

The Balkans: New openings in the region

By Frank J. Yacenda

Sometime around the beginning of the unfortunate decade that saw the former Yugoslavia tear itself to pieces and much of Southeast Europe descend from a kind of Communist stability to multi-dimensional upheaval, the respected British journal *The Economist* ran a cover headline that was both historically telling and prophetic: "They don't call them the Balkans for nothing," it noted wryly, in blazing red 24-point type.

And indeed, against the hopes of many both within and outside the region and to the general detriment of their own peoples, the Balkans did once again manage to live up to their name.

But today new signs of hope, and several forward-looking initiatives, are appearing like tentative shoots of early spring grass across the rugged mountains and valleys of this historically fractured land. While the dispassionate observer must acknowledge that the horizon is not entirely clear of obstacles, divisions, or pitfalls, the promising developments are beginning to outnumber the negative legacies, and new and realistic openings are appearing across Southeast Europe. Part of the impetus for this positive turn is the realization among the greater community of nations that all reasonable effort should be expended to assure that the Balkan wars of the 1990s (not to mention those that preceded them throughout history) are not allowed to return. Clearly it was this realization and determination that led Europe, America, and the various international organizations concerned with the region to intercede so forcefully in the most recent civil dispute that erupted, and threatened to boil over (but did not), in the Former Yugoslav Republic of Macedonia.

Perhaps a decade of ethnic and civil strife descending into bloody warfare had indeed taught some lessons, for the international community clearly was much further up the learning curve than it was when Slovenia and Croatia first began their march to self-declared independence, followed by the Bosnian debacle. Nevertheless, one needs to give credit as well to the country itself, for had the Macedonians – ethnic Slav and

Albanian alike – not shown a willingness to accept political compromise, the Balkan powder keg again may have ignited at untold cost. But privatization, as much as polarization, is a leading national issue, as it is throughout the region, and significant strides also are being made in this area.

Such signs of hope, seedlings though they may be, are visible in the politics and economies of the other countries of the region as well:

- The remains of the former Yugoslavia, renamed Serbia and Montenegro, rid of their former dictator though still dealing with his legacy, have settled into an uneasy coexistence, and have decided that should they go their separate ways, it will be at the ballot box, not the bunker.
- Slovenia (reluctant even to be associated with the name “Balkans”) has more-or-less resolutely steered a westward path, beckoned by the dual prospect of growing prosperity and European Union membership in the shorter term.
- After a bumpy start, Croatia is adapting free-market principles and is looking to remain with the respectable at the table of nations. Meanwhile, tourism on the Dalmatian Coast is once again a viable proposition.
- Romania, the sleeping giant of the region, has been registering positive economic growth after nearly a decade during which its economy shrank faster than an arctic iceberg drifting into tropic waters. There is a new optimism and, prodded by the somewhat more distant prospect of EU membership, an apparent willingness to deal with long-standing internal problems – including in the hot-button realms of ethnic relations and human rights – long suppressed during the Ceausescu years.
- Bulgaria, still stymied by problems with organized crime (not exactly unknown in all the countries of the region), has managed to stabilize its economy thanks to a currency board instituted nearly seven years ago, and boasts a decent infrastructure capable of supporting both heavy industry and tourism.
- Even Albania, once arguably the basket-case of the region, has gone through a metamorphosis nothing short of breathtaking. A construction boom has transformed Tirana into a city sprouting new high rises like so many mushrooms in a field, parks have returned to displace the tawdry and illegal kiosks of the early post-Communist era, the political process – though still mired in inter-factional disputes – has gone several years without a cataclysm like those that occurred with depressing regularity throughout the 1990s, and there is a new optimism in the air that gives natives, and even the most jaded visitor, grounds for real hope.

Some problems persist, like stones in an old shoe. Most notable is post-war Bosnia and Herzegovina, itself Balkanized by the Dayton peace accords into two separate regions that reflect the ethnic and religious divide that plunged the country into its own world-class nightmare and which still is plagued by rampant organized crime, corruption, and

general inefficiency. Also notable is that other victim of bloody ethnic intolerance, the UN-administered Serbian province of Kosovo, where the majority Albanian population gains increasing rights of self-governance under the protection and tutelage of the international community, while deep ethnic divisions with the minority Serbs endure. Meanwhile, the UN seems incapable of getting the power on or the water to flow on any kind of regular basis, even four years after its arrival on the scene and the expenditure of billions of euros.

The overall picture, however, is brightening across much of Southeast Europe, in part encouraged by a panoply of regional initiatives that read like a veritable alphabet soup: SPSEE, SECI, SELDI, SDISEE, (Stability Pact for South East Europe, Southeast European Cooperative Initiative, Southeast European Legal Development Initiative, Social Development Initiative for South East Europe), and numerous others. Throwing their financial weight into the fray are another alphabet soup of institutions: EBRD, EIB, BSTDB, SEEF, OPIC, TDA (European Bank for Reconstruction and Development, European Investment Bank, Black Sea Trade and Development Bank, Southeast Europe Equity Fund, and the U.S. Overseas Private Investment Corporation and Trade Development Agency), along with untold others.

Like a boatload of sailors tossing everything not tied down into the water to save a drowning crewmate, the international community seems unwilling to let any opportunity go by that might permit the countries of the region revert to their former Balkan ways. Never mind that funding levels do not always reflect the moral fervor (or realistic demands) of the cause or that “postponement” and “delay” seem to be pan-Balkan vocabulary words. The most important outgrowth of all these various initiatives is that they have gotten the capitals of the region speaking, rather than sparring, with each other, and planning for a better tomorrow in cooperation, not reliving yesterday in endless cycles of conflict. Not unworthy goals in themselves, other program objectives aside.

What all this means for business is both encouraging and precautionary. Clearly, any Western company seeking a risk-free environment would be better off staying home than dipping so much as a toe into the swirling waters of Southeast Europe.

Fortunately, others less risk-averse can find new openings, potentially rich markets, and strong profit potential in fields as widely diverse as telecommunications, manufacturing, information technology, mining, tourism, trade, pharmaceuticals, agriculture, insurance, petroleum, aviation, media, construction, and healthcare, to name but several with leading potential, in no particular order.

Not unlike many emerging markets – or even more developed ones – companies from the “outside” often find it hard to make headway absent a strong local partner. Still, such partners must be selected and employed with keen judgment and no shortage of

due diligence or oversight, for more than one Balkan cooperation has foundered on deceit or (perhaps as commonly) inaction. Given the generally weak legal and juridical structures, not to mention corruption, present in many countries of the region, caveat emptor must apply.

That said, many of these more recent developments, including, significantly, a growing infrastructure of banking and financial services throughout Southeast Europe, make the inducements to at least explore the region attractive. After all, the Balkans are a part of Europe, form a bridge between East and West, North and South, are home to more than 56 million people, and represent a market whose only realistic growth dynamic is upward.

The countries of Southeast Europe, as that sardonic Economist headline once opined, may not have been called the Balkans for nothing, but business clearly has a key role in assuring that they never again return to their former characterization.

About the author: Frank J. Yacenda is a former American diplomat who was posted to Tirana, Albania, as Economic and Commercial Officer in the mid-1990s. Since leaving the diplomatic corps in 1999, he has been engaged in various business pursuits throughout Southeast Europe, and currently also is a professor at University of New York/Tirana.