

Diverging Paths, Diverging Outcomes: A Comparative Analysis of Post-Communist Transition in the Successor States of Yugoslavia

**Steven Vasilevski
M.A. Candidate
Department of Political Science
York University**

**YCISS Post-Communist Studies Programme Research Paper Series
Paper Number 001
February 2007**

The PCSP Research Papers Series publishes research papers on problems of post-communism written by graduate and undergraduate students at York University.

Yugoslavia no longer exists. What is more, many have long forgotten the images of war and ethnic cleansing that shattered the once peaceful federation, broadcast on every news feed all over the world from 1991 to 1999. “Yugoslavia was bound to fail,” boast many, “it was a ticking time bomb waiting to explode.” No human rights, no democracy, and no real wealth: just an “artificial nation” of 24 million poverty-stricken people who would have been at each other’s throats a lot sooner were it not for the iron fist of Marshal Josip Broz Tito. “Good riddance”, say Yugoslavia’s critics, be they casual observers in the West, or hardnosed nationalists speaking from one of the country’s now six former republics.¹ Slovenia and Croatia are finally free, enjoying the many fruits of democratic government and Western-style free market capitalism. Macedonia and Bosnia-Herzegovina still have their problems, but the power of free market democracy is steadily prevailing over interethnic rivalry, and a pervasive lack of social, economic, and political opportunity. Even longtime laggard Serbia is making strides toward rebuilding its government and society, a path from which it cannot afford to deviate given Kosovo’s pending secession and a newly-independent Montenegro. It seems things are looking up in Europe’s wayward Balkan states, particularly since Slobodan Milosevic’s ousting in the popular revolution of 2000. It is these images of contemporary life in the former Yugoslavia that have replaced the violence of the 1990s, permeating the minds of so many scholars and journalists that they have opted to go on to bigger and better things: the wars in Iraq and Afghanistan; tribal conflict and disease in Africa; the rise of the political Left in South America; and the booming economies of East and Southeast Asia.

But does the lack of reporting on the successor states of the Socialist Federal Republic of Yugoslavia (SFRJ) mean that things are really so promising in that part of the world? Anyone familiar with the area understands that there is little reason to believe so. They know that well-oiled democracies did not suddenly sprout from the ashes of the defunct SFRJ, nor did its former citizens become overnight millionaires in their new states. The memories of 10 years of ethnic war still burn deep. In fact, recall the events surrounding Gavrillo Princip’s assassination of the Austrian Archduke and Archduchess nearly a century ago and one might rightly posit that the whole world has been in a constant state of war ever since! Still these are not the only reasons why the former Yugoslavia merits more and closer attention. If the ongoing international criminal trials and exhumations of mass graves are not sufficient, other questions remain unanswered: Which states of the former Yugoslavia have made the smoothest transitions from centralized government and economy to political democracy and free market capitalism? Did they all embark on similar paths of democratization and market reform, or did they go in somewhat or altogether different directions? Have some states done better than others at addressing the political, social, and economic issues of the day, and if so, how does one explain the differences given the

¹ Initially there were five successor states to Yugoslavia. After voting “Yes” in a referendum on independence in May 2006, Montenegro became the sixth.

republics' shared past in a common political and economic entity? A comprehensive comparative analysis of post-communist transition in Yugoslavia's successor states is therefore timely, not only for the benefit of so-called "transitionists," but also for anyone concerned with what was, what is, and what might be in this extremely volatile region of the world.

Post-communist transition in the former Yugoslavia offers an interesting and highly useful case study for theorists. Various authors have examined democratization and market reform in post-communist Europe since the collapse of the Berlin Wall, isolating several factors which they believe are pivotal to a successful political and economic transition. In *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-communist Europe*, Juan J. Linz and Alfred Stepan (1996) describe, first, what they consider to be the hallmarks of a consolidated democratic regime, and, second, which are the critical elements that help mold functioning democracies from authoritarian systems. While one is hard-pressed to dispute the authors' "Five Arenas of a Consolidated Democracy,"² the ensuing discussion of what is important to the democratization process can get busy. The fundamentals of statehood are utmost, followed by the precise nature of the prior regime type, who exactly controls the transition process, international influences, and what Linz and Stepan (1996: 81-83) refer to as the "constitution-making environment." Other transitionists name variants which also cut across these many intersecting elements, including history and culture (Harrison, 2000; Landes, 2000), markets (Przeworski, 1991), civil society (Walzer, 1996), and even inter-elite pacts (McFaul, 2002). By virtue of their many ties, what a comparison of Yugoslavia's successor states presents is a unique opportunity to control for certain variables thought more or less important to the transition process, thereby helping to identify the more crucial factors affecting democratization and market reform in the ex-Yugoslav republics, as well as in other post-communist regimes more generally. The utility of such an endeavor for practitioners still grappling with transition and consolidation in the Balkans, and beyond, is far-reaching.

Just as urgent is the need to assess where exactly the successor states of Yugoslavia find themselves at a time when so many issues of political, social, and economic relevance are still outstanding. Formal negotiations over the final status of Kosovo and Metohija have commenced, with various international and Kosovar Albanian representatives seemingly bent on independence for the province, much to Belgrade's dismay. Bringing Bosnia and Herzegovina's *Srpska Republika* closer to the Bosniak³-Croat federation continues to prove an arduous task for Sarajevo statesmen, while membership in the European and North-Atlantic institutions continues to elude

² According to Linz and Stepan (1996), any political democracy which can be called "consolidated" features: (1) a free and lively civil society; (2) a relatively autonomous and valued political society; (3) a rule of law to ensure legal guarantees for citizens' freedoms; (4) a state bureaucracy that is usable by successive democratically elected governments; and (5) an institutionalized economic society. Without delving into too much detail yet, this paper also adheres to this definition of a consolidated democracy.

³ "Bosniak" will be used interchangeably with "Bosnian-Muslim."

all the former Yugoslavia save tiny Slovenia. There are many issues to be unhappy about in and amongst the successor states of the SFRJ, something which is particularly disturbing in an area so prone to violence. Should these various political, social, and economic grievances be channeled incorrectly—taken on by states exhibiting the undemocratic characteristics of “fleckless pluralism” and/or “dominant-power politics” (Carothers, 2002)⁴—the potential to ignite the “Balkan Powder Keg” is dangerously high. Chasing lessons on how to avoid this grim scenario is not an undesirable task.

With these broader objectives in mind, the purpose of this investigation is to identify which republics of the former Yugoslavia have experienced the most successful transitions from economic and political communism to free markets and democracy, and why. To this end, the paper is divided into three main sections. Section One offers some background information on Socialist Yugoslavia from its inception to its dissolution, followed by various data indicating where each of its six successor states currently find themselves on the road to democratic consolidation and market capitalism. The crux of this comparative analysis, Part Two proceeds by isolating the most important factors influencing post-communist transition in the countries of the former Yugoslavia, namely (1) problems of nationhood and “stateness,” (2) the nature of pre-transition economies and (3) external actors. The third and final section of this paper reiterates the theoretical significance of the former Yugoslavia to the transition literature, concluding with some doubt as to whether Western-style democracy and free markets can bring a meaningful and lasting peace to the former Yugoslavia.

15 Years of Mixed Results in the Former Yugoslavia

Conventional Western perceptions of Tito’s Yugoslavia paint a sad image of political and economic backwardness: instead of democracy, staunch government repression; instead of competitive markets, inefficiency due to a rigid state-led economy. But perceptions can be misleading. Clearly there were dimensions of the Yugoslav system which many, namely the especially nostalgic, would rather the world forget, like the unfortunately poor Yugo automobile designs and craftsmanship, and the fact that singing an “overly nationalistic” folk tune might lead to a lengthy prison sentence. A one-party system in which an active political life was impossible outside the margins of the League of Communists of Yugoslavia (LCY), and in which ultimate authority rested in the hands of a single charismatic dictator, is perhaps another dimension. Yet several features of Tito’s Yugoslavia were not so bad, indeed they were fundamentally democratic, a concept which completely escaped the previous Yugoslavia from its founding in 1918 to its eventual demise in 1941. The heavy-handed despotism with which Belgrade monarchs

⁴ According to Thomas Carothers (2002), the “transition paradigm,” as he refers to it, is obsolete as too many so-called “transitional democracies” are stuck in political stalemates somewhere on the road to democratic consolidation. Rather than assuming these polities seek consolidation, it is more practical to study them as unique political systems in and of themselves. “Fleckless pluralism” and “dominant-power politics” are but two systems this paper will discuss.

ruled over their subjects in the Kingdom of Serbs, Croats, and Slovenes, renamed the Kingdom of Yugoslavia in 1929, is a common theme in the folklore of all the peoples of the former Yugoslavia.

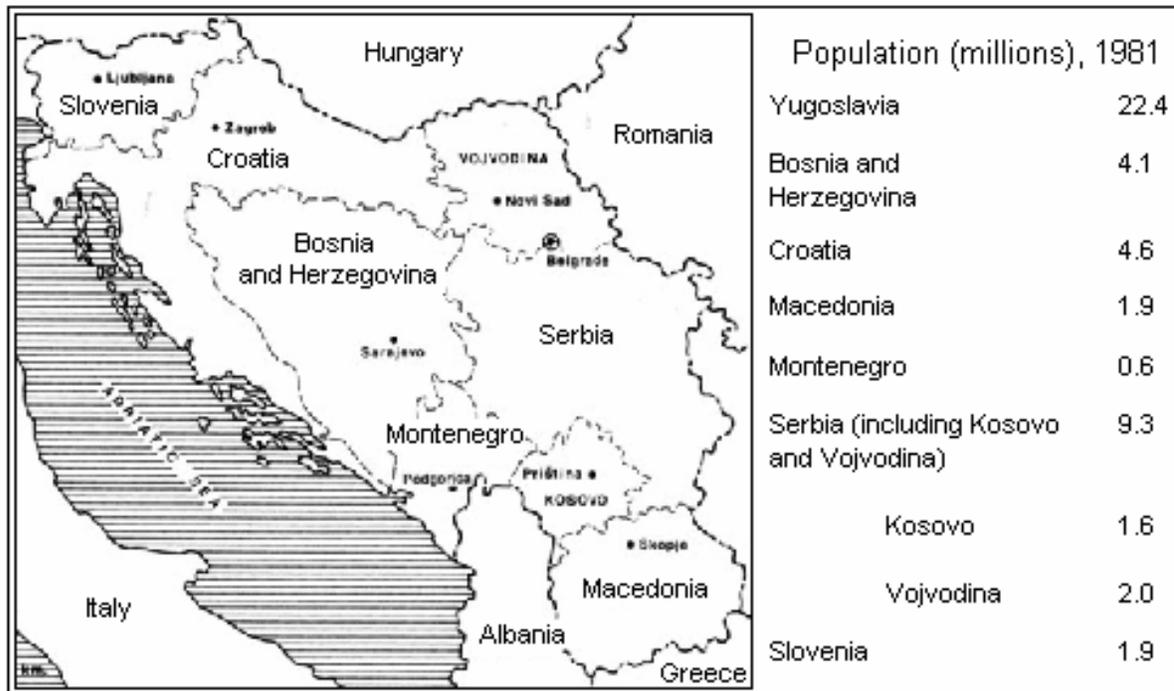


Figure 1: Geography and population of Yugoslavia, 1981 (Fyson, Malapanis, and Silberman, 1993: 9).

Politically, the system of government and administration that Tito and the LCY established in 1945, and which continued to evolve until the leader's death in May 1980, was relatively progressive and decentralized, particularly by Eastern European standards. As well as enshrining the formal equality of the federation's six republics and their various ethnic and religious groups,⁵ the Constitution of Yugoslavia conferred upon republican governments administrative and budgetary autonomy over local economic affairs; control over budgets, taxes, education, and culture; and ownership and managerial rights over local self-governing enterprises (Woodward, 1995: 31-38). The backbone of Yugoslavia's system of "economic democracy," self-management via "workers' councils" provided people with long-term employment and participation rights in decisions affecting their individual and collective livelihoods, while the federation's extensive social safety net guaranteed public health care and education, social security and pensions, and lawfully-protected equality in the economy, including the concept of "equal pay for equal work" (Woodward, 1995: 38). A mixed economy buttressed by foreign credits and trade, facilitated through membership in the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT), meant a national economy that was the envy of many in the Eastern Bloc. Given Yugoslavia's "extensive economic liberalization and political decentralization," it is

⁵ Kosovo and Vojvodina, autonomous provinces of Serbia, received de facto "republican status" after the 1974 amendments to the Yugoslav Constitution. The former was and remains heavily populated by ethnic Albanians, while the latter is home to a large number of ethnic Hungarians.

little wonder so many analysts thought that on “the eve of the 1989 revolutions in eastern and central Europe, Yugoslavia was better poised than any other socialist country to make a successful transition to a market economy and the west” (Woodward, 1995: 1).

But by the mid-1980s, the political and economic foundations of the Yugoslav system—a system commonly called “Titoism”—began to crumble. Nationalism festered in all the constituent republics. War ensued as the parliaments of Slovenia and Croatia declared independence in June 1991, prompting the Yugoslav People’s Army (JNA) to nominally intervene on behalf of the integrity of the federation.⁶ Macedonia and Bosnia and Herzegovina were next to declare independence, but only the former would steer clear of armed conflict. After 10 days of skirmishes in Slovenia and six months of carnage in Croatia, Bosnia quickly descended into the bloodiest war on European soil since the Second World War. Millions were displaced and hundreds of thousands killed before the Western-brokered Dayton Peace Accords were initialed by the presidents of Serbia, Croatia, and Bosnia and Herzegovina in December 1995. Debates continue unabated as to what exactly prompted the violent breakup of Yugoslavia. Some fault the interests of global capital (Fyson, Malapanis and Silberman, 1993), others covert foreign intervention in the name of similar things (Samarly, 1995), and still others “ancient hatreds.” Susan Woodward (1995) offers a multi-causal account of the fall of Yugoslavia, citing the decline of Yugoslavia’s strategic importance following the end of the Cold War, structural changes brought on by economic globalization, and the piecemeal dismantling of Yugoslavia’s social safety net. As complex and multifaceted the reasons might be, what is certain is that like so many other transitions sparked by war and national emergency, it was the pending and eventual collapse of the SFRJ which triggered serious political and economic transformations in all its successor states.

The Republic of Slovenia

It could be said that Slovenia’s transition to democracy and free market capitalism commenced several years before the ensuing civil wars unfolded. Amidst a slowing Yugoslav economy and a deteriorating political situation, several intellectuals and emerging opposition parties in the tiny Alpine republic began calling for “the urgent introduction of a market economy” and for “political pluralism” as early as 1986 (Ramet, 1993: 871). Tensions quickly mounted with neighboring Serbia as Belgrade began to push, for various reasons, for a recentralized Yugoslav federation, upsetting the general public in Slovenia, including the new liberal leadership of the local League of Communists.⁷ On December 27, 1989, Slovenia’s apprehensions vis-à-vis Serbia prompted the adoption of a package of laws in Ljubljana which essentially sanctioned a multiparty state (Ramet, 1993: 871). Elections held in April 1990, judged free and fair by the

⁶ To be fair, many non-Serbs took part in these JNA operations.

⁷ Conventional wisdom says Belgrade sought to increase the power of Yugoslavia’s majority Serbs at a time when many in the republic felt slighted by the smaller, but richer, republics of Slovenia and Croatia. Taking away some of their powers was but one way to bring the situation to par.

international community, generated a presidential victory for ex-communist Milan Kucan, with parliament going to a broad coalition comprised of seven parties representing the full political spectrum (Ramet, 1993: 872). Perhaps this “head start” on democracy has something to do with Slovenia’s tremendous post-communist success. Making good on early predictions that the country’s prospects for implementing a “functioning parliamentary democracy and for restoring economic vitality” were admirable (Ramet, 1993: 884), Slovenia has since produced a consolidated democratic system bolstered by a strong free market economy.

In 2006, the Statistical Office of the Republic of Slovenia published a special report entitled *Slovenia 15 Years after Independence: Comparison of some important statistical indicators for 1991 and 2005*. It contains some remarkable data. Despite several obstacles early on, including a substantial economic slowdown due to the Yugoslav wars,⁸ evidence suggests that market reform has paid substantial dividends. Slovenia’s unemployment rate has declined substantially since record highs in 1993 and 1994, falling to 91,889 total unemployed persons from 129,087 and 127,056 respectively (Statistical Office, 2006: 6). Gross wages rose by 57.1 percent between 1991 and 2005, with net wages up by 57.2 percent in the same period (Statistical Office, 2006: 6). Gross Domestic Product (GDP) has grown in real terms by 56 percent since Slovenian independence, with over 25 percent of national GDP owed to gross capital formation (Statistical Office, 2006: 9). Statistics indicating enhanced economic efficiency and competitiveness suggest further that a Slovenian market once plagued by “runaway privatization” (Ramet, 1993: 878) and inter-elite squabbles over how best to denationalize state-owned enterprises (Ramet, 1993: 876-878) is quickly catching up to the more established industrialized economies of the West.⁹ The relevant data reveal that much less work is required of the Slovenian worker earning an average net wage to purchase most consumer goods, while households own more and better quality products, including appliances, recreational items, and automobiles (Statistical Office, 2006: 7). External trade has nearly tripled and tourism has more than doubled since 1991 (Statistical Office, 2006: 10-11). To put Slovenia’s market transition in perspective, the IMF (2000: 133-134) gives the country an aggregate transition indicator of 3.3, meaning that its economic activities are comparable to “conditions prevailing in the advanced economies.”¹⁰ Included in the aggregate figure are large- and small-scale privatization indices of 3.3 and 4.3 respectively, and an index of 4.3 for trade and foreign exchange (IMF, 2000: 134). An index of “1” or lower on the “4-plus” point scale indicates “conditions prevailing in a centrally planned economy” (IMF, 2000: 133).

⁸ This includes a massive influx of Bosnian refugees into Slovenia from 1992 onward, as well as a loss of traditional Yugoslav markets.

⁹ Privatization was a very contentious issue in post-communist Slovenia early on. Three privatization plans were proposed before a fourth was finally adopted on November 11, 1992. The plan was a compromise between those who feared too much privatization too soon, and those who feared too little privatization too late. The plan called for 40 percent of state-owned companies to be sold as stock, and 20 percent to be freely distributed, with the rest sold in increments in successive years (Ramet, 1993: 878).

¹⁰ The IMF (2000) market liberalization indices provided herein are for the year 1999.

While the opening up of Slovenia's economy has been accompanied by many successes, these were achieved with much contention and debate. In contrast, the process of drafting a constitution that would be the mainstay of Slovenia's new democracy unfolded much more smoothly, along with most democratization measures, save the issue of (1) whether to have a bicameral or unicameral parliament, and (2) abortion rights (Ramet, 1993: 879-880). Of the opinion that presidential systems were too prone to *diktat*, the Slovenes opted for a parliamentary system featuring a compromise solution of a 90-member assembly with legislative power, and a 40-member Council of State tasked to review and revise proposed laws (Ramet, 1993: 879-880). The controversy over abortion rights uncovered the renewed power of the Catholic Church, though the church-state divide remains well defined in fairly liberal Slovenia.¹¹ An 8.5 on the IMF's (2000: 136) institutional quality index,¹² nearing the average of 12.6 for other Western economies, Slovenia easily satisfies Linz and Stepan's (1996) five criteria of a consolidated democracy. A recent survey of political life in the country by Freedom House (2005) indicates:

1. A civil society comprised of individuals and organizations whose right to assemble and participate in public affairs is protected by law and in practice;
2. An autonomous and valued "political society" consisting of organizations and institutions by which individuals select and monitor government, including political parties, electoral rules, and so on;
3. An established rule of law that is steadfastly upheld by a judiciary that enjoys "a high degree of independence;"
4. A state bureaucracy that is well established and usable by successive democratically elected governments; and
5. An institutionalized economic society, consisting of laws and regulations that permit the free, but not unfettered, exchange of goods and services.

Meant to offset some of the volatility associated with market-based economics, Slovenian policymakers have managed to achieve an effective social benefits regime (Statistical Office, 2005). The risk of poverty in Slovenia is, as a result, considerably below the European Union (EU) average of 15 percent (Statistical Office, 2005). Owing to its successful political and economic transformation, Slovenia is the only former Yugoslav state to date to have gained membership in the North Atlantic Treaty Organization (NATO) and the EU.

The Republic of Croatia

While enjoying some similar triumphs as Slovenia, Croatia's transition to democracy and free market capitalism has not been quite as smooth. Inspired by the Slovenian example, Croatia held

¹¹ Nonetheless, allegations that the state discriminates against non-Slovenes, namely Muslims, are made constantly. There might be some truth to these claims as Slovenian officials continue to deny the proper building permits for a mosque in Ljubljana on account of it laying the "infrastructure for terrorism" (Freedom House, 2005).

¹² The IMF (2000) institutional quality indices provided herein are for the years 1997-1998. Slovenia is probably nearer the 12.5 average today.

its first multiparty elections in April and May of 1990, producing victory for the rabidly anti-communist and anti-Serb campaign of communist-turned-nationalist Franjo Tudjman and his party the Croatian Democratic Union (HDZ), the “party of all Croats in the world” (Woodward, 1995: 119). For almost a decade, President Tudjman and the HDZ used the rhetoric of democracy and self-determination to hide many features of government more common to a one-party, authoritarian state. It began with the aforementioned elections, in which Tudjman and the HDZ benefited from previous electoral reforms that authorized a winner-take-all system whereby minority victors won absolute majorities in parliament (Woodward, 1995: 119).¹³ The undemocratic character of Croatia’s new multiparty system shone immediately. After forcing the Serbian Democratic Party out of parliament, Croatia’s new leadership moved quickly to institute loyalty oaths required of non-Croats holding any public employment, followed by making the Latin alphabet obligatory in all official proceedings (Woodward, 1995: 120).¹⁴ The conclusion of a brief Serbia-Croatia war in January 1992 did not translate into more serious efforts to democratize. Instead, Croatia continued to be plagued by numerous undemocratic elements. Writing on Croatia’s “democracy deficit,” a Human Rights Watch report commissioned in 1999 revealed (1) that neither the 1995 nor the 1997 elections were fair or truly competitive; (2) the unfair treatment of parties opposed to HDZ policies; (3) a partisan judiciary wrought with political meddling; (4) a lack of media freedom; (5) limited freedom of assembly; and (6) poor minority representation.

Croatia, a 0.3 on the IMF’s (2000: 136) institutional quality index, is not the consolidated democracy that Slovenia is, falling short in almost every category, including voice and accountability (-3.2 compared to Slovenia’s 10.7), political stability (4.1 compared to Slovenia’s 10.9), and rule of law (1.5 compared to Slovenia’s 8.3).¹⁵ Nonetheless, significant headway has been made since the death of President Tudjman in December 1999. Both the 2000 and 2003 presidential and parliamentary elections were judged “free and fair” by the Organization for Security and Cooperation in Europe (OSCE), Croatia’s only *truly* peaceful transfers of power since independence (Freedom House, 2005). Under the guidance of popular centre-left president Stjepan Mesic (2000-present), the governments of Prime Minister Ivica Racan (2000-2003) and Prime Minister Ivo Sanader (2003-present) have overseen enhanced journalistic and media freedom, a rise in religious tolerance, as well as an autonomous civil society with no significant government interference (Freedom House, 2005). Tellingly, the HDZ has transformed into a much more moderate centre-right party, typical of other European Christian-democratic parties (Freedom House, 2005). Where Croatia’s transitional democracy lags most on the continuum to

¹³ Interestingly, it was the reformers within the League of Communists of Croatia which adopted these reforms prior to 1991, most likely because, as talk of political pluralism gained momentum in Yugoslavia by the early 1990s, Croatian communists were still confident of victory (Woodward, 1995: 117).

¹⁴ In contrast, Serbs use the Cyrillic alphabet, which was also official in the SFRJ.

¹⁵ While these figures are comparatively lower than Slovenia’s, the gap would almost certainly be less now due to significant changes during the centre-left presidency of Stjepan Mesic (2000-present).

political consolidation is in the areas of citizen rights and the rule of law. Regarding rights, although the Constitution of Croatia (1990: Article 14) recognizes the equality of citizens “regardless of race, color, gender, language, religion, political or other belief,” several minority groups continue to complain of discriminatory treatment and an absence of public representation. This is particularly true of Croatia’s post-war Serbian returnees, many of whom are still fighting for recognition of their land and ownership rights in areas from which they were forcibly expelled during Tudjman’s reign (Human Rights News, Nov. 2004).¹⁶ As for the rule of law in Croatia, Freedom House (2005) reports that the country’s “judicial system suffers from numerous problems,...including considerable intimidation,” particularly when it comes to the trial of suspected Croatian war criminals named by the International Criminal Tribunal for the former Yugoslavia (ICTY) at The Hague, Netherlands (Human Rights News, Dec. 2004).

Croatia’s economic transition has been more applause-worthy, although it too was limited by a Tudjman presidency weary of too much foreign investment and external trade. Will Bartlett (1996: 162-163), for example, describes how despite drafting the earliest privatization law in the former Yugoslavia, the denationalization of large enterprises in Croatia proceeded very slowly. Nonetheless, the last 10 years have seen accelerated rates of privatization and foreign trade, a process that has earned Croatia an aggregate ranking of 3.0 on the IMF’s (2000: 134) market liberalization index.¹⁷ Moreover, these changes have benefited Croatia immensely. According to statistics provided by Croatia’s Ministry of Economy, Labor and Entrepreneurship (2005), unemployment in the country has steadily decreased since 2000, when it reached a height of 16.1 percent, dropping nearly four points to only 12.7 percent in 2005. Croatia’s GDP has increased markedly since 2000, up to nearly 31 billion Euros from just below 20 billion Euros five years ago (Ministry of Economy, 2005). GDP per capita has risen nearly 2,500 Euros to 6,972 Euros since 2000; economic growth has reached 4.3 percent, compared to just 2.9 percent in 2000; and import and export levels have been noticeably higher (Ministry of Economy, 2005). There is also evidence to suggest Croatia’s market economy is not a capitalist free-for-all, as so many other post-communist and post-authoritarian states continue to be. A report provided by the World Bank (2004)¹⁸ demonstrates that Croatia continues to invest heavily in public health and other social services, while Part Three of the Constitution (1990) lists several provisions for the protection of environment and wellbeing, including possible infringements on “entrepreneurial freedom and property rights.” Negotiations for membership in the EU have been ongoing since October 2005.

¹⁶ Up to 500,000 Serbs are said to have been ethnically cleansed from the *Krajina* region of Croatia.

¹⁷ This includes a rank of 3.0 and 4.3 for large- and small-scale privatization respectively, and an index of 4.0 for trade and economic exchange.

¹⁸ As per the report, “the Croatian health system has fared relatively well among the countries in the region: the system has a well-trained health workforce, a well-established system of public health programs and health delivery programs, and good health outcomes in relation to countries at comparable income levels,” all achieved “at a high cost” (World Bank, 2004: *ix*).

Bosnia and Herzegovina

Bosnia and Herzegovina has experienced one of the bumpiest roads to political and economic change. The country remains a complex state of two virtually separate entities, the Bosniak-Croat Federation of Bosnia and Herzegovina, and the Serbian-dominated *Republika Srpska*. Established by the 1995 Dayton Peace Accords as a compromise solution to end the ongoing war in Bosnia and Herzegovina, the framework continues to be riddled with mutual distrust and a lack of cooperation. Starting with the republic's first multiparty elections in November 1990, meaningful political democratization and economic reform have been painstakingly sluggish. What is worse, several wartime legacies still haunt the struggling republic, including disputes with Serbia over sections along the Drina River, as well as boundary disagreements with Croatia relating to several points of maritime access (Central Intelligence Agency, 2005). The state is also alleged to be a haven for Muslim extremists and a hub for the growth of radical Islam, prompting many observers to name Bosnia highly unstable and prone to renewed violence and possible disintegration. This is a far cry from the modest trans-boundary disputes in which Croatia and Slovenia have been involved in the post-Yugoslav period, resolved by a negotiated land and maritime agreement that is currently in the process of ratification (Central Intelligence Agency, 2005).

Fifteen years after the country's declaration of independence from the SFRJ, Bosnia and Herzegovina's electoral democracy remains inundated by several undemocratic features typical of "gray zone" polities exhibiting signs of what Thomas Carothers (2002) calls "feckless pluralism." According to Carothers (2002: 9-10), countries "whose political life is marked by feckless pluralism" host regular elections and significant amounts of political freedom, but "politics is widely seen as a stale, corrupt, elite-dominated domain that delivers little good to the country,...the state remains persistently weak,...and successive governments are unable to make headway on most of the major problems facing the country, from crime and corruption to health, education, and public welfare generally." Such is Bosnia's current political situation. The latest presidential and parliamentary elections in October 2002 concluded in victory for the same three nationalist parties that won the 1990 elections: the Bosniak Party of Democratic Action (SDA), the Serbian Democratic Party (SDS), and the Bosnian offshoot of the Croatian HDZ. And just as "deadlock and paralysis in the government became the norm" in the early 1990s (Delamer and Rabkin, 2006: 11), so too these ethno-political groupings continue to disagree on what needs to be done to get Bosnia and Herzegovina back on the European and Euro-Atlantic course.¹⁹ What results is regular intervention in Bosnian governmental affairs by the Office of the High Representative, an "unelected international official" created by the Dayton Accords with "far-reaching powers" tasked to oversee the implementation of reforms aimed at achieving an enduring peace in the country (Delamer and Rabkin, 2006: 23). Freedom House (2005) reports

¹⁹ Bosnia is has thus far only managed to gain admission in a small number of relatively insignificant multilateral organizations.

further that “the Bosnian electorate has increasingly lost interest in the electoral process,” while there are enduring high levels of corruption, low journalistic ethics, and a marked absence of the rule of law. Institutional quality rankings by the IMF (2000: 136) confirm these tendencies, earning Bosnia a -9.7 for voice and accountability, -11.6 for political stability, and -11.1 for rule of law. Its aggregate index of -9.9 is far shy of both Slovenia and Croatia (IMF, 2000: 136). The only bright spot is an emerging civil society whose right of free assembly is generally respected (Freedom House, 2005).

Economic policy that is “often poorly conceived and implemented” is another element of Bosnia and Herzegovina’s “feckless pluralism,” a political and economic system that is neither a consolidated democracy nor a functioning free market. Writing for the Cato Institute, a policy research foundation based in Washington, D.C., Gary Dempsey (1998) discusses the slow process of economic reform in Bosnia three years after the Dayton Agreement, faulting “political foot-dragging” as the primary obstacle to privatization. Many Bosnian officials continue to resist privatization “in order to protect a highly bureaucratic system of jobs and privileges left over from communist days,” using “state-owned enterprises to further their own financial and political interests” (Dempsey, 1998). Bosnia’s market liberalization indices verify the country’s slow transition, earning a 2.0 on the IMF’s (2000: 134) large- and small-scale privatization scale, a 2.7 for trade and foreign exchange, and a 1.8 aggregate ranking. What is worse, real economic growth has eluded Bosnia and Herzegovina, with reported growth figures mostly reflecting “an influx of billions of dollars in international aid, not an expanding national economy” (Dempsey, 1998). Job creation has been close to nil (Dempsey, 1998). Recent figures support these findings. Although GDP per capita has increased markedly since the war,²⁰ poverty levels remain close to 20 percent, with another 30 percent of all citizens “only marginally above” this category (World Bank, 2004: 3). Unemployment remains unreasonably high (World Bank, 2004: 3), while the local economy remains dangerously unregulated, and very uninviting from a foreign investor perspective (World Bank, 2006). Whereas Slovenia and Croatia have each met and/or exceeded their Yugoslav era development indices, Bosnia falls well short of a functioning market economy.

The Republic of Macedonia

The former Yugoslavia’s southernmost republic, Macedonia has been a centre of political controversy for centuries. Very fortunate to have avoided the type of violence which unfolded in the rest of the SFRJ, Macedonia’s transition to democracy and economic freedom has not been without its own twists and turns. Outlooks were mixed early on. Although the country managed to hold presidential and parliamentary elections in 1990, a sizeable number of Albanians boycotted the vote on account of distrust for the country’s ethnic Macedonian majority. The same

²⁰ GDP per capita by purchasing power parity (PPP) is currently 6,800 USD in Bosnia, up substantially from 1995 (Central Intelligence Agency, 2005). All GDP per capital contained herein have incorporated PPP.

happened in the referendum on independence in 1991, which concluded with nearly 97 percent support for a Macedonia outside the federal framework of Yugoslavia (Tziampiris, 2002: 2). Thereafter, Macedonia achieved what was considered by some “the only civic constitution in the Balkans” (Dunn, 1996: 2), enshrining the “permanent coexistence” of the “Macedonian people” with “Albanians, Turks, Vlachs, Romanics and other nationalities living in the Republic of Macedonia,” and guaranteeing equality in “freedoms and rights, regardless of sex, race, color of skin, national and social origin, political and religious beliefs, property and social status” (Constitution of Macedonia, 1991). This while other newly independent, former Yugoslav states were passing laws barring national minorities from public office, stripping them of land and property, and so forth.

Macedonia remains only a transitional democracy, although the republic is much closer to consolidation than its Bosnian counterpart. Successive Macedonian governments have adopted significant political reforms aimed at deepening the quality of democracy in the country, especially true of the last five years. As per the 2001 Ohrid Framework Agreement, initialed under foreign auspices by government officials and Albanian politicians seeking “greater minority rights,” Macedonian parliamentarians have made good on promises to develop decentralized government in the country via revised laws on local self-government (3.1); municipal boundary revisions designed to increase the presence of minorities in local government (3.2); measures to assure equitable representation of minorities in the public administration (4.2); and increased language and flag rights for minorities (7.1). Parliament has also increased the pace of reforms promoting the rule of law, including constitutional amendments enhancing minority participation in the election of judges to the Supreme Court, and a *Strategy on the Reform of the Judicial System* which sets out a comprehensive plan to increase judicial independence by a new merit-based promotion system for judges; the adoption of objective criteria for judging the accountability of justices; and the establishment of a new supervisory body composed exclusively of judges for evaluating the performance of their legal colleagues (Ministry of Justice, 2004: 11). Together with the country’s perpetual teetering on the edge of civil war, a judicial system plagued by political influence remains Macedonia’s number one obstacle to democratic consolidation. While Macedonia’s voice and accountability index rates higher than Croatia’s at 0.9, the country comes short of Croatia and Slovenia in terms of political stability (rated at -4.0) and rule of law (rated at -2.6), earning an aggregate institutional quality index of -3.3, still 6.6 points higher than Bosnia (IMF, 2000: 136). Other aspects of Macedonian democracy, like the right of free assembly, are well developed, as evidenced by the large number of recent strikes and demonstrations by various actors in civil society.²¹

²¹ Over the last eight months, large numbers have protested against the privatization of the state-owned electrical company ESM. Similar actions have come from dairy and wheat farmers on account of low prices for their products, as well as public employees, namely teachers, on account of low wages.

Despite the fact that the basic institutions for “economic society” exist in Macedonia, the practical implementation of a functioning free market has been riddled with difficulties. Articles 55 to 60 of the Constitution of the Republic of Macedonia (1991) guarantee the “freedom of the market and entrepreneurship” (55.1), an “equal legal position to all parties in the market” (55.2), and restrictions on the “freedom of the market and entrepreneurship” for “reasons of the defence of the Republic, protection of the natural and living environment or public health” (55.3). Articles 30 through 49 of the Constitution (1991) establish private ownership rights (30.1-30.4), employment rights (32.1-32.5), and social security, social assistance, and workers’ rights (34-40). At times, legislators have had a hard time upholding their denationalization commitments, usually owing to vocal opposition from both worker and consumer groups wary of possible wage cuts, layoffs, and higher prices for various goods and services. Suffice it to say that a lack of knowledge and practical experience with market economics has been a problem among Macedonian politicians, leading to the adoption of poorly thought-out policies out of tune with democratic politics (for instance, massive layoffs with little or no compensation). Still, economic transition has proceeded, earning Macedonia an aggregate market liberalization index of 2.8, remarkably close to Croatia’s 3.0 (IMF, 2000: 134). And not all the process has been in vain. GDP per capita is higher than in Bosnia at roughly 7,800 USD (Central Intelligence Agency, 2005), while unemployment and poverty, although high, continue to drop, with the number of employed persons increasing 10.3 percent since the first quarter of 2005 alone (Labor Market Report, 2006: 1). Total GDP grew five consecutive years starting with 1996, reaching a growth rate of 4.5 percent in 2000, and 4.1 percent in 2004 (Gross Domestic Product, 2006: 2). Foreign investment was valued at 139.5 million USD in 2004, 60 million higher than in 2003, while average gross wages saw an increase of 9.5 percent during that same time (Foreign Direct Investments, 2005: 2).²² Macedonia is a 2006 NATO hopeful, and an EU candidate country since November 2005.²³

Serbia and Montenegro

The republics of Serbia and Montenegro jointly formed the Federal Republic of Yugoslavia (FRJ) in April 1992, the official successor to the SFRJ. Each have gone their separate ways since Montenegro’s declaration of independence in June 2006 and each have taken significant steps to political and market reform since the fall of Slobodan Milosevic in 2000. Initially, meaningful political and economic transition was hampered by war and numerous elements of what Carothers (2002) refers to as “dominant-power politics.” Not unlike in Croatia early on, the political system in the FRJ was essentially dominated by a single leader and his party, even though it exhibited the “basic institutional forms of democracy” (Carothers, 2002: 10). In addition to election rigging and almost total control of the judiciary, Slobodan Milosevic and the ruling Socialist Party of Serbia

²² These reports provided by the State Statistical Office of the Republic of Macedonia (2006).

²³ Macedonia also belongs to many multilateral organizations to which Bosnia is not a member, such as the World Trade Organization (WTO).

(SPS) blurred the line between state and party by controlling access to government resources such as money, jobs, and public information (Carothers, 2002: 10-11). All security structures were put in the direct service of Milosevic and the SPS, a lasting legacy with which Belgrade continues to grapple (recall the 2003 assassination of Prime Minister Zoran Djindjic by individuals linked to the ousted Milosevic regime). For almost a decade between 1992 and 2000, citizens of the FRJ were on the receiving end of armed conflict and numerous international sanctions.

Renamed the State Union of Serbia and Montenegro in 2003, complicated relations between the two, essentially independent, entities did not cause a reversal of the democratization process initiated by President Vojislav Kostunica and the Democratic Opposition of Serbia (DOS) in 2000.²⁴ Presidential and parliamentary elections in Serbia and in Montenegro have been judged free and fair in recent times, while corruption has decreased from the excessive levels of the Milosevic era (Freedom House, 2005). Freedom House (2005) further notes that freedom of the press has “improved significantly since the Milosevic period,” while both foreign and domestic nongovernmental organizations (NGOs) “enjoy the freedom to pursue their activities.” Nevertheless, democracy in both Serbia and Montenegro continue to be plagued by serious problems, including enduring corruption, targeted attacks on journalists, slow judicial restructuring, and discriminatory treatment of certain minorities, namely Muslims and Gypsies (Freedom House, 2005). Other aspects of both Serbian and Montenegrin democracy that are causes for concern are broad coalition governments prone to political instability (especially in Serbia), and extremely low voter turnout (especially in Montenegro).²⁵ Important gains in recent parliamentary and municipal elections for the Serbian Radical Party (SRS)—an organization led by suspected war criminal Vojislav Seselj, currently on trial at The Hague—also suggests the extent to which democratic values have yet to permeate and diffuse through the Serbian polity. The facts suggest that these systems, while functioning, are still very fragile and immature.

Economic transition in the republics of Serbia and Montenegro is finally going forward after years of war and other political obstacles, including 10 years of state-sponsored cronyism under Milosevic.²⁶ The denationalization process has gathered momentum in both republics over the last five years, including the privatization of banks, energy companies, and other state-owned enterprises (World Bank, 2006). Serbia’s GDP has grown considerably since 2000, peaking at 9.3 percent growth in 2004, while GDP per capita has steadily risen to 4,400 USD (Central Intelligence Agency, 2005). Inflation has stabilized and foreign direct investment (FDI) has reached 1.5 billion USD, up markedly from just 25 million USD in 2000 (World Bank, 2006).

²⁴ Specific political transition indices have not been provided by the IMF.

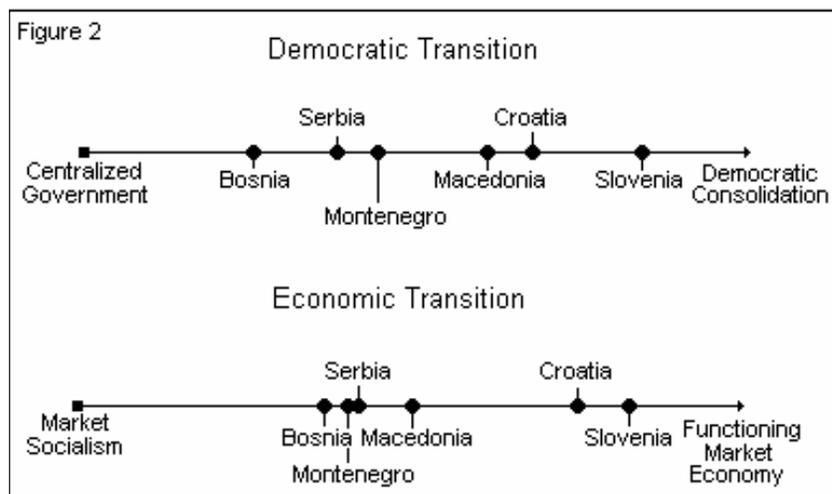
²⁵ Freedom House (2005) reports that a broad coalition consisting of more than a handful of parties loosely considered “pro-Western” was needed just to offset the parliamentary gains of the Radicals. Regarding Montenegro, low voter turnout was such a problem that a new presidential law in February 2003 eliminated the minimum 50 percent turnout required to validate an election result.

²⁶ Specific economic transition indices have not been provided by the IMF.

Montenegro's economy has not experienced quite the growth of Serbia's, although outlooks are good. The country's GDP continues to grow between two and four percent (World Bank, 2006), while GDP per capita has risen to 3,800 USD (Central Intelligence Agency, 2005). Inflation in the tiny Adriatic republic is low at 1.8 percent, whereas FDI grew to 62 million USD in 2004 (World Bank, 2006). While Section 3 of the constitutions of Serbia (1990) and of Montenegro (1992) enshrines private ownership rights, as well as the right to limit private ownership for the public good, barriers to achieving a fully regulated market still exist. As a result of a decade of war and economic decline, extensive black and grey markets have emerged, and are thriving, in both Serbia and Montenegro. The World Bank (2006) also notes the "deterioration in social protection and health services" in Serbia and in Montenegro, suggesting perhaps that either national economy is *excessively free* at this point in time.

Accounting for the Differences and Similarities

Identifying which successor states are doing better or worse than their former Yugoslav counterparts is challenging enough without having to explain why such disparities exist. Numbers do not always tell the whole story, and poverty is a good example. Although official poverty rates in Bosnia, Macedonia, Serbia, and Montenegro are high, there is really very little *absolute* poverty in these areas, especially in villages and other outer-lying regions where individuals produce their own food for subsistence. Likewise, reports of discriminatory treatment and other perceived injustices by government can be exaggerated in the Balkans, a place that tends to be too sensitive on too many topics. Problems also arise due to countries' relative strengths and weaknesses vis-à-vis specific aspects of the political and/or economic transition process, so that while Serbia may be experiencing some of the highest growth rates in the post-communist world, Macedonia's economy might be more regulated, and hence more "fair" or "institutionalized." Nonetheless, the aforementioned data paint a generally accurate picture of the former Yugoslavia 15 years after its disintegration. The following tables help put the various transition processes in comparative perspective:



The republics' placements on these continuums are substantiated by the relevant IMF (2000: 134-136) data, as summarized below:

Figure 3

Market Liberation Indices, 1999				
	Large-scale Privatization	Small-scale Privatization	Trade and Foreign Exchange	Aggregate Transition Index
Slovenia	3.3	4.3	4.3	3.3
Croatia	3.0	4.3	4.0	3.0
Macedonia	3.0	4.0	4.0	2.8
Bosnia	2.0	2.0	2.7	1.8
Serbia and Montenegro	--	--	--	--

Index of Institutional Quality, 1997-1998				
	Voice and Accountability	Political Stability	Rule of Law	Average
Slovenia	10.7	10.9	8.3	8.5
Croatia	-3.2	4.1	1.5	0.3
Macedonia	0.9	-4.0	-2.6	-3.3
Bosnia	-9.7	-11.6	-11.1	-9.9
Serbia and Montenegro	--	--	--	--

Although no numbers have been compiled for Serbia and Montenegro, the poor political situation in Bosnia and Herzegovina suggests both Serbia and Montenegro would rate somewhere between Bosnia and Macedonia on the transition scales. Montenegro is placed slightly ahead of Serbia due to a more stable political situation and a positive economic outlook; in fact, it has been a vocal supporter of the apprehension of Serbian war criminals, and it is poised to negotiate a stabilization agreement with the EU sometime soon. Figure 2 reflects furthermore that the democratic and free market projects really never end, denoted by the forward-pointing arrows. Thus, while Slovenia leads the group of six in both political and economic transition, a consolidated democracy, similar to a still transitional democracy, must continue qualitatively improving by adapting to changing political, social, and economic realities. Being judged “consolidated” also means, by this author’s estimation, that the polity in question is better equipped to survive unanticipated challenges. A similar ranking on the market transition continuum means a given national economy is not only “growing” according to various universally accepted indices, but also that it is better placed than others to respond to the uncertainties of capitalism: price hikes and drops, changes in supply and demand, and so on.

Explaining why these differences exist is another dilemma, especially when one considers that Slovenia, Croatia, Bosnia, Macedonia, Serbia, and Montenegro all share a common past in a single federal entity. 80 years is a long time to have broken bread together; to have celebrated the same successes, and to have lamented the same failures. Why, then, such political and economic disparities in just over a decade of formal independence? Certain variables can be readily discounted by virtue of this intimate relationship, the first being what Linz and Stepan (1996) call “prior regime type.” According to the authors, the exact nature of the pre-transitional regime—

whether totalitarian, authoritarian, or sultanistic²⁷—can affect how the ensuing process of transformation unfolds by offering more or less room and opportunity for change. This factor can be discounted in the Yugoslavian case as the governmental apparatus in each successor state was modeled essentially the same: each was a “people’s republic” with a local legislature, all subordinate to the federal government in Belgrade.²⁸ Those who prefer the civil society argument, like Michael Walzer (1996), credit movements such as labor unions and social organizations with resistance to authoritarian regimes, helping drive the democratization process from below. But while this type of pressure was important to the fall of political and economic communism in Poland, civil society in the former Yugoslavia—while stronger than in most other Eastern European states—was comparatively less important than political and economic change *from above*.

Political leadership, then, must constitute an important factor in the transition processes still ongoing in the successor states of Yugoslavia. But what exactly does “political leadership” mean? When transitionists evaluate the significance of *who* leads a transition, they tend to refer to the leadership’s dominant ideology (are they democrats or centralists?) and/or their prior political experience (are they long-time political practitioners, or businesspeople, or worse?). There is no doubt that Macedonia, longtime Yugoslav laggard, benefited from former president Kiro Gligorov’s political and economic expertise in its move to democracy and market capitalism. University of Pittsburgh professor William Dunn (1996: 1-2) even thought him worthy of the 1996 Nobel Peace Prize, citing the long-serving Yugoslav statesman’s knowledge in market-based economics, his skills as a diplomat, and his ability to achieve “the only civil constitution in the Balkans” after the fall of Yugoslavia. But saying that individual leadership is important to the transition process is something of a redundancy: after all, it is people who shape societies, and without some sort of human agency there would be no civilization at all, democratic or otherwise. More important than evaluating the individual and professional qualities of leaders is identifying which factors likely influenced their actions.²⁹ Culture is one such factor—*the* factor according to some authors—who cite examples like Chinese-American wealth (Harrison, 2000: *xxi*) and postwar Japanese economic recovery (Landes, 2000: 10) to prove that individuals from cultures valuing discipline and hard work are most likely to embrace competitive politics and markets. It is simple to build such a case in the former Yugoslavia, pinning the richer, more democratic countries of Catholic, formerly Hapsburg, Slovenia and Croatia against the relatively weaker

²⁷ The distinguishing features of the listed prior regime types are not important for this discussion.

²⁸ The uniform political organization of the republics, however, does not mean that they were equal by all accounts; indeed, as the following discussion will reveal, the various societies were separated by important differences.

²⁹ Consider that all the transitions in Yugoslavia’s successor states were largely undertaken by former-communists-turned-alleged-democrats, each with lots of political experience. So why the different economic and political outcomes? Because ideology can vary per individual, and ideology can change. More important is understanding the conditions happening around the leadership affecting democratization and market reform.

economies and less stable political systems of the predominantly Orthodox, formerly Ottoman republics of “The South.”³⁰ But the dominant ethnic groups of the former Yugoslavia probably share more similarities than differences, including common origins, traditions, and values, not to mention the political cynicism so typical of the Balkan mentality. Besides, this type of argument hides many structural and external dynamics much more important to democratization and market reform than these authors would like to admit.

Nationhood and “Stateness:” The Role of Cultural Homogeneity

Most authors agree that properly functioning democracies require well-defined political communities. According to Linz and Stepan (1996: 27), “the very definition of a democracy involves agreement by the citizens of a territory, however specified, on the procedures to be used to generate a government that can make legitimate claims on their obedience...If a significant group of people does not accept claims on its obedience as legitimate...this presents a serious problems for democratic transition and even more serious problems for democratic consolidation.” Identifying the political community for which the institutions of a representative democracy will operate is also vital for Ghia Nodia (1994, 7-8), who insists that some type of political unit is necessary for democratic government, and that this unit is usually provided by a group of people declaring themselves to be a “nation:” a cohesive political body based on any combination of a shared sense of history, language, religion, symbols, and social relations. Too little “stateness,” as Linz and Stepan (1996) refer to it, can be a problem if a community of people seeking democratic government cannot agree on what form their political institutions should take, which values they should embrace and reflect, and where their polity’s jurisdictional and administrative boundaries should begin and end. In the successor states of Yugoslavia, more ethnic, religious, and cultural homogeneity seems to have helped facilitate smoother post-communist transitions.

The idea that cultural homogeneity promotes consensus and political stability is not new. Many political scientists and historians continue to argue that ethnically homogenous states are more stable and durable than multiethnic ones. In *Dilemmas of Pluralist Democracy*, Robert Dahl (1982: 1) advances the idea that while democracy necessarily presumes contention and debate between many competing interests, too much pluralism may breed social and political groupings opting “to foster the narrow egotism of their members at the expense of the concerns of a broader public good,” thereby working “to weaken or destroy democracy itself.” Discussing the origins of nation-building in Europe, Samuel Finer (1975: 28) insists that while “homogeneity itself...did not predispose Europe toward national states,...it decreases the difficulty of extending uniform administrative arrangements over large populations, and it makes common allegiance easier to

³⁰ One supposed manifestation of these cultural differences between North and South is a differing “work ethic.” As Svetozar Pejovich (1966: 78) explains, in “Yugoslavia, except in Slovenia and the northern parts of Serbia and Croatia, working habits are far from being developed...the fact is that, except in Slovenia and parts of Serbia and Croatia, the working mentality in Yugoslavia...is not equal to that in the West.”

promote.” In addition to promoting political stability, Finer (1975: 28) also suggests a certain *natural* or *organic* quality to modern nation-states, arguing that the “principal way in which the relative homogeneity of the European population facilitated the emergence of the national state rather than some other political dominant...was in making it easy to divide the continent up into mutually exclusive territories which were at once rather arbitrary and subject to considerable change.” Hence, political units featuring too much diversity are not only prone to political discord, but they are also somewhat artificial, that is, more “arbitrary and subject to change.”

That Slovenia and Croatia have achieved the most stable pluralist political and economic systems 15 years after the fall of the SFRJ can be at least partially attributed to their almost uniform ethnic and religious composition. Figure 4 indicates Yugoslavia’s ethnic composition by republic and by province in 1981 (Fyson, Malapanis, and Silberman, 1993: 10):

Figure 4
Ethnic Composition of the SFRJ, 1981

Republic/Province	Composition
Slovenia	91% Slovene
Croatia	75% Croat 12% Serb
Serbia (including Kosovo and Vojvodina)	66% Serb
Kosovo	78% Albanian 13% Serb
Vojvodina	54% Serb 19% Hungarian
Montenegro	69% Montenegrin 14% Muslim 6% Albanian
Bosnia and Herzegovina	40% Muslim 32% Serb 17% Croat
Macedonia	67% Macedonian 19% Albanian 5% Turk

Omitted from the table are several other ethnic and religious minorities which exist in the successor states of Yugoslavia, including significant numbers of Roma (or Gypsies), Vlachs (or Walachians), not to mention the many minority communities of Italians, Bulgarians, and Romanians, among others. Consider further the minority populations formed as a result of 80-plus years of interregional migration between the six republics, so that today, for instance, Macedonia is home to a significant number ethnic Serbs and Bosniaks, while Serbia hosts a large Macedonian community.

Far and away the most ethnically homogenous republics of the former Yugoslavia, cultural homogeneity has served the transitional processes in Slovenia and Croatia in a number of ways. The stability which forms the core of the cultural homogeneity argument has been rudimentary. In Slovenia, this has manifested in a political and economic transition characterized by high levels of consensus, not only among political elites, but also between political elites and society at large. Ramet (1993: 869) notes the “joint and cooperative” way in which “local communists and local dissidents” undertook Slovenian “pluralization,” as well as the tremendous amount of consensus surrounding Slovenia’s transition more generally. Writing on Slovenia’s “gradualist approach” to market reform, authors Mojmir Mrak, Matija Rojec, and Carlos Silva-Jauregui (2004: *xxii*) insist that one of the most important factors influencing the country’s successful transition to market-based economics was a “generally cautious attitude” accompanied by “a tradition of consensus building in the face of any major *collective* decision.”³¹ The fact that none of Slovenia’s neighbors “has either active or inactive claims on its territory” is also important (Ramet, 1993: 869), as the Bosnian and Macedonian cases will show. Whereas this type of cooperation and consensus-building eluded the dominant-power regime of President Tudjman, most analyses of that period in Croatian history still note the tremendous amount of “unity” expressed there, whether on the issue of privatization or the backing of alleged war criminals. This type of unanimity has persisted in post-Tudjman Croatia, although its specific nature has changed markedly since President Stjepan Mesic’s coming-to-power in 2000. Political and economic reforms in the post-Tudjman period have been achieved with a high degree of cooperation, and President Mesic continues to urge a “wide consensus” among relevant parties on the road to NATO and EU accession (Weinstein, 2005). Not to say that Slovenian and Croatian politics are immune to the complexities of democratic politics, as the current parliamentary rifts between the HDZ and the Social Democratic Party in Zagreb readily demonstrate. What is true is that there tends to be widespread agreement in both Slovenia and Croatia on where the countries are, where they need to be, and, in many cases, how best to get there.

In contrast, political and economic transition in the remaining post-Yugoslav states has been marred by several negative manifestations of too much ethnic and religious pluralism. Armed conflict has been the most visible manifestation of cultural homogeneity in the former Yugoslav republics, bringing many political and economic transitions to a complete standstill for long periods of time. Other lasting legacies of these wars have even more far-reaching implications for the deepening of democratic politics, pushing the prospects of political consolidation and functioning markets even further away. In multiethnic Bosnia, many Serbs, Croats, and Bosniaks continue to disagree on several fundamental issues, including how the state should look like and function, even questioning whether the “artificial” state should exist at all. Some *Republika Srpska* politicians reject the validity of the Bosnian Federation to the extent of urging union with

³¹ Emphasis added.

neighboring Serbia, thereby establishing a more “natural” nation-state.³² A similar situation persists in Macedonia, where the matters of undefined national borders and a disputed constitutional name³³ fuel Albanian separatists’ claims that the country is a “fake state” not worthy of existence, let alone political democracy. Rejecting the legitimacy of central government, these voices suggest that, at the very least, Skopje should reconstitute the unitary state as a federal entity of ethnic Macedonians (a majority east of the Vardar River) and of ethnic Albanians (a majority in many places west of the Vardar River). Merging the Albanian populated areas of Macedonia with neighboring Albania and Kosovo is also considered by many Albanian-Macedonians to be a “natural” alternative.

Cultural heterogeneity has come to dominate politics on a more nuanced level too, severely obstructing numerous transition processes. Writing on post-conflict Bosnia, Kosovo, and Macedonia, Florian Bieber (2002) describes how “power sharing” arrangements between these republics’ many ethnic and religious groups often result in political gridlock, potentially blocking important reforms. “In Bosnia and its entities,” explains Bieber (2002: 11), “each [ethnic] community by itself has the right to veto,” whereas in Macedonia the “consent of a majority of the [parliamentary] deputies representing non-dominant groups” is required to pass legislation in many areas affecting government and economy. Problems of stability versus democracy, *autonomy versus control* (Dahl, 1982), necessarily arise: Is a “dominant society” (for instance Croats in Croatia, or Macedonians in Macedonia) justified in adopting “nationalizing state policies” (Linz and Stepan, 1996: 25) promoting some level of political stability, or does the dominant society risk passing measures that can be called “anti-democratic” by “minority society”?³⁴ Arriving at a workable compromise is painstakingly hard and political decentralization and local self-government in post-communist Macedonia is a case in point. On the one hand, many believed that a new Law on Territorial Organization, negotiated in June 2004 and since ratified by parliament, would mark another step on the road to Macedonia’s democratic consolidation, changing municipal borders in an effort to increase minority, namely Albanian, representation in public affairs. Part of the aforementioned Framework Agreement, several NATO, EU, and United Nations (UN) leaders received the Assembly’s passing of the legislation with much optimism. Some political experts, on the other hand, remarked that the “new law on municipal borders did nothing to further the democratization of Macedonia and actually contradicted the provisions set out by the Ohrid Framework Agreement” (Centre for Research,

³² This has become a particularly popular stance among public figures in the Bosnian-Serb Republic since the international community began indicating possible independence for Kosovo earlier this year.

³³ Macedonia is internationally recognized with the prefix “Former Yugoslav...,” although many countries, including the United States, China, and Russia, recognize the country’s constitutional name of “Republic of Macedonia.”

³⁴ These usually include efforts aimed at promoting cultural homogenization and/or more centralized authority (Linz and Stepan, 1996: 25).

2005: 4).³⁵ Not to say that multiethnic societies are doomed to factionalism and failure, a claim that is not empirically-sound. It is just that more homogenous states are better positioned to deal with the complexities of political and economic transition. This is especially true of the post-Cold War era, in which so many people are gun-at-hand ready to protect their right to “national self-determination” after decades of communism. Linz and Stepan (1996: 29) summarize it best: “The more the population of the territory of the state is composed of plurinational, lingual, religious, or cultural societies, the more complex politics becomes because an agreement on the fundamentals of a democracy will be more difficult.”³⁶

The Economy of Transition

Besides cultural homogeneity, the specific nature of pre-transitional economies in the former Yugoslavia has played a determinative factor in the transition to free markets, almost certainly impacting political transition too. Although the SFRJ was a single federal entity and barrier-free common market (Bicanic, 1996: 132), sharp differences typified the economies of the six constituent republics. Consider these data on the eve of the pending and eventual breakup of Yugoslavia (Bicanic, 1996: 140):

	1989 per capita income	Rate of employment (%)
Bosnia and Herzegovina	1,609	17.0
Croatia	3,182	14.1
Macedonia	1,581	24.5
Slovenia	5,675	10.1
Serbia and Montenegro	2,158	21.4

As Figure 5 indicates, Slovenia and Croatia were far and away the wealthiest republics before Yugoslavia’s demise, doubling and tripling the per capita incomes of the other Yugoslav states, while maintaining unemployment rates well below the other national economies. After years of austerity and stabilization programs starting in the late 1980s, forced upon the federation by its external creditors, economic disparity between the richer northern republics and the comparatively poorer southern ones was such that “intellectuals began to talk about the existence of ‘two worlds’ in Yugoslavia” (Woodward, 1995: 105), praising the “Slovenes’ and Croats’ ‘European, civilized, efficient’ (Catholic) traditions as opposed to the ‘Balkan’ peoples’ traditions” (Samary, 1995: 57). It is also at this point that several economists and spokespeople from Slovenia and Croatia began complaining about the republics’ perceived economic exploitation, voicing concerns that transfer payments and other equalization mechanisms

³⁵ Translated from original Macedonian source.

³⁶ Canada and the United States are good examples of functioning, multicultural democracies. It just takes more effort to overcome the complexities associated with a heterogeneous society.

designed to benefit the remaining republics were too costly and unfair (Samary, 1995: 56). Interesting that even with all their economic expertise, these outspoken critics of Yugoslav equalization policy overlooked the significant advantages their republics enjoyed (Samary, 1995: 56), including a “system of price regulations and export incentives, which had the effect of awarding to the more developed republics of Slovenia and Croatia greater economic transfers than did the system of federal credits and investment grants to the less developed republics” (Woodward, 1995: 70). Macedonian politicians were particularly outspoken about being “net losers in [this] system of redistribution” (Woodward, 1995: 70). Centuries of sustained urbanization and industrialization under Hapsburg auspices also helped.³⁷

While pre-transition rates of employment and per capita income cannot necessarily forecast how smoothly a post-communist transition will be, they do suggest different types and levels of economic activity. Logically, the more compatible these activities with market-based economics, the more likely a functioning free market can be achieved during the transformation process. In newly independent Slovenia, several features of the local economy were befitting of a capitalist system. The first was a “strong tradition of a quasi-market system with relatively independent enterprise management structures” where “Slovenian managers were to a large extent responsible for running their firms and, in contrast to managers in other planned economies, were directly exposed to some degree of competition” (Mrak, Rojec, and Silva-Jauregui, 2004: *xxiv*). Extensive trading ties with major players in the global free market were also a significant help to Slovenia. At the time of Slovenia’s secession from the SFRJ, Germany had become the republic’s main trading partner, with West Germany’s share of Slovenian imports and exports rising from 20 to 23 percent and 15 to 22 percent respectively between 1985 and 1990 (Samary, 1995: 56). Perhaps most tellingly of all, Slovenian-Soviet trading declined to 12 percent of exports and 6 percent of imports in that same period, while German and Austrian companies accounted for nearly half of the 430 million USD in foreign capital invested in Slovenia in 1990 (Samary, 1995: 56). Croatia enjoyed similar “primary earning capacities in foreign trade” as Slovenia, as well as other significant advantages like “transportation and cultural links with the West” (Woodward, 1995: 58). Many local economists spoke of the still unmet potential of the Adriatic tourism industry, encouraging the relevant parties to capitalize on Croatia’s “good position in the world market” and convert it into hard currency (Woodward, 1995: 54). It is also no secret that most manufactured consumer goods in the former Yugoslavia bore the marks “Made in Ljubljana” and “Made in Zagreb,” from shoe polish, to radios, to water boilers. Consider these statistics on per capita “social product” (similar to GDP) in the SFRJ (Pejovich, 1966: 79):

³⁷ Explains Svetozar Pejovich (1966: 79): “These differences can be attributed to historical factors. For centuries Slovenia, Croatia...were ruled by Austria, a highly cultured and civilized nation. Serbia, Macedonia, Bosnia, and Herzegovina were ruled by the backward Turks.”

Figure 6

Value of Social Product in Dinars by
People's Republics of Yugoslavia for 1959 (1959 Prices)

Republic	Per Capita
Slovenia	244,088
Croatia	155,730
Serbia	124,308
Bosnia and Herzegovina	99,738
Macedonia	81,792
Montenegro	72,382

The figures are old, but the differences are significant. Svetozar Pejovich (1966: 79) also notes the differences in the level and quality of education by republic as early as 1961, with only 7.8 and 6.9 percent of Serbian and Macedonian students going on to technical school respectively, compared to Croatia's 9.1 percent and Slovenia's 12.4 percent.

In contrast, the republics of Serbia, Montenegro, Bosnia, and Macedonia were far less prepared for a transition to market-based economics at the time of independence. Mostly involved in agriculture, mining, and metallurgy, the republics of Yugoslavia's less developed central and southern states faced a markedly rougher ride to market economics, particularly as global demand and prices for their raw and finished goods dwindled significantly toward the early 1990s (Woodward, 1995: 58). Demand for producers in the defense industry also declined as the Cold War came to an end, making Serbian and Bosnian armament factories essentially useless, remnants of an international political and economic order bygone (Woodward, 1995: 58). Unlike the cases of Slovenia and Croatia, where existing industries and workforces well versed in marketing and similar skills made economic transition less painful, a complete overhaul and restructuring of old industries was required of the other republics (Woodward, 1995: 58). Since these republics relied more on external trade with the Soviet Union and other former Eastern Bloc countries, new trade relationships had to be developed too, which could not have been an easy feat given the dramatic political and economic changes happening there at the time. A report provided Professor Abdula Aliu (2004) at the University of Southeast Europe in Tetovo, Macedonia, lucidly describes how the country's privatization process was significantly hampered by these discourteous economic circumstances, leading to poor market performance and stalled transition more generally. Citing a document released by the IMF in 2003, Aliu (2004: 3) explains how "reforms privatizing firms had little benefit during the 1990s, while during the period 1994-1997 the profitability of the remaining mixed companies fared even worse, and did not get better after 1997. Similarly, reforms affecting firms still under the complete ownership of

the local municipality or state had no effect toward the year 2000.”³⁸ Much better placed to cope with the challenges of global capitalism—more suitable industries, better infrastructure, and so on—it is little wonder why Slovenia and Croatia have managed to achieve functioning free markets faster and better than their post-Yugoslav counterparts.

Just as the specific nature of pre-transition economies can affect market outcomes, it is also probably true that markets can affect political outcomes. The notion that economics and politics are intimately connected is as old as Western civilization itself. Aristotle, for one, spent much time deliberating wealth distribution in an ideal polity, concluding that “of all citizens, those in the middle survive best in city-states. For neither do they desire other people’s property as the poor do, nor do other people desire theirs, as the poor desire that of the rich. And because they are neither plotted against nor engage in plotting, they live out their lives free from danger...It is clear, therefore, that the political community that depends on those in the middle is best too, and that city-states can be well governed where those in the middle are numerous and stronger” (*Politics*, 120). The virtues of a substantial middle class are well understood by contemporary Western politicians too, as any election campaign in Canada or the United States readily demonstrates (prime ministerial and presidential candidates never fail to immerse themselves in debates on how best to service the middle class, whether through tax cuts, social spending, job creation, and the like). The logic of a relatively equal distribution of wealth benefiting democratic politics is quite sound: the more people in a society with property to protect, the more people will feel they should participate in the democratic process to safeguard what they have. It also helps that a sizeable *middling element* promotes a kind of *buffer of stability* between an upper class that lives in excess, and more numerous lower class that typically resents their opposite’s socioeconomic status.

Although Linz and Stepan (1996) do not necessarily take to the middle class hypothesis, their various empirical studies have indeed demonstrated some correlation between wealth, income distribution, and democratic politics. First they concede that “a country that is experiencing positive growth...has a better chance to consolidate democracy than a country that is experiencing negative growth” (Linz and Stepan, 1996: 80). Next they contend that “there has never been and almost certainly there never will be a modern consolidated democracy in a pure market economy,” also dismissing the prospects of democracy in a command economy because “if all property is in the hands of the state and all price, labor, supply, and distributional decisions are the exclusive purview of the state in control..., the relative autonomy of political society required in a consolidated democracy could not exist (Linz and Stepan, 1996: 11). As Adam Przeworski (1991: 122) so eloquently says in *Democracy and the Market*, “capitalism is irrational; socialism is unfeasible,” so finding the right balance is key. Likewise, in addition to requiring “a set of socio-politically crafted and socio-politically accepted norms, institutions, and

³⁸ Translated from original Macedonian source.

regulations...that mediates between state and market,” Linz and Stepan (1996: 11-13) argue further that consolidated democracies tend to exercise “significant degrees of market intervention and state ownership,” establishing social safety nets without which “democracy would not be sustainable.” Slovenia and Croatia seem to have struck the right mix of relatively high private wealth via free markets and income distribution, as these figures by the United Nations (UN) Development Programme (2005: 270) suggest:

Gini Coefficient by Republic	
	Gini Coefficient
Slovenia	28.4 (1998)
Croatia	29.0 (2001)
Macedonia	28.2 (1998)
Bosnia and Herzegovina	26.2 (2001)
Serbia and Montenegro	--

The lower the Gini coefficient, the more equal the distribution of wealth. *Jugoslovenski Pregled*, the FRJ’s federal publishing company at the time, listed Serbia and Montenegro’s Gini coefficient at 28.0 in 2002, though this was not confirmed in the UN’s (2005) report. Whereas Slovenia and Croatia are outclassed on the Gini coefficient scale by Macedonia, Bosnia, Serbia, and Montenegro, this does not mean that the latter should have better functioning democracies. Rather, the generally richer and “freer” (but not unfettered) economies of Slovenia and Croatia yield small gaps in income inequality relative to the wealth they generate. In the remaining successor states, wealth is more evenly distributed, but incomes are much smaller, which means people have less property to protect, and are more likely to depend on government assistance. Hence, at least partially, the better quality of democratic politics in the former republics of Yugoslavia’s “North.”

The Ex-Factors: The Special Significance of the EU and NATO

In addition to the factors of cultural homogeneity and pre-transition economies, external factors have played a pivotally important role in the transition processes of the successor states to Yugoslavia. It is no secret that the international community can dramatically affect local change. Citing the example of “the collective foreign policy of the European Economic Community [EEC] and especially of West German toward Portugal in 1974,” Linz and Stepan (1996: 74) contend that “a regional hegemon may, by a consistent policy package of meaningful incentives and disincentives, play a major supportive...role in helping a fledgling democracy in the region complete a democratic transition and consolidate democracy.” More specifically, Wade Jacoby (2005) lists the ways by which external actors can influence a post-communist transition. “The first mode of external help is ‘inspiration,’” writes Jacoby (2005: 6), “in which from outside to inside flow ideas about either the end state of particular institutional or policy reforms or ideas on

how to execute such reforms.” The most popular tools used by external actors here are “reports or visits by officials from international organizations, Western states, or private foundations that express concern over prevailing practices and give explicit advice about desirable reforms” (Jacoby, 2005: 6). Jacoby (2005: 6) calls the second mode of external help “subsidy,” which refers to “a range of Western efforts to provide support to PCRs [post-communist republics] for specific institutional reforms,” including “trenches of aid, access to markets, and various forms of technical assistance.” Expressions of approval are also important (Jacoby, 2005: 6). “Substitution” is the third way external actors promote local change, an assistance mechanism that tries to compensate “for the lack of like-minded insiders” via the direct provision of services by Western organizations, and/or the physical installation of outsiders in the local government apparatus (Jacoby, 2005: 7).

Western intervention in the areas of the former Yugoslavia is no secret, though the nature of intervention has varied considerably by republic. Starting with pending secession, Slovenia and Croatia were the earliest to receive international support, both covert and explicit, on their path to democratic politics and market economics. This began with vocal support from then German Chancellor Helmut Kohl on recognizing Slovenian and Croatian independence in 1991, encouraging the European Community to follow suit (Woodward, 1995: 146). Soon, Austria, Hungary, and even the Vatican began openly lobbying for the independence of Catholic Slovenia and Croatia (Woodward, 1995: 149). Likewise, Slovenian hopes of joining the EU, summed up by the popular phrase “better last in the city than first in the village” (Samary, 1995: 56), received much backing in Brussels. By 1996, just three years after declaring its principle of enlargement at the Copenhagen European Council in 1993, the EU welcomed Slovenia’s membership application with the adoption of a Stabilization and Association Agreement (SAA) naming several criteria by which Slovenia’s accession efforts would be judged, including the “stability of the institutions guaranteeing democracy,” and “the existence of a function market economy” (Potocnik and Lombardero, 2004: 369-370).³⁹ Seen as a stepping stone to full membership in the “civilized world” (Nodia, 1994), the accession process definitely “speeded” Slovenia’s post-communist transition (Potocnik and Lombardero, 2004: 368). As well as paving the way for Slovenia’s “preaccession strategy,” the EU provided Slovenia which substantial economic assistance to adopt and implement specific changes to government and market (Potocnik and Lombardero, 2004: 371). Providing for the training of judges, the development of new labor laws and agricultural policy, as well as environmental reforms more in tune with European policy are just a few of the many areas where external influence has helped guide Slovenia to democracy and competitive markets (Potocnik and Lombardero, 2004: 372-374).

Like they did Slovenia, the member-states of the EU also wished Croatia to join the now 25-strong economic and political community, undertaking several initiatives early on to secure the

³⁹ These are commonly called the “Copenhagen Criteria” for EU membership.

country's participation. After establishing diplomatic relations with Zagreb in 1992, five years later Brussels "laid down the political and economic conditions for developing bilateral ties with Croatia" (EU News and Policy, Sept. 2004). By 2000, the EU began negotiations toward an SAA with Croatia, which was eventually signed in October 2001 (EU News and Policy, Sept. 2004). With the financial, technical, and moral support of the EU, Croatia's post-communist transition has been pushed forward considerably, particularly after a prolonged period of tense bilateral relations with the Tudjman government. According to the European Commission's Country Strategy Paper for Croatia (2004: 7-9), since 2000 the country has:

1. Adopted important pieces of political reform legislation aimed at strengthening local government and the professional quality of judges;
2. Put an emphasis on promoting economic growth via the market-oriented restructuring of the tourism and agriculture industries; and
3. Committed itself to "rationalizing social welfare policies," as well as establishing a new legislative framework to protect labor rights.

The important role of external actors cannot be underestimated, and is one of the main reasons both Slovenia and Croatia currently find themselves ahead of the other successors to Yugoslavia in terms of political and economic transition. Also aiding their post-communist performance are the United States and NATO, which have each been vocal advocates of "Europeanists' initiatives" in the Balkans since the fall of Yugoslavia (Woodward, 1995: 158). While Slovenia has been a NATO member-country since March 2004, Croatian inclusion in the organization's Membership Action Plan (MAP) has been accompanied by what Zeljko Ceganec (2004: 84) calls a "wave of democratization." Zagreb expects an invitation to join NATO in the next round of enlargement, scheduled for November 2006 in Riga, Latvia.

There is a general consensus among many in the remaining former republics of the SFRJ that Slovenia and Croatia's post-communist success can be at least partially attributed to the international community's "holding of their hands" along the path to democracy and capitalism. While the "holding of the hands" analogy might seem a little far-fetched (logically most impetus for democratization and market reform must come from within a society), there is some validity to these popular perceptions. The foreign assistance that the external community has provided Macedonia, Bosnia, Serbia, and Montenegro has quantitatively and qualitatively differed from that provided to the republics of Slovenia and Croatia.⁴⁰ Of course, much of this has to do with the fact that Slovenia and Croatia were not enveloped in protracted wars at the disintegration of Yugoslavia, meaning foreign intervention could come in the form of outside "inspiration" and "subsidy," rather than extensive "substitution," which became the situation in Bosnia. There the entire political order was reconstituted by the Clinton Administration to make way for foreign personnel tasked with promoting peace, stability, democracy, and a free market economy.

⁴⁰ Croatia was heavily involved in the war in Bosnia, although the war in Croatia ended in January 1992 after just six months.

Bosnia's protectorate status, in turn, can limit meaningful *indigenous* democratization and reform. Neighboring Serbia and Montenegro, as the FRJ, were virtually left to "fend for themselves" by the international community, politically isolated and on the receiving end of economic sanctions for nearly a decade, although a steady normalization of relations with the EU, NATO, and the UN has happened since Milosevic's fall. Last, but certainly not least, Macedonia had to essentially "go-it-alone" for 10 years before the international community finally began taking an active interest in its political and economic affairs. Only after another Balkan war looked imminent in 2001 did the EU, NATO, and the UN step in to become more seriously involved in Macedonia's democratization and market reform process, providing much-needed policy guidance and financial support. As well as negotiating the aforementioned Framework Agreement in 2001, which brought an end to six months of standoffs between Skopje's military and ethnic Albanian rebels, the international community has overseen a number of Macedonian achievements during the last five years, including a marked decline in ethnic tensions (Blazevski, 2006),⁴¹ significant judicial reforms (Causidis, Dimovski, and Jovanovska, 2005),⁴² and noticeable economic progress (Commission of the European Communities, 2004).⁴³

But the value of external actors like the EU and NATO to the transition process extends even beyond subsidies and direct intervention in post-communist states. As Potocnik and Lombardero (2004: 372) explain, since gaining independence, Slovenia has been able to press ahead with many "unpopular" reforms because of an "overriding determination" among Slovenian citizens in support of EU membership. A similar situation seems to have unfolded more recently in Croatia, where public support for accession to the EU peaked at 70 percent in January 2004 (EU News and Policy, Sept. 2004). Several developments that might have been impossible before 2000 have since taken shape, including: (1) the transformation of the Croatian political system from a dominant-power state to a centre-right (HDZ) versus centre-left (Social Democrats) configuration, typical of other stable Western democracies (Weinstein, 2005); and (2) the apprehension and delivery of Croatian war criminals to the ICTY, most notably Ante Gotovina in December 2005. The latter event is particularly telling, and would have been much too politically unpopular were it not for the EU's tying of Croatia's successful admission to Gotovina's capture.

⁴¹ Ivan Blazevski (2006) comments on how before 2001, Albanian politicians would have their microphones switched off if they attempted to speak their mother tongue in official proceedings; now it is commonplace, and accepted as the norm.

⁴² Says Macedonian Foreign Minister, and vice premier in charge of EU integration, Radmila Serinska: "If we don't show that we have been doing our homework in this [area], Brussels will not trust us" (Causidis, Dimovski and Jovanovska 2005).

⁴³ According to the Commission (2004: 18-21), these include: (1) the completion of the "Action Plan" for the restructuring, liquidation, and privatization of 40 large loss-making enterprises, which was launched in 2000; (2) the approval of a new law setting up the "Agency for Promotion of Entrepreneurship;" (3) significant improvements in the banking sector, specifically "banking supervision" in the country; (4) more government focus on measures and activities supporting the "development" and "competitiveness" of small- to medium-size enterprises; and, (5) notable progress in "pension reform" and "public expenditure management."

Likewise, the matter of EU and NATO membership is seen as the “sole uniting factor in Macedonia,” where more than 80 percent of ethnic Macedonian and ethnic Albanians agree on the issue (Makfax News Agency, Mar. 2006). The almost magnetic appeal of these multilateral organizations is the major reason why ethnic Macedonians “largely ignored [a] nationalist-inspired plebiscite” on political decentralization in November 2004, heeding EU, NATO, and UN calls that a “Yes” vote on quashing the initiative would have hurt the country’s prospects on the road to accession (Petruševa, 2004). Recent reforms in Serbia and Montenegro have also occurred in a socio-political environment of nearly 64 percent support for EU membership (European Integration Office, Oct. 2005). But whereas EU and NATO doors were wide open at the time of Slovenia’s application, the Euro-Atlantic community now says that their doors may be “closed to Balkan states” (Makfax News Agency, Apr. 2006). External actors can make all the difference, particularly when it comes to an area in the world that so badly needs its own positive, unifying force: a force which might usher in a new nationalism, not so much “ethnic” and divisive as it is “inclusive” and civic. One should cringe at the thought of a Balkans politically and economically exclusive of Europe.

Conclusion: Can Western-style free market democracy conquer the Powder Keg?

Starting with the SFRJ’s pending and ensuing dissolution in 1991, the republics of Slovenia, Croatia, Macedonia, Bosnia and Herzegovina, and Serbia and Montenegro embarked upon paths of political and economic transition that, in most cases, are still ongoing. Slovenia has achieved the quickest and smoothest transition to political democracy and a functioning market economy, owing mainly to its mostly homogenous population, its strong “quasi-market” pre-transition economy, and outside moral and financial support from various actors, namely the EU. Although it is not the consolidated democracy and strong free market system that Slovenia is, Croatia is next closest to fully completing its political and economic transition, benefiting from a similarly homogenous population, a developed pre-transition economy, and some notable foreign aid, though not to the extent of Slovenia. The remaining republics of Macedonia, Bosnia, Serbia, and Montenegro have gone down the patchiest roads to political and economic transformation, confronted by the several negative manifestations of too much ethnic and religious pluralism, national economies that were generally unsuited to market-based economics on the eve of independence, and external intervention that has quantitatively and qualitatively differed from that provided the likes of Slovenia and Croatia.

What does this mean? For transition theorists, a comparative analysis of the successor states to the former Yugoslavia reveals the utmost significance of cultural homogeneity, pre-transition economies, and international influences to the post-communist project. Unfortunately, these tend to be the least examined among the possible factors impacting democratization and market reform, especially true of the role of external actors. This should not be surprising. Writing from a Western perspective, most analysts and writers on post-communist transition tend to dismiss the

importance of a homogeneous population because they themselves hail from democratic societies that are multicultural and yet quite stable and democratic. The nature of pre-transition economies is similarly overlooked because, according to Western scholars and bureaucrats, “you too!” can build a functioning market economy just by implementing the right kinds and amounts of macro- and microeconomic policy. Since the established Western free market democracies were able to get to where they are with neither the aid nor guidance of (post)modern political groupings like the EU, so too the most successful post-communist transitions probably did not rely on extra-national help. The fact that these success stories like to downplay the help they received from outside sources also makes the factor of external influences a less attractive subject of study. Slovenia is such a success story, which, although it has been “receiving assistance from the European Union since 1992” (Potocnik and Lombardero, 2004: 372), argues that the EU was little more than a footnote in its transition process.

Perhaps the most important question regarding post-communist transition in the former Yugoslavia is whether the outcomes of democratization and market reform in the remaining republics will produce similar levels of political and economic performance as Slovenia and, to a lesser extent, Croatia. Given the challenges, Bosnia and Macedonia probably face the toughest course in the immediate future. Not to say that Serbia and Montenegro are now perfectly positioned for success either. “Ethnic politics” will continue to characterize the Macedonian and Bosnian political landscapes, severely obstructing the possibility of a Western-style centre-left versus centre-right parliamentary arrangement, such as that which has emerged more recently in Croatia. Instead, politics will continue to be drawn along ethnic lines, leading to political gridlock, instability, and, at worst, renewed civil violence. With Kosovo nearly gone, Serbia can capitalize on the benefits of a more stable political landscape, while Montenegro, more sure of the nature of its state after recently gaining independence, can also do the same. What this author fears—and what everyone should fear—is a situation in which Western-style democracies and free markets ultimately breed political and socioeconomic disparities that can quickly ignite the Powder Keg that is the former Yugoslavia. Only time will tell.

Bibliography:

- "Framework Agreement 13.08.2001." (2001),
http://faq.macedonia.org/politics/framework_agreement.pdf#search=%22ohrid%20framework%20agreement%202001%22.
- Aliu, Abdula. "Vazhnosta Na Privatizacijata Za Integracijata Na Makedonia Vo Evropskata Unija." (2004),
<http://www.fes.org.mk/pdf/Abdulla%20Aliu,%20VAZNOSTA%20NA%20PRIVATIZACIJATA%20ZA%20INTEGRACIJATA%20NA%20MAKEDONIJA%20VO%20EVROPSKATA%20UNIJA.pdf#search=%22ekonomski%20reformi%20vo%20makedonija%20>
2.
- Aristotle, and C. D. C. Reeve. *Politics*. Indianapolis, Ind.: Hackett Pub., 1998.
- Bartlett, W. "From Reform to Crisis: Economic Impacts of Secession, War and Sanctions in the Former Yugoslavia." In *Problems of Economic and Political Transformation in the Balkans*, edited by Ian Jeffries, 151-72. New York: Pinter, 1996.
- Bicanic, I. "The Economic Divergence of Yugoslavia's Successor States." In *Problems of Political Transformation in the Balkans*, edited by Ian Jeffries. London: Pinter, 1996.
- Bieber, Florian. "Power Sharing after Yugoslavia: Functionality and Dysfunctionality of Power Sharing Institutions in Post-War Bosnia, Macedonia and Kosovo." (2002),
<http://www.policy.hu/bieber/Project/CanadaPowersharing.pdf#search=%22ethnopolitics%20blocks%20legislation%22>.
- Blazevski, Ivan. "Sound of Albanian No Longer Offends." (2006),
http://www.iwpr.net/?p=brn&s=f&o=322822&apc_state=henpbrn.
- Carothers, T. "The End of the Transition Paradigm." *Journal of Democracy* 13/1 (2002): 5-21.
- Causidis, Tamara, Sase Dimovski, and Svetlana Jovanovska. "Macedonia May Rue Hastiness." In *Balkan Crisis Report*. Brussels, 2005.
- Central Intelligence Agency. "Croatia."
<https://www.cia.gov/cia/publications/factbook/geos/hr.html>.
- . "Gdp-Per Capita (Ppp) by Rank Order."
<https://www.cia.gov/cia/publications/factbook/rankorder/2004rank.html>.
- Centre for Research and Policy Making. "Makedonskata Etnichka Politika Po Ohridkiot Dogovor - Prashanje Na Noviot Zakon Za Granicite Na Lokalnata Samouprava." (2002),
<http://www.crpm.org.mk/Papers/Policy%20Brief%20N.1.Makedonski.pdf>.
- Cepanec, Zeljko. "Croatia and Nato: The Thorny Road to Membership." (2004),
<http://www.cpi.hr/download/links/3151.pdf#search=%22croatia%20and%20nato%22>.
- Commission of the European Communities. "Stabilization and Association Report 2004." edited by Commission of the European Communities, 1-40, 2004.

- Dahl, Robert Alan. *Dilemmas of Pluralist Democracy: Autonomy vs. Control*, Yale Studies in Political Science; New Haven: Yale University Press, 1982.
- Delamer, Ikka, and Miriam Rabkin. "Transitions to Democracy - Bosnia and Herzegovina." (2006), http://www.queensu.ca/csd/publications/bosnia_paper.pdf.
- Dempsey, Gary. "Rebuilding Socialism in Bosnia?" (1998), <http://www.cato.org/dailys/2-06-98.html>.
- Dunn, William. "1996 Nobel Peace Prize Nomination." (1996), <http://72.14.205.104/search?q=cache:gD7Q9bqfCr8J:www.pitt.edu/~ginie/Macedonia/pdf/let2p.pdf+Dunn+1996+Nobel+Peace+Prize+Nomination&hl=en&gl=ca&ct=clnk&cd=2&client=firefox-a>.
- EU News and Policy Positions. "EU - Croatia Relations." (2004), <http://www.euractiv.com/en/enlargement/eu-croatia-relations/article-129605>.
- European Commission. "European Commission Country Strategy Paper for Croatia, 2002-2006." 2006.
- European Integration Office. "Presentation of Public Poll Results in Relation to European Integration Process." (2005), http://www.seio.sr.gov.yu/upload/documents/Prezentacije/presentation_eng.ppt.
- Finer, S. "State- and Nation-Building in Europe: The Role of the Military." In *The Formation of National States in Western Europe*, edited by Gabriel Ardant and Charles Tilly, 84-163. Princeton, N.J.: Princeton University Press, 1975.
- Freedom House. "Freedom in the World 2005: An Annual Survey of Political Rights and Civil Liberties." (2005), <http://www.freedomhouse.org/template.cfm?page=15&year=2005>.
- Fyson, George. *The Truth About Yugoslavia: Why Working People Should Oppose Intervention*. 1st ed. New York: Pathfinder, 1993.
- Government of the Republic of Macedonia. Ministry of Justice. "Strategy on the Reform of the Judicial System." 1-19, 2004.
- Harrison, Lawrence E., and Samuel P. Huntington. *Culture Matters: How Values Shape Human Progress*. New York: Basic Books, 2000.
- Human Rights News. "Croatia: EU Must Address Domestic War Crimes Trials." *Human Rights News* (2004), <http://hrw.org/english/docs/2004/12/20/croati9917.htm>.
- . "Croatia: Ruling Hinders Refugee Returns." (2004), <http://hrw.org/english/docs/2004/11/17/croati9670.htm>.
- Human Rights Watch. "Croatia's Democracy Deficit." *Human Rights Watch* (1999), <http://www.hrw.org/reports/1999/croatia2/Electweb-02.htm>.
- International Constitutional Law. "Constitution of the Republic of Montenegro." 1992.

- . "Constitution of the Republic of Serbia." 1990.
- . "Croatia - Constitution." *International Constitutional Law*, 1990.
- . "Macedonia - Constitution." edited by *International Constitutional Law*, 1991.
- International Monetary Fund. "Transition: Experience and Policy Issues." In *World Economic Outlook: Focus on Transition Economies*, 84-137. Washington, DC: International Monetary Fund, 2000.
- Jacoby, W. "External Influences on Post communist Transformations: A Review Essay." (2004), http://www.ptesc.ssc.upenn.edu/Paper_pdf/Jacoby_Review_Essay_for_PTESC.doc.
- Jugoslovenski Pregled. "Poverty and the System of Government Support to the Underprivileged in Serbia." (2002), <http://www.yusurvey.co.yu/products/ys/showSummaryArticle.php?prodId=1772&groupId=2275>.
- Landes, D. "Culture Makes Almost All the Difference." In *Culture Matters: How Values Shape Human Progress* edited by Lawrence E. Harrison and Samuel P. Huntington, 2-227. New York: Basic Books, 2000.
- Linz, Juan J., and Alfred C. Stepan. *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe*. Baltimore: Johns Hopkins University Press, 1996.
- Makfax Independent News Agency. "EU Doors Closed to Balkan States." (2006), <http://www.makfax.com.mk/look/agencija/article.tpl?IdLanguage=1&IdPublication=1&NrArticle=19726&NrIssue=431&NrSection=20>.
- . "EU Sole Uniting Factor in Macedonia." (2006), <http://www.makfax.com.mk/look/agencija/article.tpl?IdLanguage=1&IdPublication=1&NrArticle=19030&NrIssue=416&NrSection=10>.
- McFaul, M. "The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World." *World Politics*, no. 54/2 (2002): 212-44.
- Ministry of Economy, Labor and Entrepreneurship. "General Information on Croatia-Economic Indicators." (2005), http://www.hnb.hr/statistika/e-ekonomski_indikatori.htm.
- Mrak, Mojmir, Matija Rojec, Carlos Silva-Jauregui, and World Bank. *Slovenia: From Yugoslavia to the European Union*. Washington, DC: World Bank, 2004.
- Nodia, G. "Nationalism and Democracy." In *Nationalism, Ethnic Conflict, and Democracy* Edited by Larry Jay Diamond and Marc F. Plattner. Baltimore: Johns Hopkins University Press, 1994.
- O'Brien, F. Stephen. *Bosnia and Herzegovina: Post-Conflict Reconstruction and the Transition to a Market Economy: An OED Evaluation of World Bank Support*. 1st ed. Washington, DC: World Bank, 2004.

- Pejovich, Svetozar. *The Market-Planned Economy of Yugoslavia*. Minneapolis: University of Minnesota Press, 1966.
- Petruseva, Ana. "Comment: Macedonians Turn Away from Ethnic Divisions." *Balkan Crisis Report* no. 525 (2004).
- Potocnik, J. "Slovenia's Road to Membership in the European Union." In *Slovenia: from Yugoslavia to the European Union*, edited by Mojmir Mrak, Matija Rojec, Carlos Silva-Jauregui and World Bank., 446 p. Washington, DC: World Bank, 2004.
- Przeworski, Adam. *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America*, Studies in Rationality and Social Change. New York: Cambridge University Press, 1991.
- Ramet, S. "Slovenia's Road to Democracy." *Europe-Asia Studies*, no. 45/5 (1993): 869-86.
- Republic of Macedonia State Statistical Office. "Foreign Direct Investment." (2005), <http://www.stat.gov.mk/pdf/1-2005/3.1.5.05.pdf>.
- . "Gross Domestic Product." (2005), <http://www.stat.gov.mk/pdf/1-2005/3.1.5.06.pdf>.
- . "Labor Market." (2006), <http://www.stat.gov.mk/pdf/2006/2.1.6.22.pdf>.
- Samary, Catherine. *Yugoslavia Dismembered*. New York: Monthly Review Press, 1995.
- Statistical Office of the Republic of Slovenia. "Few Poor in Slovenia." (2005), <http://www.uvi.si/eng/slovenia/publications/slovenia-news/1081/1096/>.
- . "Slovenia 15 Years after Independence: Comparison of Some Important Statistical Indicators for 1991 and 2005." (2006), <http://www.stat.si/doc/pub/15letpoOSamosang.pdf>.
- Tziampiris, A. "The Name Dispute in the Former Yugoslav Republic of Macedonia after the Signing of the Interim Accord." In *Athens-Sokopje: An Uneasy Symbiosis, 1995-2002*, edited by Evangelos Kofos and Vlas Vlasidis, 225-51. Athens: Papazisis Publishers, 2003.
- United Nations. "Human Development Report 2005." United Nations Development Programme, 2005.
- Walzer, Michael. "The Civil Society Argument." In *Dimensions of Radical Democracy: Pluralism and Citizenship*, edited by Chantal Mouffe, 153-74. London: Verso 1992.
- Weinstein, Michael. "Croatia Enters a Problematic Phase of Development." (2005), http://www.pinr.com/report.php?ac=view_report&report_id=256&language_id=1.
- Woodward, Susan L., and Brookings Institution. *Balkan Tragedy : Chaos and Dissolution after the Cold War*. Washington, D.C.: Brookings Institution, 1995.

- . "Bosnia and Herzegovina: Country Brief 2006." (2006),
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/BOSNIAHERZEXTN/0,,menuPK:362036~pagePK:141132~piPK:141107~theSitePK:362026,00.html>.
- . *Croatia Health Finance Study*. Washington D.C.: Human Development Sector Unit, 2004.
- . "Serbia and Montenegro: Country Brief 2006." (2006),
<http://www.worldbank.org.yu/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/SERBIAEXTN/0,,menuPK:300913~pagePK:141132~piPK:141107~theSitePK:300904,00.html>.