

# Plan B - B for Balkans

State Building and  
Democratic Institutions  
in Southeastern Europe

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The 2005-2007 academic research project “Captive States, Divided Societies: Political Institutions of Southeastern Europe in Historical Comparative Perspective” of the Center for Applied Policy Research (Munich), the Romanian Institute for Recent History (Bucharest) and the Romanian Academic Society (Bucharest) was generously funded by the Volkswagen Foundation.

For more information, see: [www.cap-lmu.de/projekte/fge/captivestates/index.php](http://www.cap-lmu.de/projekte/fge/captivestates/index.php).

Informed by the outcomes of the interdisciplinary project by historians and political scientists, the present brochure endeavours to present policy recommendations for the Balkans, its political institutions and process of European integration.

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With the accession of Romania and Bulgaria in the European Union on 1 January 2007, the epochal process of EU Eastern enlargement has officially come to an end. Despite the fact that the Stabilisation and Association Process for the Western Balkans' integration into the EU shares many strategic approaches and instruments with Eastern enlargement, the European Commission has made it abundantly clear that Southeastern enlargement is a new process altogether. Next to all projections of the Balkans' integration into Europe foresee a much more protracted and arduous process, despite the enhanced transformative power, reform assistance and political guidance provided by Brussels.

From the perspective of the Balkans, Romania's and Bulgaria's EU membership and Croatia's status of negotiating candidate gave the process of Southeastern enlargement a head start. Since 1999, the perspective of EU integration has become the hegemonic discourse for reform analysis, policy making and strategy debates concerning the Balkans. Membership of the European Union and other Euro-Atlantic organisations is evidently the linchpin for a sustainable future for the region and its inhabitants. Many observers point to legacies of the past and the negative consequences of the wars and atrocities of the 1990s to warn against an overly optimistic view of the integration process. They thus highlight the qualitative differences in reform achievements between East-Central and Southeastern Europe prior to the start of the EU integration process. Others question the EU's qualities as a development agency and a conflict manager, drawing attention to Brussels ambiguous record in dealing with unwilling reformers and obstructed transitions.

Last, but not least, the crisis of the European Constitutional Treaty has reintroduced an almost forgotten variable into the equation of enlargement, the absorption capacity of the European Union. The twenty-seven member states' agreement on a reform treaty in October 2007 to replace the draft constitution, which was jettisoned after the French and Dutch referendums in 2005, is expected to end the phase of the European paralysis. The reform treaty should boost the deepening and widening of European integration and enhance EU

capabilities. Nevertheless, Euroscepticism, enlargement fatigue, EU absorption capacity and a stronger defence of national interests by the twenty-seven national governments and their constituencies are not likely to be dissipated any

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*Plan A (A for accession) for the Western Balkans will not become a political reality for at least another decade*

time soon. Irrespective of actual reform progress in the region and any new EU dynamism, the integration of the Western Balkans into the European Union in the next decade will be much more of an uphill battle than East-Central Europe's "return to Europe" ever was. The prospect of individual en-

largement referendums in member states such as France, the ever-expanding *acquis communautaire* and issues such as the Cyprus question or the naming of Macedonia need to be taken into account.

In sum, the matter-of-fact view that plan A (A for accession) for the Western Balkans will not become a political reality for at least another decade is commonly accepted. Few political decision-makers and analysts, however, would question the conclusion that the perspective of EU membership is the (only) light at the end of the tunnel for the Western Balkans. Consequently, time spent on a plan B (B for Balkans) is time well spent. The roadmap toward EU integra-

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*Plan B is to facilitate plan A by actively capitalising on positive trends in Southeastern Europe*

tion has been well defined and plan B is not an alternative in terms of objective or orientation. Yet, making the most of the endogenous potential of the region and thinking out-of-the-box of the standardised strategies and instruments of enlargement is a major challenge for all parties

involved. Plan B is to facilitate plan A by actively capitalising on positive trends in Southeastern Europe and diversifying the EU's enlargement-driven strategic repertoire rather than by relying on the determinism of European integration.

The analysis of the current situation and the recommendations draw upon the outcomes of a sweeping comparison between post-imperial state building in Southeastern Europe in the interwar period and post-communist statebuilding

at the turn of the twenty-first century. The Captive States project team, sponsored by the Volkswagen Foundation, analyses the establishment of formal and informal political institutions in the newly independent states of Southeastern Europe in the interwar period. The multi-country comparison of institutions, ranging from the judiciary and the monarchy to political movements and taxation, tends to qualify generic judgements on the Balkans, its institutional choices and its capabilities for reform and development. The comparison also draws attention to external constraints, time frames and institutional role models. By analogy, a more differentiated analysis of serious deficits and positive trends in the region today calls for adequate responses by the EU, beyond the current repertoire and the ongoing process of enlargement.

# 1 Comparativism and Institutionalism

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Since the late 1980s, Southeast European studies have been uprooted by three parallel debates. Firstly, the decade of post-communist transformation in Europe and the subsequent processes of Eastern enlargement of NATO and EU have reframed the arguments on regional specificities and legacies of the (pre-) communist past. It reopened the perspective of multi-case comparisons in European history and politics across the East-West divide. Secondly, a comparative approach by default challenged the status of East and Southeast European studies as “area studies.” Geopolitical givens and emerging regional inequalities in the transformation process, combined with conditionalities and prejudices on the part of “Europe” turn the former Eastern Bloc into three separate sub-regions: Russia and the Commonwealth of Independent States, East-Central Europe and Southeastern Europe. Evidently, status vis-à-vis the EU rather than geography or history has become the key determinant of belonging to one or the other region. Thus, on 1 January 2007, Romania and Bulgaria officially “left” the Balkans for Europe and the Orange Revolution two years before reopened the debate on the regional status of Ukraine.<sup>1</sup>

Thirdly, since the 1990s, the general methodological debate among historians concerning conventional, structuralist, comparativist, cultural-turn and transnational approaches has coincided

*On 1 January 2007, Romania and Bulgaria officially “left” the Balkans for Europe*

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with the more specific debate on area studies for the Balkans and Southeastern Europe. Behind the methodological debates of comparativism on contrast classes and comparison situations, however, the politics of comparison and constituent others looms large.<sup>2</sup>

Among historical and political scientists academic debates on the Balkans are inexorably interlinked with current political and public views on the region. Due to the European strategy debates on a projective Southeastern enlargement of the European Union in the aftermath of the Yugoslav wars of succes-

sion, the Balkans has in recent years reached a level of (largely negative) public exposure in the media unknown since the decade before the First World War. The current bout of political and public attention creates a window of opportunity for academics to influence perceptions and policies vis-à-vis the countries beyond the fifth EU enlargement of 2004-2007. Academic debates on the history and legacies of the Balkans, however, are constrained by politicised terms and public stereotypes. Public perceptions tend to attribute the outbursts of ethnic violence among former Yugoslav nations in the 1990s and 2000s to the entire region to the southeast of the EU's 2004 borders and to all historical periods. Too often bloody warfare appeared to be a Balkan excep-

*Local disenchantment with EU commitment and enlargement scepticism in many EU member states*

tionalism in Europe, irrespective of the atrocities of two (European) world wars and the European roots of communist and fascist ideologies. More recently, mass hatred and violence have been typically attributed to former Yugoslavia, irrespective of ongoing hostilities in "Europe," e.g., the Basque region and

Northern Ireland, or mass unrest in France. The same applies to images of corruption, lawlessness and traditionalism as pervasive and immutable characteristics of "the Balkans" – quasi-historical statements reinforcing contemporary stereotypes and prejudices.<sup>3</sup>

Conversely, since the 1995 Dayton Peace Agreement and particularly since the 1999 Kosovo War, the international community – and the Europeans in the first place – have set out to counter deterministic pessimism with the equally unrealistic and misleading optimism of transitology and the panacea of EU integration. The basic assumption of European strategies for the Balkans, or Southeastern Europe, is that – given some more attention to functional statehood and inter-ethnic arrangements and some additional political stamina and resources – the successful process of transition to a pluralist democracy and a market economy like in East-Central Europe in the 1990s can be replicated in Southeastern Europe.<sup>4</sup> The expectation of smooth and purposive reforms contrasts starkly with the reality of unanticipated setbacks and progress falling

short of expectations, often attributed to a lack of political will and courage on the part of the Balkan political elites. Moreover, the growing empirical discrepancies between the unqualified belief in the EU perspective and conditionalities, on the one hand, and realities of ambiguous reform records, deficiencies in political responsibility and responsiveness as well as persistent stability risks, on the other hand, have contributed to local disenchantment with EU commitment and to enlargement scepticism in many EU member states.

## 1.1 A Dual Research Agenda

The three-year research project "Captive States, Divided Societies: Political Institutions of Southeastern Europe in Historical Comparative Perspective" was initiated by the Center for Applied Policy

Research in Munich and the Romanian Institute for Recent History and the Romanian Academic Society in Bucharest with the generous support of the Volkswagen Foundation. From a 2004 perspective, neither the EU accession of Bulgaria and Romania

on 1 January 2007 nor the continuation of Eastern enlargement to the Southeast with Croatia's and Macedonia's candidate status seemed a forgone conclusion.

With today's hindsight, these milestones in the process of European integration have failed to dissipate anxieties both in "Europe" and in the Balkan region. The faltering dynamics of European integration are currently blamed, at least in part, on enlargement fatigue of Europe's citizens and the overtaxing of the EU's absorption capacity. In political and public debates in Brussels and the national capitals, indiscriminate and pejorative assessments of the states of the region vis-à-vis Europe predominate. Appraisals range from the rejection of Romania's and Bulgaria's EU accession as "premature" and the depiction of local political elites as corrupt and incapable, to the negation of the region's ability to emulate and reproduce "Western" models of democracy and institution building due to unspecified "historical legacies."

*Indiscriminate and pejorative assessments of the states of the region vis-à-vis Europe predominate*

Essentially a historical-research endeavour, the Captive States project was nevertheless designed to contribute substantially to the analytical sophistication of current policy debates by providing a historical reality check and a normative benchmark in more than one respect. The interwar period provided a typical role model and points of reference for opinionated politicians in the post-communist transition process. More importantly, the similarities between the policy choices and constraints of the two epochs are obvious. The newly independent states of Southeastern Europe emerged from Habsburg, Ottoman and Czarist hegemony facing substantial cultural legacies and structural constraints to modernisation. The emulation of Western role models and the importing of corres-

*The comparison between post-imperial and post-communist state building may provide a useful correction of overly pessimistic judgements on the unreformability of the Balkans*

ponding institutions, though not undisputed among the local political and economic elites, nevertheless marked the first post-war decade.

In the post-communist transition political performance and agency were again

boxed in by structural obstacles, historical legacies and external constraints as well as Western role models, this time spelled out in the Copenhagen Criteria and the EU acquis. Thus, the comparison between post-imperial and post-communist state-building may provide a useful correction of overly pessimistic judgements on the unreformability of the Balkans that tend to underestimate the external constraints relative to endogenous path dependencies and fail to acknowledge the dilemma's of institutional transfer.

Typically, early projections of post-communist transition (for Eastern as well as Southeastern Europe) presupposed a new beginning based on Western institutional role models of pluralist democracy and market economy. Transitology, however, failed to adequately predict and explain the strenuousness and hybrid outcomes of the transition process. Similarly, early studies of the new post-imperial Balkan states of the late nineteenth and early twentieth century, focused exclusively on the inter-state dimensions of state building (independence, bor-

ders and minorities) disregarding actual post-independence state building and state-society relations. Again, the availability of Western role models and institutional blueprints was generally considered a major asset for state building. The less than perfect performance of the new states and their elites in closing the political and economic gap to the West was typically blamed on a lack of "political will" and vision on the part of a corruptible and incapably political class. This argument is strangely reminiscent of current explanations for Southeast European reform deficits by European political leaders.<sup>5</sup>

In order to steer clear of both pitfalls – an overly deterministic approach tilted toward structural socioeconomic obstacles and political-culture legacies, on the one hand, and a scapegoating of political elites and their lack of political will, on the other hand – the research project concentrates on political institution-building as a medium-term key aspect of state building after the initial caesura of state independence and the end of communism respectively. The concept of political institutions (formal and informal) allows both for dynamic change informed and induced by foreign models and for the reticence and endurance of pre-existing institutional arrangements.

The resulting dual agenda strives to question and add nuance both to the blanket negation of development potentials and responsible policy choices in the Balkans by outsiders and to the assertion of the unicity of the historical fate and current performance of one's own polity by insiders. Thus, the institutionalist approach is used to make unique national path dependencies and processes of state building analytically comparable. The traditional view of nations and nation states as the monadic constituents and drivers of history tended to treat each nation in splendid isolation from parallel and similar cases. By making the achievement of national independent statehood the apex and end of history, such approaches by inversion marginalised all structural and cultural legacies as externally induced obstacles and divergences from the national historical destiny. In these studies, moreover, the process of state building ends with the declaration of independence and the crucial subsequent processes of in-

stitution building largely remain unexplored. In stark contrast to such a monadic view of history, the very same nations today tend to overstate their reliance and dependence on European assistance, guidance and eventually integration. The other half of the dual agenda is more policy-oriented and less academic, arguing from current affairs to historical experiences rather than vice

*Some shared structural characteristics have evidently added credence to the terms “Balkans” or “Southeastern Europe” as a historical region*

versa. Many a public or policy debate is informed by a blanket depreciation of the developmental and reform potentials of the Balkan states as well as a sweepingly negative judgement on the political elite’s capability to design and implement reform strategies

other than copying European blueprints when disciplined by strict conditionalities. In policy terms, such a pessimistic view allows for a long-term process of EU integration defined by strict conditionalities and extensive guidance. By default, such a negative analysis of Balkan progress and leadership implies a view of the Balkan past dominated by insurmountable legacies in terms of modernisation and political culture.

## 1.2 The Balkans – Perceived or Real?

As both parts of the agenda demonstrate, the perception of the Balkans should not be underestimated as a factor with a substantial impact on policy making. Against the polarised backdrop of public scepticism and political buoyancy (or populist scepticism), advocates of dispassionate academic differentiation and historicisation face a catch-22 situation. The genealogy of the pejorative term “Balkans” may be traced back to the eighteenth century. Outsiders’ misperceptions of the region fed into the term “Balkans” and the further pejorisation of the term “Balkanisation” in contexts unrelated to either the original mountain range or the European peninsula. From this perspective, the Balkans’ depressing reputation and even the region per se are first and foremost a Western projection and thus at least part of the negative qualifications is undeserved. Yet, the Balkans negative image has had an impact on regional self-images and even-

tually on patterns of behaviour. Some shared structural characteristics have evidently added credence to the terms “Balkans” or “Southeastern Europe” as a historical region.<sup>6</sup>

By default, “Europe” would be unthinkable without the construction of an Oriental, Russian, East European or Balkan “other.” Mental maps as collective social constructions change over time. Even though there can be no “identity without alterity,” in modern history the negative image of the Balkans has hardly had a role to play in the self-identification of “the West.”<sup>7</sup> Europe’s self-image was more than a positive inversion of the Orient or Russia. Arguably, only the Balkan Wars of 1912-1913 put the Balkans on the map for a somewhat wider public in Western Europe. In the interwar period and especially for most of the Cold War period, the Balkans became a redundant mental map in the West (subsumed under the “Eastern Block”). They might have profited some from Tito’s good reputation in the West, but the Yugoslav Wars reinstated and reinvigorated the negative stereotypes of the “other” Balkan Wars. The constructivist line of argument risks blaming the West for the Balkans’ predicament and might be read as supportive of a transitology logic, underestimating the structural difficulties of the post-communist reform process. Apparently, “Balkans” is more than mere Western phantasms.

Conversely, defining a set of distinct characteristics setting the Balkans apart from the rest of Europe is wrought with pitfalls. Characteristics such as the ethno-demographic mix and instability; cultural legacies from Byzantine-Orthodox and Ottoman-Islamic times; and deficits in nation and state building, societal and economic development (compared to West-European standards of modernisation) are recurring themes in these definitions.<sup>8</sup> Each of these labels strongly suggests a centuries-long accumulation of external and domestic, socio-economic and political-institutional developments and constellations of negative syner-

*National processes of institution building are eminently qualified for comparative (synchronous and diachrone) and transnational approaches*

gy setting the Balkan inexorably on a path away from the European mainstream. In the public debate such an in-depth characterisation may easily be read as the epithet of backwardness brought about by sultans, Islam and perennial ethnic conflict. With these legacies apparently impossible to overcome, the Balkans stands out as negative, anti-modern and anti-Western in toto. Legacies and traditional institutions may have recombined with adverse results as specific historical junctions, but not without changing themselves in the process. Without differentiation in institutions the analytical value of the typology for research is questionable, all the more so as it lacks historical dynamics and agency. Without a differentiation over time, characterisations including Orthodox religion risk an involuntary association with fatalistic Huntingtonian views.

### 1.3 Comparativism: Beyond National Histories

Both of the above approaches, structuralist-comparativist and culturalist-transnational, share the fundamental rejection of conventional national histories. Producing national histories was to some extent the earliest justification of history writing as such in the nineteenth century, but it was practiced to perfection in Southeastern Europe in the twentieth century. The constructivist wave in the study of nationalism of the late 1980s and 1990s qualified and contextualised nations, nationalism and nation building.

In the practice of research, nationalism tended to reintroduce essentialism through the backdoor by focussing on one case of nation building and by reducing actual nation building to one or

two short periods in a nation's history.<sup>9</sup> In recent comparative studies the antidote to the national-history bias is to define nation building as an auxiliary of the broader process of institution building in the framework of the nation state after independence. National processes of institution building are eminently qualified for comparative (synchronous and diachrone) and transnational approaches.

*The paradigmatic function of the Captive States project cannot be overestimated*

Jürgen Kocka distinguishes four functions of a comparative approach in history in contrast to a conventional national-history narrative.<sup>10</sup> The paradigmatic function introduces the synchronous dimension as a counterweight to the historian's preference for a continuous diachrone perspective that tends to neglect wide-ranging, structural similarities in parallel national cases. More specifically, the heuristic function claims that testing arguments and concepts derived from another comparable case may provide new research questions and counter the gravitation of consolidated historiographical traditions. Conventional national narratives rely on (implicit) comparison too, in order to highlight the unicity of the history of a specific nation-state. The analytical function of comparison explicitly lists and tests causal factors in historical processes as quasi-experiments. Such analytical multi-case comparisons evidently imply a trade-off between widening and deepening of historical knowledge, reliance on secondary literature rather than primary sources as well as rigorous abstraction, selection and de-contextualisation of the historical cases. Kocka is undoubtedly right in arguing that "comparative approaches only emphasize and make particularly manifest what is implicit in any kind of historical work: a strong selective and constructive component."<sup>11</sup> Comparative history explicitly faces the methodological problems that usually remain unspoken in conventional national histories.<sup>12</sup>

In the Captive States project, the Balkans is taken as a multi-case analytical framework defined by the exigencies of current political and public discourse rather than a region defined by common structural characteristics. Arguably, the boundaries and relevancy of a Balkan region will vary depending on the research question. Potentially, the project's studies on specific political institutions might be extended to include other non-Balkans countries from various parts of Europe. The programme and the architecture of the project take into account the comparativists' critique of national histories by developing a multi-country comparative history of (in)formal political institutions.

Even against the background of the current methodological debate, chastising the scarcity of explicitly comparative studies and criticising the parochialism of national-history writing is anything but “flogging a dead horse.” Most certainly in the Balkan countries the long historiographical tradition of national isolationism and exceptionalism has generally been reinstalled as the dominant approach in the post-communist period. Explicitly comparative studies from this region are even rarer than they are in Anglo-Saxon, French or German historiography. The paradigmatic function of the Captive States project cannot be overestimated in this respect. As the institutional case studies predominantly deal

*The merits of a transnational approach are self-evident for the Balkans, a region riddled with emulation, adaptation and transfer*

with the same historical period between the end of the Habsburg, Ottoman and Russian empires, on the one hand, and the Second World War or the communist takeover, on the other hand, the heuristic and

descriptive functions of the comparative approach are particularly marked. Any claim of national particularities has to stand the test of an intra-regional comparison based on universal political institutions such as taxation, violence, judiciary, leadership and constitutions.

The conventional critique of comparativism concerning de-contextualisation, abstraction of concepts and neglect of the dynamics of historical constellations over time, is partly met by choosing a comparison of institutions and partly by focussing on a brief historical period of rapid and radical change on the level of state institutions. The trade-off between deepening and widening of historical knowledge is handled with a bifocal comparison. Each institutional case study includes a comprehensive comparison of all the countries of the region – a comparison that will consequently be rather schematic and limited to a number of core aspects. The region-wide comparison is preceded or followed by a targeted comparison of two or three particularly relevant national cases with more respect for historical dynamics, path dependencies and national specificities.

## 1.4 Transnationalism: Beyond Comparativism?

In order to take transfers, entanglements and the historical and national situatedness of concepts into account, a historian will have to balance analytical and holistic approaches, structure and agency. Supporters of the transnational paradigm would agree with most of the comparativists’ arguments against national historians. Yet, a study of states as independent units of comparison may be international in scope, but risks reifying the state as the prime unit and agent of history.<sup>13</sup> Similarly, it might be argued that a project that compares not only states within the Balkans, but also the Balkans and other European regions, runs a double risk of essentialism and exceptionalism by reifying both the state per se within the region and the Balkans as a region within Europe. While acknowledging the dilemma, the Captive States project’s aim is not a comparison of states or state histories, but a comparison of institutions relevant to state building. Consequently, the dominance of the state as a frame of reference is to a significant degree justified by the choice of perspective in this case. Similarly, the reification of the Balkans as a region is typically based on a holistic contrastation of the Balkans with other regions rather than a multi-country comparison of a specific institution. As noted above, the set-up of the project would basically allow for a widening of its scope to include East or West European cases. The nuanced and non-partisan conclusions from Captive States in principle ought to serve the Europeanisation of the Balkans rather than their essentialist exclusion from Europe, without, however, covering up structural historical dilemmas and legacies in, around and beyond the region.

*The end of the communist era in Southeastern Europe may be perceived as a window of opportunity for autonomous institutional and policy choices*

The merits of a transnational approach are self-evident for the Balkans, a region riddled with emulation, adaptation and transfer. Not only historical studies, but also recent political experiences have demonstrated how Western concepts are transferred to a Southeast European context and, conversely, how the transferred concepts are altered in the process: The standing and meaning of

concepts like “reconciliation” and “accountability” per se have changed by their transfer and application in the Balkans. Typically, without taking into account the transfer and competition of ideas, any reading of the parallel histories of state and nation building in the region would be seriously flawed. An adequate account centres on a general concept or dilemma, but relies on both multi-case analytical comparisons and a holistic retracing of perceptions, legacies and political transfers.

More importantly, the transnational paradigm not only razes the wall separating national histories from each other, but also the wall between the historian and the object of his research. In a comparativist approach the historian is typically an outsider to the processes he analyses. In contrast to the inanimate structures of social historians, the cultural turn and the transnationalists’ agenda of reflexivity imply that the historian is inextricably bound by the very concepts and ideas that are at the same time the object of his research. In its utter consequence, the transfer of political ideas and the emulation of political strategies would outshine real structural legacies and path dependencies completely as explanatory variables. The underlying question, whether the Balkans is primarily the perception of an idea or a tangible historical reality, has far-reaching consequences for current strategies for the stabilisation, transformation and Europeanisation of the Balkans.

Without reducing the “Balkans” to a pejorative, de-contextualised Western discourse or taking the “Balkans” as a structurally defined region irrespective of the research question and perspective at hand, the Captive States project is set up to overcome the perception-structure and legacy-choice dichotomies. The concept of (in)formal political institutions is meant to provide that middle ground. Political institutions are more situated and tenacious than political ideas. Political institutions are less inert and endogenous than historical legacies and socioeconomic structures. They essentialise neither the distinction between “foreign” and “national”, nor a distinction between successive historical periods (i.e., their modernising or traditionalist “character”). Consequently, in-

stitutionalism in this project is a paradigm rather than an explicative theory, an elegant combination of *histoire comparée* and *histoire croisée*. General institutions as the thread of the narrative prevent the overstating of national or regional specificities, while allowing for both intricate connections and transfers as well as causal chains and degrees of modernisation.

The end of the communist era in Southeastern Europe may be perceived as a window of opportunity for autonomous institutional and policy choices like the phase of “the struggle for liberation from the Ottoman yoke” and initial post-independence nation and state building. A gloomier retrospective would define both phases as predetermined by structural constraints and institutional legacies from the imperial and communist pasts respectively. Correspondingly, contemporary external powers and constellations may be added as positive role models, helping the region to shed the legacies of the past. Alternatively, they might function as negative dictates blocking allegedly free choices in favour of a catch-up modernisation and a return to the preordained general European path through history. The initial phase of institution building and policy choices in the nineteenth and early twentieth century as well as in the late twentieth and early twenty-first century strongly suggests that at closer scrutiny most of the dichotomies above are in the eye of the beholder.

## 1.5 An Institutional Approach

The main research question guiding the Captive States project is, to what extent historical “fate” – which comprises “hard” factors (such as resource endowments or constraints) as well as “soft” factors (such as the cognitive and normative equipment of the social body) – shapes the particular path of a given country or the Balkan region as a whole and what room is left, if any, to human agency in challenging these historical legacies. The most salient literature debate concerning this region divides the advocates of “hard” legacies, who argue that the individual paths taken by the Balkan countries were largely dependent on externally induced constraints (lack of independence, borders, social and economic ar-

rangements introduced by the Ottomans) and those who claim that “soft” factors constrained institutional choices in crucial moments leading to a domestically determined path dependency.

Both structural determinists and cultural determinists are strong determinists. The former claim that there was little or no choice for the Southeastern European countries embarking in the process of state and nation building after their independence, as the numerous constraints left from the previous time strongly reduced the accessible choices. Apart from the often-quoted factors of demography and borders, the range of identified constraints also includes the structure of land property, the administration and a particular type of city.

The cultural determinists believe that institutional and policy choices did exist after these countries had gained independence. Yet, the local political cultures, arguably shaped by previous hard constraints, showed a marked preference for a certain type of choices, which proved systematically wrong and thus exacerbated the structural initial constraints. Both

*The authors' conclusions concerning the historical institutions leave some room for the role of choice and agency, both then and now*

groups fail to take into account “functionalist” political-science theories, rooted in new institutional economics, which presume that institutions are shaped by and to the actors' needs. However, the analogy to the development of the Balkans since the end of commu-

nism, and especially the considerable success of Romania, Bulgaria and Croatia in overcoming powerful constraints in just fifteen years, opens the door to less deterministic, fate-based explorations and explanations.

The Captive States project fielded a middle-grounds approach. Its main goal was to understand what determined the origins of the institutions under study, their adjustment and finally their survival or demise. The project's approach followed those historical institutionalists who believed that this line of thought can offer a distinctive answer to the structure-agency problem.<sup>15</sup> Historical in-

stitutionalism defines institutions as the formal or informal procedures, routines, norms and conventions embedded in the organisational structures of the polity or political economy. They can range from the rules of a constitutional order or the standard operating procedures of a bureaucracy to the implicit conventions governing social relations. Historical institutionalists generally associate institutions with organisations and the rules or conventions set forth by formal organisations. More recently, informal routines or procedures have been increasingly studied under the label of “informal” institutions.

The main concern of the Captive States approach, however, remains institutional change. New institutionalists intend to account both for how institutions emerge and change and for the timing of emergence and change. Early functionalist work on institutions asserted that efficient institutions would

emerge and change as the need arose and that the timing of their emer-

*Most histories of the Balkans focus on the creation of independent nation states*

gence or change would be economically optimal. This view has now largely been discredited by economists and sociologists:<sup>16</sup> The prominence of non-economic interests does not decline when competing organisations are the engines of institutional change. Organisations, like individuals, pursue political ideologies, even at substantial material costs. Thus, organisational efforts to change institutions often reflect a mix of economic and non-economic interests.

Most histories of the Balkans focus on the creation of independent nation states. The classic narratives focus on international congresses where the fate of the small Balkan states was debated and eventually sealed.<sup>17</sup> The current endeavour by the Captive States team of authors is institutionalist insofar as it deals with the origins, change, penetration, and endurance of institutions after the independence of the Southeast European countries from the Ottoman Empire. The issues discussed are crucial for the two general themes underpinning the history of any new state – nation and state building. The set of institutions identified for the project includes the key institutions determining success or failure of

functional and democratic statehood. The project covers a wide variety of institutions, ranging from the judiciary and taxation as key disciplinary institutions to the monarchy, the Orthodox Church and citizenship. The set of institutions covers key prerequisites of a modern state: the bureaucracy, the national army, constitutionalism and political parties.<sup>18</sup>

Although authors of this project vary in their detailed individual approaches, a clear institutionalist perspective emerges from all the papers. The main source of formal institutional change was import from Western Europe. Informal arrangements, strongly determined by previous formal institutions tended to lag behind temporarily, but several papers demonstrate that new institutions did bring about at least some new outcomes. The process was aborted due to external factors rather than to domestic constraints. The discourses denouncing Western institutional imports as superficial often showed the lack of patience of the actors confronted with serious underdevelopment which could not change at such a rapid pace.

Balkan revisionist economists like Michael Palairt argue that the region was a stage for “evolution without development.”<sup>19</sup> The Captive States project argues that development as the main desired outcome was in fact under way in some of the countries. It needed however the accomplishment of the state and nation-building process to take off at a greater pace. Due to domestic but mostly international constraints these were extremely long and painful processes. However, the attempt to build modern and democratic institutions was not completely lost. Communism first and post-communist later resorted to some of these attempts, however incomplete, and used them mostly for convenience (e.g., the use by communists of much of the police and gendarmerie force of pre-war times) or legitimacy (e.g., the frequent invocation of the “democratic” interwar tradition after 1989). In discussing the development of institutions, even in this seriously constrained region, the authors’ conclusions concerning the historical institutions leave some room for the role of choice and agency, both then and now.

## 2 Institution Building and Performance in the Interwar Period

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The time has come to review the performance of modern political institutions in Southeastern Europe. It cannot be taken for granted that these countries must have failed completely in the institution-building process because their modernisation attempt ended with communist dictatorships. With regard to the Balkan states there is no direct link between their interwar history and their post-war communist fate, unlike in the cases of German and Italian fascism, which can be mostly explained by domestic factors. Communism in Eastern Europe as a whole, from democratic interwar Czechoslovakia to the electoral democracies of Romania and Bulgaria, is to a large extent explained by external intervention. Only in Yugoslavia and Albania did internal dynamics play an active part. In these cases the post-World War II regime was not exclusively a result of direct occupation. The regime’s sustainability, however, owed a great deal to Soviet support. Therefore, the interwar regimes should not be judged by their tragic outcomes. Instead, the objective here is to analyse some of the institutions of political modernisation and to evaluate their performance.

The difficulty of assessing the performance of modern institutions in interwar Southeastern Europe arises from the simultaneity of four processes: development, democratisation, state building and nation building. Sometimes these processes are hard to separate. A democracy’s performance may be assessed procedurally, as for instance Freedom House does (i.e., fairness of elections, tolerance of opposition, freedom of the press, etc.), or in terms of output (i.e., a regime as a deliverer of economic performance and/or stability).<sup>20</sup> In scholarly literature on the Balkans, the latter approach is remarkably frequent. Development scholars and economists tend to blame the interwar regimes of the Balkan countries for their failure to bring about a take-off in development. The view that these regimes underperformed is almost unanimously supported.

But actually, as economic indicators in Table 1 show, in the ten post-war years before the Great Depression hit, these countries' economies had recovered and were reaching pre-war levels, even if the international environment after the war was inferior to the one prior in terms of crop exports. Compared to other parts of Europe, though, the Southeastern European countries rank lowest, with a GDP of about a quarter of Great Britain. Moreover, this decade of growth and recovery was not sufficient to achieve any structural adjustment of the economy, as its structure remained largely untouched. The shift of labour from the agricultural sector to industry moved at a slow rate and foreign investments, except in Romania's oil fields, were insufficient.

**Table 1 Selected economic indicators 1919-1929**  
(indices of real per capita values) <sup>21</sup>

	Bulgaria	Greece	Romania	Yugoslavia
GDP (crop value) 1911=100				
1922	74	97	71	(Serbia only) 71
1929	112	119	100	133
State debts (incl. war debts and reparations) 1911=100				
1920	548	307	179	(Serbia only) 140
1930	129	126	135	103

The underperformance reflected the challenges of new borders and new partners of trade – all consequences of the First World War and not so much post-war governments handling the economy less competently than their pre-war predecessors, as some authors claim.

Romania reached the highest economic output in the first year of the royal dictatorship of Charles II, a regime undoubtedly both authoritarian and corrupt.

In the case of Bulgaria, some positive results were attained during the peasant regime of Alexander Stambolijski – not quite a democrat either. Serbia experienced steady growth throughout the interwar years. As the period under study includes both the Russian Revolution and the Great Depression, attributing the economic performances to decisions of local policy makers is misleading, as it overestimates the importance of domestic policy in such volatile and adverse economic circumstances. Modernising regimes of Southeastern Europe could hardly have recorded great performances in such times. Assessing these regimes by their economic performance only is not sound in the debate on political modernisation, because it would mean assessing state capacity. In those historical times, the scope of the state was, in Fukuyama's terms, extraordinarily broad and ambitious. Building states, nations and developing economies simultaneously is a formidable task especially for new states with new borders and disputed constituencies. In Prezworski's reviews of the twentieth century, the performance of democracy as an actor of economic development has always been ambiguous, although the old dictum that authoritarian regimes grow more than democracies is no longer sustainable.

If democracies are rated by the endurance of their institutions (Table 2) rather than output, a different picture emerges. Regime changes by other means than elections occurred once in Albania (producing the stable dictatorship of Zogu), once in Romania (in 1938, the short-term royal dictatorship of Carol II), twice in Yugoslavia, (but elections were reinstated afterwards) and three times in Bulgaria. In sum: 12 years of free-elections in Bulgaria after the First

World War, 19 in Romania, 8 in Albania and 9 in Yugoslavia. Both during the democratic intervals and in their absence, cabinets had a remarkably short tenure. The average length of a government period in Albania from the adoption of

*The underperformance reflected the challenges of new borders and new partners of trade – all consequences of the First World War*

*Building states, nations and developing economies simultaneously is a formidable task especially for new states with new borders and disputed constituencies*

universal franchise up until the Second World War was less than one year and not much more in Bulgaria and Romania. Only Yugoslavia has a slightly better record, with 6 governments in the constitutional interval, and 8 from 1929 until the occupation in 1941. Only Romania managed to sustain free elections over a considerable period of time (for 19 years) and thus some democratic stability, although government stability in Bucharest was as low as in the other countries.

**Table 2 Democratic Performance of Southeast European countries from independence until WWII**

	Albania	Bulgaria	Romania	Yugoslavia
Independence in:	1913	1908	1878	1878
Number of years of pluralism with limited access	(8) 1912-1920	(0)	(57) 1866-1923	In Serbia (34) 1866-1903 access quite good
Universal franchise (male/general) in:	1920/1944	1879/1944	1923/1946	1903 (some restrictions) 1919/1946
Number of years of constitutional rule after WWI	(8) 1920-1928	(12) 1919-1923, 1926-1934	(19) 1919-1938	(9) Nov. 1920- Jan. 1929
Non-consensual regime changes 1900-1939	(2) 1914, 1925	(5) 1881, 1886, 1923, 1934, 1935	(1) 1938	(3) 1903; 1929,1931

The next question is how much substance these new institutions had, even when formally in place. On the formal side, the state-building elites in the countries of Southeastern Europe embarked on the process of building modern polities along the lines of the Western model immediately after independence. Unlike some Western regions in medieval times, the Balkans did not have medi-

eval charters limiting the rights of the government and delimiting the private sphere. Moreover, they did not have the Western tradition or even the concept of the separation of powers. In the Byzantine tradition the ruler was the dispenser of justice, and in some countries this tradition continued well into early modern times. However, the Balkan countries adopted constitutions that guaranteed individual freedoms and rights. They also moved to adopt a Western system of justice and to create judiciary institutions. This decision did not originate in simple imitation, but rather in the belief that precisely such institutions were the source of the West's prosperity and stability. The main source of inspiration was the Belgian Constitution of 1831, which was quite restrictive concerning political rights, but extremely liberal in civil rights.

It was this Belgian arrangement which inspired the separation of state and church, leaving the state as a sponsor of the church, but otherwise in a position of neutrality. The Yugoslav and Albanian constitutions were clearest in specifying the equality of denominations within the state as well as in prohibiting the church's intervention in secular affairs.

The post-war amendments to these constitutions (and the new constitution in the case of Albania) went even further by universalising the right to vote and clearly defining "the nation" as source of sovereignty, as in the French model. While the original post-independence constitutions oscillated between granting the monarch purely executive powers and providing him with legislative powers, the post-war constitutions took a step further in the separation of powers. Parliament, however, was not seen as an absolute sovereign, as in the case of the republican constitutions of Central Europe, where the legislator dismissed ministers and cabinets with relative ease. In Southeastern Europe, monarchs dismissed governments instead and called for new elections.

The inspiration of the 1831 Belgian Constitution was, of course, primarily French. It originated in the French constitutional instruments of 1791, 1814 and 1830, which stressed the idea of nation through popular representation; its im-

port implied the whole philosophy of a unitary state. For these countries that had barely been created and still witnessed important debates on who should be excluded or included in the political community, a unitary administrative system as the main state-building instrument seemed an obvious choice. The French had built their nation through this administration at least as much as through their revolutions. Thus, the constitutionalists in Southeastern Europe expected that a unitary state would succeed in forging a nation out of former subjects of the Ottoman, Habsburg or Czarist empires.

Yet, both in Yugoslavia and Romania, the institutions of the original state were institutionally inferior to those of areas seceding from the Habsburg Empire, which frustrated the more developed areas. In Romania, the difference in development was only partly matched by a difference in nationality (in the case of Hungarians). The super-imposition between the different nationalities and the different legacies (with that of Austria-Hungary in Croatia superior to Serbia and even to Slovenia), led to a deepening of the rift between Serbs and Croats in Yugoslavia. Arguably, it would have been better for these new states to adopt some of the Austria-Hungary institutions from new provinces rather than ruling them out. It was, however, politically difficult to argue in favour of following the path of these empires, denounced until a day before as enemies of freedom and the nation. Therefore, the new French-inspired institutions were preferred and the processes of state and nation building fused. Minorities were compelled to learn the official language, a process which according to present standards would seem rather illiberal. However, insuring that the nation was composed of one political community rather than several with different national allegiances was considered crucial during the state-building process. Language politics in the new Balkan nation states disagreed with former inhabitants of multinational empires (as it would with present-day multiculturalists), but in real terms it was not worse than the French imposition on the Bretons. In terms of nation building, the difference between turning French peasants into Frenchmen prior to the First World War is similar to turning Romanian peasants into citizens in the early twentieth century. National administration and schooling systems

prompted these people with a regional identity or a generic “Christian” identity to adopt a “national” one.

An assessment of institutions might easily discard these constitutions altogether, claiming that like in the Latin American model, they only existed on paper. Giovanni Sartori famously wrote that the longer the constitution, the less likely its implementation. Table 2 indeed shows that some of the constitutional institutions had barely been implemented when they were discarded altogether. Bulgaria and Yugoslavia both encountered problems with extremists and their monarchs either suspended the constitution temporarily or abolished parts of it. King Zogu’s constitution was the best of them all, but he soon gave up elections altogether. King Carol II’s move to personal dictatorship, allegedly in order to contain political extremism, ended 19 years of universal suffrage in Romania. Greece had the largest number of elections, but the frequent coups rendered their results obsolete. Overall, elections were far from today’s ideal of “free and fair.” Occasionally, they were a complete sham.

Nevertheless, the practice of holding free elections in any of these countries cannot be reduced to zero. Even when they were suspended they remained the norm and discussions on their reinstatement continued. It was also due the mounting electoral pressure of some groups (some of them with extremist ideas or programmes) that coups were orchestrated by the conservative establishment, the monarch or the military. More often than not, coups were attempts to prevent what their instigators saw as a danger to the constitutional order – either threats to national sovereignty like in Yugoslavia or to the social regime like in Greece or Bulgaria. In other words, the leaders of these coups could argue – and did argue – that they were trying to protect democracy from illiberal threats rather than to put an end to the practice of free elections.

Arguably, these were “managed democracies,” even when elections were held. This is true in most of the cases, but not in all, which shows that a potential for positive developments did exist. In 1928, for instance, the opposition in

Romania won elections and formed the government. Also, the Romanian government did not succeed in securing the crucial elections of 1937, an indication that elections were not altogether falsified. In Yugoslavia too, election results were not always what the monarch or regent would have wanted. King Alexander allegedly came to realise that his personal dictatorship was no solution and was ready to reinstate elections when he was assassinated. Overall, an unquestionable process of translation of societal interests into political groups asserting themselves though legal channels did exist, in and by itself a key indicator of modernisation. The fact that parliamentary institutions in the semi-periphery did not function as they did in Western Europe does not mean that their role was entirely decorative.<sup>22</sup>

The decision to grant the right to vote to peasants was motivated by the need to secure their participation in the First World War. Granting them land and voting rights at the same time was nearly a revolutionary act; the implementation of the extensive land reform in Serbia and Romania demonstrates that a reasonable state capacity existed. A peasant who is an owner, is also an empowered voter, even if he still lacks the credit and the knowledge on how to best profit from his land. Thus, some genuine democratisation existed despite the occasional relapses of recapturing control afterwards by governments, when illiberal groups seemed about to take hold of political power. The very existence of these illiberal extremist movements can hardly be attributed to any specifically Balkan political culture. Except in 1937 in Romania, they never posed a serious electoral threat. Communists and fascists both received external sponsorship, unlike the home-grown Italian and German movements.

A survey of the other constitutions in Europe after the First World War does not show Southeastern Europe at any particularly disadvantage. The Austrian Constitution and the German "Weimar" Constitution were mutilated only a few years later by interventions that no Balkan leader would have dared to adopt formally. The Italian and Polish constitutions were also radically overhauled. The changes to these constitutions were the consequence of open defeats of

democracy, denounced for its poor performance in providing stable governments able to cope with the needs of the population. It is true that these constitutions went further than the Balkan counterparts in ensuring the supremacy of legislative power over executive power, putting parliament at risk. Conversely, the partly managed democracies of the Balkans exposed monarchs more so than parliament and the political parties. With the exception of Bulgaria, monarchs paid the price even before the advent of another destabilising World War, not due to direct external intervention but to the channelling of popular discontent against them. Consequently, these countries were not stable autocracies, except for limited periods. Most cabinets showed signs of political struggle. Even when elections were on hold, political competition went on. Even when monarchs were disregarding elections, they did not disregard public opinion and sought to accommodate all tendencies. The degree of autonomy of private citizens was high. It is also fair to notice that, unlike in Italy or Germany, extremists never gained an electoral majority in Southeastern Europe. The Iron Guard's election success in 1937 which scared Charles II, barely constituted a sixth of the electorate. If radical opposition leaders were occasionally imprisoned and sentenced, many times they were pardoned or plainly acquitted by juries. Apparently, courts were progressing and the judiciary was becoming more and more autonomous between the two world wars.

*There is no evidence  
to substantiate the blanket claim  
that democratisation failed  
in the Balkans*

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In contemporary Freedom House terms these countries would not be considered free. They oscillated between unstable democracies and unstable autocracies and were in other words transitional countries, not full-fledged dictatorships. Some of the processes initiated with independence and the new constitutions were clearly democratic and might have worked better had the circumstances been different. There is no evidence to substantiate the blanket claim that democratisation failed in the Balkans.

What were, however, the challenges that these institutions encountered and

could they have been averted by better choices? An answer to this question requires a systematic review of the central explanations for the failure of the interwar democracies in Southeastern Europe.

## 2.1 Development

Seymour Martin Lipset has argued convincingly that development favours democracy, and that the social structure of developed societies (middle class and urban) is far superior to the social structure of underdeveloped rural countries for the sustainability of democratic regimes. In terms of modernisation theory, the Balkans has definitely never enjoyed a social structure favouring democracy. Due mostly to sharing the Ottoman landholding pattern, the heart of the empire's social organisation, the Balkans emerged from pre-modern times with small peasant holdings as the main form of property in rural areas and with no autonomous cities, as the Ottoman city was state-centred and state-managed. Unlike Bulgaria and Serbia, the Romanian Principalities enjoyed some autonomy, so they had large estates and adopted the small holdings property model through land reform at the end of the First World War, due to populism and the pressure of seeing this model in neighbouring countries. This led to large-scale subsistence farming and areas of political dependence where local gatekeepers controlled local politics.

The Balkans was evidently poorer and less urbanised than Western Europe. The national income per capita in 1938 was 81 (USD 1937) in Romania, 80 in Yugoslavia and 71 in Bulgaria, compared to 120 in Hungary, 170 in Czechoslovakia and 440 in Britain. The percentage of the population depending on agriculture was high: Yugoslavia 74%, Romania and Bulgaria 71% (1930) versus Hungary 51% and Greece 50%. Both demography and development directed policy choices in these communist regimes. The destruction caused by communism, ranging from social engineering to forced industrialisation, went deeper in poor rural economies, where underdevelopment provided the necessary alibi for strong social intervention. Albania's urban population share today is still at

only 39%, compared to 52% in Yugoslavia, 56% in Romania and 69% in Bulgaria (compare: Hungary 64% and Poland 65%). The World Bank presently classifies Southeast European countries as "lower-middle-income economies," the same category as the Maghreb countries, Central America, China, Russia, and Turkey, but, tellingly, unlike the more developed region of East-Central Europe which is more developed. By 2001, the World Bank estimated the GNI per capita to be USD 1,710 for Romania and 1,560 for Bulgaria, compared to 3,700 for Slovakia, 1,760 for the Russian Federation and 940 for rump-Yugoslavia.<sup>23</sup>

Table 3 *Economic crisis status by interwar democracies (low score – high crisis)*<sup>24</sup>

Enduring democracies	Crisis index	Vanished democracies	Crisis index
Sweden	1.13	Austria	-1.25
Finland	1.03	Germany	-1.60
Belgium	-0.42	Romania	0.09
Netherlands	-0.55	Estonia	-0.36
France	-0.27	Spain	-0.10
UK	1.17	Greece	1.68
Czechoslovakia	-1.43		
Ireland	0.09		

Many scholars favour the development hypothesis. There is indeed no doubt that these countries did not succeed in producing sustainable development and Southeastern Europe experienced, in the words of Michael Palairret, two hundred years of stagnation. But this being the case, it seems that the difference in political regime had little or no influence on economic performance. In order to argue that the demise of a regime is brought about by its economic malperformance (as the Soviet Union or Poland collapsed because of debts), two categories

of evidence are needed. Firstly, like in the afore-mentioned case of the USSR, a clear situation of insolvency with debtors taking over, like in some contemporary Third World countries. This situation never occurred in the Balkans (although Greece came close when it defaulted on its debt, but managed to survive), despite substantial borrowing on the part of these countries. Secondly, it takes indicators showing a collapse of living standards motivating a turn to authoritarianism in public opinion, like the hyperinflation of the Weimar Republic. Again, the Balkans provides no such signs. Table 3 demonstrates that there is no clear correlation between the failure of democracy and serious economic crisis.

*There is no clear correlation between the failure of democracy and serious economic crisis*

Too many cases are atypical, so other factors seem to matter. Despite their economic problems, peasants did not turn Bolshevik in Romania, Bulgaria or Serbia. There were

no massive uprisings, no general strikes of the magnitude of those in much more advanced Austria. Although these countries were hit hard by the Great Depression no famine or massive unemployment followed (at this point a low level of industrialisation was an advantage).

## 2.2 Political Culture

The political culture of elites and masses became widely popular after the Second World War to explain the rise and endurance of fascist regimes in Central Europe. Theodor Adorno and his group, originally searching for the “fascist personality,” incriminated the petty bourgeoisie which Lipset would later consider the backbone of democracy. Lipset, in his turn, incriminated blue-collar workers because of another variant of authoritarianism – communism. American psychologists Hadley Cantril and Gabriel Almond demonstrated that motivations of followers of extremist regimes were far more complex than simple social-structure explanations. Almond and his colleagues also showed how resilient political culture was; it took nearly twenty years after the end of the war for Germans to stop appreciating fascism as a “rather good regime, despite some faults.” After the fall of communism in 1989, the same question was put to

inhabitants of Eastern Europe, who had never actually voted for their dictatorial regimes. Results, however, were quite comparable and ten years after the fall of the Berlin Wall, the whole region – notably Romania, Bulgaria and Hungary – still had majorities claiming communism had been a good idea poorly implemented. Nevertheless, Adenauer’s Germany as well as Hungary, Romania and Bulgaria at the turn of the twenty-first century were democracies, however grounded in the past their political culture still was.

The main feature of the Balkans, invoked when compared with Central Europe, refers to the Balkans’ Ottoman legacy, as opposed to Central Europe’s Habsburg heritage, a historical difference which Huntington and others interpret as cultural (the Balkans being Orthodox and Muslim, Central Europe Catholic and Protestant). For others, the Ottoman legacy translates into a culture of rural backwardness.<sup>25</sup> How to characterise the culture of the interwar Balkans? Nationalism was certainly high, but by no means higher than in Central Europe. Yugoslavs discriminated against Kosovars, but Italians discriminated against the Istrian Slavs. Minorities were frequently perceived as irredentist and as a danger to the new states, but this was also frequently the case elsewhere. Minorities that supported the regime and the nation state like the Germans in Romania or the Bosnians and Slovenes in Yugoslavia were treated more fairly, supporting the argument that minority treatment was part of the state-building process. Anti-Semitism was a problem, but less so than in Central Europe. Romania is usually quoted as the most anti-Semitic country of the region with both discriminatory legislation and violent anti-Jews incidents. The deterioration of the situation of Jews went hand in hand with the breakdown of democracy. After 1938 and Carol’s coup d’état legal discrimination of Jews began.

The Romanian Iron Guard was the only fascist movement with mass following in the Balkans. Terrorist groups existed throughout the Balkans, most of them motivated by nationalism rather than social reasons (the Ustasha, the IMRO), but they failed to influence or block the main political developments. The violence of Balkan radical groups was generally contained by the state. They nev-

ertheless had an impact, as they pushed monarchs or the army to suspend democratic institutions in all these countries. What made these movements threatening and what provoked national establishments to act against them, was their external support or the danger that foreign actors would take advantage of them rather than their internal clout.

The other often-cited problem of Balkan political culture is corruption, sometimes seen as grounded in the Ottoman political culture. The Southeastern European legacies indeed did not favour accountable government. The historical absence of autonomous cities and

*The other often-cited problem of Balkan political culture is corruption*

the subordination of the church to the state led to the absence of civil society as a counterweight to the power of landowners. The absence of a domestic aristocracy throughout the Balkans meant the absence of equilibrium between the central government's power and the periphery. The arbitrariness of appointments and dismissals by the Ottomans, often regulated by cronyism alone, led to the subversion of any tradition of sound government. Elites and commoners alike were influenced by this strong and often arbitrary central interventionism and developed informal devices to keep them and their families afloat. The overwhelming presence of a hyper-regulatory state in the life of these provinces led to a common behaviour of evading the law. The need to act evasively, if not dishonestly, became a necessity when the well-organised and well-governed Ottoman state was transformed into a chaotic and corrupt polity. For close to two hundred years, economic and even physical survival depended on the abil-

ity of the people, and especially of their leaders, to outwit the superior authorities.<sup>26</sup>

Despite this tradition, however, none of the interwar regimes was brought down by corruption,

nor was corruption in, for instance, Carol's Romania necessarily worse than in Mussolini's Italy. Encountering corruption on a massive scale after the fall of communism, induced policy scholars to revive this explanation, but it is easi-

*The corruption plaguing the Balkans today is most probably of communist origins rather than a Balkan legacy*

ly discarded. Post-communist corruption is similar in all its features, from state capture to a prevalence of unwritten rules throughout the formerly communist region, from Russia to Albania or from China to Cuba so that Balkan geography does not seem to matter much. The corruption plaguing the Balkans today is most probably of communist origins rather than a Balkan legacy. The more these countries manage to part with their communist legacies, the less corrupt they can become.

## 2.3 The International Context of State and Nation Building

To become a democracy, a polity needs two forms of recognition: from its entire population and from the international powers. To meet these two conditions simultaneously has proven an exceedingly rare feat in the context of Southeastern Europe.<sup>27</sup> As Barrington Moore Jr. once put it, "small East European countries should not even be included in discussions on social and political change, as the decisive causes of their politics lie outside their own boundaries."<sup>28</sup> Of course the American historian was writing after the advent of communism, but pushing back a few years, the international context alone explains most of what went on in the Balkans. Local nationalism was grounded in borders and state designs which were not the work of the locals. Outcomes of attempts to alter them were also externally determined.

Throughout the interwar years, Moscow, either directly or through its puppet, the Communist International, exercised substantial influence on Balkan communist and partly also peasant parties. Germany and Italy, too, played an important role supporting right-wing groups and irredentist programmes aimed at revising the borders established by the Versailles Treaty. Out of the four Southeast European countries, only the Yugoslavian democratic experiment survived two coups and was ended practically by foreign invasion. Romania collapsed under the internal pressure of the Iron Guard, but the regime only failed to handle the fascist threat as effectively (and autocratically) as the communist

threat because of the international context and Germany's advance. Albania was the first to give up on elections, but it did not relinquish other probes to modernise the largely backward country. External threats to Albania's existence and general contestation of its right to exist as a nation were so strong that it is hard to see how the country could have lasted as long as it did without some form of centralised despotism. Finally, Bulgaria's coups of 1934 and 1935 were brought about by the need to contain threats to the constitutional order by IMRO as well as by communists. The communists grew strong due to the effects of the Great Depression, a phenomenon which hit hard all the countries of the region. In the end, the new independent Balkan countries discovered they could not control their independent polities from negative international contexts and that they were as much dependent on foreign powers as before the advent of their liberation. As one historian aptly put it: "it was a depression beginning in the United States, the rise of fascism in Germany and Italy, and the consolidation of communism in Russia which fixed the pattern of their tragedy."<sup>29</sup>

Undoubtedly Balkan legacies of the past acted as strong constraints upon the future. The question remains which of these constraints were created by bad choices and which of them were unavoidable in a highly unfavourable international context. Bulgaria certainly maintained a nationalist policy towards Macedonia, but the question is if that could have been avoided in the presence

*Undoubtedly Balkan legacies of the past acted as strong constraints upon the future*

of hard uncontrollable facts, like the large number of refugees pressing for a solution. The demography of the Balkans is an Ottoman legacy, perhaps the most important one.<sup>30</sup> The Ottomans induced the

large scale demographic transformation of the area, the consequences of which still determine the relationship of its peoples to each other. Ottoman rule intentionally induced population movements, while at the same time unknowingly preventing the process of ethnic homogenisation that took place in most of Western Europe before modern times.

After obtaining its independence from the Ottomans in 1878, Southeastern

Europe remained under direct influence of the great powers until at least the end of the First World War, when borders and polities emerged that bore a strong Western mark. Such borders were not shaped by centuries of wars and bargaining (as in Western Europe), but rather reflected a poor balance between historical evolution and the interests of the war's winners and losers. This is still strongly felt in the whole region, with East Europeans (unlike West Europeans) in general perceiving their borders as "wrong" (Table 4). Even Kosovars, who do not yet have a state, believe that Albanian-inhabited territories in Macedonia should belong to them. Bulgarians have to cope with Macedonian neighbours speaking a language close to Bulgarian, while Romanians lost the alienated Moldovans and other Romanian-speaking groups to Stalin's Soviet Union.

**Table 4** *Current perceptions of borders in Southeastern Europe* <sup>31</sup>

Agreement with the following statements:	Romania	Bulgaria	Kosovo	Serbia	Central Europe
"There are parts of neighbouring countries that belong to us"	67%	45%	81%	50%	Hungary 60%
"Minorities pose a threat to sovereignty and borders"	44%	43%	78%	75%	Slovakia 72%

Could the negative interwar developments have been avoided if these countries had opted for federal systems rather than unitary ones? This institutional choice has been much discussed in scholarly literature. The two successful European federal examples, Switzerland and Belgium, have always made scholars regret that not even Yugoslavia and Romania opted for federal systems at the end of the First World War. Meanwhile Belgium is nevertheless becoming less and less an example of success and its future is uncertain. Switzerland, a success model never replicated, never had competing national identities, which made its canton-based federation possible. Moreover, in a different internation-

al context the choice of state structure might have been different. The process of democratisation of Yugoslavia, both in the interwar kingdom and after 1989, revealed strong identities and separatist tendencies, especially on the part of Croats. Thus, a federation paving the way to a smoother separation rather than keeping the country together seems a plausible assumption.

A substantial amount of literature discusses at length where state and nation building went wrong in the Balkans. Classic historians answered these questions by referring to the inability of the European state system to defend the 1918 arrangements and to make them acceptable to most countries. Some contemporary historians prefer to blame nationalism in the region, pointing to the maltreatment of minorities. These two issues, state building and the treatment of minorities, should be studied separately despite their obvious entanglement.

*Only a reasonably capable state can be a fair state*

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The Kingdom of Yugoslavia failed because it failed to cope with the ethnic differences as minority problems. Whenever a minority problem becomes a state-building problem and requires the state to be constitutionally redesigned to accommodate two or more separate political communities – in other words, to be split along ethnic lines – a state is unlikely to survive. Usual exits are violent secession or violent prevention of secession. Peaceful secessions have occurred, but even in present times they are the exception to the rule. Applying Western minority standards to the Ottoman legacy as the Carnegie commission has done in its time was quite misleading.

The Ottoman and post-Ottoman Balkans may have been savage, but the logic of state building did not operate differently than it did in Ireland or the Basque country. Only a reasonably capable state can be a fair state, able to share some power among groups. The fundamentals of state building, such as the security of borders, either internal or external, and the rule of law should not be taken for granted. As long as a reasonable degree of state capacity did exist, ethnic minorities could have complained of discrimination, but their very existence was called into question only with the breakdown of the state. With the bene-

fit of hindsight, however, the only interwar problem which could not have been solved by mere evolution was Yugoslavia, which failed to become a nation under all regimes, despite some political parties and the king honestly trying in interwar times. As Rokkan aptly noticed, one cannot have a state when one does not have a single political community, but multiple ones, as was the Yugoslav case.<sup>32</sup>

# 3 Southeastern Europe in Post-Communist Transition and European Integration

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The European Union basically divides Southeastern Europe in two groups: the Western and Eastern Balkans. The latter has managed to complete its EU accession process in 2007, the former still struggles with what are seen as “historical” problems: nationalism, disputed borders and states, corruption and underdevelopment. It is in the example of the Eastern Balkans and its commonalities and differences with the Western Balkans that solutions should be sought. Romania and Bulgaria are closer to the other half of the Balkans than to Central Europe in many respects, and yet they have managed to overcome their difficult transitions and succeeded in the very difficult task of EU accession. Where do these differences of trajectory come from?

The EU considers Romania and Bulgaria consolidated democracies. Serbia has been on a democratic path since the fall of wartime dictator Slobodan Milošević, despite periodic threats of a nationalist return to power. Croatia and Macedonia have signed Stabilisation and Association Agreements, a preliminary step to joining the EU. Croatia hopes to join by 2009, while Macedonia has not yet opened negotiations. Albania is on its way to becoming a member of NATO and the EU, with which it signed a Stabilisation and Association Agreement.

Other countries that have serious state-building problems, like Bosnia and the Yugoslav province of Kosovo as international protectorates, face a more difficult situation. Freedom House’s Nations in Transit scores continue to be far worse for Balkan countries, even for Romania and Bulgaria, than for Central Europe, especially due to the Balkans’ early 1990s history. However, they do score better than the countries of the former Soviet Union.

The Balkan states’ economic performance was uneven during the last century. Romania enjoyed its best economic times in the late thirties, while throughout

communism Yugoslavia managed to grant its citizens standards of living considerably superior to those in other communist countries. Bulgaria, though, has yet to hit its economic peak, and after experiencing a financial collapse in 1996, it has actually entered the twenty-first century with the Central Bank of Hungary regulating its currency and macroeconomic policy. The transition to democracy after independence hit hard in all three countries, with some economists estimating that Romania's and Bulgaria's economic contraction was equivalent to the former Yugoslavia's economic destruction caused by war. Additionally, the Yugoslav war negatively impacted the economies of every Balkan country, particularly trade and Danube transportation.

The Balkans has also had a scarce civil society and a poor separation between private and public spheres. The historical control of the Orthodox Church by the ruler, a structure inherited from the Byzantine model, meant the absence of the corresponding tension among the two that created the first source of power pluralism in Western Europe. There was scarcely an autonomous society to start with in the Balkans after independence in 1989; communism had suppressed what little of it existed. A country like the Czech Republic, with its large urban population, proved more resilient than the dependent peasant societies of the Balkans. A church fully autonomous from the state and answering to the Vatican, as in Poland, was clearly a better resistance tool against communism than the Orthodox Church, with its tradition of subordination to secular rulers. Demography and development both mattered to how these countries were treated by their communist regimes. Poland was the only Central European country with a rural population comparable to the Balkans, and unsurprisingly, the patterns of Polish political transition are the closest to patterns in the Balkans. Bulgaria has the largest urban population of the Balkan countries, and the Bulgarian transition showed the most balance between communists and their challengers.

### 3.1 Patterns of Transition

Three distinct communist systems operated in the region, with different im-

plications for post-communist reform: an essentially Stalinist, totalitarian regime in Romania and Albania; an orthodox communist regime in the Soviet-bloc state of Bulgaria; and a reformed communist system in Yugoslavia that had incorporated some liberal elements and shared a number of features with Central European states. Yugoslavia's particular brand of communism, combined with devolutionist pressures from its constituent republics, gave that country the most autonomous society and made it the most open to Central European influences. The other countries had monolithic parties and few and isolated dissidents, a crucial difference from Central Europe with its more liberal communist parties and larger dissent groups. Unlike in Poland, where martial law was needed to maintain order, control of society by communist parties was high in the Balkans by 1989. With the partial exception of Yugoslavia, practically no challenger elites existed, again in contrast to Central Europe. Communism was widely perceived as a total failure as a regime and there was a sense of urgency about reforming along the lines of the Western model.

*With the partial exception of Yugoslavia, practically no challenger elites existed, again in contrast to Central Europe*

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Oppositions began to emerge once it became clear from Central European examples that repression was no longer working. At first their manifestation was anarchical, because the political police, far more effective and aggressive than in Central Europe, prevented any form of organisation. Yet this grassroots opposition was based on the total lack of legitimacy of communism at the time of its demise. This explains why these oppositions included intellectuals, workers and minorities as well as Communist Party members and an amalgam of social groups. Even the communist power establishments finally had to accept the bankruptcy of the system.

The Balkan countries' transitions share many similarities, even allowing for the break-up of former Yugoslavia. Croatia and Slovenia alone differed from the pattern and seem closer to the Central European model, mostly because their transformations were initiated long before the total collapse of communism.

Slovenia's economic integration with Carinthia, the neighbouring Austrian region, had started in the sixties and was very advanced by 1989. The rest of the Balkan countries shared a common pattern consisting of demands for liberalisation only after communism was already breaking down in Central Europe, popular mobilisation making up for the absence of any organised opposition groups and manipulation of nationalism by the beleaguered Communist Party. This pattern led to anarchical transitions, often fought out in the streets.

Predatory elites, as Barrington Moore Jr. called them, with a political project of "extraction" (taking advantage of privatisation for their benefit) are an important feature of Balkan transitions. This can be demonstrated by the World Bank measurement of "state capture" based on business surveys. Agents of the communist secret services evidently were very active in Albania, Serbia and Romania during these transitions, and it was often difficult to distinguish a spontaneous riot from a planned diversion. Former communist power establishments were stronger and more dedicated to protecting their advantage in the Balkans than in Central Europe. In the Balkans, unlike Central Europe but like in Soviet Union proper, thick "national" networks of power linked the secret services with the army, the party figures, the opinion leaders and the managers of state companies. No doubt, communism in the Balkans had started as a Soviet affair, but it had grown into a domestic business.

These networks worked hard to maintain their power and benefit from their influence, even if that meant sacrificing the Communist Party itself. The "corruption" and "organised crime" that the EU still is concerned about in Romania and Bulgaria is actually due to this entrenchment of interest networks, a sign of their unfinished revolutions. Iliescu managed to stay in power for ten years, while Milošević ruled up until 2000 and left only due to a popular riot. Bulgaria had the most balanced transition, with milder communists and a stronger opposition, but the former regime managed to control essential institutions, such as the courts. Bulgaria's Constitutional Court, and Romania's after 2004, fought hard to preserve the old structures of power and influence in society and the

judiciary. Competition for control of the future transformation was strong and initially tough for opposition parties that lacked the former elites' resources. However, the regime elites finally agreed to give up their monopoly on power precisely because they expected that by doing so they would win elections, stop the challenge from the streets and gain international legitimacy.

Popular mobilisation mattered enormously in the Balkans and for a longer time than in Central Europe, as political opposition needed years to achieve a reasonable degree of institutionalisation. Once communism fell, discontent manifested itself as open opposition, unorganised and street-based at first, but becoming more and more structured later. The Balkans, encouraged by the changes in Central Europe, emulated anti-communist movements there. From the students' well-organised and non-violent protests to the aggressive movements of marginal groups, these transitions were fought out in the streets

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not for months, but for years. During this time a more organised, civilised, and peaceful civil society developed that should receive credit for eventually unseating Petr Mladenov, Ion Iliescu, and Slobodan Milošević.

So actors mattered, the Romanian coalminers, the Serb paramilitary troops who sought their fortunes from war spoils, and the taxi drivers who protected student demonstrations in Belgrade can hardly be considered elites. Few democratisation leaders were part of the anti-communist opposition, which struggled for years to find suitable presidential candidates. The consolidation of a politically institutionalised alternative came later in the Balkans than Central Europe. The capability of opposition parties in post-communist rule was below the Central European level in Romania, Bulgaria, and Albania, due to the intolerance their communist regimes displayed toward any opposition. However, these countries' political party systems rapidly polarised into two camps of socialists and anti-communists, despite the lack of consolidation of the parties themselves.

Due to their societies' complicated state-building problem, Balkan communists discovered an alternative way to reform their parties, other than the social-democratic path of Central European countries: national-communism. Nationalism and socialism combined proved to have a stronger appeal than socialism alone, providing former communist elites with a remarkable tool of survival. To reinforce their mass appeal, the communist successors in Serbia and Romania turned more and more nationalistic, much to their electoral advantage. They also repeatedly allied themselves with nationalist right-wing parties. The combination of a unitary state, proportional representation and openness to cooperation across ethnic lines from every party, kept the ethnic conflict in a peaceful framework in Romania and Bulgaria. The opposite proved true for former Yugoslavia. The only Central European state with similar problems to the Balkans was Slovakia, with its important Hungarian minority. Slovakia had a trajectory similar to Romania and Bulgaria, lagging for the first part of the transition in both democracy and EU integration.

To explain the achievements of the new democratic regimes, the behaviour of post-communist parties in transition (in the Balkans, authoritarian and nationalistic; in Central Europe, compromising and ready to transform) is far more important than the behaviour of the anti-communists, as the latter behaved similarly in all post-communist countries. The policy distance between incumbent and challenger political elites was initially smaller in Central Europe than in Romania, Bulgaria or the states of the former Soviet Union.

The more the elites agreed on essential issues such as privatisation, the smoother and faster the transition. The Central European case is special, because the consensus for a different regime existed from the very onset of those countries' transitions in 1989. The communist parties had already exhausted the possibilities of reforming the socialist economy prior to 1989. In contrast, in Serbia and Romania, where they had not done so, they tried a compromise approach in the first years of the transition and eventually failed. In the second part of the transition, however, policy distance between the post-communists and challengers of the Balkans decreased considerably, very much like in

Central Europe. The main force behind this trend was European integration.

Politics changed in the Balkans after Romania and Bulgaria had applied for EU membership, especially after their applications had been accepted in 1999. External conditionality became an important factor aiding democratisation. Even socialists accepted the tutelage from Brussels. The prospect of European integration fully converted the former communists. The public, inspired by the Central European example and driven by increasing poverty, wanted their countries to join Europe. Due to the mismanagement of the early transition phase, their countries had attracted little foreign direct investment. Therefore, after securing their domestic power, communist successor parties in Romania, Bulgaria and Albania made European accession their next important objective, as did their successors. However, the structures that had played a crucial role in the repression and manipulation of ethnic conflict remained largely untouched.

*The more the elites agreed on essential issues such as privatisation, the smoother and faster the transition*

### 3.2 Does Heritage Matter?

Based on World Values Survey data on democratic attitudes, Romania and Bulgaria do not differ significantly from the Central European countries in political attitudes. Democratic constituencies in both Central Europe and the Balkans are made up of the employed population (who are independent from state social welfare) and young, educated urbanites. Comparing the employed population to pensioners, the unemployed and subsistence farmers, this variable becomes powerful in explaining support for democracy. As the percentage of active urban populations varies across Eastern Europe, the model accounts for some of the differences among countries. Contrary to Huntington's theory, religion does not appear to be a significant determinant.

By the late 1990s, as shown in Tables 5 and 6, political culture in the Balkans was democratic. Yet, as in Central Europe, public trust in political parties is low;

parliaments are the least popular of all democratic institutions, trust in courts is low and citizens would prefer experts over “rotten” politicians in government. At the onset of the transition, however, large constituencies in Romania and Bulgaria (which are more comparable to the former Soviet Union than to Central Europe) endorsed one-party systems. These undemocratic constituencies, however, melted down by the third round of free elections.

**Table 5 Satisfaction with democracy in the Balkans (%)** <sup>33</sup>

Agreement with the following statements:	Romania	Bulgaria	Serbia
“Democracy is best, despite its shortcomings”	74	61	76
“We should have experts running the country instead of political governments”	81.2	56.8	89.7
“The country would be better off run by the military”	15.6	10.9	15.4

**Table 6 Attitudes towards rule of law in the Balkans (%)** <sup>34</sup>

Agreement with the following statements:	Rom.	Bul.	Serbia	Mont.	Mac.	Alb.
“Only good laws should be respected”	42	31	41	48	57	56
“Some people are above the law”	68	87	81	69	85	60
“Politicians are above the law”	88	93	90	78	92	66
“Corruption of officials is widespread”	70	63	63	-	-	75
“I bribed a civil servant last year”	15	14	18	16	10	45

Attitudes towards corruption were also not very different from Central Europe, despite ratings of these countries as more corrupt by Transparency

International or Freedom House (Table 3), as respondents complain of corruption and resent particularism. The administration and law-and-order agencies are slowly changing from behaving as agents of authority and repression to becoming the providers of public services. The public identifies the new politicians as responsible for the persistent culture of privilege favouring certain groups, and in fact they include them among the profiteers of corruption. The deficit of accountability is shown in the public perception that some groups, especially politicians, are untouchable by the law. But there is a huge gap between perception of corruption and actual experience, which is not so much higher than in Central Europe (Albania excepted).

Democratisation in the Balkans progressed by spreading the pockets of autonomous political choice from urban areas to the rest of society. As the number of democratic entrepreneurs slowly grew and the share of the private sector as an employer rose slowly above the state’s share, an electoral equilibrium emerged matching that of Central Europe (where anti-communists won from the onset of independence) and anti-communists in the Balkans eventually won elections.

Their only resource was the continuous mobilisation of constituencies in favour of change, which enjoyed Western support. Conversely, the communist successors sought to manipulate democracy by drawing on the dependent part of the population (also the poorest and least educated) and to keep this constituency in its sorry state through their social and economic policies. This is the model of the Balkan transition and it differs sharply from the tough reforms that Central Europeans pursued in the first years after 1989.

*Democratisation in the Balkans progressed by spreading the pockets of autonomous political choice from urban areas to the rest of society*

In sum, the international environment again proved to be all-powerful in the Balkans’ transition, as it had been in its past. From Gorbachev’s decision that Eastern Europe, too, must liberalise to NATO’s bombing Milošević out of Serbia and Europe’s promise to include Romania and Bulgaria in the enlargement proc-

ess, foreign influence remains the irresistible factor behind democratic transformation in the Balkans. These countries and Albania are patent examples of the regional diffusion effect.

*In sum, the international environment again proved to be all-powerful in the Balkans' transition, as it had been in its past*

fall of communism in Europe, triggered their transition, another external factor, accession to the EU, has been pivotal to their democratic consolidation.

While the transitions to democracy are not yet complete in these countries, there is an evident positive trend in the process. The formidable incentives for joining Europe give the Southeast European polities an unambiguous direction toward further improvement of their democracies. Just as an external factor, the

## 4 A Policy Outlook, 2007

The Balkans is, on all counts, still in a long process of unfinished transition. Transition is radically different from development as it entails a relatively rapid reform of both institutions and policies along more or less similar paths of change. As a rule, transition leads to relatively fast growth after structural adjustment, unlike development. Thus, for countries in transition, many of the considerations and instruments that characterise literature on development are irrelevant. In the Balkans, however, transition has been deficient and slow. Some countries have accomplished structural economic reforms, while others have barely broached this process. In that sense, these are still developing countries or rather countries that combine problems of transition with challenges of development.

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### 4.1 Development and Transition

Therefore, some scope for development assistance continues to exist in the Balkans or Southeast Europe.<sup>35</sup> Six typical development problems may be discerned in the Balkans.

Firstly, the existence of unresolved and persistent security risks and problems. The entire remaining Southeastern European region faces internal and external security problems. There is no need to go into detail when it comes to constitutional and other security problems that e.g., Bosnia and Herzegovina or Serbia and Kosovo face today. Many international institutions and organisations have voiced concerns about rampant organised crime and corruption in this region. Most of the development problems in the Balkans are the consequence of the post-conflict character of the states and territories in this region.

Secondly, the more general issue of reverse development. The decline of the level and the share of industrial production have been dramatic in most of these countries. Moreover, the process of reindustrialisation, which is certainly starting to take place, is relatively slow.

*It takes a combination of policies of transition and development to move these economies*

Thirdly, the increased one-sided reliance on natural resources, on the land, raw materials and tourism. This trend leads to the emergence of a structure of economic activities that is similar to that in the developing countries. The difference, however, is a higher level of human capital at a similar level of development (e.g., in GDP per capita). Thus, the potential economic structure is different and the potential GDP is higher in the Balkans. Consequently, it takes a combination of policies of transition and development to move these economies to their potential growth rates and GDP structure and level.

**Table 7 GDP, employment and productivity, 2000-2006 (2000 = 100)** <sup>36</sup>

Candidate countries (Croatia, Macedonia, Turkey)							
	2000	2001	2002	2003	2004	2005	2006
Employment (LFS)	100	99.6	99.0	98.1	100.8	102.0	102.9
GDP	100	93.5	100.5	106.3	115.1	123.2	130.3
Productivity	100	93.9	101.6	108.3	114.1	120.7	126.7
Potential candidate countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia)							
Employment (reg., LFS for Serbia)	100	100.0	95.0	93.0	94.0	90.0	90.0
GDP	100	93.5	100.5	106.3	115.1	123.2	130.3
Productivity	100	105.0	115.3	120.9	129.0	142.5	150.8

Fourthly, the existence of a large difference between domestic and national economies. This difference is the consequence of the region relying heavily on outward migration. Thus, the international labour market and the market for education are as important and in some cases even more important than the domestic markets. The dependence on outward migration will continue to be a characteristic feature of the region for some time to come. In this respect, the region resembles developing countries that depend to a large degree on their diasporas.

Fifthly, pockets of outright poverty and serious problems of inequality persist. Though abject poverty has been eliminated, or is quite rare, major regional and social differences certainly continue to exist. In addition, these disparities coexist with issues of discrimination along gender, ethnic and race lines. Thus, the issues of social equity, which are so prominent in the developing world, though not the dominant characteristic, are still present in the Balkans.

Lastly, identifiable weaknesses exist in public and corporate governance that are characteristic of developing countries in general. The weakness is not necessarily tax collection as such, but much more related to the determination of the sources of public revenues and the structure of public expenditures. Specific problems with inter-generational justice, both in the prospects for the elderly and for the young, add to these weaknesses.<sup>37</sup>

In sum, Southeast European states are countries in transition in terms of their growth potential and are developing countries due to certain structural problems. The question arises, however, whether these countries are that much different in all these respects from Romania and Bulgaria, the already successful EU applicants. The answer is unequivocal: except for the post-conflict problems, the degree of difference is low. Romania and Bulgaria are presently coping successfully with largely the same problems. In the light of the historical experience reflected in the Captive States project,

*Western institutions have never per se "failed" in the Balkans*

the international community has a major role to play in further reducing these differences. Western institutions have never per se “failed” in the Balkans, and the proof can be seen in Romania and Bulgaria, once their first good historical opportunity arose.

## 4.2 Recommendations

The following policy recommendations therefore address precisely the identified differences between the Eastern and Western Balkans. This approach offers the most meaningful windows of opportunity for strategy development. Whatever worked in Romania and Bulgaria stands a good chance of working in the Western Balkans as well.

**Build sustainable and strong states:** Romania and Bulgaria, despite having minority problems, had functional states at all times. These unitary states learned to treat ethnic minorities better, but avoided a split of the political community along ethnic lines. Major status problems were avoided. Of course, in the Western Balkans circumstances were far more unfavourable from the onset, but it should serve as a reminder that transitions and European integration need strong states with good state capacity. Packing together entities with no common national project, but rather with competitive state projects, will not generate functional states. All ten new EU members from East-Central Europe are unitary states. Whenever possible, problems should be isolated in special-status regions to remain, if necessary, special-status regions indefinitely. A spillover of minority problems because of some unsustainable state design to the rest of a state that performs reasonably well should be avoided at all costs. Unless ethnic difference is reduced to just a minority problem, which Europe has enough experience and models to handle, and instead turns into a permanent state-building issue, these countries will not make substantial progress. The state comes first in the much-needed institutional evolution.

Only on the basis of an existing sustainable political community can the reform

of the apparatus itself, (administrative and civil-service reform) make some difference. A considerable involvement of civil society is needed to bring this development about, as the building of state capacity and accountability both need a partnership between states and their societies. EU integration from the top will not make Southeastern European states evolve, but EU support (both political and financial) for drivers of real change on the ground can make a real difference.<sup>38</sup> Again, many initiatives along those lines exist in Romania and Bulgaria as well as Central Europe that can be replicated in Southeastern Europe without much ado.

**European constituencies need to grow:** European constituencies are numerically less significant in the Western Balkans than in Romania and Bulgaria, where they have made nearly two thirds majorities or even more.<sup>39</sup> Thus, a poor performance of government in the EU accession process is unlikely to meet with the same loss of electoral support as in did in Romania and Bulgaria. An important incentive for political elites is therefore missing in the Western Balkans. The presence of Europe, not only as a policing force on behalf on International Criminal Court, but also as the major assistance agency, still has to be visible in the Western Balkans. Otherwise, the EU risks to be perceived no different than great powers were in the interwar period. Otherwise, the pro-Europe constituencies will not grow out of the pockets they are presently confined to. For this reason Europe has to start treating these countries in a manner closer to the treatment Romania and Bulgaria received in recent years. Not the formal start of negotiations, but the allowance to travel visa free to EU member states for three months won the hearts of Eastern Balkans citizens.<sup>40</sup>

The small national populations of the Western Balkans, plagued by structural

*The building of state capacity and accountability both need a partnership between states and their societies*

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*Europe has to start treating these countries in a manner closer to the treatment Romania and Bulgaria received in recent years*

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unemployment and confined to the limits of small-size economies, badly need an open door to Europe. Removing the task of policing entrance from Schengen border guards to national border guards also helped develop Romania's and Bulgaria's border capacity – an area of vital interest to the EU. From graduate students to peasants who seek seasonal work in agriculture or construction, Southeastern Europe needs better access to Europe. With an open-door policy, more popularity for the European project and more awareness of the need to integrate their countries will arise.

**Development assistance with measurable results:** As EU assistance to the Balkans will continue in the form of IPA and other programmes, some of the EU assistance will be given to the central government and thus relies on the government's ability to implement the projects adequately. Assistance to local governments or to other beneficiaries should be distributed on a competitive basis already now, prior to actual EU integration.

Development assistance should be based on country programmes and should start with the basic assumption that the locals know their needs best. Once concrete areas and priorities have been determined, competitive procedures should be established for access to the assistance resources. Given that institutional capacities are as a rule not lacking, the competitive process should be useful not only to the donors but also to the recipients as it would support the process of identification of needs and the planning of the implementation.

The projects to be financed, including those in the field of state building should

*There is no need for the rush witnessed in the Eastern Balkans between 2001 and 2005*

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be designed in such a way that progress could be assessed quantitatively. That goes for aid as well as for development assistance. Quantitative evaluations de-

crease the need for bureaucracy and for supervision and oversight. In some cases that is not as feasible as in other cases, but there are few if any projects that cannot be expressed in quantitative terms.

As the current situation cannot really be called a “window of opportunity” for the Western Balkans, there is no need for the rush witnessed in the Eastern Balkans between 2001 and 2005. Therefore, well-defined development targets should be set, and evolution should be measured by indicators checking the state of “health” rather than by the number of prescription drugs the “patient” country takes, as was the case with Romania and Bulgaria, rushed into the EU through a narrow window of opportunity. This also means that reconstruction aid and assistance in other more flexible formats than pre-accession funds should continue.

However far Europe and EU membership seem presently from the Balkans' perspective, and despite the number of uncertainties the future holds still, European presence should be more strongly marked on the ground in order to preserve the incentives for institutional development. Investors still believe in the European future of Southeastern Europe and have started to pour in. Yet, during the upcoming difficult years, European assistance programmes and public diplomacy to the Balkans need better marketing for both elites and the public in the region to alleviate fears that the region might lose its European perspective unless negotiations start immediately. The Balkans needs to be ready for the next window of opportunity for enlargement, but what should be done need not wait until then.

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