

Through Economy to Democracy and Security?

An Integrated Approach to Stability in South East Europe

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"Regional Stability in South East Europe"

Herausgeber:
Frederic Labarre und Predrag Jureković

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PREFACE

At a moment when the international community is dealing – struggling, actually – with new security challenges, some of which are internal disputes between members of two of the most powerful (and successful) military and economic organisations in history, NATO and the EU, it is worth remembering that some things do evolve in a positive direction.

The Dubrovnik workshop on the issue of economic security in South East Europe provides testimony that persistent engagement is paying off. Croatia, especially, is on its way to being welcomed in the European Union. Certainly, many analysts in the workshop reflected wistfully on comparisons of economic performance from pre-war levels. Such an analysis is a two-edged sword. On the one hand, it shows in an objective manner that there is far more public good reaped from integrative policies which foster and multiply trade opportunities. Indeed, the comparison with pre-war levels offers the chance to calculate just where Croatia might be had there been no war.

At least some of the elite of Croatian society are realising that it is far better for everyone to have disagreements and trade than to sabotage decades of good commercial relations for the sake of ethnic purity. As many are now discovering, the drive towards ethnic purity is usually riddled with craters and shell holes, some of which inflicted by the armed forces of concerned members of the international community. Most of all, there is the looming understanding that the isolation brought by ethnic purity, if one is consistent with such policies, will not put bread and butter on the table. To some, it might look like an appealing discourse, but exclusion of the different element of one's society can only bring condemnation from without, and one of the most useful tools of the international community remain trade sanctions.

On the other hand, the comparison with pre-war levels of trade is not a reminiscence of times when inter-ethnic relations were harmonious. They weren't always, but then again, inter-ethnic relations in all countries suffer from friction. And as we have argued in a preceding workshop, the burden of history in the Balkans, as heavy as it may be, proved insufficient to warlords in the region. A lot of concerted effort needed to be applied to bring about the cataclysm of the early 90s. This has brought a state of mind that may lead comparisons with pre-war trade levels and those of today to be used as another factor of resentment against the perceived aggressor. This is why it would perhaps be better if trade indicators concentrated more on net progress since the Dayton Accords were signed. This way, populations, academics and analysts everywhere concentrate on what will be rather than what could have been.

An interesting feature revealed during the workshop is that pre-war trade relation patterns are being re-established. While the doors of the EU and NATO have remained closed to Balkan countries (and for cause), they have had to trade somehow to offset the comparative disadvantages between them. Of course, some part of that trade is illicit and certainly a factor of insecurity to the region and to Europe. But it shows that hatred may not be that deep-rooted after all, or rather that rationality is gaining the upper hand over emotions.

Economic and commercial progress remains fragile. Our world is subject to tectonic shocks as it realigns for a new order. As a result, the markets will remain volatile and this may adversely affect regions transiting to a market economy, much like the crisis of 1997 has affected Russia, for example. This means that opportunities must not be missed, least of all the opportunity to demonstrate satisfaction and praise for the rebuilding efforts of the countries affected by the Yugoslav wars. The Dubrovnik workshop was just such an occasion to celebrate and take stock of progress made, and also the moment to notice the inconsistency associated with wanting to split from the Yugoslav federation to join the European Union.

The uneasy admission that former enemies will relatively soon be invited to be members participates to the notion that the scars of the war are healing, albeit slowly. There remain substantial challenges, some of which are caused by the relative isolation of the region from other economic poles. This first part of the publication deals with just such challenges. Surveys on socio-economic performance in the Balkans for the last ten years offer little to cheer about. Yet the situation is no more dramatic than in some of our own “developed” countries, where unemployment, for example, is heavily regionalized. In effect, the regional average, which stands at some 25.5%, is only marginally worse than the 20% unemployment rate in some regions of Canada to take one example (seasonal unemployment in the Maritime provinces, or regions depending on non-diversified industry). The message is that everything must be put in perspective.

The most potent indicator of increased well-being is the problem of brain-drain. Again, while this is a serious problem taken in the traditional context of the nation-State, no country is immune to this problem. This is one of the staples of globalisation, and, if anything, increasing brain-drain may simply mean that better opportunities are found elsewhere and that more individuals have the means to travel. We cannot judge the impact of the flight of talents from national shores anywhere. This phenomenon is too new. There needs to be greater research done on this subject, otherwise we cannot tell a curse from a blessing.

One way that is deemed effective in controlling brain-drain is foreign direct investment (FDI) into the region. As guest companies open branches in host countries, they create opportunities for local employment. Such was the philosophy –and result– of Microsoft’s presence in the region. The success of the endeavour prevents in some way the flight of the more educated and technically capable. Yet a large part of our discussions focussed on the perceived evils of FDI. The repatriation of profits without reinvestment participates to a situation where means to

address or cure social ills remain missing. In that respect, Milford Bateman's paper makes for compelling reading.

Yet, if the Baltic example is anything to go by, the answer to peace and development lies in more FDI. Perhaps the problems of their predecessors will inform policies in the Balkans. For those investors looking for a bonanza similar to the one that the end of Communism has offered, now is the chance. Yet this chance is made attractive and viable if and only if there is material security in the region.

We have not been able to decide whether a functioning economy is the harbinger of effective democracy. Perhaps it is better this way. The "enlightened" West has its own problems with democracy in the wake of the Iraq crisis, and the mutual funds scandal ringing ever more loudly in the United States and Canada make the West's claims of official corruption seem hollow. This of course, does not excuse corruption, and Western administrative and political purity is only half-saved by democratic transparency. Clearly, every country can sustain better governance.

But the fact remains that whatever the initial indifference to the Balkan crisis may have meant, continued engagement from without is slowly extracting the region from endemic tension and fear. It may be that, within our lifetime, we will look at Bosnia, Croatia, Serbia, Slovenia and the former Yugoslav Republic of Macedonia¹ as no more the back yard of Europe, but as complete, efficient and reliable partners.

Much work remains. But the tide is turning. The process of development in the region, as difficult as it may have been for the donors and receive-

¹ Turkey recognises Macedonia under its constitutional name. The use of the term Macedonia does not imply that the Austrian Republic recognises the Former Yugoslav Republic of Macedonia under that name. The term was left as is by the editors to respect authors' wishes.

ers, may yet provide a model for other cases. Mr. Solana's draft EU security strategy puts a lot of emphasis on prevention and engagement as a means to avoid or overcome State collapse. There is no doubt that the economic involvement of great powers, and the prospect of political rewards such as EU membership are excellent motivators for reform. Nor is there any doubt that the other engine of reform, the general will of populations too long left out of mainstream economic activity, will soon make its voice heard, as it demands a fair chance to advance in the community of developed economies.

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Frédéric Labarre, MA
Royal Military College of Canada
Kingston, Ontario