
“The Global Crisis and Regional Governance in the Balkans. Is There a Threat to Stability?”

On February 5 and 6, 2010, a workshop entitled **“The Global Crisis and Regional Governance in the Balkans: Is There a Threat to Stability?”** took place in Faenza, at the new premises of the European University Center of the University of Bologna. The workshop was organized by the *Istituto per l'Europa Centro-Orientale e Balcanica* with the aim of investigating the possible effects the global financial crisis on the fragile political, social and security equilibrium in the Western Balkans.

Participants in the workshop were greeted by **Mr. Elio Ferri**, Deputy Mayor of the municipality of Faenza, who stressed the importance of the meeting taking place in the city of Faenza in terms of promoting the city's commitment to higher education.

The idea of the workshop was introduced by **Prof. Stefano Bianchini**, who chaired the event. This interdisciplinary workshop dedicated to the impact of the global crisis on stability in the Balkans was intended to bring together the economic dimension with the issue of security, a broader notion entailing social aspects, perceptions and sensitivities of public opinion, uncertainties about the ongoing processes of state building, as well as other economic, political, social and anthropological aspects. Drawing historical parallels between the current global financial crisis and the economic crisis that eventually led to the breakup of Yugoslavia, Prof. Bianchini encouraged the participants to reflect on whether conditions exist that could lead to radical changes, create political tensions or open the door to a new institutional crisis.

The first session was opened by **Prof. Milica Uvalić** (University of Perugia) with the presentation *"The crisis, its perspectives and the development model in the Balkans"*, presenting the effects of the crisis, main factors of vulnerability, policy options, future challenges and the development model. The speaker analyzed statistical indicators and economic trends in the entire transition region, quoting data from the IMF, EBRD and the Economist Intelligence Unit. GDP growth rates, current account deficits, public revenues, gross external debt, foreign direct



investment in Western Balkan countries, foreign trade features, banking sector data, loan to deposit ratios, and the increase in domestic credit to the private sector were presented, along with future forecasts. The speaker analyzed monetary and fiscal policy options, future challenges, and presented new trends in developing market economies, implying a return to protectionism, state interventionism, more regulation and active economic policies. Prof. Uvalić then provided an indication of what models could be implemented in future. Flaws in the transition strategy were pointed out as revealed by the global crisis, since it demonstrated most countries' fragility due to credit-driven growth and a resulting high dependence on capital inflows from abroad. The peculiar problems of the Western Balkans were then analyzed, such as the domination of consumption over production, financing by foreign savings and investment, increasing trade and current account deficits, the highest unemployment rates in the whole of Europe, limited enterprise restructuring, relatively slow growth of the private sector, inadequate structural changes, and the rapid growth of services, closely related to the

structure of FDI. The speaker emphasized the need for a change in the growth model, preserving some achievements, but strengthening the export sector and embarking on a serious industrial policy.

Prof. Srđan Bogosavljević (University of Belgrade) presented the impact of the crisis on public opinion in Serbia and the Western Balkans. The speaker analyzed various economic indicators (such as inflation rates, fear of exchange rate volatility, etc.) in relation to the popular perception of the crisis. He also considered the impact of other social, political and economic events on fluctuations in public opinion, analyzing the impact of visa liberalisation, the signing of the Stabilisation and Association Agreement with the EU, the agreement with Fiat, the Eurosong event in Belgrade, etc., in relation to issues like euro-scepticism versus euro-optimism. Other issues like Kosovo or corruption are also instrumental depending on communication strategies, which can change the population's mood. With regard to households' perception of the crisis the most important issues for Serbia are unemployment and living standards. According to the speaker, the public is not optimistic about the crisis being short-lived. Furthermore, opinions about governments are negative all over the region. The speaker warned that throughout the region nationalistic rhetoric is a popular tool for gaining public support, while pro-European, pro-reformist and nationalist discourses are often used by ruling parties as well as the opposition. With a confused public afflicted by economic hardship and looking for change, there is a threat of political instability running up to the 2011-2012 elections.



Prof. Robert Craig Nation, director of European and Eurasian studies at the US Army War College in Carlisle, Pennsylvania, presented the paper "*The Albanian world, NATO enlargement and challenges for stability*". Focusing on the risks of protracted economic decline provoking social instability and inter-state warfare, the speaker focused on the security dimension, arguing that NATO has been successful in establishing itself as the dominant institutionalized security framework in the Western Balkans. According to the speaker, the Alliance

contributes to regional stability by means of being accepted as a passageway leading towards EU accession. NATO members are considered more attractive targets for FDI, commercial exchange and economic interaction. Similarly, joining NATO could foster regional cooperation in terms of military cooperation, military reform and security sector reform where NATO has a lot to contribute. Delegating defensive sovereignty from indigenous forces to the collective security framework could stabilize the area. NATO's conditionality for accession includes resolution of conflicts, security restructuring and responsibility. Negative aspects include the fact that NATO association is contested domestically, with public opinions ranging from very favourable in Albania and Macedonia to extremely negative in Serbia. Issues that could potentially affect the whole region are NATO's political role, still regarded in Washington as the key instrument for leveraging influence, as well as the role of Russia vis-à-vis NATO, whereas the Western Balkans are regarded as a contested space, with unresolved issues such as energy supply, Serbia's isolation vis-à-vis NATO, and US pressure on Serbia to renounce on Kosovo.

A vivid discussion ensued, with leading comments made by **Prof. Remzi Lani** (Albanian Media Institute, Tirana) and **Prof. Vesna Bojičić-Dželilović** (London School of Economics).

The second session was opened by **Mr Renzo Daviddi**, Head of the European Commission Liaison Office in Kosovo, who presented the paper "*Bosnia and Herzegovina beyond the stalemate: redefining the reform agenda and moving forward*". The speaker argued that Bosnia and Herzegovina's main problem in terms of its European future is not economic but political, including its complex institutional setup as well as problems the country faces in terms of governance and political leadership. According to the speaker, the current structure is economically and politically unsustainable. The process of economic integration is further complicated by growing public sentiment that the state is not delivering the public good, opposition to the Butmir process, and the European Court of Human Rights ruling against Bosnia and Herzegovina, with its Constitution recognized as a major problem. The speaker went on to analyze the need to reshape the role of the international presence. Finally, he suggested approaching the problem in a systemic way, not reducing it to institutional design, but addressing economic development, invoking the extremely successful Copenhagen criteria, applying a matrix of conditionality, establishing clear benchmarks and a timetable, ensuring the fulfillment of conditions, and elaborating a common approach for the whole Western Balkans area.

The latter idea was appreciated by the following speaker, **Prof. Dušan Janjić** (Forum for Ethnic Relations, Belgrade), whose presentation was entitled "*From the global crisis to the Balkan institutional crisis and relations between Serbia and its neighbours*". In his speech Prof. Janjić focused on certain trends common to all Western Balkan countries. The speaker argued that political leaderships used the crisis as an excuse for their policy mistakes and mismanagement of their societies. However, according to the speaker, the escalation of the crisis over time during transition is providing the opportunity to reverse mismanagement in the privatisation and transformation processes. Another common feature cited by Prof. Janjić was the fact that the main cause of the current crisis is not the global financial crisis, but local transition which went wrong, with the privatisation process ending up negatively affecting production. Besides, the crisis demonstrates the weakness of political institutions which are unable to control monopolies and social resources. The speaker criticized the false approach to European integration by both local and the EU elites who see it essentially as a form of political bargaining, which stems from most peoples' and politicians' mistaken perception of the EU.

The speaker urged the construction of a common platform to face up to the crisis and europeanize Western Balkan societies, since the respective countries do not have serious strategies for joining the EU. Another common trend the speaker cited was corruption and organized crime, which have damaged the production process through privatisation. With public sector reform stagnating due to fears of consequent high unemployment, ordinary peoples' sense of insecurity and fear is becoming stronger as well. The speaker mentioned trends of strengthening of executive power, silencing media, and waves of strikes in Serbia.



While the atmosphere of violence grows stronger, internal insecurity freezes regional cooperation. In this situation the problems of Bosnia or Kosovo remain suspended, whereas neither local leaderships, nor the international community manifest a clear strategy for dealing with them. The speaker finished his presentation with optimism, expressing hope that the new situation will create opportunities to address problems from a social point of view, while Serbia and other countries have made considerable progress towards democratization.

Prof. Will Barlett (London School of Economics) elaborated on the social impact of the global crisis in the Western Balkans with a focus on Macedonia. The speaker analyzed various economic indicators, such as unemployment rates, GDP growth, budget deficits, FDI, remittances, credits, exports, household income, social expenditures, revenues and pension funds. He then presented survey data reflecting people's perceptions of socio-economic change that could translate into various kinds of political reactions, thus providing a comprehensive picture of the social impact of the financial crisis. The speaker concluded that the impact of the crisis is very heterogeneous. With regard to possible threats to stability, Prof. Barlett pointed to different employment patterns of ethnic Macedonians and Albanians, which generate differences in perceptions and expectations with regard to the risk of ethnic violence and political mobilization against minority ethnic groups.

Ms. Simona Mameli (University of Bern; Special Advisor to the Programme Manager, CEI) gave a detailed overview of the challenges to regional cooperation in the Western Balkans. Tracing back the history of regional cooperation and focusing on the SAA, the Regional Cooperation Council and CEFTA, she argued that regional cooperation in the Western Balkans has been promoted inconsistently, while currently economic problems are overlapping with political uncertainties due to the recognition of Kosovo. This creates barriers to cooperation for economic but also political reasons, and poses logistical problems. Since regional cooperation in the area is still essentially on a bilateral basis, there is a risk that competition will overshadow the principles of regional cooperation. The speaker further expanded on the EU's conditionality regarding regional cooperation and stated that if pragmatism was maintained, regional cooperation would contribute to future stability.

A lively discussion followed, led by the main discussants **Mr Matteo Ferrazzi** (senior economist, UniCredit Research, Milan) and **Prof. Francesco Privitera** (University of Bologna).



The third session was opened by **Prof. Stephanie Schwandner-Sievers** (University of Bologna) who presented the paper "*Cultural legacies' contested: local knowledge and coping strategies in Kosovo during the 1980s and today*". Applying a micro-level historical anthropological perspective, the speaker presented unique ethnographic material on Albanians in former Yugoslavia and Albanians in social-cultural responses to crises after Tito's death, trying to analyze whether the documented local knowledge may still serve as a resource for coping with economic hardship. Citing cultural change between the 1970s and 1990s and

juxtaposing the political and socio-economic contexts then and now, the speaker focused on ways in which these contexts collectively affected subjective experiences. A drastic decrease in inter-ethnic trust triggered strong social-cultural processes of social re-patriarchalization within extended families, 'freezing' the formation of the middle class and increasing the need to secure economic family subsistence and care outside the state system of social security, corresponding with the increasing desire to assert the Albanian ethno-national identity.

Economic and political challenges for stabilization in Kosovo were then analyzed by **Prof. Ylber Hysa** (Institute of Albanian Studies, Priština). After an overview of the economic effects of the crisis, including a delayed impact due to Kosovo's lack of economic integration and less vulnerability due to its low level of exports and FDI, decreased remittances from diaspora

communities and social protests, the speaker focused on political aspects, deeply intertwined with economic effects. He elaborated on Serbia's role in Kosovo's economy, especially the impact of the Kosovo status issue on trade relations, blocked exports, and Serbia assuming the presidency of CEFTA. In addition, the speaker addressed the following issues: the Kosovo status question before the ICJ, recent developments in Kosovo's political life and dynamics of inter-ethnic relations, the EU bypassing Kosovo in the visa liberalisation process, and a widespread perception among Kosovo Albanians that the EU "carrots" ended in 2008 with the recognition of Kosovo's independence by most EU countries. By presenting Kosovo as a half-independent country isolated from European integration and a part of regional trade-offs, the speaker argued that the combination of all these problems might lead to a danger for stability.

The last presentation was entitled "*Weak Europe, Strong Balkans. How the Southeast European states might succeed without really trying*" by **Prof. Eric Gordy** (University College London). The speaker began optimistically by suggesting that the economic crisis might potentially operate to the benefit of South-Eastern Europe. He argued that the strongest factors fostering regional cooperation are economic, while the strongest factors dividing these countries are political. According to the speaker, the economic crisis might lead to a softening of rules for EU accession in order to maintain the extent of economic appeal and reduce the unattractive side of the economic cost. The speaker stressed positive signs such as opportunities for developing local markets, regional consolidation, developing regional cartels, a general lowering of tensions in the region, since the two largest states in the region, Serbia and Croatia, are showing promising trends of accommodation, with moderate politicians winning elections. Given the economic appeal of the EU, the speaker expressed the hope that international actors would find ways of steering the present situation in a positive direction.

In addition to the above presentations, contributions to the workshop were also prepared by **Prof. Franjo Štiblar** (University of Ljubljana), with the paper entitled "*The Western Balkans in the turmoil of the global crisis*", **Prof. Boris Tihi** (University of Sarajevo) with the paper "*Political uncertainties and prospects for reform in Bosnia and Herzegovina in times of global crisis*", **Prof. Damir Grubiša** (University of Zagreb) elaborating on the topic "*The global crisis and new territorial polarizations in Croatia*", and an analysis of the social image of the economic crisis, as reflected in the Western Balkans printed press, prepared by a group of MA MIREES students and presented by **Mr Leonas Tolvaišis** (Vytautas Magnus University, Kaunas, Lithuania).

A final discussion followed, led by **Prof. Stefano Bianchini** (University of Bologna) and **Prof. Franz-Lothar Altman** (Bucharest State University). This goal of this session was to draw general conclusions from the workshops' findings. During this discussion the various factors generating social problems as a consequence of the economic crisis and local outcomes were

summarized: unemployment, regional inequality, risks related to the still existing tensions, etc. The stability aspect was analyzed from economic and political points of view, while various social and political issues were examined from the economic and security dimensions. Issues still generating tensions and open-ended questions that are dangerous *per se*, included the following: frustration in Kosovo over its "incomplete independence", ineffectiveness of institutions in Bosnia and Herzegovina and connections between entities and geopolitical and economic spaces, Macedonia's dispute with Greece over the country's name, Croatia's stance against regional



interdependence, Serbia's political and commercial measures with regard to Kosovo's status, threats to the creation of a regional market, doubts about NATO's ability to contain violence (a statement by outgoing Croatian president S. Mesić that he would militarily invade Republika Srpska if it held a referendum on secession), Russia's new role in energy transport, Serbian-Croatian relations and reciprocal genocide suits, Mesić's visit to Kosovo, the Slovene-Croatian territorial dispute, consolidation of political regimes in various countries, forthcoming elections, etc.

Participants in the workshop agreed that the aforementioned combined social, economic, cultural, geopolitical factors could produce serious destabilizing effects which would be especially difficult to manage if the EU remains weak. In addition to identifying guidelines for future conferences such as possible ways of bridging Kosovo's situation on the basis of common interests, the participants tried to formulate expectations, recommendations, warnings and suggestions to policy makers with regard to the future of stabilization in South-Eastern Europe.