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Facing the Future:

The Balkans to the Year 2010

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1. Introduction: The Balkan Burden

"The Balkans" have both geographic and geopolitical significance. Geographically, it refers roughly to the region bounded by the Adriatic Sea, the southern Carpathian mountains, the Black Sea, and the Mediterranean Sea. Geopolitically and even geo-historically, "the Balkans" have accumulated numerous and often contradictory connotations, sometimes patronising, sometimes wistful, but often disparaging.

For example, the Balkans have been described as the major crossroads between Europe and the Middle East and as a battleground between the major empires. The region has been depicted as a rich conglomerate of cultures and religions and as an ethnic and religious conflict zone. In recent years, the Balkans have been viewed as both a critical security zone and as an unstable non-European periphery.

Since the Collapse of communist Europe, the "Balkans" have once again captured the headlines in the American and West European media and the attention of foreign policy makers. The concept of "Balkanisation", following the disintegration of the Soviet Bloc and the collapse of the communist Yugoslav federation, has again entered the security vocabulary. It has come to signify, much as it did at the beginning of this century, a simmering inferno of conflict and instability that no outside power can control and no local power can evidently escape.

As a result, all the countries of this geographic region have been collectively framed into a geopolitical framework that no state can purportedly surmount. The pejorative "Balkan" image thus allegedly explains the often bloody "ethnic conflicts", the unreformable authoritarian regimes, the rampant criminality, the customary corruption, and the incurable economic backwardness.

Ironically, it has suited two specific parties, one interested and one disinterested, to perpetuate these Balkan myths. On the one hand, the forces of nationalism, authoritarianism, and ethnic division active in parts of the region have thrived on this peculiar image of non-redemption to consolidate their positions and to try and forestall any outside interference. On the other hand, trans-Atlantic policy makers lacking sufficient strategic vision and commitment to pan-European integrity have manipulated the Balkan image to justify inaction and the assignment of South Eastern Europe to the permanent status of an outsider.

It is against such powerful myth making and image generation that both the domestic reformers and foreign sympathisers have struggled to transform the Balkans and to propel the region toward the European mainstream. Their task during the past decade has been profoundly complicated by the wars within and between the Yugoslav successor states, by the repression perpetrated by Serbia's Milosevic regime, by the collapse of the Albanian economy and the subsequent armed uprising, and by the uphill battles of all Balkan states to complete their transition from totalitarian communism to democratic capitalism.

At the start of the 21st century, the time is ripe for a major reassessment of the Balkan region: for a sober analysis of the present condition and for an informed projection of alternative scenarios of development during the next decade. In this analysis and projection of Balkan instabilities and opportunities, the following states and quasi-states have been included: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia, Kosovo, and Montenegro.

Part one of this paper examines the geopolitical context in which the Balkans are located at the end of the 20th century. It therefore assesses, in

turn, the international environment, the regional parameters, and specific country developments. The bulk of the analysis projects and examines three alternative scenarios for the Balkans during the next decade: regional regression, secure development, and progressive integration.

The first scenario envisages a major breakdown in the region's development, marked by accelerating domestic devolutions, spiralling regional rivalries, and growing international isolation. The second scenario depicts a minimal constructive evolution characterised by domestic stabilization, regional cooperation, and increasing international involvement. The third scenario posits a maximal constructive development for the Balkans, involving major domestic transformations, regional Synchronization, and international integration. It is in order to help promote the latter scenario that this paper is offered.

2. Geopolitical Context: Diversified Instabilities

Since the fall of communism and the unravelling of the Soviet bloc in 1989 a new dividing line has descended across the continent. Although not as impervious as the Iron Curtain, it nevertheless separates "Central Europe" from the "Balkans", particularly in the perceptions of many analysts and policy makers. The reasons are both internal and international.

The post-communist governments in several Balkan countries have failed to capitalise on the opportunity to transform their ossified economies and to institutionalise democratic pluralism. Furthermore, the brutal wars in Croatia, Bosnia-Herzegovina, and Kosovo have spread the image of ceaseless ethnic conflicts and intolerant nationalism as the inescapable destiny of the Balkan peoples. Such perceptions have undermined efforts to help transform the region and prepare it for European integration.

While the ongoing turmoil in the Balkans is the symptom of a deeply rooted political, economic, and social malaise, it is important to examine its context as well as the commonalties and differences between individual states. This may enable one to pinpoint the differing stages of development and empower policy makers, both in the region and outside, to devise

viable solutions enabling the region to "catch up" with Central Europe and to avoid a negative scenario of growing marginalization, peripheral status, and perpetual instability.

Regional Parameters

The Balkan states share a common legacy of communist rule with all of its implications: political centralization, party control over all state institutions and public bodies, police repression, centralised command economies, the outlawing of private initiatives, and the atomisation of society. However, three divergent Marxist-Leninist systems were operative in the Balkans with differing implications for post-communist reform: an essentially Stalinist and isolationist regime in Albania; orthodox communist regimes in the Soviet bloc states of Romania and Bulgaria; and a more reformed communist system in Yugoslavia that shared some features with the Central European countries.

Political Immaturity: In the more repressive systems, the opposition movements were weak, divided, and disorganised. Pervasive police controls, public fear, and widespread apathy thwarted any large-scale manifestations of dissent and independent social activism. There was an absence of an alternative elite that could sow the seeds of a civil pluralistic society and a dearth of large independent churches or cultural activities that could nourish autonomous civic activism. The private economic sector was virtually non-existent in Albania, Bulgaria, and Romania, while the power struggles within the ruling communist parties were largely between dogmatists and reformers rather than between intra-system reformers and liberalizers favouring a multi-party system.

During the past decade, the Central European countries of Poland, Hungary, the Czech Republic, Slovakia, Slovenia, and the three Baltic states (Estonia, Latvia, and Lithuania), have displayed greater success in dismantling the old political structures and building pluralistic democracies. An organised and broad-based alternative elite was present and a wide spectrum of political parties emerged in which the influence of

extremist groupings, whether nationalist or Leninist, was effectively marginalized.

The reformist states also proved more successful in developing a dynamic private sector, or entrepreneurial middle class, and establishing the institutional underpinnings of a private non-state economy. This has not guaranteed that the democratisation and marketization process is completed in Central Europe because further legal, political, and property reforms remain necessary to bring these states into line with standards prevailing in Western Europe, as evidenced in the conditions established for European Union (EU) accession.

By contrast, in much of the Balkan region, the reform process in both the political and economic spheres has been obstructed by an entrenched post-communist political stratum. Sectors of the old elite have also benefited directly from economic restructuring by gaining control over semi-privatized state property. In sum, the development of a participatory civic society and the rule of law have been thwarted by the forces of authoritarianism, cronyism, and statism. These negative trends have been particularly evident in several former Yugoslav republics, even though their points of departure in the late 1980s were comparable to that of Central Europe.

Authoritarian Temptations: Various forms of authoritarianism have emerged in the Balkans since the demise of totalitarian Communist rule. The former Leninist parties discarded their Marxist precepts in order to retain or regain the most important levers of power. Where they were successful, the ex-communists and their various allies, adopted an assortment of ideologies and programs to garner some measure of popular support through the electoral process and to manipulate public opinion. They have rallied around two major clusters of issues: statist populism and ethnic nationalism.

The Balkan populists have not presented a clear ideological profile or a viable long-term socio-economic program. Instead, they have endeavoured to appeal to broad sectors of the population by offering simplistic remedies to invariably complex economic and social problems. They simultaneously

underscored the importance of the state led by a strong national party in providing political continuity, strong leadership, public security, and a broad welfare umbrella.

The statist socialist-populists have not reformulated classic Leninist parties with the intention of re-communising their societies and re-establishing a totalitarian monopoly over political life. Nevertheless, they obstructed and exploited the transformation process to their advantage and adopted strategies to undercut the position of democratic, liberal, and reformist groupings.

For example, the statist-populists have ensured unequal political competition through their control over the most important media outlets, especially state television and radio, in which government and party remained intertwined. They retained substantial portions of the old communist party property assets, communications networks, and organisational structures. They deliberately slowed down judicial reform and prevented the emergence of an independent judiciary. At local level, the post-communist networks have remained particularly pervasive. Hence, the democratic forces have generally proved more successful in the larger urban areas than in small towns and villages.

The statist-populists also established broad patronage systems. Through them political loyalists have benefited from the sale and distribution of state assets and the quasi-privatisation process. The ruling parties have also maintained a system of intelligence gathering and police surveillance over the political opposition. Although not as pervasive or repressive as under the communist system, this has nonetheless hampered the development of a balanced democracy. The post-communists calculated that a formal democracy could co-exist with an informal authoritarianism. Instead of seeking to destroy all vestiges of political pluralism, the leadership estimated that selective controls over the most important state and public institutions could sufficiently preserve their positions of power.

New authoritarian leaders have also closely intertwined the ruling party with key government organs. This has been defined as a "partitocracy" even though it falls short of a totalitarian one-party system. In some

instances, they have used the strong presidential system specified in national constitutions to promote their powers and disregarded parliamentary prerogatives. In other cases, they have benefited from the political flux and constitutional and legal ambiguities to strengthen personal controls. One-party domination has been buttressed by the form of public administration prevalent in much of the region. In some states, instead of a "merit system" among the civil service a "spoils system" developed in which the election winners basically replace virtually all government workers and administrators with party loyalists.

Democratic Fragmentation: A second set of factors has assisted the ruling Balkan elites: the political, ideological, and organisational fragmentation of the diverse opposition movements. The resurrected historical pre-war parties, including Liberals, Christian Democrats, Social Democrats, and Peasants, have proved to be comparatively weak. Meanwhile, the broader anti-communist fronts in Romania, Bulgaria, and elsewhere, splintered as a result of personality clashes, ideological divergences, and policy differences. They also found it difficult to gain sizeable constituencies and remained susceptible to governmental manipulation.

The statist populists placed several obstacles to comprehensive democratisation and were accused by the political opposition of dictatorial tendencies. Instructively, similar charges were levelled against the anti-communist Democratic Party in Albania, which during its spell in government in the 1990s also upheld tight controls over the mass media, the judiciary, the security forces, and other public institutions. Such a persistent phenomenon indicates that the political culture of statism and authoritarianism remains deeply embedded in the region among a broad spectrum of parties including former Communist and some ex-dissident circles.

A political culture of dialogue, tolerance, and compromise has shallow roots in much of the Balkans. Nearly fifty years of Marxism-Leninism contributed significantly to distorting political relations by prescribing seemingly easy solutions to complex problems. This legacy has infused governmental policy in much of the region. Former class enemies are now

commonly represented as national traitors or as alien enemies. Slow progress has been achieved in the process of civic acculturation and political participation. In such conditions, political life and social interaction can become rapidly polarised and intolerant.

Nationalist Resurgence: The resurgence of nationalism and ethnic politics has proved especially stark in the Balkan region where historical competition over territories and minorities has been reanimated and manipulated by an assortment of political actors. Nationalist politicians have appealed directly to collectivist ethnic identity and antagonistically defined their countries "national interests" while seeking support from a cross-section of the electorate. Ultra-nationalists operate on two chief principles: collectivism and exclusivism. Ethnic collectivism serves to unite a society around its perceived vital interests, while exclusivism defines these interests in relation to a domestic or foreign threat.

The collapse of Titoist Yugoslavia during 1990-1991, and the emergence of five new states, sparked a variety of nationalist responses. They ranged from the relatively benign pro-independence nationalism of the Slovenian and Macedonian governments to the radical and xenophobic ethno-racism exhibited by militant Serb and Croat militias in Bosnia-Herzegovina backed by their patrons in Serbia and Croatia. Their policies led to forced expulsions and the mass murder of rival ethnic groups in order to create ethnically exclusive territories.

Contrary to much conventional wisdom, Leninism did not "freeze" ethnic relations or bury nationalist ideologies. It actually exploited ethno-nationalism to replace the failing notions of class struggle and socialist internationalism. It was therefore relatively easy for many communist functionaries schooled in collectivism and centralism to switch over to overtly nationalist positions once Leninism became defunct. Ethnic nationalism also enabled new alliances to be forged between former communists and ultra-nationalist anti-communists.

Leninism disfigured the Balkan societies by stifling the emergence of civic societies. Instead, it tended to buttress collectivist models of individual and

group obligations to the state rather than the principles of individual liberty and human rights protected by the government. When communist party rule evaporated, democratic institutions only slowly emerged in these societies and public input into decision-making remained limited. Moreover, the communists developed little tradition of mediating and resolving inter-group disputes, including those based on distinctive ethnic and religious interests.

Ethnic Escalation: Ethnic politics have been manipulated by a range of political groups. Leaders looking for popular support have capitalised on nationalist sentiments and exploited the presence of minority or foreign scapegoats. Political extremists and criminal opportunists, especially in the former Yugoslavia, have taken advantage of widespread public disorientation and deflected mass fears and blame towards vulnerable minorities or ethnic neighbours. Populists and nationalists have launched offensives on various ethnic adversaries. In some instances, the post-communist authorities have relied on smaller ultra-nationalist parties to maintain workable governing coalitions. The danger remains that even in opposition, elements of the old communist apparatus will form alliances with radical nationalists to disrupt incumbent governments and promote anti-minority programs. Such an approach may have some resonance among sectors of the population experiencing serious economic decline.

The activism of nationalist parties, amidst broad-based perceptions of internal or external threat, acts as a catalyst for the emergence of authoritarian regimes espousing "national unity" and displaying intolerance toward political pluralism and democratic competition. Such a process can severely inhibit progress towards democracy, the rule of law, a free media, and the development of a participatory civic society.

Xenophobic nationalism promotes authoritarianism as it fosters an intolerant political climate and justifies governmental controls over various public institutions on the pretext of defending allegedly endangered national interests. The proponents of a civic society, based on a balance between individual and minority group rights, on unrestricted political

competition, an open mass media, and the rule of law, may thereby face an uphill struggle against a pervasive current of nationalist threat.

Furthermore, the emergence of a traditional political spectrum has been obstructed in parts of South Eastern Europe by nationalist, ethnic, and regionalist politics. The nationalist-civic spectrum often intersects with an embryonic traditional left-right continuum, thereby confusing the programs of specific political parties. This phenomenon focuses political life around national collective questions rather than civic issues and has side-tracked the agenda for economic transformation.

Parts of the Balkans have witnessed a process of ethnic escalation promoted by nationalist politicians. Yugoslavia has proved a fertile case study of how the growth of nationalism among one nationality can trigger an escalation of nationalist competition between the leaders of two or more ethnic groups, often in search of political office and economic privileges. The rise of nationalism is thereby widely interpreted as an act of self-defence and protection against discrimination, repression, expulsion, or even physical annihilation.

Economic Stagnation: Populism, nationalism, statism, and authoritarianism are inevitably reinforced by poor economic performance. Although strictly centralised command economies no longer exist in the region, the progress of systemic transformation, transparent privatisation, marketization, and the development of legalistic states has been thwarted by special interest groups many of which emerged from the communist apparatus.

Sectors of the old elite have benefited directly from limited economic reform programs by conducting what has been labelled as "nomenklatura privatisation". In this process, former state property has been sold off cheaply to newly formed companies controlled by well-connected members of the former communist parties. Although Central Europe has not escaped this corrupt practice, in the Balkans and in many former Soviet republics it has assumed mammoth proportions. It has restricted market competition and the development of a genuine entrepreneurial stratum that could strengthen the democratisation process and accelerate economic progress.

Fearful of a market reform program that could dislodge the old nomenklatura from its privileged positions and seeking to benefit from the legal and regulatory confusion, the statist-populists have hampered market reform in virtually all the Balkan states. Through their control over major media outlets, they have played on fears of far-reaching market reform especially among vulnerable sectors of society, including unskilled manual workers, pensioners, and state employees.

Substantial sectors of the population have exhibited fear of economic decline, confusion about their future material prospects, resentment towards the new rich, insecurity about their safety and security, and susceptibility to populist, socialist, and nationalist rhetoric. Hence, demands for economic security, personal safety, and political predictability, encouraged by the state media, have promoted electoral support for paternalism, welfarism, statism, and authoritarianism.

Criminal Bounties: The inherited socialist mismanagement, productive inefficiency, and industrial uncompetitiveness have been compounded by nepotism, patronage, and outright corruption. Indeed, a growing wave of officially sponsored criminality has swept across South East Europe. Not only has crime seriously undermined legalism and terrorised a nervous public, but it has also destabilised the region's fragile economies and quasi-democratic political institutions.

Eastern Europe has proved to be a bountiful land of opportunity for assorted criminal elements, organised gangsters, and corrupt officials. The varieties of criminal activity can be divided into three broad categories: domestic gangs, international crime syndicates, and politically connected networks that prey on the disintegration of state economies. All three forms of criminality have prospered in the Balkans not only because the forces of law and order were left unprepared, but also because well-connected politicians and security officials themselves benefit from "robber capitalism" and illicitly acquired funds.

In the domestic context, local gangs, who can bribe poorly paid or corrupt police officials, thrive on the new availability of weapons and the fear or gullibility of large sectors of the population. Robbery, murder, drug

smuggling, prostitution, and money laundering have been on the rise in recent years and the police seem overwhelmed by the scale of the problem. Mobsters have filled the legal limbo between statist communism and an embryonic market economy.

Domestic East European gangs are either linked with or remain in competition with well-organised international syndicates. These new "multi-nationals" focus primarily on smuggling, including weapons, drugs, stolen goods, and people. In many instances, the syndicates are better armed than the local police forces. Racketeers also smuggle East Europeans and refugees from the Third World into the prosperous European Union for a substantial fee.

Drug traffickers have revived the traditional "Balkan route" between Asia and Western Europe after the lifting of United Nations sanctions against Yugoslavia. The route runs through Turkey, Bulgaria, and Yugoslavia into Central Europe. Heroin, hashish, and cocaine from Turkey, Pakistan, and the Middle East are again flooding the European market and analysts believe many local couriers as well as East European officials are benefiting from this lucrative trade. Meanwhile, customs officials lack the necessary equipment to detect the drugs and are desperately looking for Western assistance particularly along the Black Sea coast and the Danube river.

Systemic Retardation: As economies deteriorate, organised crime escalates. Violent attacks have soared in parts of the region as a method for settling scores between mafia-like business groups. Such phenomena can destabilise the transition process as illicit businesses in conditions of economic crisis can trigger political fragmentation. Links between corrupt officialdom and organised crime can be traced across Eastern Europe. When the system of centralised controls collapsed, the well-connected Communist apparatchiks pounced on state resources to line their pockets with public wealth. They have posed as "businessmen" while stripping their countries of scarce funds and resources.

Leading political figures from Croatia to Bulgaria have either embezzled state funds or established shady companies using public resources, without

any legal restraints. The stability of the Balkan states is therefore as much dependent on effectively combating organised criminality as it is on emphatically pursuing market reforms. Without an effective anti-syndicate campaign alongside economic progress and transparent market competition, an increasingly pauperised and desperate public may become prone to the incitement of social unrest which fuels political instability.

Long delays in overhauling and marketizing the economy may initially cushion the population and the regime against the rigors of capitalism. But in the long term, such a regressive policy will simply drive the government further into debt and make unavoidable reforms that much more painful and destabilising in the future.

Furthermore, where governing parties have unfairly dispensed privileges to a politically loyal elite, and where the legal system is unreformed or tied to party-state interests, corruption and mismanagement become endemic. Serious economic decline in conditions of political favouritism, organised corruption, and social revolt can rapidly propel a country towards authoritarian rule and provide opportunities for political factions determined to engineer ethnic and international conflicts.

Weak States: With the termination of monopolistic and centralised one-party rule, much of Eastern Europe experienced a counter-phenomenon of political fragmentation, institutional weakness, legal confusion, and official corruption. In some Balkan countries, such conditions persist, whereby weak state structures or feeble leaders prove unable to pursue political reforms, economic restructuring, or modernisation.

In the late 1990s, Albania presented the most poignant example of these problems during and after the collapse of the failed "pyramid" schemes in the spring of 1997. The country's state structure weakened and the central and local governments only slowly regained control over the countryside in an attempt to restore public order. Equally worrisome was an evident symbiosis between politics and crime, similarly to the situation in Serbia, where politicians and policemen were believed to be corrupt and criminal gangs controlled substantial sectors of the economy. Criminal gangs possessed no political affiliation or ideological loyalty. They are commonly

opportunistic and gravitate toward those in power so they can bribe or bypass officialdom. Criminality can thus become both a symptom and a cause of political paralysis.

International Environment

Despite the changing political and international environment, certain fundamental security interests in European stability have remained unaltered. These include: guarantees that the continent remains free from domination by any expansionist power; a Europe devoid of destabilising national and ethnic strife; domestic stability in the post-communist countries; progress towards continental integration; and the development of a pan-European security pillar that can cooperate with the United States in a range of global issues.

Nato's Changing Role: All of these objectives have demanded active American involvement within the only proven security institution on the European continent, the North Atlantic Treaty Organization (NATO). However, the shifting security situation has called for an evolution of Nato from a system of collective defence into a wider security entity willing to handle a range of instabilities. The continuing viability of Nato has clearly become dependent on a transformation of both its mission and its structure.

The crisis in the Balkans has seriously tested Nato's cohesion during its evolution from a system of collective defence to a structure of pan-European security. Most recently, the Kosovo problem is having a direct impact on two questions that are vital to long-term stability in the Balkans: the future of the Federal Republic of Yugoslavia (FRY) and the development of pan-Albanianism. The war in Kosovo has both an immediate and a longer-term impact on the Nato Alliance. In the short term, it challenges the commitment and effectiveness of Nato leaders in ensuring security beyond Alliance borders. In the long term, ongoing Balkan conflicts (in Bosnia-Herzegovina, Kosovo, Serbia-Montenegro, and Macedonia) will test Nato's cohesiveness and purpose for several pertinent reasons.

First, the nature of the Kosovo conflict may be emblematic of the kinds of localised or regionalized crises that Nato may face during the coming years, conflicts revolving around issues of ethnicity, territory, power, and the control of various resources. Failure to handle such disputes could render the Alliance powerless in future challenges and actually encourage conflict.

Second, the Kosovo crisis tested inter-allied relations on a number of fronts: whether over appropriate military responses (with differences apparent, for example, between French and American-British positions) or over the motives for involvement in the crisis (as between Greece and Turkey). For instance, if the South Balkan crisis endangers the integrity of Macedonia, then Greece and Turkey may increasingly find themselves on opposite sides of the conflict with Ankara favouring the Muslim Albanians and Greece aligning itself more strongly with Serbian or Slavic Orthodox interests.

Russian Resistance: Third, the Balkan wars and specifically the battle for Kosovo has highlighted the evolution of the Nato-Russian relationship and tested the supposition that Washington and Moscow can cooperate as partners in security issues. Russia's adamant opposition to any international military intervention against Milosevic's Serbia demonstrated Moscow's essentially anti-Nato goals. Russia obstructed allied policies for two main reasons: to enhance its prestige and influence in the Balkans and to weaken the credibility of Nato's projected new missions in Europe. To accomplish these strategic objectives, the Yeltsin-Primakov government sought to weaken the international response to any regional crisis and to preserve Yugoslav President Slobodan Milosevic in power. With the ouster of Milosevic in October 2000 and the election of Vojislav Kostunica and the DOS (Democratic Coalition of Serbia), Moscow's more assertive Putin administration pushed to maintain Belgrade as its key regional ally and was rewarded with Kostunica's conformation that Moscow remained an important partner for Serbia.

Moscow has suffered various setbacks in Eastern Europe during the past few years. Nato's expansion to Central Europe and its military success in

Bosnia-Herzegovina has been viewed negatively by Russian policy makers, as it enhanced the credibility of the Alliance as the key institution of collective European security. Moscow also lost a key ally in the Balkans when the Bulgarian government of President Peter Stoyanov, declared its intent to join NATO and to diminish its political and economic dependence on Russia. Russian leaders remain fearful that Nato will assume a more prominent role throughout South East Europe and thereby permanently exclude Russia as a serious regional player.

The Kremlin is motivated by geostrategic "business" interests as well as by great power ambitions. Oligarchic interest groups in Moscow together with Russian intelligence services maintain close ties with assorted Balkan anti-Nato forces, ex-communist apparatchiks, and criminal syndicates and do not want their profitable activities disrupted by Nato interference. Hence, power and profit closely intersect in the region and Russia will continue to pursue policies that restrict allied involvement and seek to steadily undermine the American presence.

With an internationally relegitimized Serbia, Russia is assured of a major ally in the Balkans from where it can exert influence further afield. Moscow has interests throughout a much wider region, and in particular it seeks to prevent any further Nato expansion or allied success in a zone it considers to belong to its "sphere of influence". Under President Vladimir Putin, the Kremlin has accelerated its attempts to unseat the democratic government in Bulgaria, as evidenced in the regular expulsion of Russian agents posing as diplomats in Sofia, to shore up the Kostunica administration in Serbia, and to create broader problems for Nato throughout South East Europe.

Despite Nato's success in halting genocide in Kosovo, the Kremlin charges KFOR with failing in its mission, of allegedly tolerating pan-Albanian militancy in Kosovo and Macedonia, and of promoting regional destabilisation. It is thereby challenging Nato to either destroy the Albanian guerrilla movement and their support base or to abandon the Balkans altogether. Moscow seems intent on making South East Europe safer for its oligarchic lobbies and criminal cartels linked with the re-energised KGB

structure. In this vein, the Kremlin is intent on preventing the final disintegration of Yugoslavia and even bringing Macedonia into a tighter Serbian-Russian orbit and thus increasing pressures on a currently pro-western Bulgaria.

Country Developments

In order to gain a fuller picture of conditions throughout the Balkans, it is useful to conduct a brief country survey and explore the similarities and diversities between individual states. It is also important to ask the question: how many of these countries have actually passed the point of no return from authoritarianism and statism to democracy and a free market?

Uncertain Albania: After a decade of turmoil, Albania remains a weak state that has veered between hard-line communism and political ungovernability. Albanian politics is divided between two forces that control the political space - Socialists and Democrats. The differences between them have little to do with ideology, policy or program, but more with access to power and resources. Albania is politically highly polarised with little middle ground of dialogue or compromise. Most of the smaller parties are tied in with one of the major formations and gain jobs and privileges from this association. Cronyism and nepotism remain rampant in an unstable economic climate.

Both government and parliament remain largely paralysed amidst bitter power struggles and personal interests. Parliamentarians tend to be interlocutors for the executive power rather than genuine independent legislators representing their constituencies. This political standstill is likely to endure thus undermining the legitimacy and impact of any attempted reform program.

The relationship between central and local governments is also one of paralysis and mutual obstruction. Local authorities have little power and limited financial resources. During the 1990s, the state has become a network of narrow interests often interlinked with criminal gangs, usually referred to as clans, rather than consisting of a system of authoritative and

representative public institutions. No credible centrist party has emerged and young people invariably shun politics altogether. Indeed, many young professionals continue to leave Albania because of limited opportunities and general disillusionment.

Albania is a transit point for cross-Balkan smuggling and trafficking routes. It has also developed a vibrant home industry of crime. It is also an international center for money laundering and for criminal networking. Tirana loses enormous amounts of money each year on customs and tax evasion, while members of the administration as well as local police chiefs are widely believed to profit from corruption or criminal involvement. Criminal gangs have no political affiliation or ideological loyalty. They are opportunistic and gravitate towards those in power so they can bribe or bypass officialdom. Criminality itself is both a symptom and a cause of Albania's political paralysis.

During the past two years, the Socialist government of Prime Minister Ilir Meta has made some valiant efforts to restore law and order, to crack down on organised crime and rampant corruption, to reform the judicial system, and to relaunch a credible economic reform program. Although it has registered some successes with international assistance, the political chasm between the two major parties continued to disrupt political life. With parliamentary elections scheduled for the summer of 2001, Tirana faced a major test for its political stability and a clear signal whether its reform and rebuilding program would be durable.

Divided Bosnia-Herzegovina: Since the signing of the Dayton accords in the fall of 1995, Bosnia-Herzegovina has displayed uneven progress toward unification and multi-ethnic pluralism. Nationalist forces and vested political and economic interests among all three ethnic groups have continued to obstruct the full implementation of the international agreement. The maintenance of a sizeable Nato presence was deemed essential to keep the peace and to apply political pressure on the feuding political leaders. Even though some moderate politicians were strengthened by the international community, nationalist leaders have continued to

dominate, especially at local levels in the Serb entity and the Croat-majority areas inside the Bosnian Federation.

The survival of Bosnia-Herzegovina as a single state remained dependent primarily on the presence of Nato and other international institutions to provide physical security, state resources, economic reconstruction, institutional continuity, and territorial integrity. Hard-line nationalists calculated that international resolve would weaken over time and that their resistance to ethnic reintegration and civic democracy would eventually pay off as international organisations disengaged from Bosnia and de facto recognized the existence of two sovereign states. Meanwhile, Bosnia's democrats were frustrated by the initial weak pressures exerted by international organisations on nationalist "warlords" and the slow development of civic institutions. But the civic activists and integralists were also cognisant that over-dependence on international actors could undermine the authenticity and indigenous development of Bosnia's multi-ethnic and civic-democratic institutions.

Although centrist and civic forces proved more successful than in the previous ballot in the general elections on 11 November 2000, the three nationalist parties gained sufficient representation to obstruct multi-ethnic integration. In particular, the Serbian Democratic Party and the Croatian Democratic Union captured most of their ethnic space and looked set to continue blocking both democratic reform and governmental authority at the central level. In the Serb entity, Mirko Sarovic of the hard-line Serbian Democratic Party (SDP) won the presidency in the first round of voting, while the more moderate Milorad Dodik finished a poor second.

The Social Democrats performed well in the Federation and sought to bridge the ethnic divide but were not prepared to enter a coalition with any nationalist party. The creation of a moderate coalition would be a prolonged process preventing any effective decision-making and perpetuating a basically dysfunctional central government.

The nationalist Croatian Democratic Union (CDU) launched a new challenge to the survival of the Federation in early 2001 when it declared "self-rule" in Western Herzegovina and threatened to withdraw from all

national institutions. This was allegedly in protest against changes in Bosnia's electoral rules that favoured civic, moderate, and multi-ethnic parties. CDU leader Ante Jelavic decided to test international resolve to keep Bosnia together and to exploit the sense of growing regional insecurity. The CDU move propelled the Croatian community on a collision course with Western officials overseeing the Dayton accords. The results would also serve as a lesson for the leadership of the Serb entity in their moves toward separation from Bosnia.

The process of refugee return in Bosnia has also proved extremely slow. This was primarily a result of resistance by nationalist mayors, a lack of housing and infrastructure, and the complacency of international agencies responsible for reintegration. Local leaders among all three ethnic groups were guilty of preventing refugees from reclaiming their homes. Many cantonal and city authorities did not want any dilution of their demographic, political, and economic base by allowing for the return of thousands of non-ethnics. They engaged in bureaucratic obstruction and orchestrated physical attacks on refugees. Only a few thousand refugees, out of an estimated displaced population of some one and a half million, actually settled across the inter-entity and inter-ethnic boundaries. Most of the returns took place within the majority ethnic zones.

Progressive Bulgaria: The administration of President Petar Stoyanov and Prime Minister Ivan Kostov has continued to enjoy broad public support even though the impact of renewed economic reforms was painfully felt by broad sectors of the Bulgarian population. Bulgaria has made significant economic progress and adopted a more activist role in regional security questions in the Balkans. Sofia has pursued far-reaching economic restructuring, inaugurated reforms in the justice system, and launched a campaign against organised crime and corruption. Nevertheless, the government faced a number of major challenges, including the completion of the privatisation program, liberalisation of the agricultural sector, and further legal and administrative reforms.

Bulgaria made significant progress on the security front. An agreement was signed in September between Bulgaria, Albania, Greece, Macedonia,

Romania, and Turkey to establish a Multinational Peace Force in Southeastern Europe (MPF). The MPF was based in the Bulgarian city of Plovdiv and would be subordinate to either the United Nations or the OSCE (Organization for Security and Cooperation in Europe) in its future European peace-keeping missions.

During the crisis in neighbouring Yugoslavia, the Bulgarian government agreed to allow Nato to use the country's airspace in any planned bombing of Serbian forces. Sofia viewed the conflict in Kosovo as a profound danger to regional stability in the Balkans and sought to assist Nato in its peace-making efforts. Sofia's dispute with Macedonia over the validity of the Macedonian language was resolved in March 1999 opening up a number of important bilateral agreements between the two countries.

The Democratic government also underscored its commitment to both Nato and EU membership and actively campaigned for inclusion in these organisations. Its foreign policy priorities loosened Bulgaria's relations with Russia, while Moscow continued to manipulate the question of its energy supplies to Sofia as a form of political pressure. In order to lower its dependence on Russian gas supplies, Bulgaria sought ways of diversifying its energy sources. In early 2001, Moscow stepped up its attempts to subvert Bulgaria's political system and to emplace pro-Russian loyalists at the helm following elections scheduled for late spring. Several Russian diplomats were ejected from the country with disclosures that they were involved in more than espionage activities but in bribing and blackmailing politicians and overseeing major economic buyouts.

Reformist Croatia: By the close of 1999, Croatia's progress towards democratic rule and membership of international institutions remained stalled by its quasi-authoritarian government. A broad range of domestic reforms continued to be obstructed, including reform of the election law, an end to persecution of the independent media, the rooting out of corruption and political patronage, and the unhindered return of Serbian refugees to their pre-war homes. Zagreb was also criticised by the international community for concentrating too much power within the central government and particularly in the President's office. Tudjman held

substantial constitutional powers enabling him to block democratic reforms.

With the death after a long illness of President Tudjman in December 1999, the popularity of the CDU plummeted. Parliamentary elections were held in January 2000 and a two party democratic opposition coalition, won the ballot and subsequently formed a governing coalition with a smaller coalition. The splits within the CDU became even more apparent during the presidential elections in February 2000 when the CDU opponent Stjepan Mesic, won the presidency in the second round. The two elections signalled the end of the CDU era and the beginning of a democratic administration that faced numerous problems during its first year in office, not least of which was to keep the diverse government coalition together during the implementation of long overdue political and economic reforms. Top on the political agenda was the constitutional reduction of presidential powers, restructuring the state administration, and dealing with widespread corruption in the privatisation process inherited from the Tudjman's administration.

Tudjman's Croatia was subject to severe international criticism for its human rights record, the harassment of independent publications and non-governmental organisations, and persistent discrimination against the Serb minority. Zagreb was also attacked for openly supporting nationalist Croats in Bosnia. By contrast, the Mesic administration made strenuous moves to sever Croatia's financial and political links with separatist groups in Bosnia and reiterated its support for Bosnia's independence and territorial integrity. Despite its evident successes and democratic credentials, Zagreb was faced with potential social unrest stemming from an economic reform program that necessitated cuts in government spending.

Although the CDU seemed to have little opportunity of regaining power, its political and economic networks appeared intent on disrupting Zagreb's programs and regaining public credibility as defenders of Croatia's "national interests". The coming year would be important in determining whether Croatia had indeed progressed permanently from a quasi-authoritarian to a democratising transitional state.

Unstable Macedonia: Since gaining its independence, Macedonia has been faced with a number of internal and external challenges to its stability. General elections in 1998 installed a pragmatic coalition government, paradoxically combining nationalist parties from the Macedonian and Albanian populations. Although leaders of the ex-nationalist VMRO (Internal Macedonian Revolutionary Organization) party claimed they had discarded their nationalist orientation, Albanian community spokesmen remained concerned that difficult economic conditions coupled with escalating regional tensions could revive anti-minority sentiments.

Macedonia's Albanian leadership pushed for progress in incorporating the large minority in all governmental institutions, but warned that any regression could dissolve the coalition government and revive calls for autonomy, federalisation, or even secession. Macedonian police believed that cells of a secessionist National Liberation Army (NLA) were active in the country seeking to recruit frustrated young people in a struggle against Macedonian integrity.

In March 2001, the NLA launched a guerrilla war in western Macedonia and the international community expressed fears that Macedonia could be destabilised and drawn into a wider Balkan war. The Macedonian government was caught in an unenviable dilemma, between Albanian and Macedonian nationalism. A weak response against the guerrillas could alienate it from the Slav population and lead to its downfall. But an overly strong response could alienate it from its Albanian allies and also lead to its collapse. To try and achieve a proper balance, Skopje tried to act tough with NLA gunmen while preparing to launch a new dialogue with Albanian leaders in Macedonia in order to address some of their demands on constitutional changes and minority rights.

Stagnant Romania: Romania's democratic coalition government collapsed in the parliamentary elections in November 2000. The ballot was won by the Social Democrats while a strong nationalist note was injected into Romanian politics with the strong showing of the anti-minority and expansionist Greater Romania Party (GRP) that became the second largest parliamentary group. Ion Iliescu was elected President in December 2000,

defeating the GRP's nationalist leader Vadim Tudor. The unexpected popularity of the GRP caused dismay among democrats and minority leaders who feared a turn toward ethnic confrontation. Tudor had stimulated significant appeal among young people frustrated with government policies and performed well in parts of Transylvania. The new government inherited a difficult economic situation and the prospect of losing its international standing if it pursued authoritarian, populist, or nationalist measures.

Romania's ambitious economic reform program has stagnated before the balloting and the government was criticised for delaying the privatisation program. Romania's governing democratic coalition was also involved in various internal disputes that undermined its reform program. Bucharest faced a daunting task in steering an effective reform program in the face of bureaucratic obstruction and mounting social disquiet.

Because of the absence of political consensus, Romania's economic transformation towards a market economy has visibly slowed down. Officials remained nervous about the negative and destabilising social implications of their reformist measures. They feared growing public protests against financial austerity and the closure of state enterprises. Bucharest was also criticised by the international community for not doing enough to combat crime and corruption or to demilitarise its police force.

Romania continued to make significant strides in promoting inter-ethnic cooperation. However, some human rights organisations claimed that the government had not done enough to prevent discrimination and public hostility against the large Roma (Gypsy) population. Disputes were also evident between Romanian officials and the large Hungarian community. Nonetheless, the Hungarian coalition remained a part of the government despite ongoing disagreements over two issues: Hungarian language education and administrative autonomy. By early 2001, it was unclear whether the new Iliescu administration would maintain cordial relations with the Magyar leadership or would exploit anti-minority sentiments to distract public attention from the inevitably difficult economic reform program.

Desperate Serbia: The Federal Republic of Yugoslavia (FRY) has been beset by serious ethnic and economic crises even with the ouster from power of Slobodan Milosevic in October 2000 and the election of Vojislav Kostunica as Yugoslav President. The Serbian government confronted the loss of Kosovo, an Albanian rebellion in the Presevo region of Southern Serbia, and a growing movement for independence in the restless republic of Montenegro.

Serbia confronted a legion of political, economic, ethnic, and social problems inherited from the Milosevic years. Politically, the new administration confronted the task of keeping together a disparate coalition of 18 parties, while removing the Socialists and their allies from public offices without provoking a counter-revolution. Indeed, some observers believed that the Kostunica coalition had forged a deal with the Socialist apparatus to protect them from trial and dispossession. In return, Serbia's security commanders had actively participated in the dislodging of Milosevic.

Economically, Belgrade needed to implement a tough reform program involving wholesale restructuring, budgetary discipline, and competitive privatisation, while undermining and eliminating the interest groups that controlled the Serbian economy. Socially, the authorities had to maintain sufficient public support while engaging in far-reaching reforms while preventing potential populist and nationalist reactions as a result of deflated expectations over economic prosperity.

Constitutionally, Serbia and Montenegro seemed unable to reformulate their federal arrangement on a more equitable basis. The government in Podgorica seemed determined to hold a referendum on independence that would effectively terminate the Yugoslav federation. In territorial terms, the conflict between Serbia and Kosovo will continue to simmer because of the irreconcilable positions of Belgrade and Pristina on the question of Kosovo's independence. Clearly, international actors needed to maintain a major role in a still volatile environment.

Critical Kosovo: Kosovo has become a burning issue not only for the stability of the South Balkans but also for the credibility of the Atlantic

Alliance. A viable solution to the conflict between Serbs and Albanians has evaded both the protagonists and the international community for over a decade. The diametrically opposed positions of the two parties, with Belgrade adamant about the territorial integrity of Serbia and Pristina unwilling to backtrack on demands for independence, has presented a major challenge for Nato policy makers and international mediators.

Although Nato liberated Kosovo in the summer of 1999 from the repressive policies of the Milosevic regime, numerous problems have materialised in building the foundations of a functioning multiethnic democracy. The lack of a legitimate Kosovo Albanian authority and persistent conflicts between two rival Albanian parties, the Democratic League of Ibrahim Rugova and the political descendants of the Kosovo Liberation Army, have contributed to paralysing the development of political institutions and the emergence of a civic society.

Organised crime has also threatened the security of residents, perpetuates a climate of revenge against the minority Serb community, and undermines the emergence of a democratic system. International agencies operating in Kosovo have paradoxically undercut the emergence of embryonic Albanian local authorities. The establishment of a Kosovo advisory council under the supervision of UN representatives has not filled the political vacuum because it has no real decision-making powers.

The large-scale international presence has contributed to suffocating the development of indigenous political institutions and a local civil society. Political parties and a range of civil groups and NGOs faced an uphill struggle in making the transition from clandestine organisations to more formal entities. Critics charged that without resolving the status question and constructing an authoritative Kosovo authority that could become instrumental in building a democratic independent state, the territory would remain prone to uncertainty and instability and would necessitate a large Nato presence for many years to come.

Impatient Montenegro: The rift between the Yugoslav and Montenegrin governments widened to an apparently unbridgeable chasm. Since the 1998 general elections, Podgorica has reasserted its identity and steadily moved

towards independence. The Montenegrin authorities strengthened their quasi-state by promoting a multi-ethnic government, creating an effective internal security apparatus, introducing a separate currency, and establishing direct ties with foreign governments and investors.

The fall of Milosevic and the election of Vojislav Kostunica as President of the Federal Republic of Yugoslavia (FRY) in October 2000 was perceived in the West as terminating Podgorica's drive for independence. However, it actually had the opposite effect because the threat of military force by Belgrade was lifted and the government had proceeded substantially toward statehood and was not prepared to reverse gears.

Montenegro faced two possible options: refederation or independence. Noone was clear how exactly refederation or confederation can be engineered and how it will function. Clearly it cannot be constructed from above by the federal government in Belgrade for which 75% of Montenegrins did not vote. A genuine confederation would require two independent states (Montenegro and Serbia) agreeing to share some elements of their sovereignty. But this begs the question: can the present Yugoslav structure be transformed into a genuine equal confederation, otherwise why share statehood? Most experts agree that a "union" between two such demographically unequal states will simply lead to domination by the larger member.

The second option was renewed statehood but it does not exclude some coordination of policy with Serbia, and this has been Podgorica's proposal. Montenegro sought a "velvet divorce" from Serbia with some coordination of defence and foreign policy. But this was opposed by Belgrade, who sought to preserve a single international subject with a devolution of powers. The two positions could not be reconciled. The governing coalition in Podgorica decided to hold general elections in April to broaden and deepen its legitimacy in preparations for a republican plebiscite on independence during the summer. Such a move would effectively dissolve the Yugoslav federation and highlight the unresolved question of Kosovo's future status.

3. Balkan Futures I: Regional Regression

The worst-case scenario for the Balkan region during the next decade would involve a series of domestic crises accompanied by fundamental political breakdowns and economic meltdowns. Although the degree and impact of regression and devolution will undoubtedly vary between states, each case of internal stagnation or domestic political crisis will contribute to exacerbating regional tensions and accelerating inter-state conflicts.

As a result of such "regional regression", over the next decade the Balkans or certain states within the region could drift toward peripheral status in Europe and on the margins of the trans-Atlantic enlargement process. The United States and the European powers will primarily endeavour to shield themselves from disruptive influences emanating from regressive or stagnant countries through a policy of containment, conflict minimisation, and regional isolation. The prospects for most Balkan states gaining membership in either Nato or the EU would rapidly recede into the distance.

Domestic Devolution

Instead of registering consistent progress towards democratic pluralism, the rule of law, a regulated market economy, and equitable minority rights, the Balkan states could be faced with either long-term stagnation or serious destabilising reversals in their reform process. As the previous section underscored, during the past decade all states in the region have been affected by a slowdown in their transformation from communism to democracy, either as a result of deliberate obstruction or as a consequence of persistent nationality conflicts. Even more severe domestic breakdowns in the process of political and economic transformation could result from several inter-related factors:

Resurgent Authoritarianism: In most Balkan states, democratic movements face an uphill struggle against authoritarian trends. Either the old communist structures have not been fully dismantled or sectors of the ex-Leninist apparatus and some of the former anti-communists have

appropriated nationalistic, populist, and xenophobic themes and policies. In some instances, these regressive forces were successfully elected to political office or obtained a substantial number of parliamentary seats.

Support for democracy building and institutional reform from the Western democracies has often proved insufficient to deter or forestall new forms of "patriotic authoritarianism" in countries such as Serbia. Autocratic tendencies could also become bolstered in other states in South East Europe, with a corresponding weakening of civil-oriented, pro-European, and pro-Atlanticist political parties.

In the midst of disruptive and painful economic reforms over the next few years, the region could face growing popular support for protectionist and anti-reformist governments and policies. Such a phenomenon could propel to power anti-democratic forces whether through national elections or the declaration of "emergency measures". This would increase governmental arbitrariness, lawlessness, and a disregard of democratic procedures despite the holding of multi-party elections and the existence of the formal institutions of democracy. The new regimes are unlikely to try to restore a totalitarian political system. Instead, they will primarily seek to control the most important levers of power and to prevent what they will perceive as disruptive political competition.

Political Infighting: An alternative unsettling scenario in the Balkans is one of endemic political paralysis through the frequent turnover of governments and the long-term instability of cabinets and coalitions. Instead of focusing on the pursuit of a far-reaching economic transformation, government leaders will be preoccupied with political disputes and personality clashes. Vested interest groups seeking to preserve the status quo will deliberately stall the reform process. Political and personal business interests will take priority over programmatic issues, essential legal and economic reforms, and long-term national interests.

Indeed, the "paralysis" scenario could lead to the breakdown of central governmental controls and the increasing de facto autonomy of various regions and sub-regions. Such developments would be further reinforced by the expansion of criminal networks operating across state borders and

tied to various political interest groups. In effect, a country could become ungovernable in a similar pattern to that witnessed in Albania following the public uprising in the spring of 1997.

Social Breakdown: This third scenario is closely linked with the second except that the impetus for political breakdown comes "from below". Mounting social unrest in protest against falling living standards and rising unemployment could be manifested in disruptive industrial actions, violent street protests, and the exploitation of public disquiet by militant nationalist groupings. A swelling wave of industrial strikes would prove difficult to contain particularly if the government remains fractured and weak and if its public support base is constantly shrinking.

Such a degenerative scenario could demoralise the police and security forces. If the unrest turns violent, the temptation would be to use the military against armed workers and street protestors. This worst case possibility could provoke a civil war, characterised by the Organization of self-defence militias, mutinies and splits within the armed forces, and an escalating spiral of violence against state institutions and rival political groupings.

Populist-Nationalist Upsurge: In any of the three scenarios outlined above, radical populist or nationalist elements could seek to gain political power from collapsing governmental authority or from growing appeals for a strong-arm authoritarian regime. An ultra-nationalist administration that gains power either through parliamentary or non-parliamentary means would prove especially destabilising and threatening for the region. Domestically, it could, for example, lead to organised attacks against vulnerable ethnic, religious, or regional minority populations, a wave of officially sanctioned expulsions, or even prolonged inter-communal violence.

An ultra-nationalist and xenophobic regime in any of the Balkan states could rapidly foster conflicts with various neighbouring states. Officially sponsored attacks on a particular minority could provoke pre-emptive or reactive moves to defend this population by a nearby "mother state" or by militia units condoned by neighbouring countries. In addition, a substantial

refugee outflow could contribute to destabilising a nearby state, especially one that already confronts serious inter-ethnic or regional divisions.

The most unsettling scenario would entail a series of ultra-nationalist victories in the Balkans, bringing to power political formations thriving on the manufacture of both internal and external nationality conflicts. Indeed, the success of militant nationalists in one state could actually stimulate a nationalist resurgence among minority populations and among neighbours on the pretext of "self-defence" or the alleged protection of endangered "national interests".

Even a relatively benign democratic administration, fearful of losing popular support to more radical forces, could thereby find itself drawn into a bilateral inter-state conflict or embroiled in a regional crisis. Traditional allies and historic rivals could find themselves lining up along the political barricades and threatening to escalate their rivalries in sub-regional blocs. In a scenario where Nato and other European security organs have minimised their direct involvement in the region, the danger of a war of words evolving into a war of deeds would become especially probable as the international deterrent factor would become largely absent.

Regional Rivalries

In assessing the prospects for serious regional conflicts in the Balkans, it is worthwhile to consider the most egregious existing problem areas that could further deteriorate during the coming decade.

The Yugoslav Vortex: Although Serbia has undergone a political rupture from the authoritarian regime of Slobodan Milosevic, the remnants of Yugoslavia remain as a major factor of instability in the Balkans. Belgrade's policies during the past decade have encouraged a series of crises, negative developments, unstable scenarios, and explosive problems. The former Yugoslav president thrived on crisis, war paranoia, and a sense of encirclement in order to preserve his grip on power. The Milosevic regime was replaced in October 2000 by a more moderate administration led by the new Yugoslav President Vojislav Kostunica and a broad

coalition government. Nevertheless, uncertainty and instability emanating from Serbia has continued to fan tensions over a wider region.

If Kosovo and Montenegro actually slip out of Serbia's grip, largely as a result of Nato's intervention, the international community will need to weigh the regional impact of three new independent states. There exists two possible outcomes of such a scenario: the growing destabilisation of the Balkans through a multiplicity of escalating regional conflicts or progress toward settling some combustible security issues revolving around the Serbian and Albanian "questions" (see Section 4*)*.

Pan-Albanianism: Most policy makers calculate that statehood for Kosovo and Montenegro will automatically destabilise the Balkans and unleash a regional conflagration. The "chaos theorists" argue that independence for Kosovo will ignite a series of ethnic conflicts in the South Balkans. For example, it will radicalise the large Albanian minority in Macedonia and precipitate the violent disintegration of this lynchpin state as nationalists battle for unification with a "Greater Albania". In addition, according to this supposition, Montenegro's secession from Yugoslavia could leave the new state unprotected and vulnerable. It would energise the sizeable Albanian population in southern Montenegro to stage an armed revolt and demand separation and unification with Kosovo. This would provoke the potential fracturing of Montenegro at which point the government in Podgorica could appeal to Belgrade for direct military assistance.

In order to avoid such destabilising scenarios, Nato leaders have adamantly opposed Kosovo's and Montenegro's independence. Moreover, foreign governments remained apprehensive that the separation of both entities would contribute to unseating the fragile Kostunica government and lead to a multiplicity of new tensions in the region with the appearance of three new states with claims to each other's territories.

Some radical Albanian leaders have asserted that their ultimate objective is the "unification" of all Albanian lands, even if this goal is not shared by the majority of moderate Albanian leaders in each country. There are fears that the elected Albanian leadership is unable to control the activities of radicals as the guerrilla activities in Southern Serbia and North-Western Macedonia

have demonstrated. Some militant guerrilla networks seemed intent on provoking ethnic polarisation and fomenting regional conflicts in order to destabilise several Balkan states in order to carve out a larger Albanian state.

Balkan Wars: According to this latter scenario, Kosovo's independence will lead directly to the destabilisation of Macedonia. The large Albanian minority, particularly in the western parts of the country will push for unification with the new Albanian entity in Kosovo or provide support and manpower for a spreading guerrilla war. This could unravel the fragile coalition government in Skopje, radicalise the Slavic Macedonian population, transform the moderate Macedonian nationalists into radicals, undermine social peace, and accelerate inter-communal conflicts in the country.

A Macedonian government facing internal unrest and a growing secessionist threat may find itself unable to control escalating tensions and a potential armed rebellion. It may therefore appeal to several neighbours for assistance in handling its internal turmoil and protecting itself against the "pan-Albanian" menace emanating from both Kosovo and Albania.

Such developments could therefore rapidly embroil Bulgaria, Serbia, Albania, Greece, and Turkey, either into a replay of the Second Balkan War or into a protracted competition or struggle for influence and predominance in the South Balkans. Such a scenario could dramatically retard the entire region's progress towards democracy and free markets and could prove an increasingly costly burden for European economic and security institutions. In particular, the involvement of both Greece and Turkey in a new Balkan conflict could provoke a full-scale war between two Nato allies who already suffer from numerous unresolved disputes.

Destabilising Security Scenarios: An additional contribution to destabilisation must be considered for the Balkan states over the next few years. The indefinite omission of these countries from the process of Nato and EU enlargement, especially if they are not offered solid assurances that membership is simply delayed pending necessary internal reforms, may

actually generate major foreign policy turmoil. Indeed, some states could try to ensure their long-term security through alternative alliance arrangements that could lead to new unsettling divisions on the continent.

Some Balkan governments may petition for closer ties with Nato, through the Partnership for Peace (PfP) program, through "special relationships" and other similar agreements, with the clear-cut goal of future membership and the obtainment of Alliance security guarantees. However, several states may seek a more independent or a more Eastern oriented security posture, especially those undergoing domestic political radicalisation or upholding serious doubts over ever attaining Nato membership. Three possible developments need to be closely monitored by the Alliance, if future instability is to be avoided or managed in the Balkan region: Nato–non-Nato relations, the creation of alternative alliances, and the involvement of hostile outside powers.

Nato–non-Nato Relations: Although international treaties between the Balkan countries are crucial, and indeed a number of bilateral agreements have been signed in the past few years, their significance and permanence should not be overestimated. In several instances, their interpretation may be contradictory and their implementation may prove restricted. Policy makers must closely monitor the evolution of relations between the new Nato members and their immediate neighbours in South Eastern Europe, especially where there are unresolved issues of dispute. Such disputes may focus on contested questions over minority rights, territories, borderlines, and access to or ownership of economic resources.

For example, conflicts between Hungary and Romania could sharpen, especially if Budapest feels more emboldened as a result of its Alliance status to pursue demands for Magyar minority rights and even Magyar territorial autonomy in neighbouring states. These claims could focus on Romanian Transylvania and Southern Slovakia, regardless of recent bilateral treaties and agreements on state borders and minorities. Such a posture by Budapest could be exacerbated if a more nationalist-oriented government emerges in Bucharest and adopts an openly anti-minority program.

In its fifty-year history, Nato has limited experience of accepting a member undergoing major disputes with one of its neighbours who stood outside the Alliance structure. It can of course be argued that Nato membership will actually pacify potential conflicts, moderate militant elements, and reinforce security throughout the region. Nonetheless, much depends on the interpretation of Nato membership by the newly included states, as well as the reaction of neighbouring governments.

The Hungarian-Serbian relationship also needs careful scrutiny, as the Serbian province of Vojvodina contains a sizeable Hungarian minority that could become the subject of mounting dispute over its status and political rights. Indeed, Budapest could adopt a more combative approach towards Belgrade, especially if the rump Yugoslavia begins to disintegrate and if Hungarian leaders calculate that Belgrade would avoid an outright military confrontation because of Hungary's Nato membership.

Budapest could apply various forms of diplomatic, political, and economic pressures on Serbia in a strategy designed to force concessions from the government and even to draw its Nato allies into supporting its position. The calculation that Nato would politically or militarily support one member against a non-member such as Yugoslavia could actually have a destabilising effect where approximate military parity no longer exists. The Alliance could find itself increasingly embroiled in such disputes, whether as mediator, protagonist, or even as a combatant.

Historical experience indicates that it is potentially dangerous to maintain substantial disproportions in the military capabilities of neighbouring countries. Nato membership for some states and the long-term or permanent exclusion of others could create growing imbalances. While the new allies modernise and upgrade their armed forces, the excluded states may fall behind with obsolete equipment and fail to benefit to the same degree from Nato programs. Hence, in the event of staggered expansion, the initially excluded Balkan states will require access to Nato structural funds for reorganising and modernising their armies as well as for infrastructural projects important to coalition interests. Wider access is also needed by Balkan specialists to the high technologies related to the defence

industry and communications. Thereby a gradual process of standardisation in armaments would help to enhance confidence and security between both the included and excluded states. In the absence of such programs, the Balkan states may drift away from the European collective security mainstream.

Alternative Alliances: Several Balkan states may actively pursue the formation of alternative Balkan alliance structures. And in some cases, the more assertive governments could apply serious and sustained pressures on the smaller South East European nations. For example, this scenario could materialize in the case of Bulgaria or Serbia vis-à-vis Macedonia, Romania vis-à-vis Moldova, and Serbia and Croatia vis-à-vis Bosnia-Herzegovina. Conversely, some of the smaller states may look towards their neighbours, particularly those with strong historical and ethnic ties, to forge more binding alliances and political connections. Such a scenario could in turn provoke ethnic minorities or cross-border national groups to demand greater regional autonomy for fear of absorption into a Greater Serbia, Croatia, Albania, Bulgaria, or Romania.

The larger Balkan powers may seek to absorb neighbouring territories inhabited by ethnic kinsmen or to control the major foreign policy decisions and economic resources of nearby states. Such policies in turn could also encourage the smaller states or the embattled minorities within these countries to resort to military means or to appeal for Nato protection. This would place the Alliance in a difficult strategic position in attempting to balance European security priorities with its military capabilities and political objectives in unstable regions of the continent.

In the case of Bosnia-Herzegovina, regardless of the Dayton accords, if the country remains under the control of ethno-nationalists and Nato disengages, it appears unlikely that the state will remain united. Moreover, the governments in Belgrade and Zagreb may become refocused on "defending" their ethnic kin and even carving up the country between them. The loss of Kosovo or Montenegro could actually energise Belgrade's aspirations toward Bosnia's Serb entity. The chief question may be over the exact process and timetable of division and annexation. This

could leave an essentially Bosniak or Muslim rump statelet sandwiched between them and intent on regaining ethnically purged territories.

Paradoxically, Nato's mission in Bosnia, or more precisely the failure to eliminate war criminals from positions of power, has in many respects consolidated the ethno-territorial status quo. The continuing dominance of nationalist networks in both entities may promote and even legitimise the creation of three ethnically homogeneous states. Among the many lessons of Bosnia since the onset of the Nato mission is that the preservation of peace does not ensure integration and the reconstruction of a single state. Moreover, Nato is evidently not equipped to engage in nation building or state construction in its current configurations or in its likely future mandate. This has clear implications further afield throughout South-Eastern Europe and the former Soviet Union.

Extra-Regional Powers: Some South East European countries may increasingly develop security ties with extra-regional powers in order to strengthen their defensive capabilities and their security posture vis-à-vis neighbouring countries, including both the new Nato members and non-members.

Close relations have already been established between Bosnia-Herzegovina and several moderate and radical Islamic states, as well as between Albania and Turkey and other Islamic countries. It is possible to envisage a scenario whereby political and economic ties develop into more binding military alliances encompassing some form of security guarantees or assurances of military assistance in the event of external threat.

There are strong indications that Moscow is seeking to rebuild a broad sphere of influence in parts of Central and South Eastern Europe by forging closer alliances with unstable, authoritarian, or criminally connected governments in the region. Serbia remains the most useful wedge for Russia in exploiting the Balkan conflicts to its advantage, in creating disputes between the U.S. and its European allies, and in weakening the case for further Nato involvement and institutional expansion.

With an internationally relegitimized Serbia, Russia is assured of a major ally in the Balkans from where it can exert influence further afield.

Moscow has interests throughout a much wider region, and in particular it seeks to prevent any further Nato expansion or allied success in a zone it considers to belong to its "sphere of influence". Under President Vladimir Putin, the Kremlin has accelerated its attempts to unseat the democratic government in Bulgaria, as evidenced in the regular expulsion of Russian agents posing as diplomats in Sofia, to shore up the Kostunica administration in Serbia, and to create broader problems for Nato throughout South East Europe.

Despite Nato's success in halting genocide in Kosovo, the Kremlin charges KFOR with failing in its mission, of allegedly tolerating Albanian militancy, and of promoting regional destabilisation. It is thereby challenging Nato to either destroy the Albanian guerrillas and their support base or to abandon the Balkans altogether. Moscow may be intent on making the Balkans safe for its oligarchic lobbies and criminal cartels linked with the re-energised KGB structure. This could also prevent the final disintegration of Yugoslavia and bring Macedonia into a tighter Serbian-Russian orbit, thus increasing pressures on a pro-western Bulgaria.

In the years ahead, Russian politics could undergo a more fundamental nationalist radicalisation accompanied by a more aggressive foreign policy. Russia's return to an assertive authoritarianism cannot be ruled out given the country's unstable and unpredictable political and economic climate. Moscow may then pursue more sustained efforts to bring the states excluded from Nato or inhabiting the European periphery into a closer Russian orbit. Moscow may also lend more direct support to terrorist and international criminal organisations, particularly if these are targeting Western interests.

Over the next decade, ambitious extra-regional powers such as Russia may therefore endeavour to increase their role in various parts of the Balkans. The pretext could be to defend their co-religionists and vulnerable allies while projecting their influence throughout the region and constructing a broader anti-Western structure. The potential for hostile cross-regional alliances based on differing religious, ethnic, and economic interests, cannot be dismissed.

Some observers contend that the Balkan region may well be entering a new era of unpredictability and instability. Emerging sub-regional and cross-regional political and security alliances may prove increasingly threatening to Western and Nato interests. For instance, in addition to many of the traditional security concerns, the new alliances will generate mounting security headaches in such arenas as ethnic warfare, local and anti-Western terrorism, arms proliferation, organised international crime, and refugee outflows.

International Isolation

The enlargement of Nato to the countries of East-Central Europe may have significant internal and external political and security implications for the states that will be excluded from the Alliance structure for an indeterminate period of time. Most policy analysts concur that the majority of Balkan countries are unlikely to gain admission in the foreseeable future. The inclusion of some countries, such as Slovenia, Bulgaria, or Romania, depends on their continuing progress in meeting the relevant criteria. They could prove to be serious candidates during the next two years if indeed there is a "second round" of Nato enlargement.

Paradoxically, the promise of future Nato membership and the requisite budgetary requirements for potential members could strain a country's financial resources. Any substantial rise in defence spending could lead to manifestations of social tensions as government outlays on welfare programs may need to be correspondingly reduced. In the worst case scenario, with the prospect of domestic political and economic regression in several states as well as perennial regional tensions, none of the remaining Balkan countries will be included in either Nato or the EU during the next decade.

Balkan Cauldron: Even during times of progress, many of the Balkan countries are considered to be beset by continuing internal instability and unsteady international relations. They evidently fail to meet all the basic criteria for Nato membership, including stable pluralistic democracies, reformed civil-military relations, consolidated market economies, resolved

minority problems, and full treaties and territorial settlements with all neighbouring states. If major crises were to materialize in several states simultaneously or if a relatively progressive government were to experience a major reversal, then such negative perceptions will become reinforced.

Another major fear of Western security analysts is that virtually the entire Balkan region could become a playground for international criminal syndicates and terrorist organisations in the next few years. As a result, in the "degenerative" scenario, instead of assisting each country to enter the Nato fold, Alliance leaders will endeavour to shield their countries from the security risks emanating from South East Europe. This would, in effect, isolate the Balkans on a long-term basis from the rest of Europe. Through a combination of political and economic measures, the Alliance may attempt to construct a cordon sanitaire around the region in order to limit the most destabilising ripple effects.

Negative Exclusion: The long-term or even permanent exclusion from Nato of aspiring Balkan candidates is a regressive strategy. It counters the concept of an integrated Europe with a common and coherent security policy enshrined in numerous declarations and political documents adopted by the EU, WEU, Nato, and the Council of Europe. Either non-enlargement, limited expansion, or "differential integration" could lead to the long-term isolation and marginalization of the excluded countries. During the coming decade, several Balkan states could find themselves on the periphery of an expanding Europe, whereby the absence of security guarantees will have negative domestic reverberations in terms of political stabilisation, economic reform, international relations, and Western investment.

The exclusion of specific Balkan states from the enlargement process for a brief period of time could conceivably have some positive effects. For example, if a more specific timetable for membership were offered to prospective candidates, it could encourage excluded governments to continue with the complex and often painful reform process, given the promise of future Nato membership. However, the indefinite exclusion of

all Balkan states may have a number of negative repercussions both among rejected candidates and Nato skeptics. Several negative scenarios need to be considered by Nato planners, as they will also have implications for future missions, as well as for the security of South East Europe.

Anti-Reformist Backlash: The long-term exclusion of the Balkan states from Nato and the EU could strengthen the position of anti-reformist, authoritarian, and nationalistic political forces who will play on an anti-Western card, charging discrimination by the Alliance against their countries based on ethnic, religious, economic, political, or strategic grounds. Nationalists, xenophobes, and populists could gain increasing public sympathy, deflecting attention from pressing domestic reforms by seeking to radicalise the populace.

The exclusion of Romania, for example, which has been canvassing strenuously for Nato membership, would not only be perceived domestically as a national disappointment and a governmental failure, but it could actually buttress the position of anti-Western and anti-Hungarian political forces. Nationalist parties could gain increasing public support as a consequence of exclusion, or they may even deliberately provoke political conflicts and social unrest. They could campaign vigorously on a platform of defending Romanian "national interests" against unwelcome outside influences. Such a situation would require careful management by a potentially besieged government seeking to preserve stability and maintaining the reform program on track.

Nationalist, populist, and anti-Western groupings may be equally encouraged in other states to lobby for more widespread public support. In Bulgaria, the Nato-skeptic Socialist Party could bolster its contention that the West was deliberately consigning their country to the status of a backwater while simultaneously seeking to move Sofia closer toward Russia. In addition, a diminishing prospect of Nato membership for either Croatia, Albania, Macedonia, or Bosnia-Herzegovina could further radicalise ethno-nationalist forces claiming disinterest or even hostility from the Western powers.

Democratic Regression: The permanent or long-term exclusion of Nato candidates could weaken the position of democratic and pro-Western groupings whether inside or outside government. They may find it increasingly difficult to defend or justify their country's omission from the Alliance. Opponents will charge them with illusory hopes about the West and their commitment to difficult economic reform programs may be challenged or dismissed as unnecessary and merely serving international corporate profits and undermining national interests.

The process of political reform, pluralism, and democratisation may also be slowed down or even aborted as a failed and chaotic experiment sponsored by Western intelligence services in order to weaken the state and the nation. Public paranoia, promoted by the state-controlled media, may assume extensive proportions, poisoning political discourse and the rationality of decision-makers and public opinion alike. In such conditions, nationalists and populists could rapidly gain influence.

As a result of these and other factors, Western influence in the Christian Orthodox countries (Bulgaria, Macedonia, Serbia-Montenegro) and the potentially Islamic-focused states (Albania, Bosnia-Herzegovina) could substantially decline in the years ahead. Indeed, the leading political forces may increasingly turn to non-Western or non-democratic political models as more appropriate to solving their domestic problems and maintaining internal stability.

These factors, coupled with doubts about the desirability of Nato integration among a broad section of society and the opposition of important political groups, could lead to a spiral of social instability and unrest. As a result, the attractiveness of Nato membership and even European integration could be further eroded within countries that do not currently appear as viable candidates but who continue to harbour aspirations for inclusion.

4. Balkan Futures II: Secure Development

The minimal optimistic prognosis for the Balkan states over the next ten years envisages gradual but consistent progress in ensuring both internal stability and inter-state cooperation. This will help ensure a decade of steady regional development that can in turn contribute to making the Balkans an area of durable security instead of impending conflict. Such an evolution would also greatly contribute to each state's progress for meeting the criteria for membership in both Nato and the EU. Indeed, some Balkan aspirants could be admitted to one or both institutions during the next two to five years.

Internal and External Stabilization

In order to consider the minimal optimistic scenario for the Balkans until the year 2010, it is important to evaluate the most critical, necessary and constructive domestic achievements that will have wider regional ramifications.

Political Stability: Regular "free and fair" national and local elections and long-term governmental stability will remain as essential prerequisites for pursuing far-reaching economic and institutional reforms. Moreover, each Balkan government needs to ensure a measure of programmatical continuity between successive administrations so that the reform process does not veer between unpredictable periods of progress and reversal.

During the past decade, the Central European states of Poland, Hungary, the Czech Republic, as well as Slovenia and the Baltic states, have guaranteed the forward thrust of their reformist agenda even where there has been a frequent turnover of cabinets and coalitions through the election process. Similarly, all the Balkan countries require a cross-party commitment to the goals of economic transformation and institutional reform whatever differences may exist between specific political formations in terms of the timetable and pace of such restructuring. In sum, the national constituency for reform must be both broad-based and dependable.

Institution Building: Successful political stabilisation also requires the consolidation of stable and authoritative democratic institutions based on constitutional principles. In particular, the organs of government need to have the confidence of the public and the commitment of all major political players. In this context, extremist extra-parliamentary parties advocating various forms of authoritarianism must be exposed and marginalized so that they do not undermine the nation's body politic.

A great deal can also be achieved to improve efficiency, competence, and professionalism among government officials and the civil service. Indeed, a core civic administration bureaucracy must be developed that provides continuity and credibility regardless of changes in government. The judicial system must become both independent and competent, in which absolute equality before the law is guaranteed, regardless of ethnicity, gender, or creed.

In the security arena, the police and intelligence forces require strict governmental control and supervision as well as the authority and capability to improve their effectiveness. Public trust in the police forces will increase as their success in fighting crime and restoring law and order increases. Each government must focus on expanding professional police departments with Western assistance that can restore public trust and confidence in these institutions.

Uneven progress has been made in the region in transforming civil-military relations according to Nato guidelines. This arena will continue to provide a valuable avenue of cooperation with the allies, in terms of knowledge, expertise, training, and exchange programs. Military streamlining needs to continue alongside the consistent professionalization of the armed services. The objective will be to increase their practical interoperability with Nato forces in a range of Alliance endeavours.

Civil Society Development: Over the next decade, each Balkan country can make significant strides in enshrining the full array of human rights, including freedom of expression, conscience, assembly, association, movement, and worship. Each country can also develop a more robust

alternative media and a range of citizens' interest groups, including business associations, consumers organisations, minority rights groups, and environmental lobbies. These constituencies will significantly enhance the democratisation process. Democratic politics does not revolve solely around the activities and ambitions of political parties, it aims to maximise public input into the decision and policy making process at local, regional, and national levels.

The question of minority rights must be comprehensively resolved, whether through granting cultural and educational autonomy, some measure of territorial self-administration, regional decentralisation, or through a guaranteed proportion of seats in the national parliament. The protection of minority rights is not the exclusive preserve of national governments but has become a legitimate component of international human rights conventions. Hence, each Balkan state must pass legislation and pursue policies that comply with international obligations. Furthermore, the development of a multi-faceted and multi-organisational civil society over the next decade will undercut the focus on exclusivist ethnic and national questions.

Encouraging popular participation in a broad range of civic groups and voluntary organisations will in turn greatly enhance public confidence in the reform process and in the legitimacy of the political system. A significant change in each nation's political culture is necessary: one that counters decades of anti-democratic ideology and transforms both public institutions and public perceptions.

Economic Progress: A priority for each Balkan government is the consolidation of a credible market reform program. All too often in the past, vested interest groups have stalled or diverted the process to their advantage. Alternatively, numerous politicians have compromised on many essential market components by maintaining large-scale state subsidies to unprofitable enterprises and failing to ensure the transparent privatisation of the state sector. A comprehensive and effective reform program cannot be held hostage by any political party, economic lobby, trade union, or industrial sector.

No program of economic transformation will gain easy popularity for any government and indeed most administrations are likely to be faced with the growing challenges of industrial unrest and public disquiet, as was the case in Romania in the winter of 1999. Nevertheless, a reformist government has to weather such storms and ensure that worker unrest is not exploited by radical anti-democratic elements or degenerates into a wholesale social and political breakdown.

Significant successes also need to be registered in building public confidence in the transformation program and in fully respecting private property rights. This can be furthered through a credible media campaign on the benefits of capitalism and foreign investment and the astute promotion of successful new businesses An appropriate business culture needs to be developed in the region in which investment and hard work overcome the ethic of either "competitive egalitarianism" or reckless and semi-legal profit making among new entrepreneurs.

Organised Crime Fighting: Public security organs must remain strictly subject to governmental control and public accountability. At the same time, they must be authorised and empowered to deal with a growing and worrying problem throughout the region - organised crime and corruption. Launching widely publicised campaigns against these phenomena, often to score political points and gain public legitimacy, is definitely no substitute for a protracted and purposeful region-wide program. Both an internal and an international strategy must be pursued by each Balkan state working in tandem with its neighbours and with the Nato countries.

The breadth and scope of organised crime and corruption in several countries presents a direct challenge to both domestic and regional stability. It also confronts the international community with some serious security problems in the years ahead. In order to effectively combat organised criminality, the Balkan governments must focus on both the domestic and regional environment.

On the domestic front, the pervasiveness of politically connected economic corruption and criminality threatens to obstruct the reform process in the region's fragile democracies. It contributes to consolidating the control of

special interest groups, undermines the institutionalisation of democratic procedures, encourages polarisation and radicalism, dissipates public confidence in the transformation process, and jeopardises economic stability, competition, and marketization. To combat domestic crime, appropriate laws must be passed and enforced and the police must be provided with relevant training, manpower, and equipment. No government official, manager, or businessman can stand above the law.

Since the disintegration of communist rule and the collapse of the Yugoslav federation, the Balkan region has experienced a precipitous growth in both domestic corruption and international criminality. In several states, such as Bulgaria and Albania, political corruption assumed mammoth proportions in the mid-1990s and directly threatened economic progress and political stability. In both countries it precipitated an economic collapse and in Albania it provoked a mass armed uprising against the central government.

In other states, such as Serbia-Montenegro and Bosnia-Herzegovina, criminal syndicates were not only linked with political leaderships but they directly benefited from the ethnic war and national partition. Indeed, criminal cliques formed a close link with nationalist radicals and the Socialist nomenklatura and seriously jeopardised regional stability.

On the regional arena, organised crime increasingly threatens international stability in a variety of ways; for example through illicit smuggling operations (drugs, arms, refugees, goods) and the forging of cross-national criminal syndicates that corrupt security and customs services and undermine the effectiveness of international policing.

Such developments are a direct challenge to allied interests. For instance, they hinder the process of European institutional enlargement in the political, economic, and security spheres; they undermine the security and stability of transitional states; they promote the growth of international criminal syndicates; they provide opportunities for terrorist organisations linked with hostile anti-Western powers; and they engender illicit economic activities in the European democracies. To combat cross-border crime, the Balkan states must enhance judicial and police collaboration, work closely

with multi-national crime fighting organisations, and even establish special multi-national investigative and law enforcement units.

Untying Crime From Conflict: Future scenarios of instability in various parts of South East Europe cannot be discounted, especially if the reform process in several countries is obstructed or diverted. Even more ominously, nationalist leaders with close criminal ties may promote fresh conflicts and instability in order to preserve their networks. Such scenarios could precipitate a major regional crisis and directly embroil Nato forces already present in the region.

A breakdown of the tentative reform process in several Balkan states could precipitate a resurgence of populism, nationalism, and authoritarianism. This in turn could rapidly provoke ethnic, religious, and regional conflicts inside several countries and spur cross-border confrontations that will challenge Allied policy throughout the region. Nato's goals of conflict containment and the projection of security could be imperilled by several simultaneous regional flashpoints.

In the longer term, without a more resolute and coordinated approach to combating crime and defusing its political explosiveness, the stabilisation of the Balkan region (through domestic democratisation, the marginalization of extremism, economic reform, and security confidence building) could be seriously undermined. It may also require a substantial future outlay of Allied resources. Furthermore, fresh crises in the Balkans generated by domestic and international instabilities could seriously challenge Allied cohesion at a time when Nato requires a coordinated approach to its own enlargement and full agreement as to its post Cold War strategy and mission.

Regional Cooperation

Over the next ten years, a broad range of bilateral and multilateral relations could be further developed in the Balkans that will forestall the scenarios outlined above. Although these may not eliminate all sources of conflict and instability, they will ensure a steady and gradual improvement in the

region's overall security situation. They will also help to ensure each country's progress towards the major European structures and trans-Atlantic institutions.

As a basic maxim, it is often noted that democracies are less prone to wage war with each other and more liable to solve any outstanding problems through dialogue and compromise. It is in this context that "democratic security" becomes a valid concept and goal for the Balkan countries. There may be several initiatives through which inter-state relations could be enhanced during the next decade. Some of these have been launched in the region already in recent years, but will need to be substantially developed. They may include political treaties and other inter-governmental initiatives, numerous forms of economic and business cooperation, a process of regional security enhancement, and joint regional programs with Nato and various other pan-European bodies.

Political Reinforcements: Each Balkan state needs to sign full treaties with all of its neighbours guaranteeing the recognition of existing international borders. Bulgaria's inter-governmental agreement with Macedonia and Romania's basic treaty with Hungary constitute positive steps in this direction. In addition to formal inter-state concordats, political relations can be strengthened through a range of institutions, whether parliamentary, political party, local government, or the NGO sector. These institutions can play a major supportive role in confidence building, in devising joint programs, in advising government officials, and in conducting assessments of critical problem areas. Furthermore, an ongoing interface between government bodies and private institutions can help each state to develop stronger ties with each of its neighbours.

Economic Structuring: Economic reform and market transformation should be seen not merely as domestic but as a region-wide concern. The failure of economic reform, a social breakdown, or the rise of authoritarianism in any specific country will directly challenge all neighbouring states. These negative trends could reverse their own reformist efforts by exacerbating regional instabilities and discouraging foreign investment.

Hence, more emphasis must be placed over the coming years on building or reviving economic networks that serve to enhance the regional reform process through the Black Sea Economic Council, the South Eastern European Cooperation Initiative (SECI), and other regional endeavours. In addition to increasing local trade, various joint programs could be pursued to promote regional entrepreneurship, banking, and investing. Governmental support for cross border investments and inter-regional tax free zones will stimulate enterprise, create jobs, and attract Western investors.

Security Underpinnings: The Balkan countries individually and in terms of joint endeavours can take a much more active role in promoting regional stability and assisting their neighbours in furthering the security agenda. In a positive development, several Balkan neighbours signed an agreement in September 1998 to establish a Multinational Peace Force for Southeastern Europe (MPF). Each country has committed itself to contributing about 5,000 troops to the MPF that was due to become operational within a few years. Such a force can be steadily developed to become interoperable with Nato in a range of Alliance missions.

A more immediate test case for the Balkan states is dealing with the unstable Yugoslav federation. It is evident that the remainder of Yugoslavia, and its contradictory centrifugal and centripetal forces, remains a central factor of instability in South Eastern Europe. In particular, the reanimation of Serbian nationalism may directly threaten the security and stability of its neighbours.

The Independence Option: One basic question needs to be urgently addressed by the region's leaders concerning the future of the failing Yugoslav federation: can Yugoslavia survive without the threat of overwhelming force to keep both Montenegro and Kosovo within a Belgrade-dominated state? The new Kostunica administration has evidently failed to convince either the majority of Albanians and Montenegrins to remain within a federal framework. One viable solution is independence and statehood for Kosovo, Montenegro, and Serbia. Through such a step, the three states can focus more effectively on their own internal evolution

and eventual international integration without a plethora of destabilising internal, inter-ethnic, and regional distractions.

With Montenegro moving towards independence through a planned republican referendum, the Federal Republic of Yugoslavia may cease to exist by the end of 2001 and the unresolved status of Kosovo will become a major international priority. UN resolutions for the reintegration of Kosovo into a probably defunct "Yugoslavia", raises serious questions about the self-rule of Kosovo's population and its demands for statehood. Short of outright independence or a coerced merger with Serbia, Kosovo may experience a growing dependency relationship with international institutions that may become more difficult to overcome the longer this "stalemate" continues.

Western leaders continue to believe that postponing the decision on Kosovo's final legal status would allow for democratic changes to take place inside Serbia and enable a new relationship to emerge between Serbia and Kosovo. Critics of this approach predict that instead of a civilised marriage, Nato would simply be faced with escalating anger among the Albanian community if the UN insists on pushing Kosovo back under Belgrade's control.

A valid argument can be made that in order to avoid long-term dependence on outside agencies, or a destabilising spiral of conflict, self-determination and independence for Kosovo should be the principal objective of the international community. Such a step would have several positive symbolic, political, and security ramifications. It would restore Kosovo confidence in the international community and it will prevent a potential radicalisation of Albanian politics as long-term ambiguity on the status question, undermines the region's democrats and encourages militant ambitions for changing borders and adding to Kosovo's territory. Acceptance of future independence could also undercut the threat of a forced Serbian take-over by delegitimizing Belgrade's incessant demands and threats towards Kosovo. Additionally, criteria and timetables for a democratic independent state will give both the internationals and the

locals a concrete goal toward which political, institutional, and economic reconstruction can be directed.

It is in the national interest of each Balkan country to devise strategies for a democratic Serbia and working with the new Serbian administrations. For example, practical steps could be taken to assist Serbia's embryonic civic society, to aid the independent media, and to establish a variety of inter-state contacts. At the same time, the Balkan governments must work closely with Serbian democrats and with the allies in weakening and dislodging the ex-Socialists from positions of power and influence and severing their cross-border criminal networks.

Kosovo's statehood, if it is handled astutely by the international community, could also help resolve the wider "Albanian question" in the South Balkans. Instead of provoking calls for a "Greater Albania", such a step could pacify Albanian demands and allow Europe to increase its role and influence in the region. But in order for Kosovo to become a source of regional stability, Nato must also commit itself to stabilising Albania, Montenegro, and Macedonia. Nearby Balkan countries can find ways of assisting in this process.

Resolving the Albanian Question: A timetable must be established for establishing a Nato protectorate in Kosovo and providing a protective umbrella for the construction of Kosovo's political, legal, and security institutions. The interim international protectorate can then evolve from autonomy to sovereignty. The OSCE must oversee the creation of a new Kosovo administration in a much more resolute manner than in Bosnia. During the next few years, Kosovo can establish all the elements and qualifications for statehood.

The emerging government authority in Prishtina will have to renounce any territorial claims to Macedonia, Serbia, and Montenegro, sign treaties with its three Slavic neighbours, and commit itself to democratic pluralism, the rule of law, a market economy, and European integration. The long-term presence of OSCE monitors under a Nato umbrella would help ensure Pristina's compliance with a range of democratic norms. The OSCE must prepare an election timetable, lawyers must draw up a constitution, human

rights activists must forge comprehensive legislation to protect the Serb, Roma, Muslim, and other minorities in preparation for independence.

The international community and the entire Balkan region need to make a firmer commitment to Macedonia, Montenegro, and Albania in ensuring their territorial integrity and domestic development. In Macedonia the multi-ethnic polity must be promoted with expanded rights for the Albanian population that would dissipate demands for separation. Albania itself must be rebuilt as a secure and law-abiding state while eliminating gunrunners, smugglers, and other criminal organisations and corrupt officials.

Montenegro should be allowed to rejoin all international institutions. The republic needs to obtain more prominent recognition and protection as a sovereign entity as it stands on the verge of regaining its independence and statehood. In a regional context, Kosovo, Serbia, Albania, Macedonia, and Montenegro could be encouraged to formalise a multilateral regional treaty that guarantees the new borders, and promotes free movement, trade, and all forms of inter-state cooperation. Bulgaria and Romania could sign this "Balkan Pact" as larger guarantors of stability and inter-state cooperation.

International Involvement

There is a general consensus among Western policy makers that any "second wave" of Nato enlargement is not imminent and could well be further delayed for most if not all of the Balkan candidates. Furthermore, the prospect of European Union accession appears to be at least five years away even for the worthiest contenders in South East Europe. The Union will probably take at least two more years to absorb six new states and may not decide on further enlargement until this process is virtually completed. Given the realities of Nato and EU decision-making, regardless of its wisdom, the Balkan states must focus on devising a strategy that steadily improves their progress towards both institutions.

Progress towards Nato and EU: A three-pronged approach could prove efficacious for each country during the next few years. First, each

government should demonstrate its commitment to meeting the guidelines for accession to both organisations. Progress registered in the domestic reform process (economic, political, institutional) would have positive ramifications in terms of each country's qualifications as stable and credible future members. The Alliance will be closely monitoring the progress of each country in terms of their domestic political stability and commitment to economic restructuring. Their security of course involves much more than military capability. It needs to contain specific political and economic elements that provide military security with a firm foundation by consolidating democratic institutions in transitional countries.

In this scenario, either Russia becomes more accommodating towards further Nato expansion or its opposition to this process will have little relevance for Alliance decision-making. Moscow's acquiescence could be the result of two internal factors. First, Russia itself could undergo a process of territorial disintegration, with the emergence of several new independent states in the Caucasus, Siberia, and the Far East. This would greatly diminish Moscow's capacity for interference in the politics and security of South East Europe. A second but less plausible development is the emergence of a democratic and law-abiding Russia that revokes its imperial and great power aspirations and forges genuinely collaborative arrangements with the Nato alliance. Either of these two scenarios will reduce concerns in the allied capitals that Nato enlargement in the Balkans will damage relations with Moscow.

Regional Activism: In a second parallel strategy, the Balkan states that are serious about Nato inclusion must pursue an activist role in their region to generate security and cooperation beyond their borders. Indeed, instead of hammering away at Nato membership as the panacea for all their problems, each government can prove their worth by contributing in practical ways to Alliance goals and missions both in South Eastern Europe and elsewhere.

Such a role can take various forms, including participation in peace-keeping and humanitarian endeavours, enabling Nato to use their territories for allied missions, offering bases and other facilities to Nato forces, and

deepening involvement in the Partnership for Peace (PfP) programs. The Balkan states must also pursue close bilateral ties with the three new Alliance members and seek to benefit from their experiences in the process of Nato integration.

Joint Initiatives: Third, each Balkan state should actively support joint regional initiatives that enhance security and cooperation outside the Alliance framework. Instead of waiting for Nato leadership, support, or protection, ambitious states will aim to construct a framework for security in various arenas (as outlined in the previous section). Instead of competing for Nato and EU accession, placing their own interests above regional concerns, or engaging in "strategic blackmail" (by for example claiming that exclusion from Nato will result in domestic breakdowns, social unrest, and dangerous instability), responsible governments will act as domestic developers and regional stabilisers.

Over the next five years substantial success can be achieved in these three areas. As Nato digests its three new Central European members, develops and applies its new Strategic Concept, restructures its cost sharing arrangements, and reinvigorates its vision of an all-European security Organization, the most progressive Balkan states can obtain membership. In fact, they could be seen as a natural addition to the Alliance and as significant contributors to trans-Atlantic goals.

4. Balkan Futures III: Progressive Integration

The optimal positive scenario of development for the Balkans over the next decade envisages rapid success both in the process of domestic transformation and the consolidation of regional security. On the domestic front, this would mean the assurance of long-term political stability, the consolidation of legitimate and efficient institutions, a vibrant civic society, and a fully functioning market economy increasingly tied to the global market in general and to the European Union in particular.

On the regional arena, "progressive integration" would entail a well-developed network of bilateral relations, the existence of effective

multilateral groupings, and a secure and stable Balkan region that can integrate with all the major pan-European and trans-Atlantic institutions. By the year 2010, all of the Balkan states can thereby attain membership of Nato and the EU and be in a position to project security further afield towards the Black Sea and Middle Eastern regions. They can be active participants in a range of allied missions both inside and outside Europe.

Domestic Transformation

Political Democracies: The first prerequisite for secure development and international integration is the permanent stability of democratic and pluralistic political systems. Undoubtedly, not all states are likely to achieve a smooth evolution without some unforeseen setbacks and reversals. Nevertheless, several concrete political goals need to be met by the year 2010.

First, the political structure must ensure an effective and efficient separation of powers, balancing the various branches of government through a system of checks and balances. Second, a range of successful political parties must be represented in state institutions and enabled to compete fairly and freely through regular national and local elections. Strong governing parties and coalitions should be counterbalanced by an effective and vibrant opposition.

Third, extremist political formations advocating dictatorship, authoritarianism, ethno-nationalism, xenophobia, and racism must be exposed and marginalized and not allowed to threaten the stability of the national polity through non-democratic means. Although no views should be prohibited in a developing democracy, hate propaganda and racist attacks must be answered and countered by responsible politicians and media outlets. Fourth, national and ethnic minorities must be involved in political decision-making through their inclusion in parliaments as well as in local and regional governments. Fifth, through a process of administrative decentralisation, local and municipal authorities must be empowered to function and to effectively canvass for the interests of their constituents.

Democratic Institutionalisation: Within the coming decade, the Balkan states need to develop stable and authoritative democratic institutions based on constitutional principles. Government organs must benefit from full public confidence and the commitment of all the major political players. The civil administration has to be efficient, competent, and professional, and on a par with the Central and Western European states.

The police and intelligence forces must be under strict governmental control and supervision. They must have the authority and capability to engender public trust and confidence in the system of justice and law enforcement. A fully independent judiciary will give substance to individual rights and liberties without governmental or political interference. Public trust in the institutions of law and order must be widespread and visible. Civil-military relations must be fully restructured to meet the appropriate Nato criteria and enable full governmental controls over the country's armed forces.

Thriving Civic Societies: By the year 2010, each Balkan country can develop an effective and robust alternative media as well as professional state funded media outlets. Equally important will be a broad range of influential and participatory interest groups representing entrepreneurs, consumers, women, ethnic, religious, and other minorities, environmentalists, taxpayers, and other sectors of society or issue-focused groupings. Public participation in the political and decision-making process will be evident in the media, through the internet, in local and regional government, and in the activities of a range of civic organisations. Such a process will greatly enrich the Balkan democracies by enabling public input into decision-making and cultivating a new generation of politicians and businessmen.

Economic Capitalism: During the next decade, the most advanced Balkan states can successfully construct a functioning market economy. The state sector will need to be limited to a few strategic industries and to ensuring fair economic competition. Business activities must be regulated by effective laws to minimise the opportunities for corruption, nepotism, and monopolisation. Each successive government in the next ten years simply

cannot compromise on the most essential components of a viable capitalist economy, including limitations on state subsidies to national enterprises, a balanced national budget, a transparent and open privatisation process, and fair business competition.

In sum, the demanding and extensive economic reform program cannot be held hostage by any political party, economic lobby, trade union, industrial sector, or other interest group. Moreover, if the transformations are successful by the year 2010 the majority of the Balkan populations will have accepted democratic capitalism as the most productive and efficient economic system. It will be widely seen as ensuring growth and prosperity, and guaranteeing international institutional integration.

Regional Synchronization

Three overlapping foreign policy avenues must be pursued by each Balkan state in which self-interest will dictate closer regional Synchronization in a range of policy questions. These must involve strong bilateral cooperation, the promotion of multilateral groupings, and concerted "security production".

Bilateral Cooperation: Over the next decade, a broad range of cooperative bilateral relations could become the norm and not the exception in South Eastern Europe. Although not all sources of conflict and instability will be precluded, any lingering disputes are more likely to focus on solvable economic questions instead of intractable territorial and minority issues. Indeed, the most combustible minority and border questions will have been resolved at both bilateral and multilateral levels. This will ensure a secure and stable Balkan region prepared for the rigors of European integration.

First, bilateral relations would need to focus on resolving all outstanding conflicts and disputes and thereby removing potentially destabilising issues from the agenda that could be exploited by nationalists, protectionists, and hostile or ambitious outside powers. Questions of borders and minority rights must be paramount in the settlement process involving political leaders from all relevant ethnic communities.

Second, bilateral programs between neighbours and non-neighbours could be pursued in a variety of areas, including cultural exchanges, educational and informational programs, student exchanges, cooperation in writing joint histories, inter-regional ventures in the economic, infrastructural, and environmental fields, business investment, NGO networking, media linkages, inter-city twining, inter-parliamentary commissions, and inter-governmental councils. These and other initiatives will reinforce inter-state and inter-societal cooperation across the region.

Multilateral Groupings: By the year 2010, the economic transformation will impact on the entire region. With each state having invested in building or reviving regional economic networks the whole area will be better prepared for meeting the challenges of EU and Nato entry. Regional initiatives such as the Black Sea Economic Council, the South Eastern European Cooperation Initiative, and the South East European Free Trade Area will become realities that will boost trade, investment, and productivity. Multilateral support for a cross-regional tax free zone will also help stimulate enterprise, employment, and foreign investment. All of these factors will help to propel each state towards EU membership. Indeed, some countries such as Bulgaria and Romania could already attain Union entry by the middle of the decade.

Security Production: The Balkan countries individually and in terms of joint endeavours can take a much more active role in promoting regional stability and assisting their neighbours in furthering the trans-Atlantic security agenda. For example, by the year 2010, the Multinational Peace Force in Southeastern Europe (MPF) could become fully operational under Nato's auspices as a regional and even an extra-regional force in missions such as disaster relief, humanitarian assistance, and peace keeping even outside the Balkans.

The security arena will provide a valuable avenue of cooperation with the allies, in terms of knowledge, expertise, training, and exchange programs. Each state, in line with its capabilities, must work with Nato as a whole and with individual Nato states on relevant local programs. Within the next decade, at least two Balkan states (Romania and Bulgaria) could attain

Nato membership and their armed forces will gradually become interoperable with the Alliance. This will further contribute to stabilising the region by providing an enticement for neighbouring states and a secure setting for subsequent Nato enlargement.

International Integration

Nato membership itself will have a generally positive impact on the newly included states. First, it will help to anchor them in the Euro-Atlantic security system and provide them with an invaluable protective umbrella against any threats to their independence or territorial integrity. Second, it will accelerate the process of internal reform, particularly but not exclusively in the military realm. Membership will provide important additional sources of legitimacy to the political and economic transformation and it can thereby help ensure domestic stability. And thirdly, it can encourage international trade and Western business investment in a much more stable and secure political and economic environment.

European Integration: One essential objective for all Balkan states should be full European Union membership. Although none of the Balkan countries is currently being considered for accession, the process of enlargement is unlikely to stall indefinitely despite periodic resistance by individual West European governments. At their 1993 meeting in Copenhagen, EU heads of state and government leaders confirmed their commitment to incorporate all of the East European states holding partnership and association agreements with the EU when they fulfil the relevant political and economic requirements.

By 2010, at least two Balkan states (Romania and Bulgaria) can comfortably attain full membership and several others such as Croatia can be on track for accession. By focusing on economic restructuring, registering steady economic growth, conducting necessary institutional and legal reforms, and not being discouraged by shifting timetables, the Balkans will be gradually absorbed by the major pan-European institution. The benefits of membership, in terms of investment, trade, and financial

assistance should become self-evident from the experience of nearby Central European states that will attain accession earlier in the decade.

Alliance Strategies: Nato planners have concentrated primarily on the impact of enlargement on Central Europe. They have not comprehensively addressed the question of rejected candidates and their reactions to exclusion from the Alliance. The onus is on the allied governments to devise a longer-term security strategy that will not only ensure security and the collective defence of the stable Central European nations but will project security further afield, particularly towards the currently unstable parts of the continent.

One important component of such a strategy would be to offer firmer defence arrangements to countries that have been omitted from the first wave of entrants. Much depends of course on whether Nato will continue to expand or whether its enlargement will stop in Central Europe. Several Balkan governments continue to assert that potential Nato membership should be judged on the merits of a case-by-case scenario and not on automatic first tier or second tier entry. Nonetheless, they are likely to be initially excluded as the Western governments still fear that rapid expansion could dilute Nato's capabilities, strain budgetary resources, and aggravate relations with Russia.

Of the many impending Nato decisions, the enlargement question will gain prominence over the coming year before the planned fall 2002 summit. If indeed, Alliance leaders decide to push for expansion they will be faced with two options, a "tactical enlargement" or a "strategic enlargement." A "tactical enlargement" would be the safe way to proceed by bringing in two countries that have almost fully met Alliance criteria and seem well on the way towards European "normalcy" – Slovenia and Slovakia. The two states are stable, have democratic coalition governments, are unlikely to revert to authoritarianism and nationalism, and have no major internal ethnic conflicts or external disputes with neighbours.

A tactical expansion would therefore be based primarily on meeting criteria laid out by Nato planners and it would be a technical decision rather than a political move. It would also enable Alliance leaders to claim that the

evolutionary process continues and that Nato is not stationary in its contribution to European security. However, a "tactical enlargement" may also send the wrong signals not only to other aspiring states but also to Nato's opponents in Moscow. Excluded countries, with no immediate prospects of membership, may conclude that no further decisions will be taken for at least two years after the 2002 Prague Summit. Some may complain that their efforts to meet the required criteria have been in vain. They may also see non-admittance as a means of assigning them permanently to a "grey zone" susceptible to incessant Russian intrigues.

In stark contrast, a "strategic enlargement" would be a bold and decisive move to expand the boundaries of European security, even if not all criteria have been met by individual countries. In fact, supporters of a broader expansion argue that it is precisely the inclusion of developing states that would consolidate their democracies and prevent any reversals. A "strategic enlargement" could take several forms. Less likely is a "big bang" approach, as proposed by state presidents of the Vilnius Nine (V-9) initiative who would like to see all contenders brought into NATO simultaneously. This is extremely unlikely, given the degree of planning, coordination, and political consensus that would be needed. More probable is a measured strategic approach that pinpoints those states that are most important for Nato's development and for the expansion of European security.

A calculated strategic initiative would focus on three regions: Central Europe, the Baltics, and the Balkans. The inclusion of both Slovakia and Slovenia would complete the Central European space as an integral part of the Alliance. The inclusion of Lithuania would indicate that the "open door" policy is not a myth and that Russia has no veto power over Nato decisions. It would also recognize the progress that the three Baltic states have made in building stable democracies.

And the inclusion of Bulgaria or Romania would counter the conventional supposition that the Balkans will simply remain part of the European periphery, forever torn by conflict and violence. The message would be clear to all other contenders: better that the Balkans enter Nato than Nato

remain indefinitely in the Balkans. If Greece and Turkey were able to gain entry at their stage of development, then why not allow in their most eager Northern neighbours.

A "strategic enlargement" would inspire all aspirant states and above all, it would constitute a major political decision rather than a technical agreement based on criteria alone. But for this to happen, a credible case needs to be constructed for legislators, policy makers, and for public opinion in the West. This needs to be based on two resonating principles: interest and values. It is in American interests to bring Europe under a single security umbrella as this can help to deter and minimise conflicts, expand the European share of the defence burden, provide more manpower to peace-making and peace-keeping deployments, further the process of democratisation, and provide a more stable underpinning to capitalism, investment, and free trade. In terms of values, Nato enlargement will also recognize and help expand the principles of open societies, democratic rule, social pluralism, and international cooperation.

Additionally, a fuller Nato would create less institutional confusion for planners and commanders as the process of European Union enlargement will not correspond with Nato growth. Several countries will be caught struggling between the two organisms rather than focusing on meeting the onerous criteria for EU entry while having their security assured. It is here that the major European states should play a more responsible role in the continent's security by pushing strenuously for a "strategic enlargement". Until the Europeans finally come to grips with their inability to take bold and important decisions, proposals for a European Defence Identity are likely to remain an ephemeral theory.

6. Conclusions: Balkan Realism

This paper is intended to project and assess a comprehensive scenario of developments in the Balkans over the next decade. It argues that the region can expect three possible scenarios characterised by very specific internal and external evolutions. The first scenario envisages a major breakdown in

the region's development, marked by accelerating domestic devolutions, spiralling regional rivalries, and growing international isolation.

The second scenario depicts a minimal but constructive evolution in the Balkans characterised by domestic stabilisation, regional cooperation, and increasing international involvement. The third scenario posits an optimal constructive development, involving major domestic transformations, regional synchronisation, and the full international institutional integration of virtually all of the Balkan states.

In order to achieve at least a minimal constructive evolution, each Balkan country should aim for an optimal transformation by the year 2010. While some threats to stability and progress can be overcome in a reasonably short period of time, other challenges will preoccupy the region for at least a decade. It is vital that despite all the obstacles outlined in this paper, government leaders provide a vision to their societies on what each country can and should achieve during the next decade. Simultaneously, this vision must become reality through the application of practical policy steps and targeted international support and assistance.

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