



SPECIAL REPORT

ABOUT THE REPORT

On April 25, 1998, the United States Institute of Peace conducted a meeting of its Bosnia Working Group to discuss the future of Serbia and the Milosevic regime. The working group is composed of representatives from government agencies, think tanks, and nongovernmental organizations who are experts on Balkan matters. Chaired by the former U.S. Ambassador to Bosnia-Herzegovina John Menzies, the working group has met consistently throughout 1997-98 to discuss issues of implementing the Bosnia peace agreement. Recognizing that Bosnia cannot exist as a viable, democratic state unless it is embedded in a region that is itself stable and democratic, the Institute has begun discussions on Balkan-wide prospects for political and economic development.

The objective is not to reach consensus within the group, but to explore issues and options. Herein is a summary of the working group's discussion by Senior Fellow Daniel Serwer, Program Officer Lauren Van Metre, and research assistants Kristine Herrmann and Albert Cevallos.

The views expressed in this report do not necessarily reflect those of the United States Institute of Peace, which does not advocate particular policies.

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Serbia: Democratic Alternatives

Key Points

The Current Situation in Serbia

- Slobodan Milosevic remains in control of the essential levers of power, yet he is vulnerable. His continued leadership depends on his ability to fund a substantial political patronage system with hard currency primarily from the sale of state assets.
- As he did in the late 1980s, Milosevic is manipulating Serb nationalist concerns about Kosovo to bolster his uncertain political position at home. Public apathy because of economic hardship and the recent war in Bosnia indicates that Milosevic may not be able to use nationalism to rally the Serb public. There is a sense among the people that the current Kosovo crisis may strengthen the Milosevic regime but do little for Serbia.
- The rise of the ultranationalist Vojislav Seselj suggests a future successor—a possibility that Milosevic manipulates so as to appear more palatable to the international community.
- The democratic opposition is weak and disaffected by the international community's perceived continued support for Milosevic.
- The emergence of Milo Djukanovic, elected president of Montenegro in 1997, is one of the few signs of hope. Yet Djukanovic has no political base in Serbia and is, therefore, not a viable rival to Milosevic.

Is Milosevic Indispensable?

- Given the limited prospects for a successor to Milosevic, is his continued leadership good for Serbia? Milosevic rules Serbia as a personal autocrat and has failed to establish or abide by a stable system of political and economic institutions. As a result, an uneasy and perhaps violent transition is likely for Serbia. Other leadership options must emerge and democratic institutions established if Serbia is to avoid the chaotic transition of other personal autocracies.

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- It is doubtful that real and sustainable progress can be made in either Bosnia or Kosovo if Milosevic remains free of democratic restraints. It is time to end the international community's dependence on Milosevic for implementation of the Dayton peace agreement. Milosevic's rise to power is so strongly associated with depriving Kosovo of its autonomy that he will be unable to reach an accommodation with the Kosovars without putting his own political survival at risk.

Policy Options

- In the search for alternatives to autocracy, the international community must consider a concerted effort in favor of democratic political parties, nongovernmental organizations, and an independent judiciary in order to ease the severe dislocations likely to occur with any political transition.
- Milosevic's inner circle may yield a legitimate successor; throughout Eastern Europe former *apparatchiki* have proved reliable administrators of state and, in general, solid democrats.
- With the democratic opposition weak and in disarray at the national level, its future leaders are most likely to reside in the lower levels of the national government and in local governments outside Belgrade. Successful efforts in Eastern Europe in the 1980s by the United States to cultivate a new generation of leadership proved effective; Western governments must adopt similar programs for Serbia.
- Serb nationalists are not inherently antidemocratic and enjoy significant popular support. The U.S. should make an effort to understand Serb nationalism and engage those nationalists interested in and committed to a more democratic Serbia.
- Discreet contacts with the Radicals might help prepare the way for an alternative to the current regime. On the other hand, talking to Seselj, even to create an opening for an alternative to Milosevic, would undermine the democratic opposition and could give rise to a formidable, enduring force in Serbian politics.
- If the international community seeks more effective isolation to influence Serb behavior, cutting off access to hard currency is the only option likely to have an impact.
- Whether easing Serbia's international isolation might also be effective. Contact with the Organization for Security and Cooperation in Europe (OSCE) might strengthen the democratic opposition and help establish the political institutions necessary to ensure a stable transition and support democratic governance.
- No enduring peaceful solution for Bosnia or Kosovo is possible with the current regime in place. The Serb people deserve better and should have the opportunity to enjoy the prosperity and freedom that open, democratic societies provide. U.S. success in and its exit from the Balkans depends on the establishment of legitimate, stable, and democratic regimes. It is time for the international community to identify and cultivate alternative sources of political leadership and develop substantial democracy programs for Serbia.

Introduction

Recent events in Kosovo have brought home the critical role of Serbia, reinforcing the fact that peace in the Balkans is largely dependent on Belgrade and Serbian democratization. The longer this process is delayed, the more likely it is that the transition of political power in Serbia will be traumatic and violent for Serbia and disruptive for the region. Seeking to prevent a further deprivation of the Serbian people, working group participants strongly recommended programs for promoting democracy, pluralism, and stable institutions in the Federal Republic of Yugoslavia (FRY), which consists of the republics of Serbia and Montenegro. Participants at the meeting expressed their strong support for the people of Serbia and their hope that all citizens of the FRY would soon enjoy the prosperity and freedom that open, democratic societies provide.

Discussion on the future of Serbia, therefore, was based on the premises that (1) Serbia's political evolution is critical to the stability of the Balkan region and, therefore, is of importance to the United States, (2) U.S. policy must focus more on Serbia in a regional context, and (3) the West must rely less on Milosevic and more on strategic objectives, such as hastening Serbia's democratic transition.

Political and Economic Catastrophe

Slobodan Milosevic: Weakened but Still on Top

Although Slobodan Milosevic remains the dominant national politician in the Federal Republic of Yugoslavia, participants agreed that his support is no longer as broad and strong as it was in the early 1990s. According to a March 1998 United States Information Agency (USIA) poll in Serbia, public opinion of Milosevic is currently more unfavorable (58 percent) than favorable (39 percent). Milosevic's "aura of invincibility" has evaporated, especially since the massive protests over municipal election results in the winter of 1996-97. Several recent assassinations of Milosevic loyalists have shaken the regime, but they do not seem to indicate a systematic, concerted threat to his power.

Constitutionally a weak position, the FRY presidency that Milosevic now holds has proven a sufficient platform for his exercise of personal control over the essential levers of power: police, electronic media, the army, and state licensing and patronage. While he tolerates a relatively free press with approximately half the mass circulation levels, and considerable criticism and dissent, he reacts promptly to any serious challenges to his personal power and makes all important decisions on his own, with little or no regard for law or constitutions. At the moment, he is reasserting control over a wide front: Montenegro, Kosovo, the media, and the universities.

Hard currency fuels Milosevic's power. Last year he bought time in power with the Serbia Telekom sale, in which the regime sold 49 percent of Serbia Telekom to Stet of Italy and OTE of Greece for \$1.2 billion. Although the government stated that these funds would be used to develop the Serbian economy with investment in production for export programs, the bulk of it was used to pay back wages and pensions just before the September elections, thereby stabilizing support for Milosevic's Socialist Party and its Communist ally, run by his wife. Further asset sales are planned, including sale of the state energy company.

THE USIP BOSNIA INITIATIVE

The Bosnia Initiative of the United States Institute of Peace uses the efforts of various Institute programs to support the peace implementation process in Bosnia. The Institute has conducted training programs for staff of international and local NGOs working in Bosnia to help them in their relief and reconciliation work in the aftermath of this intense conflict. The Institute's Religion, Ethics, and Human Rights Program has supported the efforts of top religious leaders in Bosnia to form an Inter-Religious Council to work "together to replace hostility with cooperation and respect" and to acknowledge their shared moral commitment; it is also working with other members within the religious communities to support their efforts at reconciliation. The Institute also recognizes that, if any measure of reconciliation is to occur for Bosnia, war victims, regardless of ethnic affiliation, must have access to fair hearings and due process. To support citizen participation in the justice process, the Institute's Rule of Law Program has begun to work with a variety of Bosnian officials on a number of initiatives, including establishing protection for trial witnesses, more effective police screening procedures, and programs to improve the efficiency of the International War Crimes Tribunal at The Hague. It is also helping to create a Truth and Reconciliation Commission for Bosnia in response to requests from the country's judicial officials and community leaders. The Institute's Grant Program funds a variety of scholarly investigations of the Bosnian conflict and conflict-resolution projects for NGO and other practitioners in the country. Through these and other efforts, the Institute seeks to fulfill its mandate to find and explore creative solutions to international crises and conflict.

The Bosnia Initiative is under the direction of Harriet Hentges, executive vice president of the Institute.

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Milosevic, whose rise to power in the late 1980s depended on skillful manipulation of Serb nationalist concerns about the formerly autonomous Serbian province of Kosovo, has again harnessed the Kosovo issue to bolster his declining domestic political power. He has also co-opted the ultranationalist Serbian Radical Party into the governing coalition in Serbia and weakened the democratic opposition, which is unable to formulate a unified, alternative approach to the Kosovo issue. Milosevic was also able to devalue the dinar, a risky move that could have hurt his domestic political standing, because all eyes were on Kosovo. Milosevic for the present can count on widespread Serb support for his efforts to keep Kosovo in Serbia, to crush armed Albanian opposition, and to resist international intervention.

Milosevic nevertheless cannot count on the nationalist card to rally the Serb public for war in Kosovo. Most Serbs are politically apathetic and are focused instead on how to improve their lives. Many feel Milosevic betrayed their cause by failing in his promise of a greater Serbia and by abandoning the Serbs in Bosnia and Croatia. A March 1998 USIA poll found strong opposition among Serbs to fighting for Kosovo, with 45 percent opposed to having a member of their family fight to keep Kosovo part of Serbia, and 37 percent in favor. Most believe that war in Kosovo would be a battle not for the good of Serbia, but to keep Milosevic in power.

Seselj Next?

Vojislav Seselj, who distinguished himself during the wars in Croatia and Bosnia as the leader of ethnic cleansing paramilitary thugs, is emerging as a possible successor should Milosevic fall. It is widely believed that Seselj actually won the second round of last year's Serbian presidential election, which was declared invalid because the regime claimed that less than 50 percent of the electorate voted. Seselj's acceptance of this decision, and his subsequent entry into the governing coalition in Serbia, has tended to confirm the widespread view that he is less a rival than a pawn of Milosevic. With Seselj in the wings, Milosevic makes himself more palatable to the international community. He appears to be an indispensable bulwark against ultranationalism.

An intelligent, competent, and patient strategist, Seselj is in no rush to displace Milosevic, whose police and patronage helped the Radicals in their early days and continue to be useful. Seselj sees himself as the man of the future in the FRY. As deputy prime minister, he is staking out a popular nationalist position vis-à-vis Kosovo and gaining invaluable experience in governing. Should Seselj somehow come to power, he would likely be more constrained than Milosevic by coalition politics.

Fragmented Opposition

Although Milosevic's power has weakened, the democratic opposition has weakened even more. The surprising strength it showed in the 1996-97 protests over municipal election results has disappeared. The opposition is fragmented, with Vuk Draskovic's Serbian Renewal Movement often supporting the regime, despite Draskovic's failure to gain a place in the governing coalition in Serbia. The other democratic opposition parties (Civic Alliance, Democratic Party, and Serbian Democratic Party) advocated a boycott of last fall's Serbian presidential and parliamentary elections and have been severely demoralized both by the international community's recognition of the results and by the results themselves. Apathy and a sense of victimization have been strengthened by the democratic opposition's perception that the West supports Milosevic.

A Few Signs of Hope

The emergence in Montenegro of political leadership that relies on multiethnic support and espouses a commitment to democracy and an open economy is one of the few signs of hope in an otherwise gloomy political picture. While his past is still open to question, Milo Djukanovic, elected president of Montenegro last fall and inaugurated in January despite efforts by Milosevic and his surrogates to prevent it, represents a hopeful sign. The May 31, 1998 Montenegrin parliamentary elections are therefore a critical moment for Serbia as well as for Montenegro.

Djukanovic cannot, however, run an open society in Montenegro (population 650,000) while Serbia (population 10.5 million) remains a closed autocracy. Much of what he aims to achieve, especially in the economic sphere, requires cooperation from Belgrade. Djukanovic is not a viable rival in Serbia to Milosevic and Seselj. While he has recently formed the Yugoslav Democratic Movement with what remains of the democratic opposition, Djukanovic lacks political weight in Serbia. This creates a quandary: If Belgrade continues to block reform, as it will, Montenegrin secessionist pressures will increase, wrecking Djukanovic's hopes for political reform in Serbia that will bring progress to Yugoslavia.

While the political parties that led the protests of 1996–97 have weakened and fragmented, the parallel student movement and the media that covered the demonstrations have survived. The students are currently conducting an Anti-War Campaign and have even supported Kosovar Albanian students in Pristina. The Serb media—including radio B-92 and its new television network, as well as *Nasa Borba*, *Vreme*, and other magazines—has maintained a degree of freedom, despite Milosevic's regular harassment. A more serious threat to the independent electronic media is a recently proposed law on radio and television frequencies that would, by imposing exorbitant fees on stations, effectively ban them.

At the local level in Serbia, there are signs that political alternatives are emerging. The opposition figures who won power at the municipal level as a result of the demonstrations have done better outside Belgrade, gaining experience and building a direct relationship with their constituencies.

Economic Vulnerability: Foreign Exchange

The FRY's economy has declined catastrophically under Milosevic. During his rise to power, he promised complete industrialization. The reality has been deindustrialization. There has been a primitivization of production, with a move toward low-value-added products. Serbia's economy, which had shrunk 60 percent from its prewar level, began recovery in January 1994, but growth of around 6 percent per year since then started from a very low base. Yugoslavia's GDP is now equal to that of 1970. Real wages are at the level of 1959.

Dissatisfaction among workers is running high. Officially, unemployment increased to 26 percent of the labor force in 1996, but this number does not include farmers and private retail shop owners or the approximately 800,000 workers on mandatory paid leave who are unlikely to return to their jobs. Belgrade city transport workers staged a six-day walkout in January 1998 protesting unpaid wages. In April 1998 the Association of Independent Trade Unions of Yugoslavia estimated unemployment in the FRY at 1.5 million. Young people under age 30 are prevalent among the unemployed. The social effects of the poor economy include increased poverty, increased income inequality, social pathology (such as drug trafficking), and the destruction of the middle class.

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Participant agreed that this grim economic picture will not necessarily lead to Milosevic's downfall. The collapse of the middle class, apart from the *nomenklatura* associated with his regime, deprives the democratic opposition of its natural base. Some also noted that the agricultural sector has been relatively prosperous, and the rural areas provide Milosevic with much of his support. Even in the cities, many people have been kept on payrolls but not paid, a practice that has dampened protest because workers fear the loss of even nonpaying jobs. Maintenance of minimal municipal services has also created a sense that things could get worse.

The regime's critical vulnerability is foreign exchange. Freezing assets abroad, a measure once approved by the Contact Group (comprised of the United States, Russia, Britain, Germany, France, and Italy), will have little impact, because most of those assets have already been moved. Preventing inward investment in hard currency would, however, have a dramatic effect on the regime's sustainability. In 1991, Yugoslavia's foreign exchange reserves amounted to more than \$10 billion. By 1994, they were down to a few hundred million dollars. No one knows for sure where they stand today, but they are unlikely to be more than the 1994 amount.

Is Milosevic Indispensable?

The future of Serbia beyond Milosevic is no prettier a picture than the current situation. Most participants agreed that there is no real system that can take over in Serbia, beyond personal autocracy. Others felt that a few official government and civic institutions would be available to provide a sense of continuity or legitimacy, if revived by the right people. A post-Milosevic Serbia will find the population severely disoriented, sensing national defeat, and experience economic collapse. Most participants felt, therefore, that the transition is unlikely to be easy or peaceful, but rather confused—even chaotic—and violent.

It is nevertheless important to consider the question of whether Milosevic continues to be indispensable from an international community perspective. While responsible for using force against Slovenia, Croatia, Bosnia, and Kosovo, Milosevic has since Dayton seemed critical to international community objectives in the Balkans. He literally signed the agreement on behalf of the Bosnian Serbs, and the United States has continued to look to him for help in implementing it, strengthening his hold on power and making him appear indispensable to Balkan security. The international community is currently taking an analogous approach to Kosovo, trying to deal with and through Milosevic even though he is the person most responsible for creating the crisis.

Serbia: Seselj Makes It So

Milosevic is relying on the international community's fear of the alternative to ensure that it does nothing to seriously undermine his position in Serbia. So far, his strategy has been a good one. Neither of the key international issues—Bosnia or Kosovo—would necessarily be easier to resolve with a likely successor.

Some participants nevertheless felt that a Seselj succession would prove useful because it would dismantle the corrupt retinue that constitutes the regime and open up the political system to other possibilities. They felt that any successor, even Seselj, would not be able to dominate Serbian politics as Milosevic has. Thus, contact with Seselj could create uncertainty for Milosevic and initiate not just a regime change, but eventually a political transition. In this respect, it has been noted that Seselj's economic program—insofar as one exists—is market-oriented.

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Other participants, however, felt that Seselj, who has openly advocated ethnic cleansing of Albanians from Kosovo, would be perilous for Balkan stability and would establish, with his ultranationalism, a bad precedent that could affect other countries in the region. In this view, there is no serious alternative to continued reliance on Milosevic, for the present.

The international community has done little to escape the impasse Milosevic's regime imposes by creating democratic institutions in Serbia, which is admittedly a long-term project. While there was a good deal of sympathy for the Zajedno coalition, it got little concrete support and felt abandoned when the international community urged it to participate in rigged Serb presidential and parliamentary elections in September 1997. While there has been international assistance to independent media in Serbia, there has been no concerted international effort in favor of democratic political parties, nongovernmental organizations, an independent judiciary (despite the courage shown by some individuals in the judiciary during the demonstrations), local opposition-led governments, or democratically inclined intellectuals. There is a basis for a strong civil society and neutral institutions in Serbia once Milosevic's grip on the police, the economy, and the Mafia is gone.

Bosnia and Kosovo: The Answer Is "No"

While concerned about preserving the gains that have been made in Bosnia and protecting American and other international troops there, most participants believe that the time has come to end international community dependence on Milosevic for Dayton implementation. This would mean eliminating Serbian security forces from Bosnia, providing Republika Srpska Prime Minister Milorad Dodik with alternative support, and looking for political allies for Dodik beyond the current governing coalition. It would also mean cutting Milosevic off from sources of hard currency in Republika Srpska. While Serbs in the FRY will continue to maintain relations with their compatriots in Bosnia, the FRY must begin to acknowledge in fact as well as in word that Bosnia is a separate and sovereign country and that Republika Srpska is in Bosnia.

Most participants also believe that a solution in Kosovo is not possible with Milosevic in place. His rise to power was so strongly associated with depriving Kosovo of its autonomy that he will be unable to reach an accommodation that gives sufficient autonomy back to the Kosovars without putting his own political survival at risk. In addition, the Kosovars are unlikely to accept a solution in which Kosovo remains part of Serbia or even the FRY as long as Milosevic's personal autocracy is in place.

Since fighting erupted in the Drenica region in late February, Milosevic has repeatedly ignored Contact Group pleas that Serb police be withdrawn from the area. Instead, thousands more police officers, along with the Yugoslav army, have been sent into Kosovo, where they have attacked civilian population centers thought to harbor Kosovo Liberation Army guerrillas. Milosevic has also refused international mediation of talks on Kosovo, organizing a referendum against it in Serbia that gained 95 percent of the vote, according to Belgrade.

His recent acceptance of talks without an international mediator should give little comfort. He will go to talks in a position of relative strength, having demonstrated his willingness to use force against the Kosovars and having simultaneously persuaded the international community once again to treat him as indispensable to resolving a problem he created.

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Recommended U.S. Policies

While analysis of the situation in Serbia and the Balkans generally depends a great deal on evaluation of personalities, participants for the most part believed that U.S. policy should be based on principles and interests: support for democracy, open economies, and civil society. Institutions must be established and political pluralism encouraged in order to avoid the violence associated with the transitions of personalistic authoritarian regimes. This will take time, but if the effort is not started soon the international community will find itself at the time of the next FRY federal parliament election of the president in 2001 in the same quandary as today: It can't do with Milosevic, and it can't do without him.

In the search for alternatives, the United States must avoid endorsing an individual rather than a policy agenda. The United States must carefully gauge its fundamental principles and interests for the entire region and derive its policies from such considerations. In this way the West might be wedded to a more comprehensive strategy for the Balkans based on principles rather than to one limited to the accomplishments and capabilities of individual leaders.

Expanding Contacts and Support

Efforts by the United States in the 1980s to seek and cultivate promising young leaders in Eastern Europe as alternatives to the Communists were critical after 1989. Working group members considered these programs effective and questioned why they had not been instituted more extensively in the former Yugoslavia. A number of vibrant, independent elements of the fourth estate exist in Serbia today; other key institutions must be developed. Thus, a primary recommendation of the working group is for the U.S. government to reach out to those sectors of Serb society that might evolve into stable institutions and yield legitimate, democratic leaders.

The Inner Circle

Support for Milosevic is deteriorating in inverse proportion to his ability to fund his followers. As his hold on power weakens, the opportunity may be ripe for cultivating members of this inner circle who have accumulated the resources and capabilities that would make them effective leaders and administrators of state. While this prospect may appear unpalatable at first glance, it should be acknowledged that in many states of Eastern Europe former *apparatchiki* have been returned to power or allowed to maintain power because they have the skills necessary to govern. These leaders have proven to be experienced and effective managers at both the local and national levels. Where the rule of law prevails, they are also solid democrats. Where the rules are more ambiguous, the outcome has been less positive. It should be recognized, however, that "nomenklatura democracies" have at the very least avoided severe instability, even if they are not always fully representative governments.

The Democratic Opposition

Sadly, most participants consider the democratic opposition in Serbia incapable of providing a serious alternative to the Milosevic regime. Undermined by (1) a critical lack of U.S. and Western support when they were gaining political prominence in the fall of 1996-97, and (2) internal infighting and splintering, the opposition today enjoys little popular support at the national level. At the same time, local opposition

leaders installed after the elections and demonstrations of 1996 have, in many cases, managed to cultivate solid constituencies. Whether this support can translate into national recognition and power is not certain, but the U.S. and Western governments must get to know these local leaders. U.S. programs in Eastern Europe demonstrated that leaders of tomorrow are likely to reside today in the third and fourth tiers of government, and are not likely to be currently prominent politicians. Efforts must be made in Serbia to search for leadership potential further down the rungs of national political power, and outside Belgrade.

Nationalists

Such efforts must not focus on finding people who precisely share U.S. values. For example, even committed democrats may feel strongly about keeping Kosovo in Serbia and support the hard-line policies of Belgrade. Such a screening mechanism would preclude viable options and yield regimes suitable to the West but with little legitimacy at home. Therefore, emphasis must be placed on finding and supporting democratic leaders who will enjoy strong popular support.

The United States has been reluctant to date to engage Serbian nationalists, some of whom are not inherently antidemocratic. The working group recommended a more concerted effort to understand Serb nationalism with an eye to identifying those interested in and committed to a more democratic Serbia. Participants emphasized that the nationalists cannot be excommunicated; they hold the key to resolving the crisis in Kosovo, and their views must be considered. The importance, for the United States, of such an outreach process cannot be overstated. The United States and its allies will not be able to exit the region until sustainable, legitimate, and functioning governments are in power.

The Radical Party

The U.S. government has generally avoided contact with the Radical Party in both Bosnia and Serbia. Participants were split on the wisdom of continuing this policy. Some thought discreet contacts (out of the public eye) with the Radicals would be useful in signalling to Milosevic that he may no longer be indispensable and in convincing the Radicals that their nationalism will have to be tempered. If such contacts were to lead to a Seselj regime, some participants felt that he was likely to be a transitional figure and that leaders within democratic and socialist circles would quickly rise to the fore. Thus, discreetly reaching out to the Radicals could precipitate a democratic transition without necessarily ensuring a permanent Seselj succession.

Other participants felt that contact with the ultranationalist Seselj or his people was an odious prospect that would discourage truly democratic forces and encourage extremism. Seselj is considered a savvy, intelligent politician who has demonstrated considerable staying power. With his knowledge of the ins and outs government, Seselj might prove to be a formidable force in Serbian politics—and not a temporary fixture. Furthermore, talking with Seselj, even to create an alternative to Milosevic, would undermine any remaining trust the democratic opposition has for the United States. Such a policy would also be difficult to reconcile with fundamental U.S. interests in preserving democracy and resisting nationalism in the region and in a wider European setting.

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Integration or More Effective Isolation?

Economic sanctions have not proven effective in the Balkans, largely because of the difficulties of enforcement and targeting the impact. While they have helped to wreck Serbia's economy, ordinary citizens—of all ethnic groups—have suffered more than the regime, which has consistently captured existing resources for itself. Neither the asset freeze nor the arms embargo is likely to have a serious impact. Only cutting off Milosevic's access to hard currency is likely to have an impact on the regime's behavior. Supporters of this view cautioned that this strategy will take time to produce the necessary effects. But once Milosevic is unable to fund his extensive patronage system, his hold on power will weaken significantly and Serbia will likely begin its political transition.

Some participants did, however, propose easing Serbia's international isolation by bringing the FRY back into the OSCE, so long as the deployment of monitors to key areas is part of the package. Expulsion of the FRY from the OSCE has had no discernible positive effect. The OSCE has played a critical role in many Eastern European states by monitoring their democratic transitions and advising leaders on appropriate policies to strengthen the rule of law and political institutions. Serbian society will benefit from OSCE contact, which would include a wide range of political and economic actors in Serbia. The OSCE, as it has in other states, would build relations with and encourage all sectors of society critical to democratic governance. Democratic forces throughout Serbia would benefit from the exposure to the organization and its representatives in the region.

Conclusions

The international community, including the United States, has looked to Slobodan Milosevic as an indispensable interlocutor in the search for a peaceful solution to the escalating conflict in Kosovo, as it did at Dayton. Moreover, the international community supports his position against Kosovo's independence, for fear that independence would lead to problems in Macedonia and Bosnia and Herzegovina. Milosevic, however, is using repression in Kosovo to consolidate his weakening hold on power, which he gained through a nationalist campaign on the Kosovo issue in the late 1980s. The Kosovars view an autocratic regime in Belgrade—especially one run by Milosevic or Seselj—as the enemy, one prepared to sacrifice Albanians to ensure its own survival. No enduring peaceful solution is possible with the current regime in place.

In any event, Yugoslavia deserves better. Even in the Balkans context, the perpetuation of personal autocracy in Belgrade is an anomaly, one that must in the end give way to a democratic regime, an open economy, and a civil society. A sustainable solution in Kosovo depends on the creation of a democratic Serbia. It is past time for the international community to plan for and support establishment of the institutions required. This would require a concerted and well-funded effort to invest tens of millions of dollars in open media, future leaders, democratically oriented intellectuals (including nationalists), an independent judiciary, democratic political parties, and eventually democratic military and police establishments. Reentry of the FRY into the OSCE is a price worth paying if it encourages such a program and ensures the return of OSCE observers throughout Yugoslav territory.

While Milosevic still exercises autocratic power, the international community should do its best to avoid strengthening him. It did well to give him the cold shoul-

der during the Zajedno demonstrations and should do so again if repression continues in Kosovo. An investment ban is critical, but only its complete enforcement will have an impact on the resources available to the regime. Montenegrin democracy should get the international community's full support. It is important to continue the international presence on the Macedonian border and to extend it to the Albanian border, something Milosevic should welcome if his concern is to interdict the flow of weapons. Those people close to the regime who are willing to commit themselves to building up democratic institutions should be encouraged, even if their views on Kosovo are not entirely palatable.

Serbia is central to stability in the Balkans. Serbs have suffered the collapse of a country—former Yugoslavia—in which they felt comfortable as a relative majority. They lost a referendum on the independence of Bosnia, precipitating a war that they fought and were about to lose when the Dayton peace agreement intervened. They were ethnically cleansed from Croatia. They are concerned about preserving their cultural and historical ties to Kosovo. A post-Milosevic Serbia could be chaotic and aggressive. The international community needs to find ways to help Serbia avoid further aggressive moves against its neighbors or its own provinces, overcome its disastrous legacy of the past decade, and find a path to a democratic society, one rooted in civic institutions and fed by prosperity.

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