Institute for Regional and International Studies

SECURITY CHALLENGES AND DEVELOPMENT OF SOUTHERN BALKANS

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ACKNOWLEDGMENTS

PROJECT PARTNERS:

INSTITUTE FOR REGIONAL AND INTERNATIONAL STUDIES - Sofia (Bulgaria), a non-governmental think tank, initiates, develops and implements civic strategies of democratic politics on national, regional and international level. The Institute seeks to promote the values of democracy, civil society, freedom and respect of law, assists the process of Bulgarian integration in NATO and the EU and provides public policy analyses on current domestic and international issues. IRIS represents a strategic combination of advocacy-oriented and education-oriented think tank.

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PROJECT OVERVIEW

Plamen Ralchev

Security Challenges and Development of Southern Balkans Project addressed a number of pressing issues arising from the institutional collapse and series of security crises in this part of the Balkans. The main goal of the project was to involve outstanding think tanks from Bulgaria (*Institute for Regional and International Studies*), Macedonia (*Euro-Balkan Institute*) and Albania (*Institute for Contemporary Studies*) in active networking for promotion of common measures to sustain stability and security in Southern Balkans.

The initial concept of the project was explicitly focused on early warning and conflict prevention. Considering these project objectives, the first stage of the project envisaged **risk assessment of security challenges** in Bulgaria, Macedonia and Albania. The conducted research activities were aimed at identifying the risk potential and evaluating the most likely scenarios for Bulgaria, Macedonia and Albania and their interaction. To this end, several clusters of indicators have been estimated and distinguished trends were pointed out.

The second stage of the project was organizing **National Workshops** in the three countries in focus. The purpose of the National Workshops was to examine and revise the preliminary country report by involving national experts on ethnic issues, infrastructure projects and security issues (political, military, organized crime) and providing a local policy forum for searching better formulation of the country report on security issues.

The conflict developments in the Republic of Macedonia since February 2001 however dramatically altered the environment in which the project was supposed to take place. Being specially concerned with the situation in the region, the very concept of the project had to be reconsidered. The notion of early warning and conflict prevention was modified and evolved into the notion of conflict management and conflict regulation. Due to these *force majeur* circumstances the agenda of project activities was also revised. The deteriorated situation

required crisis assessment and regulation to which we wished to contribute with our project.

Taking into consideration the escalation of tension in the Republic of Macedonia from March 2001, the Institute for Regional and International Studies initiated, organized and conducted, within the framework of this project, a separate and independent initiative called International Fact-finding Mission to the Republic of Macedonia.

From April 23 to 29, 2001 a delegation of prominent experts and opinion leaders from Southeastern Europe, the EU and the USA was on a seven-day fact-finding mission to the Republic of Macedonia. The mission was supported by the Regional Networking Project, sponsored by Freedom House, with funding provided by the U.S. Agency for International Development.

The International Fact-finding Mission had been an extension of the Project on Security Challenges and Development of the Southern Balkans. The mission was organizationally and technically assisted by FORUM-CSRD, Skopje. The European Integration and Regional Stability Program of the Open Society Foundation-Sofia, provided support to follow-up activities of the International Fact-finding Mission.

The international fact-finding mission aimed at evaluating the situation in Macedonia following the crisis in the country from March 2001. In pursuit of this goal contacts were established and interviews were conducted with representatives of various institutions, political leaders and civic activists in the Republic of Macedonia. A report was drafted, outlying the current problems and suggesting a set of recommendations for improving the interethnic relations and the security situation in the country.

From April 23 to 27, 2001 the members of the mission met with representatives of Macedonia's political elite and civic activists. On a workshop on April 28 and 29, mission participants discussed the framework of the mission's report. The first draft of the mission's recommendations was presented at a regional conference on *European Multi-ethnic Macedonia versus Another Balkan Scenario*, organized in Ohrid by the Euro-Balkan Institute, Skopje.

On July 28 and 29 in Ohrid, Macedonia the first **regional conference** was held. The crisis had been flaring up again and the

next round of talks between Macedonian and ethnic Albanian leaders had been under way. At this background the conference contributed to the attempts for facilitating the interethnic dialogue. As one of the participants has stated the conference provided one of the few forums where Macedonians and ethnic Albanians met to discuss problems of common concern apart from the political dialogue held in the country under the auspices of the President Trajkovski. A very active debate has been initiated on two major topics:

❑   Military-political security in the Balkans after Kosovo
❑   Identification of the nature and possible solutions to the Macedonian crisis.

On 26 and 27 September 2001 the **second regional conference** within the framework of the project took place in Sofia. The two days of plenary sessions involved prominent experts from the three countries in active debate on the following issues:

❑   Soft security challenges in the Southern Balkans
    ●   Overview of the crisis management in Macedonia;
    ●   Armed resistance and terrorism;
    ●   Organized crime activities: drug trafficking, human trafficking, corruption and arms trade

❑   Development issues
    ●   Physical infrastructure development
    ●   Transborder cooperation at national and local level.

The two regional forums highlighted and emphasized the major security and development concerns related to the project countries. The security situation and conflict management in Macedonia have been considered of crucial importance for the forthcoming development of the region. Another issue of concern is the integration of the organized crime networks throughout the region.

CHAPTER I

SECURITY THREATS PERCEPTIONS

Marin Lessenski, Antonina Arbova, Plamen Ralchev
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As explained above, the project took place in two different types of environment – early warning and conflict management. Within the early warning phase a set of security threats perceptions has been elaborated in Bulgaria, Macedonia and Albania.

Research on security risks has been conducted in the three project countries by involving national experts on ethnic issues, infrastructure projects and security issues (political, military, organized crime) and providing a local policy forum for searching better formulation of key security risks.

SECURITY THREATS PERCEPTIONS:
AN OUTLOOK FROM BULGARIA

The practical implications of the conducted research and analyses as well as the discussion held at the National Workshop and its contribution to the project development refer to the precise and clear definition of the security risks for Bulgaria. The experts' esteems pointed out two types of dangers: external and internal.

The zones of tension in Kosovo and Southern Serbia, and the eventual spilling over of this conflict towards the Republic of Macedonia, Albania, Sandjak and Montenegro are considered as external risks.

The internal risks refer to the economic viability and stability of the country and also to its social and demographic problems.

A matter of common concern (of all the countries in the region) is the organized crime activities, which necessitate collective approach to combating it.

Infrastructure development and modernization is also considered as a topic of common interest. In this context, infrastructure projects are viewed as a long term mean for instigating and advancing regional dialogue and cooperation, thus abolishing old stereotypes, improving perceptions and, as an ultimate goal, overcoming regional backwardness.

POLITICAL FACTORS FOR STABILITY

In regard to the political factors for stability it should be pointed out that there are two types of factors – internal and external.

The internal factors for the Bulgarian national interest deal with the shrinking confidence in institutions and political parties. One of the leading concerns is the party-led way of thinking and partisan approach towards institution building. The intensified criminalization in the country along with weak institution structure make up a quite dangerous symbiosis challenging security. Having in mind the perspective of recent general elections and their outcome it is worth considering the forthcoming restructuring of the political environment in the country and the possible policies that could be pursued by the new government. This topic refers to the political formula of the future government and especially to reaching domestic consensus among political parties on foreign policy priorities.

The external factors are focused on the level and balance of international community (NATO and EU) involvement in the region and on the way the Kosovo issue will be tackled with. The status of Kosovo is still uncertain but it will doubtlessly have direct implications on the other countries in the region and on the Republic of Macedonia and Albania in particular. The "Albanian Question" refers to how Albanians in Kosovo are going to behave and what stand they will have towards Yugoslavia, Albania and Macedonia. It also relates to the ethnic balance in Macedonia which being quite fragile would hardly be maintained. All this spectrum of external factors poses substantial threats to stability and security in the region.

Even symbolic US withdrawal from the region would lead to losing control over a number of regional factors as well as imbalance of international strategy towards the region. Meanwhile, the interests

of Russia grow stronger and appear as alternative to the international community interests. Yet more hazardous would be if the EU does not persist an integrated stand and interests and undertakes a series of opportunistic and compromise measures by European factors to temporary and not ultimate resolution of the problems in the region. The inappropriate consideration and approach to this issue could easily predispose the spread of security vacuum in the region.

The Bulgarian national interest requires elaborating and applying a long-term strategy of how Bulgaria will behave in the region. The key notion is that stability is to be perceived as a consequence of not changing the borders. The second notion is that Republic of Macedonia is highly likely to enter a period of destabilization in two ways – either by evolution through demographic boom of the Albanian population there, or by radical nationalistic Albanian actions. Therefore an essential part of the long-term strategy has to be the way the young active and dynamic Albanian nationalism will be contained and what balances for containing the Albanian factor will be established.

ECONOMIC FACTORS FOR STABILITY

Economic factors have intricate impact on security as far as they affect the abilities of nations and states to survive and develop. The basic economic problems that Bulgaria faces during the last years concern the macro- and microeconomic stabilization of the country.

There is a striking contradiction between macro- and micro-economic performance of Bulgaria. At macro level after years of applying inconsistent economic policies Bulgaria suffered two eco-nomic crises as it has been stated in the country report - in 1991 and 1996/1997. With the assistance of IMF in 1997 a Currency Board was introduced and a gradual process of economic improvement has been commenced. These efforts led to a relative success since the country was financially stabilized – no more cases of rampant fluctuation of exchange rates, interest rates and prices. The Central Bank, though its limited activities, succeeded in accumulating more foreign exchange reserves.

Despite the achievements, the economic policy pursued after 1997 proved to have some definite shortcomings. They are most tangible at microeconomic level referring to households and enterprises. The IMF assistance and governmental policies failed to counteract the impoverishment of people and the unemployment in the country arisen as consequences of structural reforms. These reforms in Bulgaria attained negative sense because the greater part of previously state-owned enterprises that have been privatized in recent years did not start working efficiently and eventually were closed down. Immediate sequence of this is the flourishing of unemployment.

Behind the official unemployment figure of 18.54 % (708 730 unemployed people) there is a much higher unofficial figure. It is partly due to the number of workers fired from the privatized companies as well as to the number of employed people in the "gray economy". According to Trade Unions data unemployment exceeds 30 % and about 75 % of the population live in poverty. 300 000 people have been fired only in 2000. Yet there are some regions in the country where the unemployment rate is more than 50 %. Another negative tendency is that each 7th unemployed person is up to 24 years of age.

Some of the so-called strategic investments in key sectors of Bulgarian economy did not prove to be effective either (a good example in this regard is the current status of Balkan Airlines Company). The government did not cushion these inevitable negative effects of reforms neither did stimulate free private enterprise.

Pension, Social security and Health care reforms constitute a substantial part of structural reforms conducted in Bulgaria. This part of the reforms concerns the new legislative regulations and practices in the spheres of pensions and social security systems. The health care reform intends separating this sphere from the state budget. Though considered of ultimate necessity, this type of reforms brings about entirely new patterns of organization which, being sometimes misunderstood and improperly applied, intricate tension and uproar.

Banking system was badly affected by the financial crisis in 1996 – 1997. Many banks due to extensive loans and credits suffered capital inadequacy and insolvency and finally went bankrupt. Consequently, the banking sector still finds it difficult to recover, to regain the trust and savings of individuals and business. Some of the big banks were sold out to foreign investors who started renovation and modernization but still this sector has a long way to go in respect of quality and

variety of services. The banking services require intensive interaction between Bulgarian and foreign banks. The regional perspective of this interaction is quite asymmetric. For example, Greece and Turkey expand their banking activities in the region, but there are no reciprocal actions on behalf of other countries. Unless such kind of neighboring countries' banks representation is established the notion of intensifying economic contacts within the region will keep sounding ridiculous while illegal transfers of capitals will flourish.

Taxation policy and administration is an issue of special concern because of the fiscal discipline required by the Currency Board. Despite the efforts for strengthening taxation control the notorious practices of evading paying taxes continue. It refers to both personal incomes and business activities. Evading paying taxes is partly due to the "gray" sector of economy, involving, according to experts' esteem, about 40 % of the population in the country. The gray economic activities badly affect the national economy as a whole and deprive the state budget of substantial funds.

Considering the foreign debt service, the financial standing of Bulgaria is likely to deteriorate within 2-3 years because it will be burdened with starting paying off the principal of the foreign debt. On the background of reduced financial assistance of IMF it will seriously challenge the economic stability of the country.

One of the pressing economic concerns is how to provide GDP growth. Bulgaria cannot record an increase in GDP for a number of reasons. If analyzing in brief the GDP composition assuming the so-called cost approach to the GDP the main components to be considered are Consumption of goods and services, Government spending, Investments and Net export (i.e. Export – Import).

Dwelling on each of the variables on the case of Bulgaria it could easily become evident why no real increase in GDP is recorded. Due to the lack of competitive advantages Bulgaria frequently suffers a nil or a deficit in its trade balance. Though the slow, but steady, growth in Direct Foreign Investments (1.1 billion USD in 2000) there are little domestic investments and shortage of investment funds and sources within the country. The insufficient capital resources are additionally discouraged by the low interest rate and therefore they are being invested abroad. The government expenditures are subject to con-

straints and fiscal restrictions owing to the Currency Board regulations.

So, the most significant contributor to the GDP is Consumption of goods and services. Since, however, the Personal Disposable Income in Bulgaria is low, the considerable part of it is being spent on food and goods of primary necessity rather than being saved or invested.

The outlined characteristics of Bulgaria's GDP composition reveal the troubled economic and business climate in the country. The main problems in this sphere refers to the adverse balance of trade, small share of investment goods, the inefficient functioning of the banking system, the structural reforms completion, gray economy activities, etc. Though macroeconomic indicators for the last two years mark some positive trends, social conditions and microeconomic environment are still getting worse. Therefore they should be considered as risk potential as far as social tensions could easily incite domestic, intra-state conflicts.

DEMOGRAPHIC FACTORS FOR STABILITY

The demographic situation in the country is highly deteriorated. There is a distinguished tendency of diminishing the number of population. Several key reasons for this could be pointed out – emigration, lower birth rate and higher death rate.

The process of emigration going under way ever since the changes in 1989 started. The Census that is in progress now is expected to present precise data, but according to preliminary estimates from 1986 on about 700 000 people have emigrated. The vast majority of the emigrants are young people (75 % of them are young men, thus affecting the military reserves) who have been discouraged by the political, social and economic problems in the country.

There are two main reasons for the lower birth rate in the country. It is partly due to the emigrants who are predominantly people at fertile age. Besides that, the young people who have stayed in the country meet quite many difficulties of social and economic character. The lower birth rate is complemented by higher death rate which is the third factor deteriorating the demographic situation. Efficient approaches for addressing the so outlined demographic collapse are badly needed.

The process of migration from villages to towns aggravated, as higher concentration of people occurred in two – three big cities. People were forced to move by social and economic circumstances, mainly the shrinkage of economic activities in the country – industry collapsed and although some plants were privatized the unemployment rate remained high. The concentration of too many people in big cities rises up considerably the risk potential for performing a variety of crime activities.

Quite persistently uninhabited territories in the country emerge, especially in border areas. This directly reflects on the country's capabilities for territorial defense.

ETHNIC FACTORS FOR STABILITY

The composition of the population in Bulgaria is homogenous and there are about twenty-two minorities living in Bulgaria. The two major minority ethnic groups are the Turkish and Roma population.

The Roma ethnic group is dispersed throughout the country while the Turkish ethnic group is concentrated in two main regions – in Northeast Bulgaria and in the eastern part of the Rhodope Mountains.

The Turkish ethnic group is politically represented by the Movement for Rights and Freedoms at both local (municipalities) and national levels (parliament). The Roma ethnic group has no distinguished political representation though it recently established several political formations.

There have been no rivalries of the ethnic groups. Ethnic tensions may emerge on the basis of poor social and economic conditions, as Roma and Muslim population is in their greater part unemployed. Last year, Bulgaria was accused by the Bulgarian Helsinki Committee and political parties in the Republic of Macedonia of violating minority rights after the Constitutional Court decision banned OMO-Ilinden Pirin party. OMO-Ilinden party was indicted of breaching the Constitution of Bulgaria, which prohibits the establishment of parties on ethnic or religious basis, aimed at violating the territorial integrity of the country.

Bulgarian is the official language in all public services, though education and communication in mother tongue is allowed.

The ethnic groups have greater access to local institutions of power, such as municipal authorities, and limited access to national institutions of power (except for Parliament).

Considering the potential for ethnic unrest it should be pointed out that it is mostly of social character. The unemployment rate among the ethnic groups is considerably higher than the country average. For example, in 1999 in districts of Razgrad, Turgovishte and Shumen (where the Turkish minority group is concentrated) the unemployment rate was 22.94 %, 26.20 % and 19.03 %, respectively, and exceeded the country average rate of 13.79 %. Besides that, there are persistent problems in selling the tobacco crop, which makes the living of the Turkish ethnic group.

In terms of ethnic factors for security the key notion emerged to be integrating minorities and not encapsulating them. There would be a potential threat if a country tries to induce irredentist claims within its minority in the neighboring country. Therefore it is considered perilous to grant collective rights to ethnic minorities thus encouraging their search for autonomy. The more appropriate approach would be creating conditions for integrating minorities on the basis of civil rights and fostering institutions that are to guarantee them. That is how minorities could play the role of inter-state "links" narrowing and bridging the previous gaps in the inter-state relations.

MILITARY FACTORS FOR STABILITY

The traditional military threats for security have diminished over the last years. The newly emerged threats refer to ethnic and intra-state conflicts, and spill-over crises. All these threats require preventive instruments rather than forcible and coercive actions.

Internal factors - In 1998 the Bulgarian government elaborated and adopted a new national military doctrine outlining the main principles and mechanisms ensuring national security. It assumes the collective approach to security and defines the cooperation and the eventual accession to NATO and EU as a strategic priority of guaranteeing national security and defense. In this respect, the conducting of military reforms is mainly aiming at

unifying with NATO standards and achieving complete operative compatibility.

In the context of the possible NATO membership, the military doctrine emphasizes on the participation in regional and European security systems as a major instrument for guaranteeing national security. It envisages military personnel to be reduced to 45 000 people, while increasing the effectiveness and efficiency of the armed forces. The newly elaborated doctrine as well as the up-to-now implementation of the military reform provoke some concerns:

1. The foreseen **modernization and renovation of the Bulgarian military forces** seems a little bit vague and unrealistic: the existing weapons and techniques are quite old and need overhaul; at the same time, the country does not possess the necessary resources for buying new weapons compatible with western standards. In both cases, the quick and harmless rearming seems unrealistic because it requires a lot of resources, which the country does not dispose of.

2. According to the reform strategy the **territorial defense** is a leading principle in the overall defense system. However, significant parts of the Bulgaria's border areas are progressively being depopulated.

3. **Beyond the context of NATO membership**, however, the aimed numbers and norms that are to be achieved question the importance of Bulgarian military forces as a significant regional military factor. The foreseen structure and strength of the Bulgarian military forces does and will further bring about significant asymmetry on the Balkans regarding the military potential of the major neighboring countries (Turkey, Greece, and Yugoslavia). In comparison to the neighbor countries' military indicators, Bulgaria loses its attractiveness, diminishing its chances for NATO membership.

4. The national military doctrine pays special attention to the exercising of **civil control** over the armed forces and the implementation of the military reforms. However, till now, the civic

participation is demonstrated mainly through employing civilians in the military structures, mostly on central administrative level, rather than through the establishment of working mechanisms for civic participation and monitoring over the ongoing reforms in the armed forces. There is an institutional control but no civic assessment of the processes within the armed structures.

External factors - The traditional military threats to security have been seriously diminished. At the same time, some new security threats emerged: ethnic and religious conflicts, religious fundamentalism, military separatism, proliferation of mass destruction weapons; international terrorism, organized crime, trafficking in drugs, arms and peoples, illegal transfer of high technologies.

1. The major threat for Bulgaria to be involved into a military crisis derives from the possibility for a **spill over of a military or armed conflict in a neighboring country**. For the present, the still unfinished disintegration processes in Yugoslavia - the developments in Southern Serbia, as well as their implications on Republic of Macedonia, in particular - turn out to be the greatest military/security challenge in front of Bulgaria. Possible destabilization of Republic of Macedonia as well as subsequent refugee flows would seriously challenge country's security and stability. This issue imposes the necessity of working out a long-term policy strategy including Bulgaria's clear stand on the processes going underway westward from Bulgaria and defining the role of the country in the Balkan region.

2. Any, even symbolic, US military withdrawal from the Balkans would result in **unbalancing of the international presence** in the Balkans. This would create security vacuum in the region affecting stability and development of all Balkan countries as well as the entire Balkan security system. On the other side, potential disintegration of the EU interests in the region would not only unbalance the international strategy towards the region but would also provoke disputes and series of opportunistic steps aiming at freezing rather than resolving the existing problems.

3. The collective approach to security as well as conducting **joint peace keeping missions** are seen as a way for overcoming the asymmetry of power in the region and the eventual less-involvement of external factors such as the US. The participation in joint missions in troubled areas in the region (Kosovo, Southern Serbia) as compensation of the strategic security vacuum that is likely to appear, however, provokes some concerns:

- If the participation in such peacekeeping operations is estimated as a test for applicant countries' operative readiness to become NATO members, then, it is of extreme importance to carefully assess Bulgaria's potential and experience in acting properly in such context.

- The effectiveness of a peacekeeping mission including soldiers from the Balkan neighbors of the protectorate areas could be seriously challenged by some particular historical feelings and attitudes.

ORGANIZED CRIME IMPACT ON STABILITY

Organized crime activities pose substantial threat to Bulgaria and the region as a whole. In the last few years, the Bulgarian government has taken a lot of measures aiming at fighting those negative trends. The present situation, however, shows that those actions were not sufficient to curb crime and corruption. They were mainly short-term superficial, campaign measures rather than integral parts of an overall in-depth strategy. Moreover, there is a general belief that the political elite prefers to negotiate with crime groups instead of fighting them.

Drug trafficking is one of the major threats when talking about organized crime implication on security system. It is of extreme importance that Bulgaria is directly on the path of the drug channels from Afghanistan to Western Europe. Moreover, data indicate that there is an over-production of heroin in Afghanistan (proved by the increased number of drugs captured by the Bulgarian customs officers), which directly increase the quantity of drugs circulating in

Bulgaria as well as the number of the drug-addicts. The following going down of the prices creates a lucrative market that is worth fighting for and irritates the criminal structures in the country. Most of the last serious incidents are interpreted as a result of the ongoing struggle for redistribution of the drug market in Bulgaria.

The strained criminal environment is additionally aggravated by the publicized doubts that some relations exist between political structures and crime groups. The former helps the latter to legalize their business, while the latter contributes to the political organizations' financing. The weak and ineffective institutions, including the highly politicized, non-productive and badly organized justice system, the lack of transparent procedures accurately regulating the mechanisms for doing business, and the developed corruption practices furthermore threaten country's security situation.

The major threat for the security of each of the Balkan countries as well as for the regional security, in general, are the well-developed transborder smuggling channels and the networking of the organized criminal groups from these countries. Currently, the dominant factor is the Mafia of Albanian-clan origin - the Kosovar Mafia, in particular- that has undertaken the control over the drug trafficking on the Balkan route. The lack of any institutions, no police, no political system in Kosovo creates the most favorable conditions for the criminal groups to develop their activities i.e. trafficking in drugs, arms, cigarettes, unlicensed CDs, stolen cars, human beings trafficking - a process including criminal gangs from all Balkan countries.

The decentralization of criminal factors in Serbia after political changes commenced last year also instigates further aggravation of criminal environment in the region because these factors got out of control and became more self-dependent. The Serb criminal groups /gangs/ are well-organized, even based on patriotic propaganda, and quite experienced in the course of wars. The danger of Serb groups is about to increase since there are stockpiled weapons (i.e. in Republika Srpska in Bosnia and Herzegovina).

When Bulgaria is granted a more favorable EU visa status, then it will become attractive (for all these criminal groups) connection between the region and Europe. This necessitates the elaboration of

a long-term strategy as well as an intense cooperation between the authorities of the countries in the region as a prerequisite for combating organized crime and corruption not only at national but also at regional level.

INFRASTRUCTURE DEVELOPMENT
IMPACT ON STABILITY

Developing infrastructure in Bulgaria as well as cooperating on joint projects with neighboring countries is viewed as appropriate way for advancing towards European integration through concerted efforts. Further infrastructure improvement will facilitate and enhance regional economic cooperation and intensify the involvement of the countries in the process of stabilizing the region.

Corridor # 8 has been supported by the 4-year South Balkans Development Initiative commenced by Clinton's Administration. In this regard, the US Trade and Development Agency has donated technical assistance amounting to about 30 million USD for Bulgaria, Macedonia and Albania.

The road and railway sections of Corridor # 8, though slowly, are being under construction. The recent session of the joint Coordinating Committee in January 2001 appointed a new technical and economic study of the railroad Sofia – Skopje. On Macedonian territory there are 55 km under construction, some of the tunnels and bridges on the route have already been built. The further advance on the railway section of the corridor however needs about 340 million USD more.

The AMBO Project is at the stage of pre-investment studies. A new electricity transmission line of 400 kV improving the energy systems connection between Bulgaria and the Republic of Macedonia is also under construction.

SECURITY THREATS PERCEPTIONS:
AN OUTLOOK FROM ALBANIA

The project findings underline that Albania, Bulgaria and Macedonia share more or less the same security-risk generating issues like demographic collapse, thriving of organized crime, poor infrastructure, and weak institutions. Security issues are seemingly topping the list of priorities of all Governments in the region thus efforts are aimed at resolving these problems in the first instance. Major emphasis is put on the necessity of building institutions that are capable to duly exercise their duties and especially the education of the public administration with the modern standards of performance.

It was assumed that there exist two types of perceptions related to the security issues in the region - of irrational enthusiasm and continuous pessimism. They derive from two types of analyses:

- optimistic – the situation in the region is calm and only small ethnic problems are at stake;

- imprisoned into insecurities – we may have not military problems because of the huge presence of NATO and UN troops but on the other hand we don't have yet enough elements to say that domestic problems are over.

In this context European involvement is quite problematic implying that as regards the threats of soft security issues Europe may be a helping hand to resolve them but as concerns the defense issues its involvement is still far from being concrete. The European Union is perceived to have a distorted political determination towards the region, originated by the traditional geopolitical views of its member countries.

It should be pointed out that apart from voicing out a political commitment towards these very sensitive problems the Governments of Bulgaria, Macedonia and Albania are not really engaged in security issues, but only state what International Community wants to hear

from them. Such pattern of behavior relates to the incapacity of the Balkan political classes to become an active factor and also the approach taken by them to obtain membership in the EU. Problems could be resolved only by closely cooperating with each other in the region; countries share the same passive feature when it comes to cooperation, in the same moment when the local factor should be predominant in addressing the soft security issues.

It is very important to distinguish the methods of addressing the security problems: should we adopt a regional or European approach? The Albanian discourse is that addressing security issues should concentrate on regional efforts rather than directly linking it with Brussels patterns of performance.

Following these arguments the focus is shifted on which are the indicators that may be regionally dealt, without requiring interventions from other factors. It was stated that:

- improvement of democracies in each of our countries is an important factor, since democracies do not make war to each other;

- improvement of perceptions on ourselves (i.e. countries of the region), dismantling of old myths that should start from the media coverage of the events in the region, education systems, political attitudes and speeches; and

- the revision and potential change of the approach each country has presently taken with regard to the EU integration, that is proving more an isolationist attitude rather than helping to solve regional problems.

This later issue of individual membership in the EU against regional cooperation is somehow fueled by Brussels in its capacity of being unable to do otherwise.

The regional approach has been skeptically regarded because of the difficulties such enterprise implies. It was generally agreed that a targeted approach rather than en-block one should be adopted to address security related issues. Priority should be given to locally

resolvable problems, like those falling under the definition of home affairs such as: visa regimes and free movement of people, trade facilitation and better and more jointly organized control on the illegal traffic of people and goods in the region.

A major issue addressed is that our countries and Governments should change their old concepts of sovereignty and pay special attention to redefining the enemy concept and rewrite the old military doctrines in the light of latest developments and the modern world standards.

The conducted research and analyses as well as the expertise of the participants in the National Workshop in Albania emphasized that we are facing more domestic problems than international ones. Setting up *"economies of scale"* in fighting crime, developing economic exchanges and treatment of minorities in each of our countries (and by our Governments) are the challenges and remedies to prevent conflicts and deal with security related issues in the future – ensuring a proportional and harmonious combination of both approaches, the regional and European driven one, with respect to the efforts of each individual country.

SECURITY THREATS PERCEPTIONS: AN OUTLOOK FROM MACEDONIA

POLITICAL FACTORS FOR STABILITY

In regard to the political factors for stability of the Republic of Macedonia we can differentiate two types of factors: internal political situation and outside circumstances impending the country's stability. However it is worth mentioning that these two factors are highly interdependent and it is very difficult to survey the current Macedonian policy without bearing in mind an extremely complicated situation next to the country's frontier.

In spite of having quite stable ruling coalition in the Macedonian Parliament (Sobranje) the overall internal political situation could not be described as a particularly favorable.

There is a significant parliamentary opposition complaining about the inefficiency of the Macedonian government's policy and also a huge part of public opinion is not satisfied with the overall political climate in the country. Confidence in state institutions (which suffers from lack of relevant human resources) and political parties is shrinking, the society is divided along political (support mostly either for ruling VMRO-DPMNE or opposing SDSM) and ethnic lines (Macedonian majority- Albanian significant minority).

Possible inter-ethnic tensions are likely to become one of the most serious challenges for Macedonian's stability. Although representatives of Albanian minority participate actively in country's political life, having their representatives in main official institutions including ministries and high number of parliamentary members (DPA being part of ruling coalition and opposing PDP), they still claim to be underrepresented in public administration and their demands are growing. The radicalization of these demands (such as change of Macedonian constitution and creating a federal state with two autonomous entities) could be a possible extreme threat for the stability of Macedonia as well as for the whole region. The latest events on Macedonian- Yugoslav border prove this, the outcome is still not known, even the fully cooperation of Macedonian authorities with international community and the condemnation of that kind of radical activities on behalf of ethnic Albanian leaders did not succeed in calming down the situation.

The other event, which has recently really shocked Macedonian public opinion, is the taping scandal. It has not been cleared yet who stays behind this affair, but one thing is sure - it influenced badly the already fragile internal stabilization.

External factors being a real danger for Macedonian's stability are interrelated to already mentioned events on the Macedonian border with the Province of Kosovo. We can be almost fully convinced that Kosovo Albanians - radical representatives of former KLA, are the men responsible for starting fighting in Southern Serbia and willing also to spread out the conflict on Macedonian territory. The longer Kosovo status remains undefined, the bigger is the threat of desta-bilization of Republic of Macedonia as well as neighboring countries. The protection of Kosovo's border by KFOR should be intensified to avoid the penetration on Macedonian's territory by some armed groups from outside. International community has to stress once again that the stable Macedonia is a key-factor for regional security and stability and do their best to protect the country and deter any kind of outside menace. Long-lasting presence of NATO troops in the region seems to be necessary for maintaining peace.

The neighboring countries should also be determined in Macedonia remaining a stable country. Macedonian -Yugoslavian Agreement on recognition of common border, better climate in Greek - Macedonian dispute over the country's official name, Bulgarian, Greek and Serbian support for combating the terrorist acts in Macedonia and also distinct condemnation of these acts on behalf of Albania proper are very positive signs.

ECONOMIC FACTORS FOR STABILITY

Along with political, the economical problems are probably most serious Macedonia has to cope with. They are possible source for country's instability.

The unemployment rate, which among young people is dramati-cally high, different experts estimate it from 35 % to even over 50

% of the entire population. Many areas of the country suffer from structural unemployment. Although the ruling coalition promised new job openings, it failed to realize this task. Privatization, which is regarded to be almost completed, is mostly combined with massive lay-off. The reform of Public Administration in Macedonia refers to further decline of employee's number. The presence of foreign investors that could improve the situation on the labor market is still inadequate. About 90% of direct foreign investments in Macedonia are coming from Greece which produced a feeling of imbalance and a fear of becoming politically dependent among big part of Macedonian society.

About 40 % of the population live in poverty. The deficit in trade exchange is about 600 millions DM. There are claims that IMF and World Bank assistance didn't prove to be beneficial for Macedonian economy. All of these could result in outbreak of social unrest.

However there still exists a kind of hope. Last November Macedonia has signed an Agreement on Association and Stabilization with EU and became automatically one of the candidates for EU-membership. The international aid within the Stability Pact is promised to be intensified. As result of democratic changes in FRY, Macedonia along with Greece regained its most important economic partner in the region.

In 2000 Macedonia noted a surplus of over 200 millions DM in the state budget.

GDP growth inhibited by Kosovo crisis should amount to about 6 % in the year 2001.

Creating Free Custom Zone and further a Custom Union to approach EU standards could solve the lack of relevant economic cooperation with Bulgaria and Albania.

DEMOGRAPHIC FACTORS FOR STABILITY

The demographic situation in Macedonia is quite complicated. On one hand, the number of ethnic Macedonian population is diminishing for 3 main reasons - lower birth rate, higher death rate and emigration. On the other hand, there is notable demographic growth among Albanian and Roma communities in Macedonia. The new Census is expected to be held this year, the data from the last Census held in 1994 are already outdate and probably not giving the real picture of the demographic structure in Macedonia. Compare to results from 1994, the number of Albanian and Roma population will likely increase.

There is also a process of mass migration from villages to towns, mostly to the capital - Skopje. Vast areas of the country are getting depopulated, mainly in Eastern and Central part of Macedonia. It concerns young people, seeking better chances in bigger towns, escaping from the lack of perspectives in their home areas.

Another potential challenge for demographic stability of Macedonia is the process of aging within the EU. It could result in massive "brain-draining" and the waste of well-qualified human resources from the country.

ETHNIC FACTORS FOR STABILITY

The composition of the population in the Republic of Macedonia is quite heterogeneous since, around more than 1/3 of the population consists of minorities.

There is no municipality, which is ethnically homogenous, although the Albanian population is concentrated mostly in the Western part of the country. The other 2 major minorities, Roma and Turkish are dispersed throughout the Macedonian territory.

Since becoming an independent country, there were 3 parliamentary elections in Macedonia - 1990, 1994 and 1998. According to the results, the composition of the Parliament resembles the structure of the population regarding the bigger ethnic groups.

Since 1992 all governments in Macedonia have been coalitions between Macedonian and Albanian parties. Other nationalities (Turks, Roma, Vlachs) were included as well, but as parts of the Macedonian political party terms, on a personal choice.

The access to education is equal for all citizens in all levels. The Constitution guarantees free, primary and secondary education in minority languages. Recently adopted Law on Higher Education allows for private universities in minority (or other) language with Macedonian language as a compulsory subject.

The present relations between Macedonians and Albanians, although rather tense, do not have roots in a historical dispute, since traditionally the 2 groups did not have any conflict. All tensions are a result of the present political context.

However, there is a wide net of prejudices existing among the ethnic groups, which combined with the complicated present political events in the region may be a further source of conflict and instability.

MILITARY FACTORS FOR STABILITY

The traditional military threats for Macedonian security have been minimized over the last decade. The biggest danger refers to ethnic and inter-ethnic clashes and spill-over crises. The other threats to national peace are: the expansion of militant nationalism; uncontrollable expansion and utilization of means for mass destruction; transnational terrorism; arms, drugs and weapon trafficking.

Because of its geographic position, some forces may consider Macedonian territory suitable for crossing by terrorist groups supported by some countries, in order to perform terrorist actions in any third country, including actions in the Republic of Macedonia.

The country could maintain all the guarantees for its security through the collective defense and security system. Macedonia applies for full political and military integration with NATO Alliance. Realizing however that it could not happen in the nearest future, the country should support a long-lasting NATO's military presence in the region thus avoiding creation of "security vacuum" which could threaten stability of Macedonia, as well as neighboring countries.

In order to perform better its tasks, Macedonian Military Forces should be rapidly modernized, with possible decreasing of soldier's number. The creation of professional and efficient Army must be a main objective regarding protection of its own borders.

INFRASTRUCTURE DEVELOPMENT
IMPACT ON STABILITY

Developing infrastructure in Macedonia as well as cooperating on joint projects with neighboring countries is viewed as appropriate way for advancing towards European integration through concerted efforts. Further infrastructure improvement will facilitate and enhance regional economic cooperation and intensify the involvement of the countries in the process of stabilizing the region.

Corridor # 8 has been supported by the 4-year South Balkans Development Initiative commenced by Clinton's Administration. In this regard, the US Trade and Development Agency has donated technical assistance amounting to about 30 million USD for Macedonia, Bulgaria and Albania.

The road and railway sections of Corridor # 8, though slowly, are being under construction. The recent session of the joint Coordinating Committee in January 2001 appointed a new technical and economic study of the railroad Skopje – Sofia. On Macedonian territory there are 55 km under construction, some of the tunnels and bridges on the route have already been built. The further advance on the railway section of the corridor however needs about 340 million USD more.

The Corridor # 8, the AMBO Project, the energy system network and telecommunications establish common ground for Republic of Macedonia, Bulgaria and Albania to promote dialogue and cooperation in this part of the region. Despite the other competing routes, destinations and corridors, the main point in building connections between Bulgaria, Republic of Macedonia and Albania is of comprehensive political value besides of its plain economic efficiency.

CHAPTER II

ETHNIC FACTORS IMPACT ON REGIONAL STABILITY

(A Concise Short Term Risk Assessment of Ethnic Factors as Threatening Regional Stability in the Southern Balkans)

Dr. Lyubov Mincheva

I. INTRODUCTION

Amid all current factors posing threat to the Balkan regional stability, the ethnic one seems to be the most serious. Factors, such as crime, economic- and demographic development, or infrastructure- and even military politics are, to a considerable extent, domestic concerns. In contrast, ethnic factor in the Balkans is still a regional international concern. This chapter aims to assess the risk of ethnic conflict in the southern Balkans in the period following the 1999 Kosovo crisis.

Ethnic minorities of Bulgaria, Macedonia and Albania fall within the focus of this comparative project. The ethnic minorities are examined in view of their international and domestic conflict potential. This project has selected to assess communal groups in view of the groups' cohesion, political representation, cultural rights and ethnic unrest. In a bid to provide an instructive picture of *regional* ethnic instability however the project first looks at the ethnic situation in Kosovo and south Serbia.

The information gathered in this project helps us draw the following three conclusions: 1) A major threat to the regional international stability comes from the Kosovo province of Yugoslavia. We suggest the following explanations: a) Kosovo's status is yet to be arranged. Simultaneously, no clarity exists of whether Kosovo will be autonomous, independent or unified unit with ethnic Albanians across current borders; b) Kosovo politics remains blended with criminality and terrorism; c) Kosovo's democratization is insufficient, while Kosovo's borders remain porous.

Kosovo's future status is yet unclear. Autonomy, independence, unification with kindred lands across the border, are contesting opportunities. Resolution 1244, which ended NATO air strikes against Yugoslavia in June 1999, said that the international community, assuming responsibility for administering the province, would stand for Kosovo's autonomy. The resolution confirmed that Kosovo was to remain a constituent part of Yugoslavia. Shortly after transforming Kosovo into an international protectorate however the Kosovars indicated that they intended to change the spirit of that resolution. Achieving independence from Yugoslavia seemed to have been their ultimate goal at that moment. However, the insurgencies of the ethnic Albanians in south Serbia in 2000 and in Macedonia in 2001 indicated that even Kosovo's independence was not the ultimate goal. Surprising for neighbors and the international community, the improvement of the Kosovars' status after June 1999 did not result in a pacification of the region. Instead, we witnessed an escalation of the Albanian demands, frequently calling for unification of Kosovo with south Serbia, parts of Macedonia, and even parts of Greece and Montenegro.

Kosovo threatens regional stability also because its nationalistic politics frequently blends with criminality and terrorism. Many of those who fought in Kosovo were "seasonal" insurgents who took part in different Balkan wars. These seasonal insurgents belong to a clan network of ethnic Albanians engaged in smuggling of arms, men and drugs. The insurgents look at wars as a source of permanent employment. Kosovo's leadership may not necessarily control them in attacks performed on UN authorities and civilians of Slavic origin.

Kosovo threatens Balkan regional stability, not least, because the province failed the democratization attempt of the international community. In the past two years the Kosovar Albanians, as well as their administration, launched a retaliatory campaign on the ethnic Serbs in the province for Milosevic's ethnic oppression. The establishment of the Kosovar democratic and civilian institutions was sadly preceded by serious interethnic incidents which eventually resulted in the Kosovars driving ethnic Serbs either in enclaves, or completely out of the province.

Kosovo threatens regional stability also because its porous borders allow export of civil unrest in the near abroad. Concretely, Kosovo exported rebellion, with part of the Kosovo administration employees having taken part in the insurgencies in south Serbia and Macedonia.

The second conclusion is that the key to assessing the regional security system is the interethnic situation in the republic of Macedonia. Specifically, Macedonia does not seem to be posing threat to regional stability. However, the country remains vulnerable to cross-border spillover activism, and domestic ethnic unrest.

A framework agreement for the enhancement of the status of the ethnic Albanians, brokered by NATO, EU and US envoys, and signed on 13 August 2001 by the Macedonian government and the ethnic Albanian leadership, officially put an end to Macedonia's 2001 spillover crisis. However, the leadership of the Macedonian Albanians has not yet proven its' loyalty to-, and respect for the institutions of the Macedonian state. The leadership has failed to distance itself from the National Liberation Army (NLA) which sparked the 2001 Macedonian crisis. By keeping political silence on its connections with the NLA, the ethnic Albanian political leadership keeps the state borders open for future incursions, and leaves an opportunity for itself to contribute to domestic ethnic unrest.

The third conclusion is that ethnic relations in Albania are relatively calm. However, civic peace is unstable in the country. The precarious civic peace in Albania threatens domestic ethnic stability and regional security.

Likewise, the forth conclusion is that ethnic relations in Bulgaria have undergone a process of a smooth democratization. However, economic situation is worsening while political institutions are still vulnerable. These processes prevent the transformation of the Turkish ethnic party into a modern party based on principles and ideologies. These processes also impede the country's fast integration into the EU and NATO and its transformation into a stabilizing factor in the Balkans.

II. MAJOR FINDINGS

1. Ethnic Factor from the International Perspective
Kosovo

During the examined period, beginning in June 1999 and ending in September 2001, two regional ethnic crises occurred. One was the 2000 south Serbia crisis. It was brought into the Presevo valley of Serbia by ethnic Albanian insurgents infiltrating from the Kosovo-Yugoslav buffer zone. The other was the 2001 Macedonian crisis. It was brought in northwest Macedonia by ethnic Albanian rebels infiltrating from Kosovo.

These regional crises taking place in two consecutive years followed NATO's 1999 intervention in the Kosovar conflict. The crises indicated that Kosovo remained a center generating regional instability. Ambiguous and frequently escalating demands regarding the province's status, combined with proliferation of paramilitary groups, weak institutions and porous borders explain why has Kosovo been posing threat to regional security for almost two and a half years now.

Kosovo: Autonomy, Independence or Unification with Kindred across the Border?

The issue with Kosovo's status is not new. It persisted about a century at the agenda of the Kosovars' struggle against the Belgrade authorities. Depending on circumstances, it took on calls for autonomy, secession or unification with Albania proper, and/or with ethnic communities in adjacent states. Calls for autonomy and unification dominated Kosovo's politics well until the early 1990s. Calls for independence were raised in the early 1990s. We hereafter present a short survey of facts. The survey points to Kosovo, not Albania proper (or any other Albanian populated area), as a real threat to regional stability.

The Kosovar Albanians first formulated their demand for independence at the wake of the Yugoslav disintegration. In the early 1990s Serb authorities abolished Kosovo's provincial government and legislature and removed the legal basis for the province's autonomy. Kosovars responded by adopting the Kachanik constitution. On 19

October 1991 Kosovars declared the province a sovereign republic. Four years later the Kosovo Liberation Army (KLA) emerged. Its major aim was liberating Kosovo from Serbian rule (Hedges, 1999:28). In early 1998 KLA entered an open conflict with the regime in Belgrade for the establishment of independent Kosovar state.

NATO's 70-day air strike against Yugoslavia was launched with the aim to improve the human rights situation of the Kosovar Albanians within Yugoslavia. UNSC Resolution 1244 brought the strikes to end and confirmed that Kosovo remained a province within Yugoslavia. NATO campaign improved the situation of the Kosovar Albanians by removing the Serb authorities from the province and transforming Kosovo into an international protectorate.

Simultaneously however NATO's intervention helped Kosovars raise escalating demands. The Kosovar Albanians looked at NATO's intervention as a step leading to the establishment of Kosovo as independent republic. Moreover, the Kosovars seemed to have taken this opportunity to materialize the ambitious strategy of the Coordination Council of the Albanian Parties in the former Yugoslavia. The Council was established in the early 1990s with the aim to achieve consensus and mediate policies of the major Albanian parties in Kosovo, Macedonia, Montenegro and Serbia proper. The Council's strategy bound the solution of the Kosovar problem to the settlement of the problems of all ethnic Albanians in the former Yugoslavia. Achieving independence for Kosovo thereby did not seem to have been the ultimate goal of the Kosovars. Ethnic unrest soon had to be expected in neighboring lands.

Kosovars undertook concrete steps in pursuit of this nationalistic politics. A common military cross-border ethnic Albanian structure was established to help the struggle of ethnic Albanians in different parts of the former Yugoslavia. During the Kosovar crisis in 1998-1999, logistic bases and smuggling routes were established in Albania and Macedonia for KLA weapons and fighters (Hedges, 1990:40), (North, 1998:50). Rebel training camps were established in Albania near Tirana and along the Albanian-Yugoslav border. Soon after the onset of the Kosovar uprising, Northern Albania became a vital staging area for war.

Following the 1999 Kosovar crisis the Kosovo Liberation Army formally disarmed. Simultaneously, it gave birth to two splinter groups.

One was the Army for the Liberation of Bujanovac, Presevo and Medvedja (UCPMB), which operated in south Serbia in 2000-2001 and established control over territories populated by ethnic Albanians. Ethnic Albanian leaders attempted to merge the problem of south Serbia with that of Kosovo calling on the international community to extend Kosovo's protectorate to south Serbia (6 March 2001: The Daily Telegraph).

The other splinter group of the Kosovo Liberation Army was the Army for National Liberation (NLA) which operated in northwestern Macedonia in 2001 and also established control over territories populated by ethnic Albanians.

Reports signify of former KLA staff and commanders being employed in these KLA branches: (25 Feb 2001: The Observer); (10 March 2001: The Washington Post); (29 March 2001: The Daily Telegraph); (12 April 2001: The Los Angeles Times); (20 May 2001: The Sunday Times); (22 May 2001: The Herald); (12 June 2001: Toronto Star); (2 September 2001: The Observer).

This short survey confirms that Kosovo is, since early 1990s, the real threat to regional stability. The idea for the establishment of Greater Albania, which dominated the pan-Albanian politics since late 19th century, was obviously replaced by the idea for the establishment of a Greater Kosovo.

Kosovo: Criminality and Terrorism

Kosovo threatens regional stability also because criminality and terrorism are common in Kosovar politics.

Kosovo politics is at times being victimized by criminal elements. The criminalization of Albanian politics occurred as a network of Albanian criminal clans, known as *fares,* became active. These clans are said to owe their existence to the decay of the Albanian State, which became obvious in 1997-state crisis (Cilluffo and Salmoiraghi, 1999: 24). Dispersed in Albania, Kosovo, and Macedonia, *fares* smuggled arms and men across borders. They helped the founding of the KLA, as well as the establishment of KLA's bases in neighboring Albania and Macedonia.

Kosovar terrorism is another problem of regional significance. Terrorist attacks increased in Kosovo in 2001 in protest at closer links

between NATO and Belgrade. Peacekeeping units (12 April 2001: The Washington Post), as well as the office of the Yugoslav government in Pristina (19 April 2001: The Los Angeles Times) have been targeted by the Kosovar terrorists.

Countering criminality and terrorism in the province is a challenge because of the linkage that exists between them. The unit responsible for countering terrorism is blamed to be maintaining close contacts with the criminal circles. This unit is the Kosovo Protection Force (KPF), the Albanian run local police. KPF sprang out of KLA and maintains links with crime and political violence.

Kosovo: Democratization and Porous Borders

Kosovo's democratization is key for achieving stability in the region. At time when current report is being prepared the extent of Kosovo's democratization is low. Interethnic tension preceded the building of democratic provincial institutions. Reports indicate that interethnic incidents increased in the past two years. Examples are the heightened ethnic tension in Mitrovica in 2000; the ethnic cleansing of Serbs, Jews, Roma and Muslims; the Kosovar's terrorist attacks on Yugoslav government units and ordinary Slav civilians. Peacekeeping units have been recently targeted by terrorists as well.

Kosovo's weak democratic institutions are not a local problem. Due to Kosovo's porous borders Kosovo easily transmits interethnic hatred in adjacent lands.

In general, Kosovo turned into a major threat for the stability of the southern Balkans since it came to pursue independence from Yugoslavia in the early 1990s. Chances for a speedy solution of the problem are bleak. However, current situation is not out of control. International and regional community can contribute to reducing ethnic tension in Kosovo and minimizing risks of ethnic conflicts spilling over the Kosovo border.

2. Ethnic Factor from Domestic Perspective

The project, Security Challenges and Development of Southern Balkans, examines the following ethnic groups:
- the Albanians, the Turks, the Serbs, the Roma and the Vlachs in Macedonia;

- the Greeks, the Macedonians, the Montenegrins, the Roma, the Vlachs, and the Bosnians in Albania;
- the Turks, the Roma, the Armenians, the Karakachani, the Jews and the Russians in Bulgaria.

With its focus on regional security challenges, the current report pays special attention to three ethnic groups:
- the Albanians in Macedonia,
- the Greeks in Albania;
- the Turks in Bulgaria.

As outlined these groups are examined in view of group cohesion, political representation, cultural rights and ethnic unrest.

The Albanians of Macedonia

The Macedonian Albanians are key in assessing security issues in the southern Balkans. Our project indicated that their large numbers, concentration along the Kosovar-Macedonian border and strong linkages with ethnic brethren in Kosovo make the country vulnerable to cross-border spillover activism. This activism became clearly noticeable in 2001 when an ethnic spillover crisis was imported from Kosovo into the Republic of Macedonia.

Domestic politics and ethnic unrest of the Albanians in Macedonia frequently took on non-violent or violent protest and demonstration. Examples are the Bit Pazar incident from 1992 and the Gostivar incident from 1997. Our project indicated that domestic ethnic politics in Macedonia does not constitute an immediate threat to regional stability.

Group cohesion

According to 1998 estimate, the ethnic Albanians of Macedonia are 460,000, out of 2,009,000 country population. They are mostly concentrated in the western part of the country and they border Albanian populated areas of Kosovo and south Serbia.

Numbers and border residence ease the intimate relationships and frequent cross-border activism of the Macedonian Albanians with the adjacent group of the Kosovars. This activism takes on radical cross-border communal goals pursued by radical means. This is what

threatens the territorial integrity and sovereignty of the Republic of Macedonia. Three examples of cross-border activism threatening Macedonia's stability stand out.

In 1968 the Macedonian Albanians set the ideological framework shaping the profile of intra-Albanian cross-border activism. The Macedonian Albanians called for the integration in one state of all ethnic Albanian populated areas of the former Yugoslavia (Vickers, 1995:192). This idea dominated the politics of the Macedonian Albanians well until 1994. It also frequently lurked underneath the new politics of extended communal rights pursued by the Macedonian Albanians after 1994.

Another example of a cross-border activism placing under question the relatively independent status of the Republic of Macedonia was the 1981 riot. It broke out in the Pristina University of Kosovo. Demonstrators demanded full republican status for Kosovo and union with Albania proper. The Macedonian Albanians took this opportunity to extend the ethnic protest across the then republican Kosovo-Macedonian border. They demonstrated in Macedonia, for first time raising claims for language equality and the establishment of an Albanian university in Tetovo (Vickers 1995: 205).

Perhaps the most striking example of a cross-border activism threatening Macedonia's stability was the 2001 Macedonian spillover crisis. The crisis was a combination of radical goals with violent tactics.

Analysts argued the crisis was not home grown because preceding interethnic tension was not reported. The minority situation was by no standards bad.

Conditions for importing the crisis into the country from Kosovo were ripe. Traditionally strong cross-border links assured pursuit of common goals and encouraged employment of radical tactics. In the spring of 2001 the Macedonian Albanians constrained themselves to pursuing only communal rights within Macedonia. Claims for federalization of the country, or for secession of the Albanian populated areas were seemingly abandoned seven years ago. However calls for federalization or secession were never publicly denounced by the ethnic Albanian leadership. The incursion of rebels from Kosovo in 2001 seemed to have been pursuing a common objective questioning the

legitimacy of existing state borders. Indeed, the rebels infiltrated Macedonia in early March following the ratification by the Macedonian parliament of a long-awaited Yugoslav-Macedonian border treaty (2 March 2001: The Financial Times); (23 April 2001: interview: Georgi Spasov, SDSM).

The Macedonian Albanians and their brethren across border resort to violence in pursuit of their goals. Being a part of a governing coalition ever since Macedonia was established as an independent state, the Macedonian Albanians had the chance to employ legitimate means in pursuit of their goals. Nonetheless, the Albanian leadership in Macedonia maintained intimate relations with Albanian paramilitary cross-border groups established in the past decade. The All-Albanian Army (AAA), founded in 1993 was one of them; the National Liberation Army (NLA) which became active in February 2001 was another one.

The "national" belonging of these formations was not clear. They were established to assist the politics of all ethnic Albanians living in what was known as former Yugoslavia. The Albanian leadership in Macedonia never distanced itself from these paramilitary formations. Moreover, in May 2001 the links between NLA and the ethnic Albanians of Macedonia nearly brought to collapse the 11-day-old governing Grand coalition. The coalition, it is to be remembered, brought together the two major Slav-, and the two major Albanian political parties. The Albanian parties challenged the coalition by signing a secret peace deal with the Albanian guerrillas aimed at integrating the guerrillas into the Macedonian political process. The pact was signed behind the back of the Slav Macedonian parties and, in discord with the general understanding that rebels cannon become a part of the Macedonian political process (25 May 2001: The Ottawa Citizen).

The rebels failed to get institutionalized. However they keep on intervening in Macedonian domestic politics. In September 2001, a month after signing of the framework agreement between the Slav Macedonian-, and the ethnic Albanian parties for constitutional and political changes enhancing the status of the ethnic Albanians in the country, the rebels successfully keep on destabilizing Macedonia by dictating the circumstances under which the Macedonian security forces should be allowed to get back into the rebel occupied territories.

Political representation and cultural rights

Clearly, cross-border activism shakes Macedonia's stability. At that background domestic ethnic politics of the Macedonian Albanians looks rather moderate.

The Macedonian Albanians are politically represented in their country. They are a part of the ruling coalition since 1990. Currently two major ethnic Albanian parties exist. One is the Albanian Party for Democratic Prosperity (PDP), established in 1990. The other is the Albanian Democratic Party (DPA), emerged in 1994 as a splinter group of PDP. Both parties placed a special significance to furthering the Albanian cultural rights. PDP's objectives also included the attainment of proportional representation in government.

However the activities of the ethnic Albanians in Macedonia from 1990 through 1994 were aimed at federalization of Macedonia and even secession of Albanian populated areas. Albanian domestic politics took on non-violent and violent protest frequently questioning the legitimacy of the Macedonian state.

Here are some of the facts. In 1991 the ethnic Albanian PDP boycotted the promulgation of the new constitution proclaiming Macedonia an independent nation. PDP protested the constitution's preamble declaring Macedonia as a national state of the Macedonian people. On the next year the Macedonian Albanians held a referendum on the establishment of an independent republic of Illirida. In 1993 PDP boycotted a parliamentary session of the Macedonian parliament which voted the acceptance of Macedonia's temporary name, FYROM, admitting the country to the United Nations. PDP argued that Macedonia should not receive international recognition, as long as the country had a poor minority rights record.

At the time of the 2001 crisis the ethnic Albanian parties raised claims aimed at democratization of communal rights. More specifically, the claims included democratization of political and cultural rights such as: attainment of proportional representation in national army and police; furthering of power devolution; elevation of the status of the Albanian language in public life. Yet the Albanian demands indicated that ethnic Albanians again questioned the legitimacy of the Macedonian state. They claimed the founding principles of Macedonia's Constitution did not guarantee the rights of ethnic minorities. The ethnic Albanians

demanded revisions of the Constitution's preamble so that the Basic document explicitly guarantees the equality of all ethnic groups.

Ethnic unrest

Ethnic unrest occurred occasionally. More violent incidents occurred before 1994. Their number seemed to have decreased after that year due to the change in the course of the politics of the ethnic Albanians. Nonetheless incidents happen indicating that ethnic opponents are likely to resort to violence in arranging interethnic disputes.

In 1992 ethnic unrest exploded at the Skopje Bit Pazar. Macedonian police arrested and allegedly severely beat an ethnic Albanian youth charged with illicit dealing of cigarettes. Ethnic Albanians attacked the police. Following the disturbances the Interior Ministry announced the seizure of 2,000 leaflets calling on ethnic Albanians to wage a war for self-determination.

In 1993 the Macedonian authorities discovered a secret paramilitary organization calling itself the All-Albanian Army (AAA). It was operating within the army of the Republic of Macedonia (RFL/RL Vol 3, #4, 28 Jan 1994). Some analysts point to this ethnic Albanian organization as planning to stage an armed rebellion in Macedonia with the intent to create the Republic of Illirida (Fackler 1997: 74). Others maintain that the incident aimed at espionage rather than separatist or irredentist goals (RFE/RL Vol 3, # 4, 28 Jan 1994).

In 1994 tensions in the city of Tetovo concerning the forthcoming July population census erupted into interethnic violence between the ethnic Albanians and the Macedonians.

Unrest did not wane even after ethnic Albanians changed their politics in 1994. In 1997 symbols came to play important role in shaping interethnic relations in the republic. In that year the government sent special force to the town of Gostivar to help "arrange" an ethnic dispute on the nature of communal symbols hanging outside the town hall. The incident ended leaving several policemen wounded, two ethnic Albanians dead, one beaten by policed and three hundred and twelve arrested.

The above survey of cross-border and domestic political activism proves that Macedonia is key in assessing regional stability. The survey shows that Macedonia is very much threatened by frequent destabi-

lization of cross-border ethnic turmoil. On the other hand, Macedonia's domestic ethnic politics does not threaten regional stability. Ethnic incidents, such as Bit Pazar (1992) and Gostivar (1997), showed that domestic ethnic crises are likely but they are by no means imminent.

The Greeks of Albania

The Greeks in Albania do not currently seem to pose a threat either to regional security, or to domestic stability. The ethnic Greeks raised nationalistic demands and resorted to violence only in the first years of Albania's democratic transition. Since Socialist Party returned to power in 1997 the ethnic Greeks participate peacefully and by legal means in Albania's domestic politics, while the Greek-Albanian interstate relations are steadily improving.

This situation is not irreversible however. A possible civil turmoil may shake again the country dragging in the ethnic Greeks and spilling over into neighboring Kosovo. Preventive solutions should be sought in furthering the democratization of Albanian domestic politics.

Group cohesion

According to 1998 estimate, the Greeks of Albania are 117,000, out of 3,331,000-country population. They are concentrated in the Southern Albanian cities of Gjirokaster and Sarande.

The ethnic Greeks' territorial proximity to their mother country presented a challenge to regional stability and Albania's territorial integrity, at the time of Berisha's Democratic Party rule (March 1992 - March 1997). The peak of interethnic tension lasted from June1993 through March 1995. The interethnic relations in Albania, as well as the Greek-Albanian interstate relations, worsened as a result of nationalist activities pursued by the ethnic Greeks aimed at secession of southern Albania (or Northern Epirus) to Greece. Ethnic Greek religious and political leaders, as well as ordinary ethnic Greeks, took an active part in the nationalist campaigns. Here are some of the most striking facts:

In June 1993 Greek Archimandrite Chrystosomos Maidhonis was deported from Albania for having distributed pro-Hellenic literature claiming the cession of southern Albania to Greece. Ethnic Greeks near the city of Gjirokaster clashed with Albanian police in

protest of deportation.

In February 1994 Metropolitan Archbishop Serapheim ended his sermon appealing to his congregation to unite Northern Epirus with Greece.

In April 1994 a group calling itself Northern Epirus Liberation Front (MAVI) attacked an Albanian border unit shouting separatist slogans.

In November 1994 Albanian Greeks unanimously rejected in a referendum a draft constitution for Albania, claiming the basic document of the country had failed to protect the ethnic and religious minority rights.

The heightened interethnic tension in Albania worsened the Albanian-Greek interstate relationships. Albania came to deport politically dangerous figures to Greece. Albania also detained and trailed members of Omonia, the ethnic Greeks' political and cultural organization, who were suspected of involvement in separatist actions.

Greece reciprocated by deporting nearly 200,000 illegal Albanian immigrants and announcing its intent to create a special unit to its northern border to stop thousands of illegal immigrants from entering the country. The two countries reciprocally expulsed their diplomats.

Interethnic tension in Albania seemingly calmed down in the spring and summer of 1995. Greece and the ethnic Greeks contributed to the decrease of ethnic and interstate tension. Greece recalled a diplomat from Albania having found in his possession pamphlets inciting separatism. Greece also arrested members of MAVI, the most radical nationalist organization of the ethnic Greeks, charging them of murder of two Albanian soldiers.

Since fall of 1995 ethnic Greeks in Albania seem to have changed their politics. Claims for cession from Albania were replaced by claims for widening of communal rights.

Political representation and cultural rights

Notwithstanding nationalist claims, the ethnic Greeks never seriously threatened Albania by secession. The ethnic Greeks did not threaten Albania by domestic instability either. In 1997 and 1998 the group became a victim of Albania's civil turbulence. Yet the ethnic Greeks managed to assure full access to electoral process. They also

widened their cultural and human rights within Albania. Here are some of the facts proving this observation:

Ethnic Greeks are politically represented in Albania since 1991. Their first ethnic party was Omonia. Omonia took part in the first and the second multiparty elections held in 1991. The party captured five seats in a 250-seat parliament. Omonia's political goals were not clearly specified.

Omonia was effectively prohibited from participation in the 1992 elections. Following that elections Albanian authorities came to suspect Omonia of committing espionage, fomenting separatism and possessing weapons. Arrests, detentions, interrogations and trials of Omonia's members followed.

Since 1992 the ethnic Greeks participated in Albania's political process running on the ticket of the Human Rights Union Party (HRUP). HRUP was established in 1992 as a result of negotiations between Greece and Albania. Its aim was to represent the interests of national minorities, and more concretely those of the ethnic Greeks. The party's members amounted to nearly 40,000 people. The party was active in the south of the country. Vasil Melo became the party's president.

The party experienced a serious organizational and ideological trouble during the 1996-1997 state crisis. Aiming to retain access to Albanian political process under any circumstances, the Human Rights Party faced itself with the need to side in a quarrel between the ruling Democratic Party of Sali Berisha and the opposition Socialist Party. The Democratic Party had claimed that it had won the 1996 parliamentary elections by an overwhelming majority. Socialists and other opposition parties maintained the elections were fraudulent. Socialists withdrew from the electoral process.

After short deliberations Vasil Melo, the Human Rights party chief, announced that his party would participate in the second round of parliamentary elections. The party crisis occurred as Thoma Mico, the number two in the party, severely criticized Melo for formally supporting the Democrats. The crisis worsened as the Democrat-Socialist quarrel took on an all-out civil war that nearly brought the country to a state collapse.

The internal party's quarrel eventually ended with the 1997 Human Rights Party's participation in Berisha's government. The government however was short live as rebels managed to establish control in the south and demanded that President Berisha resign. General elections in late June replaced President Berisha's Democratic Party from power. The Human Rights Party then became a member of the majority coalition "Alliance for the State", led by Socialist Prime-Minister Fatos Nano. Nano's later replacement by Pandeli Majko (1998) and Ilir Meta (1999) did not impact on the ethnic Greeks' access to political process and representation.

Human and cultural rights widened for the ethnic Greeks. Issues of human rights violations came to dominate the ethnic Greeks' politics since 1994 when persecution of Omonia members became frequent. Accusations of human rights violations were first raised on behalf of Greece. At a later point in time, accusations of human rights violations committed by Albanian authorities were also echoed by the Initiative Committee for Northern Epirus, a coalition of more than 30 ethnic Greek political, cultural and workers' associations.

The principal problems with granting of cultural rights have been arranged as late as 1996. Until 1995 three newspapers were coming out in Greek language. A radio station broadcast Greek-language programs. Greek language classes were taught in primary and high schools, while an Albanian-Greek treaty of cooperation provided for the full arrangement of the Greek language education in Albania. Priests from Greece augmented the indigenous clergy of the Albanian Orthodox Church to serve Greek speaking congregations. In 1997 the ethnic Greeks preceded with claims for wider participation in local government. As State Department observed in 1996, the Albanian Greeks had become "an integral part" of the Albanian society.

Ethnic unrest

Ethnic unrest has been twice reported in the country. One was the 1993 clash near Gjirokaster between the Albanian police and 300 ethnic Greeks who protested the deportation of Archimandrite Chrystostomos from Albania for being involved in separatist activities. The other was the 1994 attack by gunmen of the North Epirus Liberation Front (MAVI) on an Albanian border unit.

Some (Italian) sources argued that ethnic Greeks were behind the 1997 Albania's rebellion (14 March 1997: BBC). Others warned of a danger of a Greek-inspired breakaway republic in south Albania ceding at the time of the rebellion (22 March 1997: The Times).

Such claims drew on the close links existing between the ethnic Greeks and the Albanian Socialists. These links might have helped the Socialists' sympathizers establish control over the southern part of the country, populated by ethnic Greeks.

Reasonable as they may look, none of the above claims have ever been proven.

What seems obvious though is that Greece maintains intimate relations with Albanian Socialist politicians. Greece's active diplomacy during the 1997 and 1998 political crises seems to have helped settle political crises in the country. Greece's linkages with the Socialists, however, as well as the presence of Greek troops in Albania, as part of the European multinational force sent to Albania in 1997 in a bit to prevent state collapse, could turn out to be a short live guarantee for political stability and ethnic peace in the country. A withdrawal of Greek troops from Albania, or a shift in electoral preferences of the population, may cause a political chaos, which could easily drag in the ethnic Greeks and destabilize the region by hitting Kosovo.

Currently, Albania enjoys ethnic and civic peace. However, it is not irreversible. If instigated, political/ethnic conflicts may threaten political/ethnic stability of Albania and nearby lands.

The Turks of Bulgaria

The Turks of Bulgaria do not seem to pose threat either to regional security, or to domestic stability. The ethnic Turks used to be politically active in the first years of Bulgaria's democratic transition. Since 1995 however the ethnic Turks enjoy a large spectrum of communal rights. Their participation in Bulgaria's democratic politics does not differ much from that of the ethnic Bulgarians. Their major concern seems to be the same: the improvement of their economic status and the democratization of their political party.

Group cohesion

According to 1998 estimate, the Turks of Bulgaria are 700,000 out of 8,240,000 country population. They live in two pockets in northeastern and southeastern Bulgaria. They are remnants of the Ottomans who dominated large portions of the Balkan Peninsula until late 19th century.

Territorial proximity of some ethnic Turks to Turkey does not threaten regional stability. The explanation rests with the goals pursued by the Bulgarian Turks. Unlike the Kosovar and Macedonian Albanians, unlike even the Albanian Greeks, who raised claims for boundary adjustment along ethnic lines, the Bulgarian Turks never formulated their goals in territorial terms. The Bulgarian Turks demanded participation in the national and local structures of power and extension of cultural rights.

The only time when ethnic situation in Bulgaria really challenged regional stability was 1989 when tens of thousands of ethnic Turks forcibly left Bulgaria for Turkey. The mass exodus of the ethnic Turks was the final episode of an unsuccessful assimilation campaign of ethnic Turks launched in 1984 by the communist regime. The campaign aimed at replacing the Islamic names of the ethnic Turks, by Slavic ones. The exodus signalized of a mass violation of human rights. The Bulgarian-Turkish interstate relationships significantly worsened leading some analysts to predict Bulgarian-Turkish interstate war.

Ethnic Turks reportedly returned to Bulgaria in 1989 and 1990 following the collapse of the communist regime in Bulgaria.

Political representation and cultural rights

Domestic ethnic politics of Bulgarian Turks are moderate. The politics combine legitimate democratic goals and peaceful means for their achievement.

The ethnic Turks are politically represented in their country. Their party, the Movement for Rights and Freedoms (MRF), was founded in January 1990. The party is considered to be a political organization on ethnic base. While it represents the interests of the ethnic Turks, the party also attracts votes of some ethnic Bulgarians.

The party leader, Ahmed Dogan, played an important role in identifying communal rights that mattered for the Turkish community.

They included cultural and political rights, such as free selection of personal names and free practice of minority religion; education in mother tongue; participation in national and local authorities. The above rights have been achieved and institutionalized from 1990 through 1996. Cultural rights and political representation at national level dominated Turkish ethnic politics from 1990 through 1995. Political participation on local level dominated Turkish ethnic politics in 1995. We hereafter present some of the facts:

Issues of cultural rights and political participation at national level dominated the politics of the ethnic Turks in 1990. The Turks consolidated as a politically significant group in that year as Bulgarian nationalists organized strikes and mass protests against granting of political and cultural rights to minorities.

Bulgarian nationalists, ethnic Turks and Muslims, the government and opposition, eventually reached an agreement aimed at diffusing the ethnic tension in the country. The agreement asserted the cultural rights of the ethnic Turks, in particular the right to free selection of name and free practicing of minority religion. The agreement simultaneously confirmed the integrity of the state that the Bulgarian nationalists thought was under threat by the extension of communal rights.

In 1991 issues of language education were at the political agenda. The Bulgarian Socialist Party (former Communists) attempted to ban MRF and prohibit Turkish language classes in state schools. The Supreme Court eventually ruled out banning of the MRF. Turkish language classes were allowed in state schools after the democratic opposition, the Union of Democratic Forces (UDF), won parliamentary elections.

In 1995 another ethnic problem awaited its resolution. The problem was the access of the Turkish minority to the structures of local authority. The problem emerged in the city of Kardzhali, where MRF won the municipal and mayoral elections. BSP (the Socialist Party) contested the Kardzhali's mayoral election in court and delayed the opening of the session of the newly elected municipal council. The court annulled the election. In 1996 however the Supreme Court confirmed the election of the ethnic Turk as mayor of Kardzhali.

Ethnic unrest

Ethnic unrest was not reported in Bulgaria. A couple of peaceful demonstrations occurred in the country. They were organized by the ethnic Turks, as well as by nationalist opponents.

In 1989 the ethnic Turks demonstrated against cultural oppression and demanded the restoration of their religious rights. In 1991 Turkish schoolchildren demonstrated demanding rights on education in Turkish language.

In 1990 the Bulgarian nationalists protested against granting of cultural and political rights to the ethnic Turks.

On the whole, the ethnic situation in Bulgaria is calm. To see the real problem in the country one has to look at Bulgaria's recent economic and political development.

III. POLICY RECOMMENDATIONS

The above report could be shortly summarized as follows: Kosovo poses a military threat to the territorial integrity and sovereignty of the Republic of Macedonia. Interethnic relations in Macedonia pose political and military threat to Macedonia's domestic stability. Interethnic relations in Albania are threatened by civic unrest resulting from the poor democratization of the country. Ethnic peace seems to be stable in the Republic of Bulgaria. However the country and its Turkish minority are threatened by economic insecurity and vulnerable political institutions.

Could the international community, politicians and civil society contribute to a lasting ethnic peace in the region? The Institute for Regional and International Studies in Sofia suggests the following policy recommendations:

1) The politics of the international community in Kosovo seems to be the biggest challenge. The international community should seek to succeed in accomplishing a threefold strategy.

a) The international community should first try to stop smuggling of arms and professional fighters through the Kosovo border with Serbia and Macedonia. The ideal solution would be for the international

community to seal off the Kosovo borders. Reports inform of attempts made in this direction. NATO peacekeepers reportedly set patrols along Kosovo's border in March 2001 in a bid to block ethnic Albanian guerrillas from crossing into Macedonia (19 March 2001: The Guardian).

International observers noted however that borders in that part of the region are difficult to control. To assure higher efficiency, the international community encouraged cooperation with border authorities of neighboring countries. In late May 2001 for instance, Yugoslav troops moved back to the Kosovar-Yugoslav border zone to prevent incursions of ethnic Albanian guerrillas from Kosovo into south Serbia.

b) The international community should also try to counter terrorism in Kosovo and assist the process of democratization of the province. Some measures in this direction have already been undertaken. An example was the dismissal by the UN authorities of 2,000 members of the ethnic Albanian police, the Kosovo Protection Force (KPF), suspected of intention to join the "Macedonian" National Liberation Army (1 April 2001: The Sunday Times). Another example was, the preparation by the UN authorities of tough anti-terrorist laws which would let UN authorities list and fight banned groups, and penalize companies and individuals dealing with them (19 May 2001: The Financial Times).

c) Finally, the selection of a status for the Kosovo province should not be a matter to urge with. In the course of the past two years the international community showed commitment to preserving Kosovo as a constituent autonomous part of Yugoslavia. Here are some initiatives of the international community aimed at that. The Contact Group made a decision to hold elections on 17 November 2001 for Kosovar provisional government. Elections have to hand power from the UN to the Kosovar Albanians but also forestall calls for independence from Serbia. Secretary of State Colin Powell backed the plan (14 April, 2001: The Financial Times). More recently Hans Haekkerup, UN special representative to Kosovo promised that UN will retain presence in the province after elections and ensure compliance with UNSC Resolution 1244 (15 May 2001: The Independent).

Another initiative aimed at averting Kosovo's secession from

Yugoslavia was a visit to Kosovo paid in the spring of 2001 by the then British Foreign Secretary Robin Cook. The visit followed election of Milo Djukanovic as president of Montenegro. Still prior to his election Djukanovic was giving signs that he would favor Montenegro's secession from Yugoslavia. Cook worried lest a new wave of secession, beginning with Montenegro and ending with Kosovo, was underway. Cook's visit to Kosovo aimed at dissuading the province's leadership from undertaking secessionist attempts. Cook recommended the improvement of Kosovo-Serbia relations and abandoning ideas for Kosovo independence (25 April 2001: The Independent).

If the Kosovars are yet to obtain independence from Yugoslavia they will have to prove that they are used to the norms of democratic life. The presence of the international community in the province was a step aimed at helping the accommodation of the Kosovar Albanians to political and ethnic democracy. However the real test of democratization would be the work of the ethnic Albanian administration with the Belgrade's new authorities.

Since their election in late 2000 the Belgrade authorities made a considerable progress in democratizing of their country. Here are some facts. The Yugoslav authorities promised democratic reforms to improve the status of the ethnic Albanians in south Serbia that let the Yugoslav forces back into the Kosovo-Yugoslav buffer zone. The Yugoslav court martial came to try own soldiers. The Yugoslav army released Albanian political prisoners. Amnesty was offered to the insurgents in south Serbia. Milosevic was turned over to the UN war crime tribunal to stand trial for crimes against humanity. War crimes in Kosovo performed by Milosevic's regime have been publicly uncovered.

The Belgrade's improving democracy record indicates that the Kosovar Albanians are no longer in a situation of ethnic oppression that would have justified immediate cession from Yugoslavia. The international community should have to encourage the Kosovar Albanians to walk down their part of the road leading to the establishment of a multiethnic democracy in Yugoslavia. The opposite, i.e. Kosovo's independence at that moment, would only escalate the ethnic Albanian demands and result into calls for secession of

neighboring Albanian populated border areas.

2) Next challenge is the interethnic politics in the Republic of Macedonia. The strategy to be pursued is threefold.

a) The Macedonian authorities should try to speedily overcome the Slav Macedonian nationalism. The initially good politics of cooperation, pursued by VMRO and DPA from February 1999 through February 2001, prevented Macedonia's destabilization at the time of the Kosovo crisis. This interethnic cooperation established at the highest state level created the impression that Macedonia would remain the only republic of ex-Yugoslavia capable of successfully handling its interethnic relations. Macedonia owes this politics of cooperation to three statesmen: Boris Trajkovski, Ljubco Georgievski and Arben Xhaferi.

The establishment of the Grand coalition in May 2001 and the integration of the Socialist party in it radicalized the Slav Macedonian politicians. The new configuration of power prevented the speedy completion of interethnic negotiations. Here is one example. In June 2001 Prime Minister Ljubco Georgievski offered changes in the Constitution, that would make Albanian language official, and declare the ethnic Albanians a second constitutive nation. Socialist leader Branco Crvenkovski rejected the suggestions and threatened to collapse the coalition government.

The radicalization of Slav Macedonian politicians caused radicalization of the Slav Macedonian citizens. Civilians stormed the parliament in June, July and September 2001 protesting the process of democratization of communal rights. More importantly, the Macedonian Interior Ministry armed civilians to fight ethnic Albanians in the country.

The improvement of the ethnic situation in the country is in the hands of all ethnic communities. Most of the political means helping attain such an end are, however, in the hands of the Slav Macedonian authorities. These authorities should start by turning their backs to nationalist sentiments and looking more pragmatically at identity issues. The International Fact-finding Mission to the Republic of Macedonia, organized by the Institute for Regional and International Studies in late April 2001, has recommended a change of Constitution's preamble defining Macedonia not as a nation state composed of ethnic communities but rather as a civic state integrating its citizens.

b) The Macedonian authorities should also be more sensitive to grievances of their ethnic minorities and more responsive to their ethnic minorities' demands. Calls for democratization of ethnic Albanian rights have been raised since 1994. From 1994 though 2001 nothing has been done to meet these legitimate demands. Nothing signified the elevation of the status of the Albanian language in Macedonia's public life, or the improvement of conditions of education in Albanian language. No steps have been undertaken to assure proportional representation of ethnic Albanians in army and police. What is more, in September 2001, a month after the framework agreement for the improvement of interethnic relations in Macedonia was signed, Macedonian MPs threaten to put the peace deal to referendum and thereby annul the work of peace negotiations. The Macedonian authorities should change their old-style approach to ethnic issues and realize that the granting of communal rights like those above are common throughout democratizing East Europe.

c) Not least, the Macedonian authorities should try to improve their relationships with the West. The current relations of Macedonia with her Western partners are relatively good. Macedonia has acknowledged the role of the international community in hampering foreign incursions aimed at disintegration of the country.

However some activities on behalf of the Slav Macedonians and their politicians indicate that the process of westernization of Macedonia has not yet been completed. The July 2001 example stands out. In early July the international envoys, James Pardew and Fracois Leotard, handed to the Macedonian leaders the framework agreement of a reconciliation plan. The discussions were soon interrupted as the Macedonian leaders verbally attacked the Western mediators and rejected the peace package of reforms. The Slav Macedonian leadership argued the suggested reforms were a "blatant violation of Macedonia's internal affairs". The Slav Macedonians echoed the actions of their politicians. They staged protests at foreign embassies and offices, and physically destructed part of the foreign offices' property.

The anti-Western campaign of the Slav Macedonians in July 2001 did not correspond with the initially good relationships between Macedonia and the West. In her interaction with the international community Macedonia should have more trust in international initiatives, which since the crisis' beginning, support the country's territorial integrity, its sovereignty, as well as its the ruling elite.

3) The current ethnic situation in Albania is calm. However, civic peace is not yet stable in this country. A civic unrest, if it occurs, may worsen interethnic relations and threaten regional stability. Our policy recommendation concerns mostly civic and political relationships. Ethnic relations and regional stability are considered within the general civic-political framework.

The current peace in Albania is due to the politics of the ruling Socialist Party. A contribution to the country's stability has also Greece's politics, which has been very active since 1997 Albanian state crisis. Greece interacted with her Albanian counterparts exchanging state delegations and initiating meetings between leading Albanian and Greek politicians.

Yet there is a problem in this seeming political calm in Albania. And it is the low degree of integration of opposition Democrats in Albania's domestic politics. Following Berisha's resign in 1997, the Democrats showed that they were yet capable of threatening domestic stability. In 1998 the country survived a new political crisis caused by the Democrats' demand of Prime Minister Fatos Nano's resignation.

This paper recommends a speedy integration of the Democrats in Albania's political process. Democrats' integration is important because the party controls a serious human potential for political mobilization. The Socialists are known to be stronger in the South. The Democrats are stronger in the North. Should a civic unrest occur, it would confront the North and the South.

Moreover, civic unrest might have worse consequences when looking at it through ethnic lenses and considering its impact on the regional stability. A civic unrest may take on ethnic conflict and threaten regional stability by involving Kosovo in it. Specifically,

a North-South civic confrontation could drag in the ethnic Greeks who live in the South. Most likely, the ethnic Greeks would side with the Socialists who are in control of the South. A North-South confrontation could further spillover into Kosovo. Kosovo borders on northern Albania and maintains close connections with it.

4) Bulgaria's current ethnic situation is calm. The ethnic Turks are integrated in Bulgaria's politics at national and local level. Civic peace also seems to be stable. Civic confrontations on ideological base are occasional. Bulgaria's security problem is neither ethnic, nor civic. Bulgaria's problem is economic insecurity and vulnerable political institutions. Our policy recommendations mostly concern Bulgaria's economy and politics. Ethnic issues and regional stability are considered within an economic-political framework.

CHAPTER III

THE IMPACT OF ARMED CONFLICTS IN FORMER YUGOSLAVIA ON THE ESTABLISHMENT AND FUNCTIONING OF THE ORGANIZED CRIME ON THE BALKANS

Yovo Nikolov

The armed conflicts on the territory of former Yugoslavia in the last 10 years made a significant contribution to the establishment and strengthening of the organized crime on the Balkans. No country in Southeastern Europe remained immune to this process. The proximity of armed conflicts to countries like Bulgaria, Albania and Macedonia created a sustainable core of criminal groups used to interacting with one another in recent years. International organized crime still poses real threats to the political and economic development of Southeastern Europe. Crises in the region speeded up the establishment and strengthening of organizations with significant criminal potential that found their bases and channels and penetrated deeply in political parties and state administration.

Organized criminal groups are involved in **five major types of activities**:

❑ smuggling petrol, cigarettes and arms;

❑ stealing and traffic of motor vehicles;

❑ traffic in illegal emigrants and trade in women;

❑ traffic and production of drugs;

❑ blackmail (racketeering) and robberies.

From institutional perspective, the countries in Southeastern Europe are at different level of their development. Therefore the organized crime analysis in each of the countries has to be based on different informational criteria. Whereas Bulgaria has particularly sustainable statehood, Kosovo lacks any institutions that should regulate crime. In Macedonia, prior to the conflict eruption near Tetovo, there were quite distinctive state structures dealing with crime, but after the conflict, the greater part of them is engaged in analyzing terrorist groups. Following the riots in 1997 the statehood in Albania still strives to recover its positions. While in Bulgaria there are distinct and transparent statistics and the media are quite free, unfortunately, data on trends in crime in Albania and Macedonia are insignificant and inaccurate, and in Kosovo they are completely missing.

In analytical perspective, however, this provides opportunity to examine how the armed conflicts affect more stable countries like Bulgaria. Therefore, a more detailed review of the crime development in the last 10 and especially in the previous 5 years is needed because the shifts in interests, trends and development of the organized criminal groups are more distinguishable. Also, for explicit reasons, the major channels for traffic in people, goods and drugs for Macedonia, Kosovo and Albania pass through Bulgaria. Thus, examining changes in illegal traffic could draw some conclusions for the development of personal security and criminality in Southeastern Europe.

ESTABLISHING AND STRENGTHENING ORGANIZED CRIME

In Bulgaria, the organized crime activities have been generally related to the "bully groups" that emerged in 1993-1994. These groups are made up of former sportsmen in wrestling, boxing and weightlifting. They were basically involved in armed robberies on roads, stealing and traffic of vehicles, gambling, prostitution procuring, racketeering under the form of providing security services to small- and medium-size enterprises, smuggling of cigarettes and liquor. After introducing a license regime for

security guarding firms in the end of 1994, the "bully groups" re-registered as insurance companies versed in motor vehicles' insurance and thus they continued to blackmail the automobile owners in the country.

It should be pointed out that "bully groups" are the tip of the iceberg of Bulgarian organized crime. Officers of former secret services, a part of the communist party staff, and newly emerged politicians joined these structures.

During the first embargo on Yugoslavia, these structures, assisted by former officers of the secret services and civil servants, successfully participated in smuggling of fuel (petrol) to former Yugoslavia. Thus, they accumulated sufficient funds to take part later on in the privatization of state- and municipally owned enterprises of tourist and food-processing industries. Hence, a significant part of these industries and clusters of their sectors fell under the control of these mafia-like groups.

After the UDF government came into power in 1997 the whole capacity of the state institutions has been used to combat the "bully groups". Amendments to the Insurance Bill were adopted to set high requirements for the founding capital of the insurance companies (between 3 and 6 million DEM with certified origin for different types of insurance). Thus, the "bully groups" were officially driven away from the insurance business. However, there are reasonable grounds to consider that "bully groups" still control this market using token offshore companies.

Due to the restrictions of the registration regime of expensive vehicles introduced by the Bulgarian traffic police authorities and the licensing of tradesmen in spare parts, the robberies of cars substantially decreased, and this directly stroke organized criminal groups. Some of these groups got divided from their "patrons" and went back to working on their own in the streets. It resulted in occasional peaks of certain brands of stolen vehicles.

Regardless of the apparent control over mafia-like structures, they still control gambling, prostitution and are considerably involved in sports. Also, these groups have quite legal business and in some sectors they even pay taxes.

SMUGGLING – THE BASE OF ORGANIZED CRIME ON THE BALKANS

Smuggling is among the major means for illegal acquisition of funds by mafia structures. It is directly related to transborder crime activities, as well as to the establishment of Bulgarian and Balkan mafia groups. The cooperation between regional criminal groups most frequently takes the form of operating smuggling channels. On the other hand, smuggling and operating transborder channels are a major threat to the promotion of market economy, which badly affects the confidence and presence of foreign investments on the Balkans. Smuggling could even destroy the production and development of a given sector on a regional scale and undermine the establishment and fostering of state institutions.

In 1991-1993 there was a juridical and institutional chaos. It was exactly what enabled former secret service officers and communist party cadres to use their contacts and keep state-run smuggling channels. Then there was a tremendous inflow in Bulgaria of cigarettes, liquor, sugar, fuel, alcohol, etc with no revenue to the state budget. Nearly the same is happening now in Serbia, Macedonia, Albania and Kosovo. Previous contacts of former Bulgarian secret services with some terrorist organizations in the Middle East, Turkey and Africa were transformed into private smuggling channels operating for the benefit of one or another group, serving to one or another party.

Running of contraband traffic is due to the assistance of criminal and shadow groups. The corruption activities of such cooperation often go beyond its definition (authority-bribe-resolution-covering). Some-times it gets the typical elements for the organized crime – intimi-dation, blackmailing, and murder. Though having different character-istics, not compulsory, the major reason for these criminal activities stems from the illegal financial relations between criminal structures and civil servants.

Running the criminal traffic of stolen vehicles through the borders during 1992 – 1994, Bulgarian groups of former sportsmen and ex-policemen began establishing parallel contraband channels often doubling the existing ones, or with the participation of one and the same customs' and border administration officers. In practice, these

"bully structures" gained control on the existing smuggling channels. The stockpiled critical mass of "dirty money" by "bully groups" has been utilized and multiplied by breaching the embargo on Yugoslavia that turned to catalyze the structuring and fostering of Bulgarian organized crime.

Similar is the current situation particularly in Serbia where the contraband import has been run by Serbian secret services. After the fall of Milosevic, the same contraband routes gradually began to be overridden by shadowy and distinctly criminal businessmen. In 1999-2000 in Serbia several ordered murders of criminal underworld bosses and senior officers of Serbian secret services have been committed. One of the versions explains that it is the way to facilitate the "privatization" of transborder channels that have been previously supervised by Milosevic's secret services.

In Albania after the riots of the depositors in financial pyramids in 1997 the border areas have been practically managed by various clans and families that are considerably mighty, especially in the southwestern part of the country. The northern and eastern parts of the country in fact have no border with Kosovo and Macedonia, thus being completely criminal. This has been particularly witnessed during the Kosovo crisis and NATO forces withdrawal afterwards. The routes have been immediately overridden by Albanian and Kosovar mafia clans or by Macedonian Albanian groups in Western Macedonia.

CONTRABAND DURING THE FIRST EMBARGO ON YUGOSLAVIA

In 1993 – 1995 the breaching of the international embargo on Yugoslavia has been an unofficial state policy of Bulgaria. Breaking the ban on imports of fuel has been conducted again under the control and within the frames of the former Bulgarian secret services. For the implementation of the criminal deals, however, it was necessary to corrupt a number of civil servants and officials who would provide the necessary railway tankers, transport corridors, fuel loading and unloading terminals, customs officers and ministerial clerks. Such an organization could not be guaranteed without the participation of senior policy-makers and officials from the Ministry of Interior. According to

some government data, at that time more than 400 big deals in different goods for Yugoslavia were revealed that defrauded the country's revenue by more than USD 250 million. There were as well as dozens of fuel contraband cases causing damages for millions of USD.

Statistics show that despite the embargo, Bulgarian exports to the former Yugoslav states in 1994 rose by 43 % compared to the previous year. In terms of USD this is 571 million compared to USD 387 million in 1993 (concerning registered deals that are basically about 40 % of total transactions). One of the basic schemes for breaking the embargo was exporting to Macedonia wherefrom the goods freely entered in Yugoslavia due to the lack of a border. The free passing of goods through the territory of Bulgaria has been provided by current and former officers of the secret services even in cooperation with respective Macedonian and Serbian secret services. The same schemes have also facilitated the export of nitrate fertilizers. Arms from Russia, Ukraine and other former Soviet republics used to pass through Bulgaria on their way to Bosnia. During the wars in Yugoslavia, all the supplies for the state were illegal and criminal, controlled by the secret services, the military and Milosevic's staff. There were even cases of underworld groups and paramilitary establishments trading arms and fuel with both warring parties – with Serbs and Bosnians, with Serbs and Kosovar Albanians. Neboisa Covic, Serb Vice Prime-Minister and Director of the Coordination Center for Kosovo and Metohia, made the following statement regarding the situation in Veliki Tarnovac – one of the key places for contraband in former Yugoslavia in the region of Presevo Valley:

"It seems that the only thing in common there were Serb-Albanian criminal gangs and mafia. Examining the structure of weaponry it is evident that 80 % of that weaponry is our product. It had not come from the heavens. It is a pity, but that is the truth."

HAS THE EMBARGO BEEN BREACHED DURING THE KOSOVO CONFLICT?

The expectations that Bulgaria would disregard completely the petrol embargo on Yugoslavia did not come true. There are several reasons for this:

First, Bulgaria unlike in the period 1993-1995, committed to keep strictly the sanctions imposed by NATO. The breach of the previous embargo was caused by the involvement or the silent consent of the state and its officials. During the conflict, the administrative apparatus along the western border has been completely replaced. Another reason is the newly adopted law on the Ministry of Interior. According to the new regulations the officers of the National Security Service (heir to the previous Second Directorate of the Bulgarian Secret Services) were dismissed from the border checkpoints. Their functions have been assumed in 1997 by the restructuring Border Police. Thus in practice some of the existing contraband channels have been severed. Considerable police forces have been deployed to guard the western border against contraband from eastern Bulgaria.

The second reason concerns the specifics of the Kosovo conflict. NATO strikes took two months, the war came to close proximity to Bulgaria and all transport vehicles were potential targets of NATO aircraft. Yugoslavia did not lack fuel and other commodities as much and their prices were not as high as it was expected. Macedonia, through which the greater part of the contraband traffic to former Yugoslavia had been passing previously, was then "flooded" with NATO troops because of the threats of conflict spillover. These troops de facto controlled the border with Kosovo where the convoys of embargoed goods previously passed. Then the channels through Montenegro and Romania to Serbia were put into operation.

The third reason to observe the embargo is the practical closure of border between Bulgaria and Yugoslavia. During the NATO strikes a minimum amount of transport vehicles have passed through the Bulgarian-Serbian border.

TRAFFIC OF DRUGS AND WOMEN

The following example shows the significance of breaching the international embargo on Yugoslavia. According to research conducted until the end of 1997 by the Institute for Criminology Studies affiliated to the Chief Prosecutor's Office, when the first embargo on Yugoslavia was lifted, conventional criminality in the Vidin region (adjacent to the Bulgarian-Serb border) has risen by 55 % (the country's average

is 23.4%). The grave crimes against personality in 1997 rose by 67% (country's average growth is 29 %). In Blagoevgrad and Kyustendil (other border adjacent regions) the growth of conventional crimes is 36 % and 35.7 %, respectively. The major reasons for these anomalies are poverty and unemployment in the regions adjacent to the Bulgarian-Yugoslav border, which is two times higher, compared to the other regions of the country. That is, during the first embargo a considerable part of the population in border adjacent areas made their living by trafficking through the border. Thus, whole regions have become criminal. During contraband activities till 1999 there was considerable integration of Bulgarian, Serb and Macedonian organized gangs. There is also a certain division of labor and sectors in transborder traffic. The Macedonian guys dealt mainly with smuggling goods and fuel, while the Albanians were into trafficking cigarettes, drugs, cars and people.

Approximately in 1996-1997 the Balkan mafias got involved in the traffic of women and it evolved as their basic activity (it might have occurred earlier but it was the first time that some data have been collected revealing this as business organized and controlled by criminal groups). During 1997-2000 Macedonia was the first stage of the traffic in women that was conducted mostly by Macedonian Albanians. The whole western Macedonia is inhabited mainly by ethnic Albanian population and there are a lot of cafйs where girls for prostitution were provided. Some of these girls are further brought to Greece or through Albania to Italy and Western Europe. Only in 1999 the Bulgarian border police has revealed 58 channels for the traffic of people through Southwestern borders in 17 of which foreign citizens were involved. 376 people have been engaged in these channels and they attempted to illegally bring out of the country 1982 foreigners, 915 of which were women. The Bulgarian border police has identified 32 persons that have been into the "white slaves" traffic. 23 of them were Bulgarians, 5 were Greeks, and 4 Macedonians. There is enough evidence that Macedonian Albanians are among the basic suppliers of women from Bulgaria, Romania and ex-Soviet republics to the brothels in Italy, Greece and Cyprus. After the Kosovo crisis, a great part of the girls forced to prostitute were moved from Western Macedonia to Kosovo. After the escalation of the Macedonian crisis

this trend rose. The traffic of women in Macedonia, Kosovo and Albania is completely controlled by ethnic Albanians. The other major activity of criminal Albanian groups is the traffic of illegal emigrants and drugs to Italy completely controlled by families of Western Albania. There is a lot of evidence for contacts of Albanian clans with Ndrageta and Sicilian mafia.

Prior to the Kosovo crisis, Bulgarian mafia structures were rarely involved in international drug trafficking passing through Bulgaria on the so-called Balkan route. There were several reasons for this:

First, there was a little market space for drugs in Bulgaria – according to informal data there are about 50 000-drug addicts in Bulgaria. Bulgarian drug addicts are barely solvent enough to demand more expensive narcotics like cocaine, for example.

The drugs market in Bulgaria has been traditionally controlled by Arab tradesmen – Kurds, Syrians, Turkish, Iranians, Iraqis, Lebanese etc. Due to these as well as to some other reasons, Bulgarian mafia structures were generally involved only in guarding the freights through Bulgaria or reloading and repackaging of greater freights at special depots located mainly in the regions of Plovdiv, Sofia and Varna. At present, Bulgaria is flooded with heroin and the price of a single dose is ever decreasing. Here are some of the grounds for this.

First, the Albanian mafia took over the control on the Balkan route of drugs. Second, since 1998 Afghanistan released big amounts of heroin, which were previously blocked in compliance with the agreement with the US for financial assistance. Since, however, Afghanistan did not receive such assistance, in retaliatory manner, it poured drugs into Western Europe. Third, Bulgaria used to be transit country only, but that's not the case any more. Owing to the low price of heroin, the traffickers rather prefer to pay in kind in drugs that are to be sold out on the Bulgarian market and thus reimburse their money later on. This fact made dealers sell heroin at ever decreasing price and multiply the demand for drugs among the youngsters.

Since the beginning of 1990s Albanian criminal groups tried to occupy important positions in the traffic of heroin to Europe. It was then that a large group from Kosovo immigrated in Turkey and the Turkish drugs-mafia began using them as "mules" – drug traffickers on the Balkan route to Western Europe. Gradually, "shquips", as they are known in the underworld, gain yet more and more territories and take control over substantial part of Turkish mafia's channels. According to analyses of various Western intelligence agencies, at present the Albanian mafia controls about 75 % of heroin supplies for Western Europe. How does it happen? "What is typical to the Albanian mafia is its similarity to the Sicilian mafia", the Serb newspaper *Glas yavnosti* highlights. "Albanians have particular faith, specific language and rules, they uphold a well-established family tradition and hierarchy. The bases of these drug-traffickers are located in Skopje, Shkoder and Pristina." Kosovo itself is divided into 10-12 drug clans, which maintain close contacts with their fellows in Macedonia and, in practice, they act as a whole. In Bulgaria this business is being run by no more than 4-5 criminal groups. After the end of the Kosovo crisis, Bulgarian customs officers began more frequently to arrest packages of heroin for Macedonia and Kosovo, a trend that has not developed before. According to most observers, the reason for this is that after establishing of KLA as one of the mightiest organizations in Kosovo, the province has become completely criminal and has turned into mafia's land. The number of arrested drug-traffickers of Albanian origin on Bulgarian borders has increased twice in 2000 as compared to 1999 data. The Report on National Security of Bulgaria in 2000 pointed out that 295 kg of heroin were seized on the routes to Kosovo and Macedonia. During previous years the number of seized drug freights at the border with Macedonia has been single digit. According to the statistics, 15 % of the arrested drug-traffickers have been ethnic Albanians. The security services that produced the Report estimate that the profits of this type of activities are one of the funding sources to radical Albanian organizations. Bulgarian citizens got involved in Albanian traffic channels and Bulgaria turned into a depot for temporary stockpiling and repackaging of drugs and precursors, which engaged Bulgarian criminal groups in the structure of organized drug criminality throughout the region. What occurs is the substantial activation of the Southwestern drug route through Bulgaria, Macedonia, Kosovo and Albania and the North direction of the Balkan route through Romania, Moldova and Ukraine.

THE MAFIA'S LAND

The Head of the Hungarian Drug Combating Agency, Doerd Holoshi, noted that 80 % of the heroin supplies in Hungary come through the Kosovar Albanians' channel. He also stated that the center of drug traffic in Kosovo is Veliki Tarnovac. According to the Serbian Vice Prime-Minister, Neboisa Covic, Veliki Tarnovac is a contraband center in principle. "There was smuggling of everything. Any kind of goods was on sale there – starting from drugs, "white slaves" and arms, ending to flour, sugar, butter and building materials."

Immediately after KLA took control over Kosovo when the crisis ended, many Bulgarian carriers yet more frequently complained about being stopped and blackmailed by armed men on the roads in Kosovo. This specific extortion demonstrates that Kosovar criminal groups exercise control over the supplies of any commodities entering the territory of Kosovo. Through the practical secession of Kosovo from the territory of Yugoslavia, the province turned into a new market space run with deficit of everything and controlled by Kosovar Albanians' clans. The latter assumption is illustrated by the trend in stealing vehicles in Bulgaria during the last two years. At the beginning of 2000 there was a sharp rise in the stealing of high roadability vehicles and vans. Data processing revealed that greater part of them has been exported to Kosovo where they are especially needed due to the scarce physical infrastructure and communications.

In order to demonstrate to what extent the mafia and civil servants are one and the same thing it is worth mentioning the incident at Gyueshevo checkpoint on the Bulgarian-Macedonian border a few months ago where the Ambassador of Albania to Sofia was accused of travelling in a stolen jeep, registered for seeking by INTERPOL. As a whole, the integration of different Balkan criminal groups, especially in the traffic of stolen motor vehicles, has been completed.

THE CRISIS IN MACEDONIA AS PROJECTION
OF GRAY BALKAN ECONOMY

Instability of the states on the Balkans is a major prerequisite for the spread of organized crime. A week before the conflict in Tetovo (Macedonia) flared up, the prominent Balkan expert, the journalist Misha Gleny, gave the following explanation of the forthcoming events: "Macedonia turned into a country governed by several families of different size that accepted the legal image of political parties. One can name at least five Macedonian and three Albanian families that are competing for ever-diminishing resources. Unfortunately, the structure of this system is a pyramidal one – the heads of families, whether Macedonians or Albanians, are extremely rich, while the remaining members of the families are quite poor. When disputes over redistribution of economic resources emerge, regardless of being legal or not, they always appear as disputes between families. And when disputes become quite fierce, families get united on the basis of ethnicity."

Therefore, it is not a casual incident that the conflict in Northern Macedonia started at the very moment when the state endeavored to set a border between Kosovo and Macedonia and to secure it. The initial fighting began straight after setting the borderline near Tanusevci. The same incidents occurred a year earlier when Serb authorities made first efforts to put Presevo and Buyanovac valley under control. In other words, Albanian criminal groups attempt to bring under the ethnicity label every effort of the states in the region to set law and order along the borders, because this directly threatens the traffic of contraband goods that Albanians control. The investigations carried out by the Macedonian police during the conflict in Tetovo and Shar Mountain revealed that considerable amounts of weaponry stockpiled in Albanians populated territories are under the control of Albanian criminal groups. They try to enter into an open conflict even at the expense of civilian casualties rather than putting up with stabilization of the region which would gravely jeopardize their shadow activities, economic and criminal interests.

The follow-up escalation and conflict spreading to Northern Macedonia distinctly showed that it had been inspired by Kosovar paramilitary establishments, which, beyond doubt, had been considered a military part of the well-structured Albanian mafia. If not considering political claims of Macedonian Albanians and taking into account solely their aspiration for participating in police and other state authorities, what strikes is that the ultimate goal in fact is by assuming

power to legitimize the ethnic prevalence along the border between Kosovo and Macedonia. Thus acquiring considerable territories, Albanian criminal groups will keep control on the contraband channels and traffic to Kosovo, Albania and Montenegro as a bridgehead to Western Europe.

CHAPTER IV

DEVELOPMENT PERSPECTIVES IN SOUTHERN BALKANS

(BULGARIA – MACEDONIA – ALBANIA)

Plamen Ralchev

I. BACKGROUND

Southeastern Europe is located at strategic bridgehead for energy transportation and distribution from Russia and the Caspian Sea to Central and Western Europe. The transport and communication opportunities of Southeastern Europe in the context of the larger East-West and North-South corridors raise the economic value of the area. Its strategic economic outreach to the Eastern Mediterranean, the Middle East, the Black and the Caspian Seas, Russia, Ukraine, Kazakhstan and to the Chinese market offers good opportunities for private and government investment. The promising gas, oil, transport and trade future of Turkey focuses a major US economic interest in the Balkans. The importance of the energy and transport routes implies the necessity for security arrangements in the broader area.

Southern Balkans: Raison d'кtre

The term Southern Balkans was launched and largely employed after 1995. It was initiated by Clinton administration for at least three particular reasons.

1). After the Dayton Peace Accord the regime of Milosevic in Belgrade still seemed to remain invulnerable.

2). It was by and large believed that Milosevic has not completed his agenda yet. Thus, many envisaged a conflict spill-over process to Kosovo and further to Macedonia.

3). The international embargo imposed on FR Yugoslavia significantly hampered business transactions, especially referring to cargo transport of goods from Western Europe to Asia Minor and backwards.

The usual transport route via FR Yugoslavia could not be sufficiently exploited.

At this background a new strategy matching the reasons listed above was badly needed. The US administration tried a new approach to manage the post-Yugoslav crises and to prevent new conflicts in the Balkans. Thus, the term Southern Balkans and the concept of security through cooperation and development were born. They pursued short-term goals.

Initiating dialogue and cooperation among Bulgaria, Macedonia and Albania was aimed at establishing a sanitary belt around the southern side of FR Yugoslavia and preventing conflict spreading to Macedonia, as well as promoting an alternative transport route from Asia to Western Europe via Bulgaria, Macedonia and Albania. Still political in its origin the US initiative desperately sought some economic motivation. Therefore, it was complemented by a set of projects mainly in the sphere of physical infrastructure development. Some of them could be immediately short-listed: Corridor # 8 (a road and railway connection from Bulgarian Black Sea port of Bourgas through Macedonia to the Albanian Adriatic port of Vlora), AMBO Oil pipeline project (following the route of Corridor # 8); border crossing facilitation, etc. The US administration pledged full support to all these projects. The US Trade and Development Agency provided financial assistance for feasibility studies and start-up activities.

WHAT HAVE PREVIOUS INITIATIVES ACCOMPLISHED?

The US initiative for Southern Balkans subregion-building was not the only one targeted at Bulgaria, Macedonia and Albania though it was particularly focused on those countries. In wider context, there are some other initiatives for development, cooperation and conflict prevention in the Balkans.

The following regional initiatives were supposed to influence the process of shaping of the region of Southeastern Europe as a normal European region:

❑   **Balkan Conference on Stability, Security and Cooperation in Southeastern Europe** - a process that was started in July 1996 in Sofia, Bulgaria by the Foreign Ministers of the Balkan countries, called the 'Sofia process'; a 'bottom-up' effort to develop the region into a compatible part of Europe. It has practically developed a Foreign Minister, Defence Minister and Heads of State and Government formats. A very important product of the defense aspect of the cooperation is the creation of the Multinational Peace Force of Southeastern Europe (MPFSEE) - a multinational rapid reaction force of Albania, Bulgaria, Macedonia, Greece, Italy, Romania and Turkey. The Headquarters of the unit are in Plovdiv, Bulgaria. The MPFSEE is operational from December 1999 and closely cooperate with the PfP and NATO.

❑   **The Process for Stability and Goodneighborliness in Southeastern Europe - The Royaumont Process** - started on 13 December 1995 by the EU and aims the evolution of the civil societies of the individual Balkan countries, the improvement of the goodneighbourliness and the mutual information of the national developments, the respect of human rights in the region. Apart of the EU and the Balkan countries it includes also Russia, Slovenia, the USA, the CE and the OSCE.

❑   **The Southeast European Cooperative Initiative (SECI)** or "The Shifter Plan"- launched on 6 December 1996 by the USA. It aims at improving the transport infrastructure in the border check-points of the Balkan countries, the attraction of private capital interests and the evolution of a regional common market.

❑   **The Southern Balkans Development Initiative (SBDI)** - a US Government sponsored initiative of improving the transport infrastructure between Albania, Macedonia and Bulgaria in 1995. Coordination Group of the SBDI has been established and a series of regular meetings has been held.

❑   **US-French Initiative to increase cooperation with Southeast Europe's emerging democracies on security matters, regional**

cooperation and economic development - an initiative spelled out on 19 February 1999 by President Clinton and President Chirac in Washington, DC. The conflicts in the Balkans have highlighted the need to strengthen stability across Southeastern Europe. The US-French initiative focus on an increased cooperation with Southeast Europe's emerging democracies on security matters; coordination of security assistance to them from NATO countries; promotion of regional cooperation and economic development.

❑ After the Kosovo crisis **the Stability Pact for South Eastern Europe** was elaborated as a comprehensive mechanism for promoting the reconstruction and development of the region. Great expectations were vested in this initiative mainly on behalf of the countries in the region. Though very ambitious in its pre-set goals and objectives the Stability Pact for the time being has not managed to mobilize resources in providing financial assistance to the bunch of pending projects.

For the purpose of assessing the relations and cooperation between Bulgaria, Macedonia and Albania and their perspectives it is worth highlighting the achievements of the SBDI, SECI and the prospects for AMBO project implementation.

SOUTH BALKAN DEVELOPMENT INITIATIVE

The South Balkan Development Initiative (SBDI) is a $30 million initiative which was announced by President Clinton in 1995. SBDI is designed to help Albania, Bulgaria and Macedonia further develop and integrate their transportation infrastructure along the east-west corridor that connects them. The objectives of the initiative are threefold: (i) to help the three countries upgrade their transportation infrastructure in order to increase trade and stimulate economic development; (ii) to encourage the three countries to develop a regional approach to transport planning and use regional synergies to leverage new public and private capital; and (iii) to use the specific experience of regional cooperation on transport infrastructure development to foster more general regional cooperation and economic integration. The U.S. Trade and Development Agency (TDA) is responsible for implementing the initiative.

TDA provided support to public or private transportation sector projects aimed at enhancing the connection among the three South Balkan countries and promoting U.S. export opportunities.

In SBDI's early years, TDA was seeking immediate results though the direct **procurement** of equipment and machinery to allow further transportation infrastructure development. This procurement resulted in the introduction of U.S. technologies in the SBDI countries and demonstrated immediate tangible results from U.S. assistance. The major objectives of SBDI will be realized in the long term, through the implementation of larger projects.

The most typical use of TDA assistance funds is and will be for the partial funding of **feasibility studies.** TDA will fund studies for large projects which have commercial potential and which target international financial institutions, bilateral donors, commercial banks, or combination thereof as sources of financing for project implementation. Sometimes project planning assistance can be expanded beyond a feasibility study to include the limited test deployment of equipment, and TDA can selectively support these **pilot projects.**

As part of SBDI, the three countries established a **South Balkan Transportation Coordinating Group** (CG). This group, composed of senior transportation officials at the Deputy Minister level, coordinates the overall development of the region's transportation sector and oversees specific projects. The CG identifies projects and activities for future funding. Through the CG, the USG hopes to leverage the establishment of a well-organized regional process which will not only ensure the effective management of major regional transportation projects but also enhance overall sector efficiency and institutional reform in the three countries. SBDI-funded **transportation advisors** provide expert assistance to the CG at the project level. The advisors help evaluate and identify projects for future funding under the SBDI.

To help with the procurement of equipment under the SBDI grants, TDA provides **procurement assistance services** to Albania, FYR Macedonia and Bulgaria. These services include assistance in the preparation of equipment specifications, the preparation of tender

documents, assistance to the grantee in tender evaluation, procurement and delivery of equipment and machinery, and verification of all equipment installation control and use through sound engineering practices.

SBDI has focused primarily on the development of Trans-European Corridor #8, from Burgas and Varna on the Black Sea to Durres and Vlore on the Adriatic Sea. Increasingly, the South Balkan countries and their regional neighbors have begun to view this East-West Corridor as an intercontinental corridor — linking the Black and Caspian Sea region with Western Europe.

SBDI Projects Supported by the United States Trade and Development Agency:

SBDI REGIONAL PROJECTS

SBDI Regional Traffic Analysis Counting Equipment (9970016): TDA has provided $1 million for the procurement of traffic analysis counting equipment to be shared between Albania, Bulgaria and Macedonia. The equipment would aid accurate traffic monitoring, safety, maintenance and resource planning for Corridor 8, as well as strengthen applications for financing road projects.

SBDI Regional Highway Mobile Laboratory Equipment (9970010): TDA has provided $1 million for the procurement of highway mobile laboratory equipment to be shared between Albania, Bulgaria and Macedonia. The equipment is necessary to measure, test, and assure the condition and quality of highway surfaces along Corridor 8, thereby increasing the longevity of corridor highways.

East-West Corridor Economic Feasibility Study (96729): TDA has provided $200,000 to partially fund a $300,000 feasibility study on the east-west corridor between Albania, Macedonia and Bulgaria.

SBDI Financial Advisory Services (98736): Under the South Balkan Development Initiative, TDA has provided financial advisory services to the CG to identify a strategy and target investors and financiers for SBDI project implementation.

SBDI PROJECTS IN ALBANIA

Emergency Roads Repair Technical Assistance (200070010A): TDA provided $70,000 to the General Roads Directorate to fund a technical advisor to prepare engineering design and bid documents for road repair projects in Albania.

Tamping Machine Procurement (200070001A): TDA provided $850,000 to procure a tamping machine for the Albanian Railways. The machine will help the Albanian Railways maintain its 447-kilometer network of main lines.

Port of Durres Multimodal Container Facility Study (9970019B): TDA provided $160,000 to fund the cost of goods and services required for a Phase I feasibility study on the development of a potential multimodal container facility at the Port of Durres. TDA has made available an additional $318,000 towards the completion of the study's second and final phase.

Rail Signaling System (9970015): TDA has committed to procure approximately $1.6 million in rail signaling and related equipment for the Albanian Railways. The equipment will help ensure the safety of trains and automobiles that frequently cross railway lines, as well as allow more complex railroad operations.

Rail Communications Equipment (9870042): TDA has committed to procure approximately $1.6 million in rail communications equipment to improve efficiency and safety along the East-West corridor rail routes in Albania.

Road and Rail Construction Equipment (96724): TDA provided a $2.3 million grant to the Ministry of Transportation for the purchase of road and rail construction equipment and machinery for reconstruction of the east-west corridor between Durres-Tirana-Kafesan.

SBDI PROJECTS IN BULGARIA

Ground-Penetrating Radar (200070048A): TDA provided $107,270 to the General Roads Administration to procure ground-penetrating radar; this equipment will help assess the structural integrity of primarily roadways, bridge decks and other large concrete structures.

Tractor-Trailers for the Port of Varna (200070047A): TDA provided $480,000 to procure tractor-trailers for the Black Sea Port of Varna; this equipment will help expedite container traffic between the port's two locales.

Bridge Inspection Platform (200070046A): TDA provided the General Roads Directorate $320,000 to procure a bridge inspection platform; this equipment improves bridge safety inspections along Corridor 8.

Clearance Laser System (200070045A): TDA provided $300,000 to the Bulgarian State Railways to procure a clearance laser system; this equipment helps fast, high accuracy clearance measuring of railway tunnels and provide a reliable data source for maintaining railroad structures.

Reach Stackers (9970038): TDA provided $780,000 to the Bulgarian Ministry of Transport for the procurement of 2 reach stackers, which will be used at the Port of Varna and the Sofia Intermodal Cargo Facility.

Diesel Locomotive Rehabilitation Facility Feasibility Study (9970009): TDA signed a $250,000 grant with the Bulgarian State Railways to partially fund a $375,182 feasibility study on a diesel locomotive rehabilitation facility at Ruse.

Sofia Southern Highway By-Pass (9870067): TDA provided Bulgaria's General Road Administration $400,000 to fund a feasibility study on developing a highway by-pass which would help alleviate traffic congestion in Sofia and expedite traffic along Corridor 8.

Bulgarian Railways Commercialization Assistance (9870066): TDA provided the Bulgarian Railways (BDZ) $290,000 for the partial funding of $570,000 in technical assistance to the BDZ to develop and implement a commercialization strategy.

Catenary Inspection and Maintenance Vehicle Project (98749): TDA provided $1.35 million for the procurement of catenary inspection and maintenance vehicle for the Bulgarian State Railways (BDZ) for use along the East-West Corridor.

Port of Burgas Intermodal Container Terminal Study (98702): TDA provided the Ministry of Transportation $300,000 for the partial funding

of a $400,000 feasibility study on an intermodal container terminal at the Port of Burgas.

Railroad Crossing Safety Panels Pilot Project (98707): TDA has provided $296,050 to the Bulgarian State Railways (BDZ) to fund a project involving the test deployment of rubberized, long-lasting railway crossing safety panels at approximately fourteen sites in Bulgaria.

Sofia Intermodal Terminal Study (96725): TDA provided the Ministry of Transportation $250,000 for the partial funding of a $500,000 feasibility study on an intermodal container terminal in Sofia.

Railroad Equipment (96726): TDA provided a $2.3 million grant to the Ministry of Transportation for the purchase of fiber optic cabling and related station equipment for the rail section between Sofia and Gyueshevo.

SBDI PROJECTS IN MACEDONIA

Toll Roads Public-Private Partnership Project (200070006A) TDA provided $200,000 to the Macedonian Ministry of Transport and Communications for a Phase I feasibility study on establishing a public-private partnership. Such a partnership would leverage limited public funds to secure private financial support for the national roads sector.

Fiber Optic Cables and Telecommunications-Related Equipment (199970071D) TDA provided $2,178,000 to the Macedonian Railways to procure fiber optic cables and telecommunications-related equipment. This equipment would provide the backbone for the railroad's telecommunications system.

Railroad Level-Crossing Safety Devices (99-70085A) TDA provided $1,225,000 to the Macedonian Railways to procure level-crossing safety devices. These help ensure safety and steady traffic flows along the railroad.

Railroad Design Software and Related Hardware (99-70083A) TDA provided $74,556 to the Macedonian Railways to procure railroad design software and computer equipment. This procurement helped the Macedonian Railways plan and design railroad upgrades and expansion.

Computer Systems Technical Assistance (9970012B): TDA is providing $60,000 in technical assistance to the Macedonian Railways (MZ). This assistance would define specifications for an upgraded computer system that would be Y2K compliant.

Locomotive Spare Parts and Overhaul Parts (98705): TDA provided a $1.6 million and $950,000 grant to Macedonian Railways (MZ) for the procurement of locomotive spare parts to increase capacity of the locomotive fleet by 50 percent.

Skopje Intermodal Container Terminal (96735): TDA is providing $150,000 towards the cost of a $300,000 feasibility study on an intermodal container terminal in Skopje.

Road Equipment (96728): TDA provided a $1.7 million grant to the Ministry of Transportation for the purchase of road construction equipment for the Kriva Palanka-Psacha road segment.

Rail Sector Feasibility Study (96727): TDA provided a $300,000 grant for a feasibility study on the economic viability of Macedonia's rail sector.

*Source: United States Trade and Development Agency
(www.tda.gov/region/sbdi.html)*

SOUTH EASTERN EUROPE COOPERATION INITIATIVE

South Eastern Europe Cooperation Initiative was designed and elaborated as a forum in which representatives of the participating states meet to discuss common regional economic and environmental problems. The initiative calls for concerted action and takes into account region-wide plans for dealing with problems concerned. Meetings of representatives is followed promptly by the convening of *ad hoc* working groups of technical experts, who are responsible for the development of concrete proposals.

SECI employs the model of working meetings on a group of topics: Trade and Transport Facilitation, Regional Road Transport, Transborder Crime, Electricity Grids, Securities Markets, Energy Efficiency, Environmental Recovery, Transport Infrastructure, Regional Regulation of New Communications and Information Technologies. Within each of these topics some programs operate.

The Trade and Transport Facilitation in Southeast Europe Program (TTFSE) fosters trade by promoting more efficient and less costly trade flows across the countries in Southeast Europe and provides European Union-compatible customs standards. The program seeks to reduce non-tariff costs to trade and transport, reduce smuggling and corruption at border crossings, and strengthen and modernize the customs administrations and other border control agencies. The initial participants in the program include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, and Romania. Moldova and the Federal Republic of Yugoslavia have recently joined the Program. The program is a result of the collaborative efforts of the national governments in the region, the World Bank, and the United States in collaboration with the European Union.

AMBO (Trans-Balkan Pipeline Project)

AMBO is a joint Bulgarian-Macedonian-Albanian company, based in the US, which endeavors to develop a 570-mile crude oil pipeline from the Bulgarian Black Sea port of Burgas across Bulgaria, Macedonia and Albania to the Adriatic Sea port of Vlora. Oil originating in Southern Russia and Central Asia that has been transported to the Black Sea via pipelines to the Russian port of Novorossiysk and Tuapse; the Georgian ports of Supsa and Batumi would be shuttled via tankers across the Black Sea to the port of Burgas.

Expected increases in oil flows into the Black Sea via these ports will quickly surpass the safe capacity of the Bosphorus as a shipping lane for such oil. Given the cost of loading and offloading tankers in the Black Sea versus transiting the Bosphorus, the costs of the AMBO pipeline would be offset by the economic advantages of VLCC loaded at Vlora. Successive governments, since 1994, from all three Balkan countries have given their full written approval and support for this project. From their prospective the revenues from the **AMBO** pipeline would generate significant new income flows and provide the governments with direct investment opportunities in their own economies. It should also advance the privatization aspirations of the US government in the region by providing work opportunities for new industries in support of the maintenance of the pipeline and the downstream industries of oil refining.

This 36-inch diameter pipeline has a nominal throughput capability of 750,000 barrels per day. The resulting USD billion dollar pipeline will become a part of the region's critical East-West Corridor 8 infrastructure, which includes highway, railway, gas, and fiber-optic telecommunications lines. This transportation corridor was approved by the Transport Ministers of the European Union in April 1994 and has been aggressively supported by the United States Government through its South Balkan Development Initiative. Additional support has been received through the European Union's **PHARE** program and through the British, French, and German Governments. The East-West corridor begins in the Ports of Varna and Bourgas on the Black Sea; crosses through Bulgaria, Macedonia, and Albania; and ends in the Albanian ports of Durres and Vlora.

By providing for the daily delivery of 750,000 barrels of crude oil to the port of Vlora, this strategic transnational infrastructure project has several important implications on international markets:

❑ It will give European nations access to a significant alternative source of crude oil.

❑ It will provide a consistent source of crude oil to American refineries along the East Coast at a time when more than half of the oil required by the United States is imported through foreign markets.

❑ It will build a foundation for healthier economies through the Balkans and facilitate rapid integration of those nations with Western Europe.

❑ It will permit governments in the Caspian Sea region to employ long-term planning to achieve the enormous economic potential associated with these new fields in the region.

❑ It will provide American companies with a key role in developing the vital East-West Corridor.

The implementation of the AMBO Pipeline Project relies upon the decision that is to be taken by Chevron-Texaco and Exxon-Mobile. These two corporations own the greater part of Tengiz oil field in Kazakhstan and they are major shareholders in the Caspian Pipeline Consortium supplying oil to the Black Sea Terminal Novorossiysk 2. According to some estimates however, the final judgement of the two leading companies on AMBO Project will hardly be taken within the next two years.

Both the AMBO Project, which is heavily dependent on Caucasian and Caspian basin crude oil supplies, and Transeuropean Corridor VIII make sense provided that they are regarded in correlation with two other initiatives – TRACECA and INOGATE program.

TRACECA

The TRACECA Program (Transport System Europe-Caucasus-Asia, informally known as the Great Silk Road) was launched at a European Union (EU) conference in 1993. The EU conference brought together trade and transport ministers from the Central Asian and Caucasian republics to initiate a transport corridor on an West-East axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. In September 1998, twelve countries (including Azerbaijan, Bulgaria, Kazakhstan, Romania, Turkey and Uzbekistan) signed a multilateral agreement known as the Baku Declaration to develop the transport corridor through closer economic integration of member countries, rehabili-tation and development of new transportation infrastructure, and by fostering stability and trust in the region. In addition, the EU has sponsored the INOGATE program, which appraises oil and gas exports routes from Central Asia and the Caspian, and routes for shipping energy to Europe. INOGATE is run through the EU's TACIS program.

The TRACECA program has resulted in closer co-operation and dialogue among government authorities, which has led to agreements to keep transit fees at competitive levels, and efforts to simplify border-crossing formalities. There have also been agreements to ship large volumes of cargo along the TRACECA corridor, recognizing that this route is the shortest and potentially the fastest and cheapest route from Central Asia to deep-water ports linked with world markets.

The east-west corridor from Central Asia through the Caucasus into the Black Sea, and their linking with the TENs and other worldwide destinations, is a physically functioning reality, carrying substantial cargo. The integration and harmonization of the regions transport regulatory environment with European and international norms is an on-going process. TRACECA is the principal vector of the European, and indeed of other international agencies, for the introduction of practices to reduce non-physical barriers to the movement of goods.

II. HANDICAPS

The US strategy for Southern Balkans subregion building faced some difficulties.

1). Lack of previous communication and cooperation experience between Bulgaria, Macedonia and Albania

In geopolitical aspect, Bulgaria, Macedonia and Albania for many decades stayed on different sides of the Cold War bloc division. The lack of communication and cooperation in broader sense determined the economic backwardness of the region.

The very notion of development appears to be quite challeng-ing for the countries constituting the so-called strategic tier of Southern Balkans. The intensification of contacts started after 1992 with the separation of Macedonia from Yugoslavia. Bulgaria was the first to acknowledge the independence of the new sovereign state. It was since then that a new type of relations was initiated though some deeply rooted historically inherited stereo-types and prejudices have hampered this process.

2). Insufficient funding for projects implementation

The major funding sources for infrastructure projects imple-mentation have been provided mainly within SBDI by the US Trade and Development Agency. TDA provided assistance amount-ing to some USD 30 million for Bulgaria, Macedonia and Albania for the implementation of 40 projects related to feasibility and technical pre-investment studies as well as for equipment procure-ment. Yet, the realization of the Sofia – Skopje railway section of TEN Corridor # 8 is estimated at USD 100 million. The whole construction of TEN Corridor # 8 from Burgas to Durres/ Vlora will cost EURO 2.55 billion. The three countries concerned expect to get funding from the EU pre-accession funds.

3). Landscape impediments

The mountainous terrain of Southern Balkans, especially the

part in Macedonia and Albania further hampers the realization of transport corridor. Bulgaria has made significant progress in the construction works on its territory, both highway and railway sections. However the advance in Macedonia and Albania is in impasse due to the harsh landscape, which requires complex of tunnels and bridges.

4). The Kosovo crisis

The international sanctions imposed on Yugoslavia and the Kosovo crisis in 1999 catalyzed the expectations of establishing alternative bypass to Western Europe through Macedonia and Albania. It has been perceived as politically conducive means for curbing and containing the influence of Milosevic's regime and preventing the conflict spill-over further to Macedonia.

5). Political changes in Belgrade

After Milosevic's ousting from power FR Yugoslavia regained its strategic priorities of hosting the most convenient transport link from Asia Minor to Western Europe. The economic justification seriously favors those routes passing through FR Yugoslavia. This fact badly affects Yugoslavia's neighbors – Macedonia and Albania, in particular. First and foremost, it seriously shatters the grounds for *raison d'etre* of Southern Balkan subregion and underscores the emblematic Corridor # 8. The expected funding for post-conflict rehabilitation of FR Yugoslavia would further opt for transport corridors via Serbia at the expense of the route along Corridor # 8.

6). The crisis in Macedonia

Notwithstanding the anticipated conflict potential of Macedonia, the escalation of the crisis eventually was not prevented. The violent outburst of hostilities in Northern and Western Macedonia in early 2001 gravely questioned the integrity of the state, let alone the concept of security through development. Becoming a zone of insecurity, it irreversibly deteriorated the business and investment climate in Macedonia. The lack of legitimate control on significant part of the Macedonian state

consequently depreciated the prospects for development of Corridor # 8 and the AMBO project. Besides the transport corridors competing with Corridor # 8, there are also competing routes to the projected AMBO Pipeline. Three other projects qualify for transporting Russian and Caspian oil – Baku-Ceyhan Pipeline, Konstanca-Omisalji Pipeline and Burgas-Alexandroupolis Pipeline. Amongst the three of them, considering Bulgaria's interests, only the pipeline from the Bulgarian port of Burgas to the Greek port of Alexandroupolis matters. The length of this pipeline is about 280 km and the costs are estimated at USD 650-700 million. This project is considerably cheaper and much more feasible than the AMBO pipeline, which, given the high political risk in Macedonia, will barely attract investments for its implementation.

III. PRESENT SITUATION

Bulgaria's Trade and Economic Relations with Macedonia and Albania

The relations of Bulgaria with Macedonia and Albania prior to the 90s lacked any practical experience due to the different positions these countries had obtained in the Cold War world order. It was since the beginning of the 90s that the countries in focus endeavored to establish a new type of relations.

In practical terms, the trade relations between Bulgaria and Macedonia are well illustrated by the following official data:

Balance of Trade: Bulgaria – Macedonia (million USD)

	1996	1997	1998	1999	2000	I-VI 2001
Export	143,8	97,4	97,8	105,1	110,3	55,5
Import	30,3	26,1	37,9	24,3	25,8	9,8
Balance	+113,5	+71,2	+59,9	+80,8	+84,5	+45,8
Total	174,1	123,4	135,7	129,3	136,1	65,3

Source: Ministry of Economy of the Republic of Bulgaria

In 1998 Macedonia was third among the Balkan trading partners of Bulgaria (the first and second were Greece and Turkey, respectively) and 14th in the whole list of Bulgaria's foreign trading partners. In 1999 Macedonia took 4th place among Bulgaria's Balkan trading partners (after Greece, Turkey and Yugoslavia) and 15th in the whole foreign trade list of Bulgaria. In 2000 Macedonia is sixth among Balkan trading partners of Bulgaria and 17th in the overall trading partners list.

Balance of Trade: Bulgaria – Albania (million USD)

	1993	1994	1995	1996	1997	1998	1999	2000	I-VI 2001
Export	37. 9	50. 6	58. 9	41. 7	22. 4	24. 9	32. 8	23.981	9,054
Import	0. 4	1. 5	0. 3	0. 1	0.09	0.09	0.03	0,07	0,043
Total	38. 3	52. 1	59. 2	41. 8	22. 49	24. 99	32. 83	24.051	9,098
Balance	+37. 5	+49. 1	+58. 6	+41. 6	+22. 31	+24. 81	+32. 77	+23.91	+9,011

Source: Ministry of Economy of the Republic of Bulgaria

The data above illustrate that despite the decreased volume of trade operations between Bulgaria and Albania in recent years there is a consistent/ steady trend of forming considerable positive balance of trade for Bulgaria. The balance is positive in 1999 and compared to the previous year data there is an increase of USD 7,956 million mainly due to the increased by 32% export. Compared to the previous year there is slight decrease in the trade by about 36 % resulting from fewer Bulgarian export and increased Albanian import.

Bulgaria is one of the major foreign trading partners of Albania and it is fourth in the Albania's foreign trading partners' list after Italy, Greece and Germany. Considering the foreign trade of Bulgaria with the Balkan countries from 1997 till 2000 Albania holds the 8th position.

For the purpose of promoting and coordinating bilateral relations since February 1999 a joint Bulgarian-Albanian intergovernmental committee on trade and economic cooperation. The Committee is headed by the Bulgarian and Albanian Ministers of transportation. It is also envisaged a trilateral Committee (including Macedonia) to be established for fostering combined transportation services along Transeuropean Corridor VIII.

Besides being a transit country for energy resources, Bulgaria's position of energy hub also implies to its capacity of playing a leading

role in the Balkan energy market since it is a principal producer and exporter of electricity to neighboring Balkan countries. In this regard, the capacity of the transmission lines for exporting electricity to Macedonia and Albania needs further advancement.

Some of the key infrastructure projects related to Bulgaria, Macedonia and Albania are listed below:

Sector	Country	Project Name	Project Description	Total Cost (EUR mln)	Status and Comments
ROADS	Albania	Lushnje-Fier	North-South, Corridor VIII, 2-lane road construction, 32 km	15	Study available
		Fier-Vlora	North-South, Corridor VIII, 2-lane road construction, 34 km	23	Project delayed by land acquisition and institutional issues.
		Tepelene-Gjirorokaster	North-South, 2-lane road construction, 24 km	26	
		Pogradec-Korce	East-West, Corridor VIII, 2-lane road construction, 40 km	19	
		Elbasan-Librazdh	East-West, Corridor VIII, 2-lane road construction, 31 km	14	EBRD loan signed
		Durres-Kukes (access to Kosovo)	Emergency repairs and pavement strengthening on 221 km	15 / 24	World Bank loan signed
		Shkoder-Lezhe	North-South Corridor, 2-lane road construction, 43 km	25	
		Qafe Thane-Pogradec	East-West Corridor, 2-lane road construction, 21 km		
		Road maintenance	Improvement of road maintenance management	47	
		Tirana airport road	New 2-lane road construction, 5 km	5	
		Hani Hotit (Montenegro border)-Shkoder	North-South Corridor, 2-lane road construction, 35 km	23	
		Fier-Tepelene	North-South Corridor, 2-lane road construction, 85 km		No study available
		Tirana ring road	New road construction		
		Tirana-Elbasan	Road rehabilitation		Study to be launched
	Bulgaria	Sofia South Bypass Ihtiman - Radomir	East-West Corridor VIII, 2-lane highway, 100 km		US TDA study
	Macedonia	Skopje bypass	East-West Corridor VIII, new 4-lane road construction, 23 km	50	EIB loan
		Stracin-Kriva Palanka	East-West Corridor VIII, 2-lane road reconstruction, 27 km	35	No study available
		Struga-Kafasan (Albanian border)	East-West Corridor VIII, 2-lane road reconstruction, 6 km		No study available
		Makasi-Resen-Ohrid	East-West Corridor VIII, road reconstruction, 37 km		Study available
RAILWAYS	Albania	Rail connection with Macedonia	East-West Corridor VIII, new single-track, 3 km		
	Bulgaria	Radomir-Gyueshevo	East-West Corridor VIII, reconstruction, 88 km		
		Karnobat-Sindel	East-West Corridor VIII, doubling and electrification, 123 km		
	Macedonia	Kumanovo-Deve Bair	East-West Corridor VIII, single-track railway line construction, 85 km		Feasibility study required
		Kicevo-Albanian border	East-West Corridor VIII, single-track railway line construction, 35 km		Feasibility study required
PORTS	Albania	Port of Durres rehabilitation	Further rehabilitation of quays and storage facilities	20	
		Port of Vlora	Upgrade to minimum standards		Existing feasibility study
AIRPORTS	Albania	Tirana airport pass, terminal and ATC	Rehabilitation/ extension of existing terminal/ air traffic control	15	
	Bulgaria	Sofia airport development	New passenger terminal and rehabilitation of runway	150	Tendering launched
	Macedonia	Skopje airport	Extension of airport facilities	40	Studies under way
ELECTRICITY	Albania	Zemlak-Bitola (Mac.) 400 kV	H.T. Transmission line 25 km in Albania, total length 75 km		No study available
		Burrel-Vrutok (Macedonia) 220 kV	H.T Transmission line, 50 km. In Albania, total length 98 km		US TDA study
	Bulgaria	Dubrovo (Mac.)-Blagoevgrad 400 kV	H.T. Transmission line, 80 km in Bulgaria, total length 190 km	20	Detailed options study required
	Macedonia	Dubrovo-Blagoevgrad (Bulgaria) 400 kV	H.T. Transmission line, 110 km in Macedonia, total length 190 km	70	Detailed study required
		Zemlak (Albania)-Bitola 400 kV	H.T. Transmission line, 50 km in Macedonia, total length 75 km		No study available
		Burrel (Albania)-Vrutok, 220 kV	H.T.Transmission line, 48 km in Macedonia, total length 98 km		US TDA study
GAS, OIL	Albania	Burgas-Vlora Oil Pipeline	Caspian Sea-Western Europe oil route		Reference to AMBO Project/ US TDA study
	Macedonia	Burgas (Bulgaria) – Vlora (Albania) Oil Pipeline	Caspian Sea-Western Europe oil route		Reference to AMBO Project/ US TDA study

Source: European Investment Bank (www.eib.org/lending/balkan)

Prospects for development of trilateral relations

❑ Promoting trade opportunities by conducting business meetings of representatives of both countries; organizing business forums in Sofia, Skopje and Tirana
❑ Reciprocal participation in fairs and exhibitions held in these countries
❑ Exchange of information for participation in privatization tenders and opportunities for direct investments in tourism
❑ Joint participation in common projects supported by the EU and other international institutions.

CONCLUSION

The development perspectives at subregional level of relations including Bulgaria, Macedonia and Albania used to be projected mainly within the Stability Pact for Southeastern Europe, SECI, SBDI and some other bilateral and multilateral regional initiatives. The ultimate goal is to promote them as a security policy factor in the region. Though quite ambitious most of the commenced projects stay at the level of feasibility studies. The Stability Pact as a new type of comprehensive mechanism of large scope and regional impact dramatically failed to meet the expectations that were initially vested in it due to its incapacity to mobilize efforts and resources for implementing its ambitious goals.

The attempts at developing economic cooperation among Bulgaria, Macedonia and Albania go along with the efforts for stabilization, rehabilitation and development of Southeastern Europe. Nonetheless, the promotion of such initiatives remains solely within the capacity of the three countries in focus. Since there are quite few instruments for promoting these efforts, Bulgaria, Macedonia and Albania may rely upon some EU development programs, such as PHARE and INTERREG, utilizing them for common integrated goals. A special emphasis in this regard should be put on fostering communications by implementing a set of physical infrastructure projects that are to integrate the region within the European mainstream.

CONCLUSION

Dr. Ognyan Minchev

We have been deliberating for years about the necessity and opportunity for cooperation in the region at economic level, at civic level, in the fields of culture and all basic aspects of life. And we see how difficult it is to accomplish real practical acts of cooperation in all these fields. One of the reasons is the fact that organized crime networks have internationalized and effectively implemented cooperation schemes among themselves. Therefore, any effort on behalf of our weak states to implement particular contracts or particular schemes of cooperation are facing the challenge of the realities that those organized crime networks flourishing in the region as throughout the entire post-communist world are posing in front of this cooperation.

We want to have more integrated trade system, but in order to achieve this goal we have to lift particular customs duties, particular bureaucratic thresholds on the borders and so on and so forth. Lifting them for descent business activities we are lifting them also for the mafia networks which are much stronger and much more effective in implementing trans-border cooperation in their own style. The same applies to all those plans for creating an integrated commercial and financial territory in the Balkans or in particular in Southern Balkans in which it would be much easier in terms of legislation, financial mechanisms, and all basic regulatory practices to exchange economic goods and economic fortunes.

All those efforts, known lately as Soros plan within the Stability pact, are facing difficulties emerging from the strong challenge of those illegal criminal networks. Most countries in the region prefer to have their own national strategies for reducing or controlling organized crime and trans-border free-of-control exchange rather than going into a larger space of economic and institutional cooperation and not be able to control the processes on their own territory.

So, we are stuck in a situation in which the expansion of the organized crime networks is reducing our chances for decent cooperation among ourselves. This kind of cooperation is the basic instrument through which we can apply for membership into the European Union, in the

Common European space. Whatever efforts different countries may make, whatever achievements they may have, even up to the individual membership into the European Union, the real benefits of the European Union for us will come at the point in which the Balkans will be transformed into an integrated part of the common European space.

The basic problem is how we can compete with the speed and the effectiveness of the illegal networks expansion, how we can reduce them, control them, contain them and therefore give chance for the descent cooperation in the Balkan region.

Emphasizing the essence of the **Security Challenges and Development of Southern Balkans Project**, we would like to figure out not just what the potential security challenges for the three countries – Bulgaria, Macedonia and Albania, might be, but furthermore formulate the real background for future cooperation among these countries.

Why does it matter? One of the basic reasons is that the development processes in the region after 1912 have been conducted in the north-south direction. This made Bulgaria and Albania marginal from the international system that existed on the Balkans between 1912 and 1989. Macedonia was not present at all as an independent country in this system.

Now we attempt to create a new system. It is important whether we will allow this new system to reproduce the monopoly structure of north-south cooperation or we will try to build a balancing dimension of cooperation, which is the cooperation between east and west on the Balkans, or in the Southern Balkans at least.

The cooperation between Bulgaria, Albania and Macedonia is a crucial issue not only in regard to economy and security but it is also a turning point for implementing the real value of our states and communities in the diverse world in the beginning of 21st century.

The strategy of our cooperation involves several most important priorities, inter-linked within the logic of our integrated national interests. *First*, we need to focus on the development of our national institutions at the quality level of Europe of the 21st century. Strong and stable representative democracy, supported by effective public administrative systems is the basic prerequisite to control and narrow the space of organized crime and its control over the national economies and the economic

partnership among us. The effective rule of law is the only background for effective cooperation among the three countries. *Second*, we need to define the important fields and programs of our cooperation, serving the national interests of the three countries. Corridor # 8 and the AMBO pipeline from Bourgas to Vlore are the backbone of an effective regional partnership and development in the East – West strategic dimension in the Southern Balkans. *Third*, we need to think and plan our national interest and development within the context of our mutual dependence and partnership. On the Balkans, we're used to strategies of a "zero sum game" type – if you win, I lose, and vice versa. This phenomenon makes our national plans for infrastructure and economic development mutually exclusive and counter-productive.

Last but not least, we need to join efforts in containing and preventing all potential conflicts on our soil, and on the soil of our neighbors, based on ethnic or any other communal differences. Destabilization of the type we've seen in Macedonia in 2001 is a powerful factor of all our countries' strategic and economic self-isolation on the eve of the most important security and economic transformation process in Europe today – the NATO and the EU enlargement. If we miss this wave of integration and remain a powerless periphery out of new Europe, we could blame only ourselves for such a repeating misfortune.

APPENDIXES