
Economic Integration of the Balkan Peninsula: The Key to Regional Stability

SENAD HRUSTANOVIC

INTRODUCTION

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Senad Hrustanovic has had a unique opportunity to observe the dramatic changes that are taking place in the Balkan region. From 1985 to 1993, he worked in the Ministry of Finance of the state of Bosnia-Herzegovina in the Yugoslav Federation, achieving the rank of Deputy Minister, a position he retained when Bosnia-Herzegovina became an independent nation. In this capacity, he was responsible for international finance, banking and monetary policy for his government. He was also responsible for several large infrastructure projects funded by the International Monetary Fund, the World Bank, and the International Finance Corporation. In addition, he was deeply involved in the privatization process in his country and helped to redefine its financial system.

The outbreak of war in 1992 prevented him from implementing the policies that he had hoped would bring prosperity to Bosnia-Herzegovina. Since 1997, he has served as an independent consultant on international trade and marketing. He currently is an entrepreneur in the San Francisco Bay Area. Both as a policy specialist in Bosnia-Herzegovina and more recently as an entrepreneur in America, Senad

SENAD HRUSTANOVIC WAS DEPUTY MINISTER OF FINANCE OF BOSNIA-HERZEGOVINA FROM 1987 TO 1993 RESPONSIBLE FOR INTERNATIONAL FINANCE, FINANCIAL MARKETS, PRIVATIZATION, BANKING AND MONETARY REFORM. HE HAS PUBLISHED SEVERAL STUDIES AND ARTICLES ON BANKING, FINANCE AND INTERNATIONAL DEVELOPMENT FOCUSING ON FOREIGN DIRECT INVESTMENTS AND JOINT-VENTURE PROJECTS.

Hrustanovic is representative of many people in the Balkan region who recognize the importance of improving economic conditions as the only viable means of bringing the Balkan peoples together.

THE HISTORICAL OBSTACLES TO ECONOMIC INTEGRATION

For nearly a decade, the people of the former Yugoslavia (Croatia, Bosnia-Herzegovina, Serbia, Macedonia, Montenegro and Slovenia) have suffered profound human, economic and political losses. The recent bloody military campaigns have solved none of the underlying political issues that have been a source of conflict in the region for centuries—large oppressed minority populations, religious divisions, ethnically mixed communities and failed attempts to distribute political power by democratic means. Armed conflict has further aggravated the situation to the point where no solution is possible without the leadership and commitment of a united international community.

Conflict in the Balkan peninsula has often been generated by the selfish and narrow-minded interests of powerful political groups that have rejected any notion of regional economic integration. A common Balkan market is essential in order for the region to prosper and for its peoples to live in harmony with one another. Instead of pursuing such a growth strategy, however, local leaders have hastened the fragmentation of the peninsula. As a result, with internal migration, political tensions have increased, broken only by periods of tenuous relative peace and calm when ordinary people have experienced prosperity and economic stability: the rewards associated with peaceful coexistence.

The 20th century was particularly disastrous for the Balkan region. No less than four wars were waged on its soil during this period: the Balkan War from 1912 to 1913, World Wars I and II, and the wars of the 1990s. All of these wars were caused by the failure of political leaders to rise above the power struggles that have plagued the region in order to focus on the economic needs of the peoples who live there. Economic growth has been retarded, leaving Southeastern Europe far less prosperous than its neighbors.

CREATING THE CONDITIONS FOR ECONOMIC DEVELOPMENT

As the twenty-first century begins, economic issues must be placed at the top of the political agenda for all countries in the Balkan region in order to change the political climate that has undermined efforts to develop the stability needed for a prosperous future. A modern regional infrastructure, a productive trading relationship among neighboring states and a commitment to peace and stability are essential short-term goals that must be achieved before the region's economic and political potential can be developed.

The preconditions for a true economic renaissance are viable political and legal underpinnings. Isolationism (whether a cause or a consequence of extreme nationalism) must be abandoned. Almost every country on the Balkan peninsula must solve its problems associated with minority populations, including land ownership, educational opportunities, the right to travel freely and freedom of religion. The protection of basic human rights needs to be addressed on a regional basis.

Poverty in the Balkans prevents countries in the region from moving forward in tandem with the rest of Europe. Political groups, rather than working to ameliorate economic conditions and rebuild economies, prefer the status quo: they exploit economic disparities and popular discontent to seize power, which they maintain through violence. But these policies are extremely shortsighted and untenable. Only through the development of open societies with market economies, protected by a stable regional security system, can the peoples of the Balkans participate in the evolving world economy and attain the lasting prosperity that regional integration can bring.

ENSURING REGIONAL SECURITY

Unfortunately, the objectives of economic development and the integration of economic resources have never been popular with nationalistic leaders in the region. Many such leaders have gained power by appealing to popular fears of certain minorities or religious groups and to popular prejudices and ideologies of dominant political groups. The low level of political discourse is aggravated by competition for scarce resources. As a result, many civil and human rights abuses have occurred, further deepening the ethnic schisms.

As a first step to turning back the tide of nationalism and instability, the entire region of Southeastern Europe must become part of an integrated security system. Political leaders must willingly renounce the use of force and threats against minority populations in favor of policies that ensure mutual cooperation, economic growth and democratization of societies. These should be the principal themes of successful candidates in every future election in every country of the region.

REVIVING THE BALKAN ECONOMIES

When the issue of security is settled in this manner, the Balkan people may then focus on economic development. In time, this region can become an attractive market for investors and develop healthy trading relationships with the rest of the world. Ultimately, political and economic integration with the rest of Europe and its transatlantic partners must be a principal policy objective for the region.

For example, the integration of minority populations in a revived Balkan economy could help establish links with other countries and enhance the welfare of all peoples rather than allowing some to become pawns in the power struggles that benefit only a few. As a practical matter, an integrated highway system serving all Balkan countries and connecting their markets with markets throughout the world is a key step in furthering the economic development of the region and encouraging contact among peoples.

In addition to the actions that must be taken by the Balkan countries themselves to build their own infrastructure, the region could benefit greatly from the political support and practical advice of the West. The people of Bosnia-Herzegovina, for instance, remember well the price that was paid because of the lack of political consensus in the West on how to deal with the Balkan situation at the beginning of the conflict in 1992. So many lives were lost, and Bosnia-Herzegovina suffered immense economic harm.

The crisis of the Albanian population in the Kosovo province of Serbia should be the catalyst that induces the West to develop a united position on the future of the Balkan peninsula, including a plan to develop its economic resources on a self-sustaining basis. The United States has played a pivotal role in achieving a consensus among NATO members to address the complex issues that have historically divided the region. But political and military assistance is only the beginning. The task must be completed by laying the foundation for future economic growth and stability.

PURSUING A PROSPEROUS FUTURE

The people of Southeastern Europe must catch up with contemporary times. Left untouched, this crowded and politically complex region is a tinderbox for future political conflicts. It is in the strategic interests of the international community to help the Balkan states unite peacefully and integrate economically, rather than destroying each other and themselves. The horrors of the past decade must not be allowed to continue.

Regional stability in Southeastern Europe should be the principal item on the agenda of the international community. It should also be of a topic of discussion in every community that wants to understand what is at stake as America continues to pursue unfettered free trade. It is in America's interest to stimulate connections with people in the Balkan peninsula in order to help them achieve a prosperous future. American cities, states and regions should consider establishing councils on foreign affairs to help Americans understand that the United States' role in global economic development is also to spread the good news that a prosperous world economic order is both in everyone's interest and achievable. Certainly the Balkan peoples deserve a chance to become a part of that future. ■
