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Nation-building Versus State-building in the Balkans. Lessons Learned

*Conference organized by the Center for Policy Studies, CEU
and the Blue Bird Project*

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FIRST DAY OF THE CONFERENCE (NOVEMBER 30, 2002)

Welcome Addresses

Ben Slay (Director of the Regional Support Center, UNDP, Bratislava)

Petar Stoyanov (Former President of Bulgaria)

Ben Slay welcomed all participants and pointed out the continuing relevance of reflection and policy recommendations on the themes of nationalism and ethnic conflicts in the region. Not all conflicts have been entirely resolved yet; peacekeeping and stability forces are still in place in some countries of the Balkans, and their withdrawal could disrupt a fragile balance. The two up-coming enlargements: of Europe and NATO to some of the countries in the region, are seen as inseparable from the stabilization of the Western Balkans by their gradual integration into Europe. This long-term objective, stressed Ben Slay, requires a review of the lessons learned from the developments in the region during the last 10 years. He said that reviewing these lessons is the main task of the conference. A further reason for convening such conference, according to Ben Slay, explains the mix of people invited: academics, journalists, policymakers both from the international community and South-East European countries. It is to try to offer an account of what happened in the Balkans in the last 10 years by looking at the post-Communist world in its entirety: taking its successes and failures as providing a fruitful background for theoretically rich, but also empirically-relevant and policy-oriented explanations. Ben Slay also pointed out the importance of avoiding all-encompassing theories in the process of identifying and meeting the challenges awaiting the Balkans. He presented the different approaches the five conference panels deal with: identity politics, institutional, socio-psychological, rational and best practices. He then thanked the conference's organizers, hosts and sponsors.

Petar Stoyanov, former president of Bulgaria, in his welcome address mentioned that 'balkanization' is often defined as a fragmentation of states, but that it is also properly associated with a search for autonomy. "The Balkan people are committed to peaceful life", he said, adding that the region needs strong state institutions to not only devise policies but also implement them, while taking into account the will of citizens. Another commitment should be to bring Balkan countries up to NATO and EU standards without delays.

While history is important to understand the Balkans, stated Stoyanov, the current state institutions, social factors, standards of living need to be taken into account to explain the current state of affairs and develop a clear vision of the future of the region within the Euro-Atlantic community. This vision cannot limit itself to restoring peace and security, but also includes the implementation of policies that will ensure prosperity and a flourishing democracy.

Panel One: Managing Borders, Identities and Boundaries

Moderator: **Alina Mungiu-Pippidi** (Blue Bird and European University Institute)

Panelist: Simona Zavratnik Zimic (Blue Bird Project and Peace Institute, Ljubljana), ‘Constructing New Boundaries: Perspective of “Schengen Periphery”’

Simona Zavratnik Zimic presented a paper based on a study of the Croatian-Slovenian border to illustrate the emergence of new types of bureaucratic and ‘mental’ boundaries between states and communities in the region since 1989, more particularly with the future eastward enlargement of the European Union.

Bureaucratic and ‘paper borders’ based on entry permissions are erected, as the Schengen information database illustrates. Such paper and electronic ‘walls’ separate the first and second ‘Schengen peripheries’ from the ‘outer’ territories. These borders also hamper contacts between actors on both sides. She gave the example of the Italian region bordering Slovenia, where the Schengen agreement translated into less easy and open contacts with neighboring Slovenia. Furthermore, the creation of a second Schengen periphery means that the state border between Slovenia and Croatia will become more rigid, said Zavratnik Zimic. This process is reinforced by the competition rhetoric adopted by EU candidates and aspirants, aiming at disqualifying their neighbor(s) in order to prove that they themselves ‘belong in Europe’ (e.g. Poland vis-à-vis Belarus and Ukraine). She concluded that the main challenges posed by the future ‘Schengen periphery’ are the management of migration movements and of local borders.

Panelist: Judy Batt (Centre for Russian and East European Studies (CREES), Birmingham University), “The EU’s New Borderlands: Why the EU’s ‘Proximity Policy’ Needs a Regional Dimension”

Judy Batt presented the policy implications of the project ‘Fuzzy Statehood’ and European Integration in Central and Eastern Europe’ conducted at Birmingham University’s CREES (www.bham.ac.uk/crees/statehood) on the conceptions of statehood emerging out of regional reforms in EU candidates and other CEE countries with more remote integration perspectives.

Interviews were conducted with elite members in border regions with a distinct identity and mixed cultural heritage/population (Romanian Banat, Vojvodina in Serbia, Transcarpathia and Galicia in Western Ukraine, Lower Carpathia in Poland). These areas will fall out of the EU borders once the integration process starts, leading to the introduction of visa systems between Hungary, Slovakia, Ukraine, Yugoslavia, Romania etc. By excluding these sub-regions from the EU, reforms will break both existing economic ties and cultural links in regions straddling two or more countries. In turn, this will affect the identity of regions that have already turned themselves towards the West (such as Banat and Vojvodina), and region-state relationship; Batt reported that a number of regional leaders blame their respective national capitals for being on the ‘wrong side’ of the EU border and hurting regional interests in general.

‘Euroregions’ have been set up in the 1990s to develop cultural and economic ties in regions that had been separated by international borders, also with a view to foster ‘Europeanization’. However, in addition to obstacles within the new regions (such as the wariness of some governments towards what was perceived as a potential vehicle for separatism and the different states of economic development in the countries involved), Batt pointed at the difficulties involved in obtaining EU funds for trans-border projects and the poor coordination between programs in Brussels.

Batt noted that efforts and reforms towards integration have not been matched by the development of a necessary ‘proximity policy’ towards the future neighbors of the EU. In order to reduce concerns and misperceptions potentially undermining EU’s credibility and legitimacy, such a ‘proximity policy’ should engage with regional actors in both candidate countries and aspirants with

more remote accession perspectives, with respect to a broad number of policy fields. Support to regional actors affected by the changes implies close co-ordination between Brussels' programs (PHARE, TACIS, CARDS).

Concrete measures to make border crossing more efficient and also curb corruption in an enlarged Europe include the eventual abolition of the visa system, believes Batt. In the meantime, long-term multiple entry visas, the possibility to obtain visas at the borders (without interviews) and visa-free local crossing arrangements could compensate for the increasing rigidity of borders. She suggested that EU offices based in the regions could deal with questions and heavy demands for information about visas, eventually giving these offices a consular role. Finally, Batt proposed that the EU should focus on 'Euroregions' as an important element of its proximity policy.

Panelist: Ivan Vejvoda (Foreign Policy Adviser to the Prime Minister of Serbia; Member of the Institute for European Studies, Belgrade)

According to **Ivan Vejvoda**, the Balkans are in an unprecedented historical situation: with democratically elected governments and democratic institutions, Balkan countries are, for the first time, "masters of their own faith". A new regional self-consciousness is emerging, not only due to EU integration-related incentives to cooperate, but also because countries in the region are now looking at each other in a different way, without fearing one another. "As we are moving away from our histories, the balloon of nationalism is deflating", says Vejvoda, taking as a witness the recent talks about the creation of a Nis-Sofia-Skopje euroregion.

Yet the region faces a number of challenges. Speaking with the Yugoslav example in mind, Vejvoda described how the democratization process has led to changes in boundaries and identities, both as a result of domestic and international conditions/constraints. Vejvoda first detailed the legal consolidation of the private property system where, in the previous system of 'social property' in Yugoslavia, nobody was accountable to anything or anybody. This major change in the legal field brought about an important element of stabilization.

Secondly, political boundaries have changed as well. Political pluralization after 1989 and, a decade later, the fall of Milosevic, have led to the rethinking of what is political. This, along with non-domestic factors (such as NATO, EU integration processes) has had an impact on the crystallization of political parties, on perceptions and identities. While it is still clear that we now live within the frame of nation states, stated Vejvoda, political and legal boundaries are less clear than they used to be. In spite of these moving identities, and because no political sphere has emerged in the wake of totalitarian regimes, Vejvoda sees a need for strong and effective states to create economic prosperity. The devastation of state capacities has had negative effects on consolidation, and a lot remains to be done to mend them.

Commentator: Victor Bostinaru (Head of the International Department, Social Democracy Party; Chair of the Parliament Committee for Foreign Affairs of the Romanian Parliament)

Victor Bostinaru started his commentary with reasons for optimism about the integration of the Balkans into the international and European institutions. Firstly, a little over ten years after the fall of communism, a number of countries from the larger Central Eastern European regions are on their way to join the EU, while other can aspire to integration within reasonable time period. A number of countries have already joined NATO, others will soon follow them. Overall, integration contributes to regional stability. He added that the integration process play a disciplinary role on domestic as well

as on foreign policy. Furthermore, Bostinaru said he believes that it promotes regional development rather than individual country-West relationship.

Both international and domestic institutions are involved in developing cooperation and integration. He mentioned the role of the Stability Pact in this regard, in spite of the need for more funds for the Pact to be able to achieve its goals. He also gave the example of the Southeast Europe Cooperative Initiative (SECI), an agreement on cooperation to prevent and combat trans-border crime and its Anti-Crime Center in Bucharest. Further regional cooperation in the area of foreign policy, as well as greater economic cooperation (e.g. highway linking major cities; integration of electricity systems) offer opportunities to learn and develop a culture of cooperation. He cited the case of the Hungarian-Romanian relationship, noting that Romania can benefit importantly from Hungary's help regarding accession criteria. On the other hand, he also called for Europe to improve its proximity policy and increase flexibility in accession policy.

From the floor **Florian Bieber** (ECMI) addressed a remark to S. Zavratnik and J. Batt about the EU access process being used as an instrument both by governments at the domestic level as well as in the field of foreign policy by the EU. He went on to ask whether border policies could compensate for other policy failures. Judy Batt answered in the negative. Finally **Alina Pippidi** inquired whether NATO was involved in border issues. **Batt** replied by saying that border security is a state responsibility and that NATO has nothing to do with it.

Panel Two: State-building and State Dismantling. The Role of Institutions

Moderator: **Paul Aligica** (Blue Bird)

Panelist: Valerie Bunce (Department of Government, Cornell University), "Ethnofederalism as the Problem and Ethnofederalism as the Solution"

Valerie Bunce assessed the impact of institutional design of multiethnic states (ethnofederal or unitary states) with respect to three elements: inter-ethnic relations management, avoidance of conflicts and maintenance of borders, and consolidation of democratic politics. She looked at institutions in Central and Eastern European countries and the Soviet Union during transition years and those established in post-communist states after 1993.

Starting from the hypothesis that political institutions have a great deal of effect on identity, she compared the characteristics of the two main designs, unitary states and ethnofederations. Both have their respective advantages and downsides, explained Bunce: for example, ethnofederations comprise mechanisms that limit majority domination and potentially contribute to increase trust between majorities and minorities. On the other hand, the same mechanisms can undermine the capacities to identify a common project and provide minorities with the resources to secede.

Based on the experience of CEE and CIS countries in the course of the last 15 years, she concluded that unitary states have been more successful in "promoting peaceful interactions between majorities and minorities; in putting an end to violent conflicts between the centers and the regions; in guarding the borders of the states; and in sustaining democratic governance." While she made a case that unitary states performed better in multiethnic, post-communist societies than in ethnofederations, Bunce specified that they did so only in comparative, relative terms. She stressed that in itself, unitary states' institutional design does not constitute an ideal solution. Finally, she found the timing of institution building (introduction of institutions) to be crucial. Whether ethnofederal institutions were inherited or were created after the transition makes a significant

difference. Ethnofederalism inherited from the past generated more instability and conflicts than when states started out as unitary entities.

Panelist: Matthijs Bogaards, Department of Politics, University of Southampton Paper: 'Electoral Systems and the Management of Ethnic Conflict in the Balkans'

Based on a typology of party system functions, **Matthijs Bogaards** presented the characteristics of electoral systems in the Balkans and their consequences with respect to ethnic divisions. He first laid out three functions of political party systems in divided societies: blocking, aggregating, or translating social divisions into political ones. The blocking function aims at preventing ethnic divisions to be transferred into the arena of party politics. A ban on ethnic political parties, plurality elections in single-member district (commonly called 'first-past-the-post') when minorities are geographically dispersed, and two-round majority elections (double ballot) can achieve the blocking function.

Depending on minority groups size, their geographical concentration and the party system, aggregation can take place via preferential voting (alternative vote or single-transferable vote). These mechanisms imply a degree of bargaining and can promote voting across ethnic lines. Finally, translation can be achieved using reserved seats for minorities in assemblies and communal roles. More generally, it is carried through by a list proportional system, or first-past-the-post arrangements when minority groups are concentrated. Bogaards noted that the consequence of electoral systems cannot be assessed outside of their social and institutional environment. Other types of power-sharing arrangements (or lack of them) at other levels can enhance or limit their impact.

Examining party and electoral systems in Balkan countries, Bogaards concluded that party bans have not prevented the politicization of ethnic divisions. Aggregation has not been tried (except in one election in Republika Srpska in 2000). By and large, the translation function dominates the party scene, with corresponding electoral arrangements (such as proportional system and reserved seats for minority). While these choices have made the transition to democracy easier, he expressed concern about their long-term consequence on hardening existing ethnic division. He suggested that the adoption of the single-transferable vote, combining both translation and aggregation effects, could contribute (albeit modestly, and with better results in societies where ethnic cleavages are not extreme) to achieving party systems better fitting the needs of ethnically divided societies.

Panelist: Philip G. Roeder (Department of Political Science University of California, San Diego), "The Triumph of Nation-States: Lessons from the Collapse of the Soviet Union, Yugoslavia and Czechoslovakia"

Philip Roeder started his presentation by stressing the lack of satisfactory explanation for the emergence of new states. Neither nationalism studies, which commonly attribute the contemporary creation of nation-states to the demands by people for a state of their own, nor institutional explanations, stressing military, economic, or international factors, provide an adequate account. According to Roeder, the presence and entrenchment of segmental institutions of previous states, dividing territories and giving populations distinct political statuses, better explains why some nation-states have disintegrated and thus given way for new states to emerge. Among the 22 countries that succeeded the Soviet Union, Yugoslavia and Czechoslovakia, six inherited segmental institutions (Azerbaijan, Georgia, Russia, Tajikistan, Uzbekistan, and Yugoslavia). Four of them were torn by ethnic conflicts (except Tajikistan and Uzbekistan). Roeder described how various power-sharing arrangements in those countries provided a number of minority groups with the means (e.g. the Soviet Union's policy of 'indigenization'), motives (e.g. local leaders rooting claims in the rights and

sovereignty of their respective people), and opportunity (e.g. withholding tax revenues) to establish their own states. Thus the weakening of the central states leads to a cascading process of defection. Roeder concluded with a warning: while segmental institutions have come to be regarded as an efficient tool to deal with ethnic conflict, since they “coordinate national projects and empower one of these against the common state”, they can threaten the very existence of the state they were supposed to help keep together.

Comments and discussion (led by Fraser Cameron, European Union)

Fraser Cameron noted the lack of emphasis of the panel’s papers on the role of the EU with respect to minority integration. He believes that the EU has been a major influence in the region, contributing to draw up electoral systems and providing financial support. Judy Batt added a question to his remark, asking if American scholars tend to underestimate the EU’s influence or if they perceive it as unimportant.

The floor was set for an exchange of views about the respective roles and primacy of agents/institutions. Roeder restated the importance of institutions. **Valerie Bunce** proposed that American scholars are choosing to ignore the EU factor, rather than underestimating it. She suggested that the differences between American and European analyses lie in the practical approach often adopted by the former: “Let’s choose a factor and carry it through, since we’re not able to take all factors into consideration.” However, she added that international factors—such as the EU—are growing in importance, creating a larger political game for analysts to consider. Her intervention was followed by other participants’ remarks about the influence of the larger institutional context (e.g. the absence of democracy in the Balkans during the communist period) and of electoral systems on minority integration.

Alina Mungiu-Pippidi (Blue Bird and European University Institute) suggested that ethnofederations represent a ‘cease fire’ solution for deeply divided societies. **Florian Bieber** (CPS International Policy Fellow and European Centre for Minority Issues) cited the example of Bosnia where, according to him, there was no alternatives to ethnofederalism in 1995. Roeder contested that, after a war, ethnofederations do not work. Furthermore, ethnofederal institutions create incentives for politicians to maintain or even enhance ethnic divisions. In the case of Bosnia, Roeder believes that the choice resided in whether to create a state or not. Instead, he said that the existing ethnic boundaries were used as a basis for the new ethnofederation.

Finally, **Venelin Ganey** (Blue Bird and Political Science Department, Miami University, Ohio) mentioned that our definition of institutions matters (for example, whether churches are considered as institutions or not). He also raised the problem connected with the measurement of the impact of institutions. As the panelists noted, and participants’ remarks illustrated, institutions do not operate independently of a multitude of other factors. “Can we then hope to predict institutional effects?”, asked Ganey.

SECOND DAY OF THE CONFERENCE (DECEMBER 1, 2002)

Opening remarks

Yehuda Elkana (Chair of the Blue Bird Project Steering Committee, President and Rector of the Central European University)

Opening the second day of the conference, **Yehuda Elkana** stressed that the aims of the Blue Bird Project's activities are to look at a 'non-existent region' in order to identify what can be done to promote it into becoming one. The project convenes a group of scholars from the region and beyond to create discussion groups on key economic, social as well as cultural issues.

After congratulating the Blue Bird Project participants on the results achieved, he emphasized the important of disseminating the Project's results, including the present conference findings, in the media, in the school system. "You have to know history in order to intelligently ignore it", said Elkana. He also put the accent on the need to involve politicians into the discussions. These goals have yet to be fulfilled, stated Elkana, thus making the Blue Bird Project more relevant than ever. Finally, he also called for greater involvement on the part of Europe in the Balkans.

Panel Three: Social Identity and National Identity. Psychological Foundations for Intolerance and Xenophobia

Moderator: **Denis Galligan** (Centre for Social-Legal Studies, University of Oxford and Center for Policy Studies, Central European University)

Panelist: Alina Mungiu-Pippidi, Blue Bird Project and European University Institute Paper: 'Milosevic's Voters. Explaining Grassroots Nationalism in Post-Communist Europe'

Alina Mungiu-Pippidi provided insights into the roots of nationalism in Central and Eastern Europe. She raised a number of questions: Is nationalism a manifestation of ethnic resentment surfacing after being repressed during communism? Is it related to frustration due to dissatisfaction with the economic situation? Is nationalism mainly a legacy of communist socialization, or rooted in the charisma of the leaders championing it? Using survey data from Bulgaria, Slovakia, Serbia, Kosovo, Romania and Hungary, she explored those hypotheses.

She found that nationalism (measured by a combination of perceptions about language, extra-border territories, foreign presence and minorities as a threat to country integrity) is weakly related to socio-geographic factors (e.g. education and wealth), and that the effect is not constant across countries.

The second group of variables she considered tapped into indicators of communist socialization legacy (trust in politics; relevance of ideologies; populism, etc.). They proved to have a more significant impact on nationalism, and more consistently so across the countries included in the study. The impact of a third group of variables, namely 'environment factors' such as media, trust in nationalist leaders, evaluation of communism and perceptions of threat to country integrity, varied significantly from country to country, showing a relatively poor link with nationalism.

In addition, Mungiu-Pippidi considered the determinants of voting for nationalist leaders in Serbia and Romania. Data analysis provided insights as to the role that media consumption, education, rural/urban location, unemployment status and authoritarian attitudes play in explaining the vote for Vojislav Seselj in Serbia and Vadim Tudor in Romania. She concluded that authoritarianism is a more powerful predictor of the vote for nationalist leaders than nationalism.

Finally, Mungiu-Pippidi's analysis of the determinants of nationalism in Kosovo showed the preeminence of the recent war history, along with its traumatic consequences, as well as the lack of contact between the Albanian and Serbian communities. She concluded that political factors matter more than 'natural' ones when it comes to explaining nationalist attitudes.

Panelist: Dragana Marjanovic (European University Institute), “Manipulating Nationalism in Serbia. Context Effects in Ethnic Distance Measurement as an Indicator of the Impact of Nationalist Propaganda”

Dragana Marjanovic conducted an empirical research aiming at assessing the impact of propaganda by measuring feelings of closeness/distance of Serbian high school students towards minority groups. The questionnaires she gave to students included the same list of questions but were headed by two different introductory texts. Analyzing the results, she found that students who had read an introductory text designed to emphasize nationalist values chose options, revealing greater ethnic distancing than the group of students who was given a neutral introductory text. A third group of students, who filled the same questionnaire but this time headed by a text stressing positive attitudes towards minorities and pluralism returned answers exhibiting greater closeness to minorities than students belonging to the two other groups.

Marjanovic controlled for the influence of a number of other factors potentially associated with ethnic distancing, in addition to the tone of the introductory text: gender, financial situation, rural/urban location; school type (grammar or professional school), mother’s education; hours spent in front of the television; how often news are listened to; how frequently newspapers are read; attention to politics; discussion about politics; and authoritarianism. Five factors turned out to be statistically significantly related to ethnic distancing: school type (vocational school students exhibited greater distancing); the tone of the introductory text, authoritarianism, the number of hours spent watching television daily (greater exposure was associated with greater ethnic distancing) as well as how frequently newspapers are read (more frequent consumption of printed press was associated with less distance).

Marjanovic concluded that the data supports her initial hypothesis, namely that propaganda has an effect on ethnic distancing independently of other characteristics related to the background of the students surveyed.

Panelist: Jim Sidanius (Department of Psychology, University of California, Los Angeles), “The Interface Between Ethnic and National Attachment: Ethnic Pluralism or Ethnic Dominance?” (co-written with Seymour Feshbach, Shana Levin and Felicia Pratto)

Jim Sidanius and his colleagues examined how loyalty to and identification with one’s ethnic group cohabit with patriotism and a sense of belonging to the country as a whole in population samples taken from five countries: the United States, Israel, the Dominican Republic, Puerto Rico and Cuba. He described three major approaches to explore the relationship between ethnic and national identity. In a melting-pot nation, ethnic affiliation is irrelevant to one’s “acceptability as a loyal citizen”. In accordance with the second approach, dubbed ‘ethnic pluralism’, minority groups are equal components of the nation, while retaining their distinctiveness. Thirdly, group dominance describes societies where ethnic groups occupy hierarchically asymmetric positions. In each setting, we expect differences with respect to the ethnic-national identity relationship. In a melting-pot, both identities are expected to be independent from one another or, if related, stronger ethnic identity is expected to yield lower patriotism. The ethnic pluralism perspective posits a positive relationship between attachment to both one’s ethnic group and to the nation. Lastly, in the case of group dominance, the relationship between identities is also expected to be positive, with greater attachment to the nation and to the ethnic group applying to members of the dominant group.

The overall findings of the research were more consistent with the group dominance perspective. For example, Israeli Arabs and African Americans were less patriotic than Israeli Jews and ‘Euro-Americans’. Patriotism was positively related to the attachment to one’s ethnic group and the relative

rejection of other ethnic groups among the dominant groups in the US and Israel. Again in Israel and in the US, dominant groups tended to be more patriotic than subordinated ones. The picture that emerged from the Caribbean countries is different: while status is related to skin color, all ethnic groups were equally patriotic, even showing a negative relationship between attachment to one's ethnic group and love of one's country.

Comments and discussion (led by Ivan Vejvoda, Foreign Policy Adviser to the Prime Minister of Serbia; Member of the Institute for European Studies, Belgrade)

Ivan Vejvoda reiterated the significance of the context in building what he called the 'logic of exclusiveness'. In line with Alina Mungiu-Pippidi's finding about the importance of communist attitude legacies, he pointed out the danger that nationalism could be reinvigorated if economic and living standards do not improve in the next few years, thus fueling fear and populism.

Judy Batt asked Alina Mungiu-Pippidi whether she believes that communism is to be blamed for the legacy of attitudes leading to nationalism, or if those attitudes could go back to regimes existing before the communist period. Mungiu-Pippidi indicated that the survey data did not deal with the period prior to communist rule; however, it did show that a number of those surveyed believe that communism was better as period than post-communism.

Answering a question raised by Valerie Bunce, both **Sidanius** and **Mungiu-Pippidi** agreed that more contacts between ethnic communities are more likely to lead to more tolerant attitudes.

Panel Four: Fostering Cooperation. In Search of Incentives

Moderator: **Svetlana Alexandrova** (Blue Bird and University for National and World Economy, Sofia)

Panelist: Milica Uvalic (Department of Economics, University of Perugia), "Trade Liberalisation in Southeastern Europe"

Milica Uvalic's presentation tackled trends related to trade globalization and regional cooperation in the Balkans. Inter-regional trade is not very significant: Balkan countries trade more with other, western countries than among themselves. The main trading partner of Balkans countries is the EU. So far, there has been little work analyzing the phenomenon, says Uvalic, except that of Vladimir Gligorov (see next panelist). Uvalic believes that it is not uncommon to find inaccuracies in EU reports dealing with trade in the Balkans. There have also been cases when Gligorov's data has been misinterpreted. The fact that statistics pertaining to trade in the region are not always complete accounts for some errors and misinterpretations. Also, the definition of the Balkans (how many countries are involved) vary between studies. Finally, the EU is considered as one partner, as opposed to individual EU country members.

It is assumed that trade liberalization will lead to growth. However, Uvalic expressed skepticism towards capacities to predict how actual trade levels differ from potential trade levels, as trends are sensitive to a large number of factors. In spite of this, Uvalic said that excessive trade between some countries, such as Yugoslavia and Bosnia-Herzegovina, is likely to diminish, while low trade between others, such as Croatia and Yugoslavia, will increase. Furthermore, she believes that the promotion of intra-Southeastern Europe trade does not necessarily constitute a panacea; the strategy needs to be coupled with extra-Southeastern Europe trade as well. At the same time, Balkan countries can protect their markets by opening their markets to EU goods in a staged, progressive way.

She called for further examination of economic issues important for the development of the Balkans, such as the dominance of inter-industry trade and its potential to hamper regional economic growth. However, she stated that at this state, political factors carry more weight than economic arguments in the promotion and influence over regional trade.

Panelist: Vladimir Gligorov (Institute for International Economic Studies, Vienna)

Vladimir Gligorov also developed the topic of regional trade. He first categorized the Balkan countries into three groups: Bulgaria and Romania; former Yugoslavia countries; and Albania. These three groups of countries are in different situations, insisted Gligorov. While the first group experienced a significant shift in trade towards the West after 1990, Albania represents a case of complete collapse, as levels of exports did not change while imports, mainly from Germany, Greece and Italy, quadrupled. In the case of former Yugoslavia, even before the breakup, a trading shift towards the EU was already present, with the exception of gas and oil imported from Russia.

There was—and still is—little trade between the three groups of countries. Is it more important to regionalize trade or for the EU to move in the Balkans decisively and opening its own market to the Balkans?, asked Gligorov. The latter option is the best possible policy for the Balkans, which carries little consequences for the EU (the total of export from all the Balkans represents less than what Hungary alone exports to the EU). The EU did move unilaterally to give up tariff protection toward the Western Balkans.

In the future, do we expect a more significant role for interregional trade? As Uvalic mentioned in her presentation, Gligorov reiterated the leading role of the EU as a trade partner in the region. In cases where specific reasons explain regional trade levels, as between Yugoslavia and Republika Srpska in Bosnia-Herzegovina, the trend is expected to change. Gligorov also predicted an increase in trade between Croatia and Yugoslavia. Overall, he believes that regional trade will play a significant role, especially because economic growth in the Balkans will eventually be higher than in the EU.

In response to Uvalic's concern about the predominance of inter-industry trade in the Balkans, Gligorov described it as a consequence of the fact that Balkan countries trade a few specialized products—agricultural, raw material, etc. The problem, a serious one in the region, has already been identified by the World Bank. Gligorov evaluated that a multilateral agreement between Balkan countries and the EU would have been preferable to the current bilateral trade agreements. He also called for the need to stabilize a volatile trade, and fiscal cooperation among countries of the region in order to tackle important economic phenomena such as tariffs and unemployment.

Panelist: Ivo Bicanic (Blue Bird)

Ivo Bicanic discussed a number of obstacles to the development of regional trade in the Balkans. Firstly, he mentioned perceptions and myths, illustrated by the example of managers who refuse to trade in the region, without regards for the legislation. Myths can have a powerful hold on managers who, in Croatia, tend to believe that investment in Serbia will go in the 'soft market'. There is also a generalized belief that exports lead to growth. While exports and growth usually go together, there is no proof that one is the cause of the other. Another widespread belief is that foreign direct investments constitute a near magic solution. They are not enough in themselves, said Bicanic. It takes consistent policy over time and a clear set of priorities to replicate the 'Irish miracle'.

He contended that the 'protection of national interests', for example invoked by Slovenia to justify its refusal to privatize its banking system, actually prevents a full turnaround of the economy.

Also, the size of the economy matters. In order to make the limited size of Balkan economies less relevant, old market-state links that developed (as in former Yugoslavia) have to be dismantled.

Regional development requires a better human capital pool to recruit from. Furthermore, Bicanic emphasized the need to depersonalize policy making.

Comments and discussion (led by Zsolt Rabai, NATO)

Zsolt Rabai began in intervention by saying that security and economics meet in their concerns for the security of investment, the rule of law, the fight against organized crime and smuggling. “These are the new security issues”, said Rabai.

According to his personal experience, regional cooperation is not always welcome in the region—on the contrary. Namely, countries prefer to deal individually with NATO. On the other hand, he gave the example of a group of London investors who see only one big market in the Baltics, or even in the region as a whole. Often, this phenomenon is perceived in CEE as uniformization, a sign that the interests of individual countries will not be considered. Rabai refuted this belief, arguing that only a regional approach can successfully deal with issues such as organized crime and the security of borders.

At this point, participants asked questions to the panelists about the size and effects of the grey economy in the region. **Victor Bostinaru** called for the Stability Pact to support of local companies development and to coax regional actors into cooperation and supporting developing local companies.

Summing up the issues brought forth, **Gligorov** expressed concerns with the growing protectionist mood in the region. He tempered worries concerning the gray economy; while its effects are negative (distortion; diversion of resources that could be more efficiently allocated; bad labor relations; etc.), he argued that its importance is often overestimated (except in the domain of tourism, alcohol, cigarettes and similar products). As for the Stability pact, Gligorov did not express much hope: “It is likely to declare victory and then disappear”, he concluded.

Panel Five: Regional Models and Counter-Models from Cyprus to Former Yugoslavia

Moderator: **Misha Glenny** (Former BBC correspondent for the Balkans, Managing Director of SEE Change 2004)

Panelist: Dan Pavel (Project on Ethnic Relations, Bucharest), “Nation-building Versus State-building in Romania. Lessons Learned”

Dan Pavel gave an account of the major political events touching upon minorities’ participation into the public sphere in Romania that have taken place since the transition. The goal of the presentation was to explain why ethnic conflict did not develop in Romania, where both nation- and state-building cohabit without recourse to ethnofederal or consociationalism arrangements.

In his presentation, Pavel detailed factors that contributed to the successful management of minority issues in Romania. The fact that minority leaders (in this case, Hungarian leaders, as the community is large and the most well-organized politically) are moderates, working towards and demanding self-determination rather than secession, stands out as a significant element of this success. Minority representation is ensured in the national assembly by a system of reserved seats, in addition to what minority parties can obtain on the basis of electoral support from their constituencies.

Minority presence in politics goes much further; Pavel recounted how, after the 1996 elections, the Hungarian minority party joined the ruling coalition. Hungarian MPs held mid-range positions in the state apparatus (however there were no Hungarians holding key positions in the ministries of Interior or of Foreign Affairs, nor at the head of the army). In addition, bodies such as the Council of National Minorities, acting as the government's partner in dialogue, and the Department for the Protection of National Minorities, headed by a minority representative and in charge of addressing minority issues at the executive level, were established.

A measure of dialogue and cooperation between majority and minority parties has also been achieved at the local level, as witness the electoral alliances between the Hungarian minority party and candidates of moderate Romanian parties against candidates of nationalist parties at local elections. Also, a protocol signed between the governing party and the Hungarian minority party in 2002, delegated negotiating power to county branches of the parties, which succeeded to sign an agreement on the so far moot point of the return of property to Hungarian churches. However, Pavel's account also pointed out the resistance of a number of Romanian politicians to proposals set forth by Hungarian leaders in Transylvania for regionalization, denouncing it as a threat to the country's integrity and sovereignty.

Panelist: Ozan Erozden, Blue Bird and Yildiz Technical University, Istanbul Paper: 'Hidden Actors in Open Societies, Hidden Factors in Open Conflicts. A Brief History of Lost Incentives in Cyprus Question'

Ozan Erozden presented the three main phases of the Cypriot conflict. He then developed the thesis that the main factor behind the failure to solve the Cyprus crisis has been the conservative line taken by the Turkish military and civil bureaucracy. The split between conservatives and reformists in Turkey concerning Cyprus has brought about a more favorable climate to finding a solution. Erozden also analysed the role of the EU and the accession incentives in contributing to reach a permanent solution satisfying all the parties involved.

Erozden focused on the latest attempt to solve the Cyprus crisis with a new United Nations plan, the so-called Annan plan. This plan foresees a new confederation-like state consisting of two sovereign components. Erozden estimates that the plan constitutes a fair compromise, envisioning roughly equal concessions from both the Turkish and the Greek sides. The EU backs the plan, demanding that a united Cyprus joins the Union. This new development brings a new, powerful incentive for the Greek and Turkish Cypriots to end the crisis, said Erozden. The Greek government has welcomed the plan, albeit not without expressing some reservations. On the Turkish side, the recent elections brought to power a new political party whose head suggested that the plan could be used as a basis for peace. The Turkish government is also keen to see the country accepted into the EU. In the light of the combination of the new EU integration incentive for the island (as well as for Turkey) on the one hand, and of the moderate position of the new leadership in Turkey on the Cyprus issue on the other, Erozden believes that the latest peace plan to date has greater chances to succeed than its predecessors. However, if the Cyprus question is not solved soon, Erozden underlined that Turkey risks isolation within Europe.

Panelist: Florian Bieber, Center for Policy International Policy Fellow and European Centre for Minority Issues Paper: 'Power Sharing After Yugoslavia. Functionality and -Dysfunctionality of Power Sharing Institutions in Post-war Bosnia, Macedonia and Kosovo'

Florian Bieber contrasted the characteristics and the effectiveness of the institutional power-sharing arrangement that emerged from peace settlements designed by international community actors in five cases: Bosnia, its two entities (the Bosniak-Croat Federation and the Serb Republic), Macedonia and Kosovo. More particularly, he focused on measures designed to ensure minority presence in parliaments and governments, on mediating procedures and on minority vetoes.

Based on criteria elaborated by Lijphart, Bieber began by define power-sharing arrangements: they require that all groups be represented in parliament, and that major groups be included in the government. Representation is also required in the state administration. Furthermore, minorities are to have the possibility to veto or renegotiate decisions; to benefit from decentralization and/or autonomy at the local/regional level, as well as to partake in what Bieber calls “inclusive representation and symbols”. He further qualified these criteria by adding a dimension: in each case, arrangement can emphasize inclusion or cooperation.

Bieber reviewed power-sharing arrangements pertaining to representation in parliament (electoral systems and districts, thresholds and reserved seats), at the executive level (grand coalitions, shared presidencies; formal or informal rules to appoint representatives of minorities as heads of ministries), and various types of veto rights (degree of support required; area of legislation concerned; mediation). He concluded that the institutional systems, with the exception of that of Macedonia, present a high degree of power-sharing on paper. However, in practice, little power sharing takes place. Inclusion has proved easier to achieve than cooperation between ethnic communities. Therefore, institutional design should strive to go beyond the conventional legal and institutional framework to make power-sharing arrangements fully operational in reality.

Comments and discussion (led by Misha Glenny, Former BBC correspondent for the Balkans, Managing Director of SEE Change 2004)

Adding to the information presented by Dan Pavel, **Victor Bostinaru** indicated that the signing of the new protocol between the ruling party and the Hungarian minority party in Romania, was followed by similar protocols in all counties inhabited by Hungarians, whose implementation is monitored at weekly meetings. He also underlined the key ‘bridging’ role played by the Hungarian minority party during discussions with the former Hungarian government about the recent Status law.

A remark about the role of economic institutions, not dealt with in the panel’s papers, sparked a discussion around the elements contributing to ethnic mobilization in the region. Participants noted the peaceful behavior of Hungarians in Romania, and pointed out to the lack of mobilization of the Roma community. **Alina Mungiu-Pippidi** mentioned that Hungarian Romanians were also not armed. **Florian Bieber** objected that, in his view, the dynamics of ethnic relations and its impact on institutions matter more than the presence of guns. In Macedonia and Kosovo, ethnic communities hardly mingled, he added, while the situation was very different in this respect in Romania and Bulgaria.

Ivan Vejvoda was of the opinion that while Bosnia is key to modeling, it is also marginal due to the peace settlement ‘parachuted’ in a subtle, particular context. Home to Brezhnev’s supporters in former Yugoslavia, with little democratic culture before the war, and then low resources as a consequence of the war, Bosnia needs to be given time. **Philip Roeder** considered that the picture of power-sharing presented by **Florian Bieber** was overly optimistic, that such systems work only under protectorates. “Is the EU ready to commit itself to a long-term protectorate?”, he asked. He also

expressed doubts as to the capacities of countries endowed with power-sharing institutions to function within the EU, due to significant differences with the institutional arrangements existing in the Union.

Again participants expressed different views as to the impact of the EU, real and perceived. **Misha Glenn** asserted that the prospect of sustainable success of the EU integration process constitutes a very important incentive. However, he sounded a note of caution: the Northern Ireland problem is not solved, and neither is the Basque question. Cyprus could be the greatest test case, believes Glenn, especially as prospects for integration in the EU are still absent in former Yugoslavia. **Ivan Krastev** (Blue Bird and Center for Liberal Strategies, Sofia) countered that the potential impact of the EU may be overestimated. In response, **Ozan Erozdin** stressed that he does not consider the EU as a perfect solution. It is possible, he believes, that it could actually act as a trigger and contribute to a worsening of the crisis in Cyprus if Turkey is left out of Union while Cyprus is given a date for integration. **Florian Bieber** also agreed with Ivan Krastev's comment about the EU sometimes being used as an excuse to conduct foreign policy under the cover of integration process.

Concluding Remarks

Venelin Ganey (Blue Bird and Political Science Department, Miami University, Ohio)

Ivan Krastev (Blue Bird and Center for Liberal Strategies, Sofia)

Venelin Ganey expressed his conviction that nation- and state-building should go hand-in-hand, as they "address each other's blind spots." Students of nationalism usually overlook government and have little to say about processes and tools of governance. On the other hand, institutional studies tend to neglect the context surrounding institutions. He believes that institution building related research should examine more closely the legacies of communism in the region. The links between elites, resources and constituencies still has influence and deserves greater attention. There is a need to rethink assumptions about elite economic and political behavior. "We need to retell the story of transition", said Ganey, and frame it in terms of incentives and not only in terms of economic policies to understand why, for example, Hungary has been more successful at its transition than Bulgaria.

He enumerated three reasons why the state-constituencies relationship is difficult in the Balkans: a weak civil society, organized crime being a very organized constituency, and the fact that people, when not able to obtain anything meaningful from the state, simply give up on it. He concluded by saying that institution building is simultaneously a context, an elite and a social process. To better understand it, more communication is needed between institutionalists and nationalism studies people.

In turn, **Ivan Krastev** claimed that nation-building is the result of a successful state-building process, including in the Balkans. The definition of state has changed, he went on, before laying out various conceptions of state-building.

Firstly, modernization theory equates a weak state with a strong society. According to this theory, state policies cannot penetrate society, let alone be implemented, nor create incentives. That was the case in Albania between 1992 and 1998. Secondly, he linked the capacity approach to bureaucracy. This is illustrated by the EU Commission's perspective; it is about administration, contended Krastev. Thirdly, the captured state; this occurs when certain interests have distorted policy making to the point that they control the state (e.g. the Russian oligarchs). It is the privatization of violence. Finally, the democratic state approach, illustrated by the free and fair elections held all over the Balkans by now.

“How is the weak state that emerged out of transition reproducing itself?”, asked Krastev. There is no demand for rule due to absence of institutions of society. In this context, he apprehends that a ‘weak state equilibrium’ could be reproduced for a long time. He justified his concerns with recent survey data about people’s perception of transition (in terms of winners/losers). According to the data, many do not believe in the just character and the legitimacy of the democracy they live in. A large proportion of factual winners actually perceive themselves as losers; as a consequence, nobody is ready to defend the system. Such ‘losers’ are also less ready to demonstrate, to participate.

A ‘real loser’ lost his social network, went on Krastev. If one is out of a job for a year, he/she is left to socialize exclusively with neighbors and parents. The absence of a social space is a phenomenon more stable than before in the Balkans. Elites are not accountable. Candidates gather the protest vote and, once in office, govern according to IMF, World Bank directive, already knowing that they will not be reelected. Hence a vicious circle is established. The weak state equilibrium is the only framework to maintain and reproduce this political and social dynamics. That is why Krastev is concerned that the ‘weak state’ could become the ‘optimal’ situation in the region.