, Japan foundation, just to give you a few examples over the years.

We have four different functions: publications in English language, publications called: the Yearbook of SouthEastern European Studies. We publish positions mostly by people from Southeastern Europe in English language. We also have a Greek language publication, which is on Greek foreign policy issues, policy papers, occasional papers and the like.

As an Institute we do not have a formal policy agenda. We are not seeking to affect the government in either leftward or rightward direction. But as the title of our foundation suggests, we are Euro-Atlantic in orientation in the sense the EU and NATO more or less define the identity of Greece over the years.

We are involved very much in research. For instance, I wanted to mention, there was about five years ago a foundation grant for a study on Kosovo and preventing crisis in Kosovo. We have had two publications. The one was more or less post-mortem because the war happened but nonetheless there was a quite a bit of insight for conflict prevention type of study. It was there how you may establish an impact, influence.

We have training seminars especially the so-called Halki seminars that take place in the island of Rhodes and they are primarily designed to network, to invite young leaders from all the South-European countries as well as the Mediterranean with emphasis on the Eastern Mediterranean countries.

Let me close by saying that our latest initiative: Dimitri Treandaphilu was an editor of the English language year book and he has left us to go with the Western EU. He was our Deputy Director—very active, very young—that is the future.

In any case we have buried our Southeastern European year-book. The last one we called the swan-song. We are launching a Journal of Southeastern European and Black Sea Studies. The first issues will be special issues in the fall of the year 2000. It would be on the challenge of reconstruction and development in post-Kosovo Southeastern Europe. The running force, the editorial forces who could not be here. So I replaced him and I send you his greetings.

So there will be brochures and the idea of all of us working together in order to project as much as possible messages that reflect the reality of this region as supposed to imagining the Balkans, to recommend your very good book by Maria Todorova. It is a very important thing to keep in mind.

JANE GRUBE:

I am not sure that I am sufficiently prepared to speak for the entire donor's community because I represent almost a broker position but indeed it becomes a donor at some point in time.

What occurred to me in the course of this conference were two things? One, first of all it has been fascinating and it makes me realize how much donors have to learn from just sitting and listening instead of informing and directing. And I think that very often the challenge and I speak right now to think-tanks is that very often think-tanks are suffering from the position of having to work from donors agendas. I think that for think-tanks to serve a larger public purpose they must have some freedom to identify with perhaps in consultations with donors their own agendas in terms of the needs of the country, the region, whatever the specific idea is.

I think that donors can play a very important role in encouraging what I call a constructive dialogue so that that think-tanks can indeed have some creativity to establish their own agendas. That is the only way they can influence government policy in my mind. And it is the only way they can become effective and self-confident contributors to the larger community.

So I guess my message is think-tanks to start pushing or opening a dialogue between donors. There has to be a space for us to identify our own issues. And I suspect that once think-tanks start doing that that donors are going to say: Yes, that is a good idea. And I think that that will lead to a more effective dialogue between donors and think-tanks.

There is so much wisdom and vision that donors need to know and so I would encourage that kind of dialogue to begin.

The other thing that came to my mind in our Workshop yesterday and I think this is a challenge for think-tanks is, my colleague behind me right now mentioned the myth of donor coordination. This is indeed mythology and it is going to be a reality. People engage in this whole field of international relations and economics, economic development with different

agendas and sometimes very uncommon goals. I think it is going to be important to everyone who is involved at a recipient level to recognize that there is no such thing as donor coordination. I probably am saying that I have more faith in all of you to start putting some of this on the board for discussion than I do in donors saying what we need to talk about it. So I would encourage some of that constructive dialogue with sympathetic donors—they are out there—donors with long-term vision—they are out there and start setting the agenda.

MARRY FRANCES LINDSTROM:

I am responsible for the regional crossborder cooperation networking mechanism that the Open Society Institute supports through the network of the Soros foundation. It is quite a large program, quite many cross-border exchanges happened from Slovenia to Central Asia to Mongolia. Mr. Soros has created in July a specific subfocus within the broader East-East Program for Southeastern Europe, to exactly provide you all the space, to come together, to make your opinions known, to network, to give you the push, the impetus, crossborder bilateral exchanges, larger exchanges such as this: the participants coming from outside Bulgaria receive support through the East-East Program.

The mandate of the subprogram is directed by you all: we can provide a tool and a networking mechanism. This is a space for you all to come together and propose your ideas, your agendas, to continue to be heard as we talked about. The mechanism is quite simple. You are all welcome to make applications through the national Soros foundations in each of your countries. We want the programs flexible, very activist oriented, public policy oriented, initiatives in the region.

The primary criteria is that two organizations, in two countries jointly propose the project. And the projects can be meetings, we do not want them exclusively to be meetings, we also focus on site visits, exchange visits. This is again within Central and Eastern Europe not to the exclusion of international partic-

ipation but these initiatives are happening in our particular region. I am happy to answer any more specific questions. I would encourage you all from the region to contact the Soros foundation in your countries and propose ideas and to further your own agendas.

OGNYAN MINCHEV:

I would like to say just a few words continuing the conversation about the donors. I just want to announce that after the conversation with Mr. George Soros in Sofia, also in Skopje and some other Balkan capitals he decided to establish the so-called Contingency Fund for policy analysis for Southeastern Europe. This Fund initially will not be too big. It will be about 100,000 dollars but it is important for two reasons.

First of all this is the first Policy Fund, which will be managed directly from the policy institutes people from the region. And those people in the board will be elected in a democratic way.

Secondly, this Fund is very important because it is an open Fund. It does not depend directly on the OSI system and therefore it can be enlarged with donations from other donors. It depends on us how successful will it be to raise additional money and really create in time a bigger fund capable of meeting urgent policy priorities. Because we all know that if you are applying with a big Foundation especially if it is EU Foundation, you can wait for the money 6 months or 1 year. There are even precedents for longer-term waiting. Until this period of time passes the policy issues may not be issue any more and most likely it would be the case. So this Fund we are going to develop here under the control of the policy institutes in the region will be a Fund, which will address those urgent policy issues that emerge in time.

I think this will be very important effort on behalf of all us here in this network in the region to try and develop our cooperation on daily basis and operate our cooperation in the most

organized and effective way. So this is what I wanted to say about this Fund from now on. And let me just say a few remarks to end up our conversation.

I think that this has been a conversation among experts and professionals. We exchanged our views and this is why we do not need to issue a Final Declaration. We leave our discussion open and we all hope that we will continue it soon in other place and as soon as possible.

I would like to make some acknowledgements at the end of those two days of discussion here.

Let me first of all thank to our donors. That is the East-East Program of the Open Society Institute, the German Marshal Fund of the US and the North-Atlantic Treaty Organization for supporting us to organize this conference.

Secondly I would like to thank you all for coming here, some of you flying for 10, 12 hours and some of you even more than that: two or three days. Thank you for doing that and coming here and contributing substantially to this debate. I would like to thank to the associates of the Institute for Regional and International Studies, the Center for Liberal Strategies and the Atlantic Club of Bulgaria for helping this conference be a success.

And last but my most cordial acknowledgements are for the associates of the Institute for Regional and International Studies, namely Georgi Tsekov, Marin Lesenski, Elena Triffonova, Aneta Mihailova, Desislava Tzekova, Kalina Markova for doing their best in a very tough environment. They did really their best in order to make us feel more or less comfortable here. Thank you very much.

