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**GEOPOLITICAL CONDITIONS IN THE  
FORMATION OF ECONOMIC AND SOCIAL  
DEVELOPMENT IN THE BALKANS**

**Miltiades KIPAS**

PANTEION UNIVERSITY OF SOCIAL AND POLITICAL SCIENCES

**ABSTRACT**

This paper aims at demonstrating the importance of infrastructures and geopolitical factors for the development of Balkan economies. The transition from the economy of central planning, as developed in the countries of Eastern Europe, to market economy essentially resulted in the replacement of economic and social structures dominant in these countries in the period 1945-1989. This transition was noticeably different from one country to another, despite the existence of some common features; such differences being determined by the particular character of these countries; their traditions; their infrastructures or their geopolitical position. Respective infrastructures also had to readjust to the new features of market economy, as, after all, it was the necessity of competitiveness itself that led these countries to develop infrastructures. In this framework, the development of infrastructures in the Balkans was an important feature in the period of their transition to market economy. Infrastructures are fundamental for the economic development of the Balkans; however, geopolitical factors also contributed to the development and growth of Balkan economies in direct relevance with the attitudes of potential investors in the respective markets.

**Keywords:** transition, economy market, Balkan, infrastructure, transport, telecommunications.

**JEL Classification:** Q3, Q4

## **Introduction**

The transition from central planning, as it prevailed in the countries of Eastern Europe, to market economy, essentially replaced economic and social structures existing from the end of World War II to the collapse of 1989. While neoclassical economic theory was becoming dominant, the peoples of Eastern Europe (thus, also the Balkans) were withdrawing their confidence from the social system of central planning, naturally wishing to replace in a short space of time the old socioeconomic system with the political and economic theory of capitalism. Under these preconditions, the transition to market economy could not have been expressed in a different way.<sup>1</sup>

What characterizes the process of transition, is the fact that social and neoclassical economic theory explains various stages of the transition process in Eastern Europe, whilst at the same time it offers alternative strategies in the framework of neoliberal transition. Transition to market economy in Eastern Europe has tested economists and economic theories severely and, despite a certain degree of success, it seems that the whole effort has eventually failed, at least as far as the early 2010s are concerned.<sup>2</sup> Of course, present indications do not present a better outlook; it would suffice to note that several countries of the formerly actually existing socialism are under a strict supervision of the International Monetary Fund. Protests and expressions of dissatisfaction are manifested in various ways; suffice to notice reactions in Hungary and Rumania.

One should seek an economic theory that may succeed in the context of the process of transition; but is there any? In this sense, there is no theory that includes the features of such a successful transition, especially those of the neoclassical theory.<sup>3</sup> However, many traditional economists in the West were quick to offer their advice vis-à-vis the course these countries ought to follow.

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<sup>1</sup> M. Gora, 1991, Shock Therapy for the Polish Labour Market, *International Labour Review* 130 (2): 146.

<sup>2</sup> J. Tomer, 2002, Intangible factors in the eastern European Transition: a socio-economic analysis, *Post-Communists Economies* 4: 421-444.

<sup>3</sup> J. Horn, 1995, The economics of transition and the transition of economics, *Economic Record* 71 (215): 379.

Furthermore, neoliberal economists, especially those who are members of the academic community, opted for a quick transition to market economy. The most important amongst them is Jeffrey Sachs, of Harvard University, who has consulted Poland, Russia, Slovenia, Estonia, Mongolia, etc.<sup>4</sup>

A special feature lies in the point that the process of transition can hardly be uniform for all countries of Eastern Europe, despite the fact that some elements were - and still are - common. A typical example is the tradition which attributes a special character in the developmental course of these countries. On the other hand, the geopolitical location of countries in question may have a significant importance (in this sense, Balkan countries have special features, in view of the special place they hold in the wider region of Europe). Furthermore, tradition and infrastructure form an integral part of the developmental course. Thus, in this sense, their course of transition to market economy showed special features that require a special study.

### **The importance of infrastructures in the process of transition in the Balkans**

The reconstruction of the economies of Eastern European countries was a necessary precondition for their course towards market economy. In this sense, the effort to reorganize and reconstruct infrastructures was an important feature. The essence of such an effort is that infrastructures must be in relevance with the rest of the productive base of the economy.<sup>5</sup> This means that, throughout the period of actually existing socialism, conditions of infrastructures were such, as to be able to relate to the productive base of these specific societies, and thus to specific exchange relations, since there was a limited framework of relations for exchanges and an even more limited scope for the internationalization of economic relations between Balkan countries. Following the collapse of 1989, the countries of the Balkan Peninsula underwent a period of transition and consequent restructure of their socioeconomic systems. Infrastructures had to adjust, to satisfy modern needs, as they are formed in the context of market economy. Their adaptation to emerging capitalism in these countries is necessary. Since some of these countries have already entered the European Union, while others are bound to, infrastructures and transports form an integral part of their economic development.

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<sup>4</sup> J. Tomer, op. cit.: 421-444.

<sup>5</sup> D. Skayannis, 2001, Infrastructure comparisons in transition countries. A new North-South divide in Europe. In: *The Development of the Balkan Region* (G. Petrakos - St. Totev eds), Published Ashgate Publ. Limited, pp. 175.

Thus, since the end of the 1990s and the beginnings of 2010s, the European Union participates in the broader effort to reorganize and reconstruct the countries of Central Europe and the Balkans via various programs, such as Phare and Interreg (mostly Interreg II), aiming at reconstructing Balkan economies.<sup>6</sup> In this sense, investments to infrastructures are co-financed by the European Union via Community Support Frameworks; however, these programs are not limited to Balkan countries. In this context, efforts are made for a specific developmental spatial planning and, more specifically, for a spatial planning designed by the European Union. The main reasons behind the development of a new developmental spatial planning, according to the European Union, are:

1. The cohesive issue
2. The internationalization of economic and other processes
3. The necessity to support politics in other sectors.

Therefore, in the context of the Treaty for the European Union (Maastricht, November 1<sup>st</sup> 1993), it was decided that Economic and Monetary Integration (EMI) would be based substantially on convergence which, in turn, would be founded on three pillars.<sup>7</sup>

1. Economic and social cohesion
2. Transeuropean Networks
3. Environmental Policy.

Clearly, there exists a different level of development between various regions, at least regarding the above mentioned pillars. In this sense, we may distinguish between more and less favored regions. Peripheral antagonism leads de facto to a situation that requires the development of infrastructures in a region as a prerequisite for the sustenance of economic growth. Thus, it is necessary for Balkan countries, especially those which are already members of the European Union, to have infrastructures supporting a course of economic development, at a time of intense competition in international economic environment. Therefore, their constant rapprochement of the European Union is necessary, in the context of European Union peripheral policy and for the purpose of their convergence on the basis of the three above mentioned pillars; particularly

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<sup>6</sup> D. Skayannis, *op. cit.*, p. 175.

<sup>7</sup> D. Skayannis, *op. cit.*, p. 176.

since demand on funds upsets the balance of the European Union, as the Balkan periphery antagonizes Central and Eastern Europe.

The Logic of developing infrastructure networks in the enlarged European Union is not simply a feature of a culture depending. In essence, this development is also linked to the needs of the capital to be expanded and completed at a wider spatial level in a number of ways, among which its ability to intervene in infrastructure, aiming at both significant economic and political results. Pan-European networks, as infrastructure, form the basis for the creation of a unified system of production and economic development. In essence, the aim is to release capital movements or people, such as workers process operational. Thus, they form a productive basis for the success of economies of scale and in this way they create the conditions for the profitable growth of economic activities. This process enables Western capital to expand and strengthen in Central Europe and the Balkans, as it is clear in adjacent areas. For, example, while German investments are welcome, the economic ties that are developing with the countries bordering Germany, the Czech Republic and Poland, there is concern that the initiatives for financial planning are being handed over to German funds. Even more so, due to this development, economic and political control is done in favour of Germany and German capitals.<sup>8</sup>

Such discussions are of particular importance as regards the Balkans, because the Greek questioning of this region has not been discussed in depth, at least not until now; a shallow spatial planning prevails, based on the country's international position, that is, its position in international networks, particularly those relating to infrastructures. However, the significance of this issue is two faceted for Greece: works of infrastructure in the Balkans may contribute to a wider integration of Southeast European markets, for the mutual benefit of its peoples, while, on the other hand, they may contribute to the rapprochement of Balkan countries with the rest of the European Union.<sup>9</sup>

From the above statements it becomes clear that the development of infrastructures in the Balkans is at a crucial stage. Geopolitical rearrangements in the context of border disputes, as expressed at least as late as the end of the 1990s, have stalled significantly the upgrade and modernization of infrastructures, preventing them from reaching the same level as in other

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<sup>8</sup> D. Tumock, 1997, *Cross-border co-operation as a factor in the development of transport in Eastern Europe*. Trend Geographical Papers No 1, UK: The Nottingham Trend University, p. 22.

<sup>9</sup> D. Skayannis, op.cit. p. 178.

Central and East European countries. On the other hand, the starting point in the Balkans is at an earlier stage vis-à-vis these countries, while the wars of the 1990s have caused further problems. One of the most typical problems of Balkan countries that we may note, relates to the transport axis from North to South, that is, from Northeastern Europe to the Mediterranean, and from West to East (from the Adriatic to the Black Sea). As a matter of fact, this is a pre-existing problem.

In this context, we should mention that the course of the economies of the countries of the Balkan Peninsula is of direct interest to Greece, for a variety of reasons: firstly, because stable and healthy economies are a prerequisite for the consolidation of political stability and the security of a wider area. On the contrary, faltering economies with high unemployment levels, unable to cover the basic needs of a significant section of their population, lead to the development of movements preaching the demonization of anything foreign or “different”. Secondly, The Balkans interest Greece because they are adjacent to it, and individuals can change countries very easily. On the other hand, as late as the beginning of the current crisis, which started in 1998, Balkan economies were significant to the Greek economy.<sup>10</sup> Furthermore, no one knows the outcome of the crisis, and therefore we cannot know what lies in the future.

The significance of transports becomes greater in view of the fact that, within the interior of the European Union, competition tends to create serious problems to less competitive and developed regions, expressed either by tendencies to diverge as far as development levels are concerned, or by increased unemployment, particularly nowadays, when the international crisis has affected many European Union countries which have not reached the highest level of development, such as Greece, Rumania and Hungary.<sup>11</sup> This means that difficulties originating from competition increase; a point referring mainly to Greece, which, as late as the early 21<sup>st</sup> century, aimed at becoming the dominant economic power in the Balkan region. Economic integration nurtured hopes for an important development; however, the new data created

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<sup>10</sup> G. Petrakos, 2000, Introduction. In: *The Development of the Balkans* (G. Petrakos, ed), University Publications of Thessaly, Volos, pp. 9-12. (In Greek), Γ. Πετράκος, Πρόλογος, στο: *Η Ανάπτυξη των Βαλκανίων* (Γ. Πετράκος, επιμ.), Βόλος: Πανεπιστημιακές Εκδόσεις Θεσσαλίας.

<sup>11</sup> G. Petrakos, 2000, The New Geography of Development I Europe and the Position of the Balkans. In: *The Development of the Balkans* (G. Petrakos, ed), Volos: University Publications of Thessaly, p. 14. (In Greek), Γ. Πετράκος, Η Νέα Γεωγραφία της Ανάπτυξης στην Ευρώπη και η Θέση των Βαλκανίων, στο: *Η Ανάπτυξη των Βαλκανίων*, (Γ. Πετράκος, επιμ.), Βόλος: Πανεπιστημιακές Εκδόσεις Θεσσαλίας.

by the crisis redefine developments; in this context, infrastructures must be able to respond to competitive conditions created by the international economic environment, if and when the crisis is overcome, particularly in Greece.

Despite the fact that economic integration in the European Union is considered a very important development for international capital, it nevertheless creates winners and losers, since it endangers through competition many areas unequally funded or supplied by technology, characterized by various social structures and infrastructures. In this context, Balkan countries face an extra danger, by confronting increased problems of the nature mentioned above; indeed to a great extent and with great intensity.

Thus, the question arises: what are the infrastructures or, more precisely, the type of transport infrastructures of the countries under examination? According to available data, road network seems to be more dense in countries of Central Europe, more precisely in Hungary, Poland, Slovakia, Slovenia and the Czech Republic. Greece's position in this index is immediately below Hungary and Poland.<sup>12</sup> According to the same data, it is particularly interesting that this index shows a characteristic tendency for higher yields in flat areas, because of the fact that the construction of roads in them is substantially easier. Therefore, we note that Central European countries have an index yield of 1176, while Balkan countries only 526. This means that the index yield is less than half; with the combined inclusion of Greece, Balkan countries barely yield 894. One may conclude from the above that flat areas contribute to Poland and Hungary having a more substantial network. On the contrary, Balkan countries, including Greece, do not share this feature; since they are mostly mountainous, it is difficult for them to create such a developed road network. An important feature relates to a particularity of asphalt paved roads: Bulgaria's small network is almost wholly asphalt paved, to an extent reaching 91.9%. Czech Republic's asphalt paved roads reach 100%; Slovakia's 98.5%; and Greece's 91.8%. Furthermore, although Hungary has a more dense network, its asphalt paved roads amount only to 43%, just above Albania, with 30%. The latter data indicate agricultural structures, functions and uses, confirming the necessity to modernize and adapt road networks to the needs and functions of international economy.

According to the same data, motorways were nonexistent in the Balkans in 1996, while those in Central and Eastern Europe were in a slightly better condition. Amongst Balkan countries, only Greece, followed by Rumania and

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<sup>12</sup> CIA World Fact Book, 1998. World Bank Development Indicators, 1998.



FYROM, seem to have motorways capable of responding to the needs of modern economic development. The remaining countries of the Balkan Peninsula face significant problems of a growing importance, if one takes into consideration the significance of transports at a time when the global capitalist system demands speed of information and in transporting products to international markets. Balkan countries, in particular, need to compete not only with countries that show a particular dynamism in their course of development (such as Portugal and Spain), despite facing intense problems of backwardness a few decades ago, but also with countries of the former COMECON, such as the Czech Republic; Hungary; Poland; Slovakia, which, however, have taken significant steps towards the process of transition to market economy. Typically, Central European countries have motorways exceeding 200 kilometers each, that is, as many as all the Balkans together, excluding Greece.<sup>13</sup>

As regards railway, during the period 1995-97 it showed respective analogies to road networks. The most dense network was found in the Czech Republic (120 km / 1.000 sq. km) and in Hungary (82.4 km), followed by Poland, Slovakia and Slovenia.<sup>14</sup> Characteristically, Slovenia, a former part of united Yugoslavia, now considered a Central European country, has a network of only 59.3 km, that is, significantly thinner vis-à-vis the former countries but certainly more dense than the network of the rest of the Balkans; the more dense network is to be found in Rumania (49.3 km). Clearly, the railway network is less than half that of Central Europe, as demonstrated by the statistical data available; indeed, if Greece is included, the situation is even worse, because Greece has the thinnest network: only 18.9 km.<sup>15</sup>

Electrification of the network during the same time is also particularly interesting. The percentage of electrified network vis-à-vis the total network of standard-gauge line is at 77.9% for Bosnia-Herzegovina and at 65.5% for Bulgaria, being the two most extensive ones. Generally, Balkan countries are at the same level with their Central European counterparts (Balkans at 40.6% and Central Europe at 42.3%).

Airports, in the period of 1997, show a similar distribution. Considering tarmac paved airports in the Balkans, we notice that Croatia has 0.9 airports per 1.000 sq. km. followed by Greece with 0.5; FYROM and Bulgaria with 0.3; other

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<sup>13</sup> CIA World Fact Book, 1998. World Bank Development Indicators, 1998.

<sup>14</sup> World Bank Development Indicators, 1998.

<sup>15</sup> CIA World Fact Book, 1998. World Bank Development Indicators, 1998.

countries with 0.2 and only Rumania with 0.1. Comparatively, the Czech Republic had 0.4 and Slovenia 0.3.<sup>16</sup>

With regards to telecommunications, Balkan countries are relatively backward vis-à-vis their counterparts in Western Europe. The most significant index regarding the outlook of telecommunications in the Balkans is the number of telephone connections per 100 inhabitants. This relates to telephony spread and, independently of the percentage of digitization of lines and connections, it shows the following picture for 1998: with the exception of Greece, regarded as an advanced region in terms of telecommunications, with a penetration of 51-52% in 1997, the remaining countries vary from 3.5% for Albania and 9-10% for Bosnia-Herzegovina, to 36.5% for the most advanced, that is the Czech Republic and Slovenia. In the Balkans, average spread reaches 20.3%, while in countries of Central Europe 26.95%. From the above data one concludes that, even though Greece pushes the average upwards, the Balkans fall short of Central Europe.<sup>17</sup>

The importance of telecommunications for the transition of Balkan countries to market economy is decisive in terms of the economic development of this region. On the other hand, as already mentioned, a comparison in the field of telecommunications proves that the gap between the Balkan countries and those of the European Union is enormous, in favor of the latter. This is very easy to understand. As far as penetration of land telephony is concerned, the potential of Balkan countries is half of that of their counterparts in the European Union. On the other hand, as far as mobile telephony is concerned, the difference is huge. Compared to the European Union, the Balkans are below 1%. This can be interpreted in the sense that, if 20 or 21 out of 100 inhabitants are connected in the European Union, in the Balkan countries the respective number is barely above 1. However, it must be noted that the situation in mobile telephony may alter very easily, since mobile telephony expands through the private sector, and companies undertaking these activities are relatively flexible, characteristically for this type of technology. Furthermore, the absence of modernized and updated networks often results in mobile telephony acting as a substitute.<sup>18</sup>

In this context, despite being considered highly priced, mobile telephony is a necessity for many inhabitants. This indicates further that, as long as the economic climate in the Balkans and Central Europe improves, a dynamic

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<sup>16</sup> CIA World Fact Book, 1998.

<sup>17</sup> International Telecommunications Union Basic Indicators, 1999.

<sup>18</sup> International Telecommunications Union Basic Indicators, 1999.

increase may be expected. On the other hand, investments in modern digital networks for land telephony and relevant facilities are much fewer, because of their magnitude; type of their technology; and the importance of practical issues, such as the digging of ditches. As a result of all the above, it becomes obvious that the Balkan countries are lacking significantly in the development of telecommunications vis-à-vis other regions of Europe. However, it must be understood that significant reservations may arise regarding the accuracy of available information. This is not to question the significant lagging of the Balkans vis-à-vis the rest of Europe. On the other hand, the requirements of Balkan countries need to be specified, as a prerequisite for the determination of the quality and volume of modernization of telecommunications in the Balkans.

### **The impact of geopolitical conditions on the formation of economic and developmental policies in the Balkans; The role of Turkey**

According to Hyde-Price, violence is the midwife of History in Central and Eastern Europe.<sup>19</sup> Peoples of these regions won their sovereignty and independence at the end of World War I by the power of their weapons and as a result of their mutual, bitter military conflict. Their subsequent course led them through a series of new, smaller but equally bitter wars. Winston Churchill is quoted to have said that, “the war of the giants is over; the war of the pygmies has just started”.<sup>20</sup> During the Cold War, Central and Eastern Europe moved on under the actually existing socialism, a socioeconomic model whose main feature was central planning. In this context, the influence of the Soviet Union was obvious. The USSR used its military and political hegemony to impose a set of circumstances where any conflict would be eliminated. The fragile peace of the region led many neo-realists to indeed suggest that the end of the Cold War would inaugurate an increasingly bitter struggle between antagonistic states, in the context of an anarchic multi-polar system, resulting, most probably, to the eventuality of a war.<sup>21</sup>

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<sup>19</sup> A. Hyde-Price, 1998, Patterns International Politics. In: *Developments in Central and East European Politics* (St. White - Judy Batt - Paul G. Lewis, eds), MacMillan Press Ltd., p. 255.

<sup>20</sup> N. Davies, 1996, *Europe: A History*, XI. Tenebrae: Europe in Eclipse, 1914-1945, pp. 1020-1050.

<sup>21</sup> J. Measheimer, 1995, The false promise of international institutions, *International Security Winter 19* (31), 1994/95: 9. K. Waltz, 1993, The emerging structure of international politics, *International Security* 18 (2): 44-79.

In essence, one confirms once again that the policies of a country are dictated by its geography, as stated by Napoleon. Furthermore, each country's political power as such, influences also the dynamics of its economic development.

There is a view that Central and Eastern Europe are extremely open to economic forces from the East and West, acting as a "gate area"<sup>22</sup> Central and Eastern Europe have essentially been divided into regions and, in this way, countries have developed peripheral cooperation. One such aspect is the Black Sea Economic Cooperation (BSEC), a peripheral grouping in Central and Eastern Europe formed in June 1992 that brings together 11 countries: Turkey, Rumania, Bulgaria, Greece and Albania (from the region of the Balkans), and six countries from the former Soviet Union, that is Russia, Ukraine, Georgia, Moldavia, Azerbaijan and Armenia.<sup>23</sup> BSEC was formed as a commercial group aiming at laying the political foundation for an essential and functional economic cooperation in a region with a potential market of 400.000.000. One of the first countries that joined BSEC was Turkey, with the purpose of becoming a storehouse for exports of energy and raw materials from the former Soviet Republics to the West. Its efforts aimed at developing a strategic relation with Russia and at demonstrating its power to the European Union, essentially providing leadership alongside the south periphery of the European continent.<sup>24</sup> However, taking into consideration the deep historic enmities in this area, which is prone to conflicts, and the fragile internal situation in many countries, peripheral cooperation between countries would not be easy; and it was proven so.

Turkey used (and still uses) primarily a military strategy. National strategy is the science and the art of developing and using political, economic and armed forces in times either of peace or war, for the purpose of securing objective national aims. In Turkey, military strategy is one of the most basic lessons taught in military academies and is included in every study composed by Turkish Centers of Strategic Studies and by high ranking Turkish officers.<sup>25</sup> In

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<sup>22</sup> S. Cohen, 1994 Geopolitics in the new world era: a new perspective on an old discipline. In: *Reordering the World* (G. Demko and W. Wood, eds), Westview Press, pp. 40-67.

<sup>23</sup> A. Hyde-Price, op. cit., p. 262.

<sup>24</sup> J. Sperling - E. Kirchner, 1997, *Recasting the European Order Security. Architectures and Economic Cooperation*, Manchester: Manchester University Press, pp. 139-140.

<sup>25</sup> Chr. Menagias, 2010, *The geopolitical strategy and the military power of Turkey*, Athens: Publisher Tourikes, p. 126. Χρ. Μηνάγιας, *Η γεωπολιτική στρατηγική και η στρατιωτική ισχύς της Τουρκίας*, Αθήνα: Εκδόσεις Τουρική.

this context, for Turkey to play an important role in the region and not to be vulnerable from abroad, the strengthening of its national economy is wanting. Agreements and co-operations must be in accordance with the country's interests. Thus, Turkey attempts to be the decisive factor vis-à-vis developments in the Balkans; the region of the Black Sea and the Middle East. In this context, she also attempts to strengthen her position by safeguarding her interests in the Aegean and Cyprus, in the framework of her antagonism with Greece. In other words, her aim was (and still is) to dominate the region of the Balkans. The case of her dispute with Greece over the Burgas-Alexandroupolis pipeline is typical and relates to the stalling of the Russian side on this issue, in view of the fact that the Russians were trying to exploit Turkey's market, by utilizing Turkey's opposition in this particular issue. Furthermore, there was also the issue of supply of natural gas, connected to the underwater pipeline in the Black Sea; Gazprom's biggest project, which could carry enormous amounts of natural gas to Turkey.<sup>26</sup>

To that end, during the 1990s there had developed in the Balkan countries a situation deeply influenced by the above facts. In Bulgaria, serious problems had been caused by the fact that the Soviet Union had proceeded with cuts in the supply of cheap oil and other raw materials. The Bulgarian government intended to replace Russian oil with Iraqi; of course, this was before the western intervention in Iraq, a fact that demonstrates how fragile balances were, and remain still. In essence, Iraq owed Bulgaria 1,200,000,000 US\$, but the Gulf War crisis rendered a settlement impossible. The direct and indirect losses for Bulgarian economy have been estimated to 7% of its GNP.<sup>27</sup> The Rumanian government favoured the transition to market economy in two stages. However, the economy's deterioration became obvious; unemployment reached extremely high levels, while the budget and balance of payments were in deficit. Alternatively, industrial capital was considered largely outdated and also particularly non competitive, polluting and outdated.<sup>28</sup> Yugoslavia had a special system of economic management. A course of reforms began in 1989; however, from the mid 1990s the early economic performances started to lose their impetus and a variance between micro and macroeconomic policies became noticeable.

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<sup>26</sup> M. Kipas, 2004, *The formation of the Balkan Periphery in the period 1990-1999 and the role of Greece*, Athens: PAPAZESES, p. 149. (in Greek), *Η συγκρότηση της Βαλκανικής περιφέρειας και ο ρόλος της Ελλάδας*, Αθήνα: ΠΑΠΑΖΗΣΗΣ.

<sup>27</sup> T. Killick - Chr. Stevens, 1992, Economic adjustment in Eastern Europe: lessons from the Third World. In *Economic Reform in Eastern Europe* (G. Bird, ed.), Published by Edward Elgar Publ. Limited, p. 111.

<sup>28</sup> T. Killick - Chr. Stevens, op. cit., pp. 112-113.

Macroeconomic imbalances were obvious in Eastern Europe. Most countries faced great difficulties as a result of the inflated cost of oil imports, owing to the disruption of trade relations with the Soviet Union.<sup>29</sup> In this sense, which is the easiest path for the course of development in Eastern Europe, and the Balkan countries in particular? One must also understand that the degree of reconstruction varies from country to country. On the basis of all the above, the economies of the countries of the former actually existing socialism may prefer to develop on the model of developing countries, particularly so as, for many theoreticians, the countries of Eastern Europe show many similarities with relevant countries such as Mexico, Brazil, Korea, Taiwan, Thailand and Singapore. The models of development are relevant and comparable to each other, meaning that the new countries of Eastern Europe are in a position similar to that of the countries of the Third World, in which organizational and industrial capacities for a capitalist development are insufficient and very often distorted.<sup>30</sup> Of course, a convincing scenario has been suggested, according to which there is room for development; but this has also been questioned. World banking statistics demonstrate that in the mid 1980s, the population of most Eastern European countries (with Albania as the sole exception) was largely educated, caring for its medication and housing much more than the respective population of prosperous countries, with the exception of Singapore and Hong Kong.<sup>31</sup> However, industrial accomplishments of these countries and their consumer, transport and communication infrastructures were generally not better than those of developing countries with an average income; while, on the other hand, they were worse than countries with rapidly developing industries.

In the early 1990s, the productive structure of most Central and Eastern European countries was two or three generations behind those of Western Europe. Two surveys have been conducted relating to business enterprising and opportunities offered in various Eastern European countries; the first one by Financial Executive, published in September and October 1990. East Germany was required to commit itself to offering the most attractive investment environment to foreign investors; while Hungary ought to find ways to dispose intelligently of capitals in order to advance investments. The former Yugoslavia, also included in this particular survey, and Czechoslovakia were rated third or fourth. However, Yugoslavia was shown as a special case, from the point of view that it presented the greatest interest, because it had a longer

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<sup>29</sup> T. Killick - Chr. Stevens, op. cit., p. 119-121.

<sup>30</sup> J. Dunning, 1993, *The globalization of Business*, London and New York: Routledge, p. 228.

<sup>31</sup> J. Dunning op. cit., p. 228.

history in business; it was also believed that she was characterized by speed and stability in financial transformation. On the other hand, Rumania and Bulgaria were considered serious rivals on issues relating to direct internal investment.<sup>32</sup>

Generally speaking, Central and Eastern European markets offered great opportunities and enthusiastic challenges to Western and Japanese companies and to new, bright businessmen during the 1990s. These opportunities could have been exploited in a variety of ways, usually through commerce, or even by alliances involving countries of Central and Eastern Europe and foreign businesses. Obviously, the position of these countries as such in the heart of Europe, influenced the general course of affairs; something that one would not claim for Balkan countries. Obviously, the particularity of the geopolitical position of Balkan countries played and (continues to play) an important role.

In this sense there is a deep relationship between the Balkan countries and then Black Sea region with Central Asia and the European Union. This relationship becomes pore intense in the first two decades of the 21<sup>st</sup> century. In this context, geopolitical developments are moulded, which are linked to the deepest economic interests of multinational corporations and the stages they represent, as well as regional capitalist powers that want to participate in the global economic and political developments. The modern world economy is characterized by the stable relations of multinational enterprises with energy resources, alongside with controlled transport hubs, which exist mainly in the third or the developing world, which are necessary for the sovereignty of the more developed countries and multinational enterprises that they represent.

Therefore, the particular position of the Balkan states, especially of Greece and Turkey, leads to developments that create instability throughout the Balkan Peninsula. A typical example of developments in FYROM and the initiative of the parties supported by the developed capitalist countries is to convene parliament and elect as its president the vice-chairman of one of the Albanian parties that has joined the Social Democratic Union (SDMS) as a first step towards bypassing the country's president, who refused to give them the command to form a government. Obviously, this has created great reactions on the opposing side. VMRO members and fans invaded the Parliament House, interrupted the process and injured eight Members of Parliament, including the head of SDMS and prospective future prime minister Zoran Zaev. The European Union has threatened with personal sanctions both the country's president and VMRO party officials, such as blocking the funds linked to the

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<sup>32</sup> J. Dunning, *op. cit.*, p. 230.

country accession negotiations. At the same time, NATO invites FYROM's defense minister in Brussels to advise him on how to get this membership. At the same time, Russia has a clear position on its legitimate vital interests in the wider region. It is now clear that Albania acts as an arsonist in the Western Balkans. Support for Greater Albania may be a prerequisite in eliminating Russian influence in the Balkans.

At the same time, the role Turkey tries to play is evident, because it is considered to be a strong regional capitalist country with a willingness to be transformed into one of the world's leading powers, with enormous interests in Europe, the Balkans, the Aegean and the Eastern Mediterranean, but also in Central Asia. Despite the fact that, towards the end of the second decade of the 21<sup>st</sup> century, Turkey's main frontier is its southeastern border, it never ceased to intervene in the Balkans, which it considers, as a Balkan country, part of its vital space. Thus, since the disintegration of the united Yugoslavia, the Turkish governments are attempting to widen their influence mainly to the Muslim populations, attempting to overcome the states themselves and the international institutions themselves. In the twenties of the 21<sup>st</sup> century, Turkey and Erdogan's government are trying to use generalized instability in its neo-Ottoman policy to promote the plans. A prominent example is its close relations with Albania and the upheavals created in the Western Balkans. Its intervention in Kosovo is clear. Turkey talks with FYROM's minority ethnic Albanian parties and their attitude towards the future of the country. It strengthens the Albanian minority in Serbia and maintains privileged relations with Muslim Bosnia.

By following this policy, Turkey is also shaping policy towards Greece and Bulgaria. It leaves open issues that reach up to territorial claims. Apart from the traditional challenges for Thrace and on the territory of Bulgaria on the occasion of the Muslim minority, the gray zones of the Aegean Sea and the partition of Cyprus have been added. Exploiting the refugee issue Turkey seeks to secure positions in the Evros-AegeanKastellorizo-Cyprus Arc and then in the Balkans and Western Europe and believes that it can succeed in its aims against Greece. At the same time, the Turkish government estimates that a spark in the Balkans is very likely. Knowing the US and Russia's aspirations in the region, it will try to exploit the contradictions between Russia and the United States.

Its endeavour will be to capitalize on its military power and comprehends that its position in the global economic realm depends on the country's economic development is therefore directly linked to the energy policy. In this sense, it has emphasized the achievement of total acquisition of the Mediterranean



energy resources. It is evident that the beliefs of bourgeois international experts and especially academics that Turkish rhetoric is done for internal reasons are contradictory. Turkey's aggression is not conjunctural. The Greek government of SYRIZA in its attempt to prove that the catastrophic negotiation of the fourth memorandum, as it happened in the previous three, has succeeded in silencing major developments that occurred between April and May 2017. So other bourgeois parties in their overwhelming majority do.

The Turkish government in a letter to the UN is proceeding with a unilateral definition of its continental shelf in the South East Aegean Sea, bypassing and concept of International Law of the Seas that clearly defines the issue. This, the Turkish government considers that the Marine Region west of Meridian 32°16'18"E is proclaimed as a Turkish EEZ and requires the withdrawal of all ships not licensed by the Turkish Government for investigations in the region.

This means that Cyprus lacks any sea area beyond the territorial waters of 6-12 nautical miles. The same is true for the Greek islands of the Aegean and Crete. It recognizes rights within six nautical miles of territorial waters for all Greek islands in the Aegean. East of Rhodes and Crete, Turkey considers that beyond 6 nautical miles the area is designated as an EEZ, but also as a Turkish continental shelf, while for Kastelorizo it recognizes a Greek right and a continental shelf around the island 6 nautical miles apart from the northern part of which is the border with the Turkish coast. These claims have been filed by Turkey's Permanent Representative, F. Shirinoglou and a document will be published in the text edition of the Law of the Sea Bulletin.

At this stage, the rights of exploration and exploitation of the 6<sup>th</sup> gas field of the Cyprus EEZ, which is the consortium of ENI-Total, two large multinational hydrocarbon companies in Italy and France, are threatened. France has decided to send its only aircraft carrier to Cyprus in a demonstration to protect its investment. This development highlights the direct interplay and matching of the interests of a large developed capitalist state with multinational companies based in a particular country. All this happens when at the same time a specific economic policy is applied to all employees. At the same time, it highlights how international economic relations are developing within the framework of the global capitalist system. At the same time, Turkey sends a strong naval force for exercises and oversight, blocking vast marine area, to the south and east of Crete and to Cyprus.

## **Epilogue**

Clearly, throughout the period of actually existing socialism infrastructures met all the conditions to respond to a certain way of production and to certain productive relations. However, after the collapse of 1989, Balkan countries were forced to follow a different socioeconomic model. In this sense, infrastructures had to readjust to new realities. These realities included an adjustment to the needs of market economy and to an emerging capitalism in these countries. The need for economic competition forced these regions to develop infrastructures, especially since there already existed an obvious problem with them since the period of actually existing socialism. The issue in question was important also for Greece, for two reasons: it was related to infrastructure projects in the Balkans, while it created preconditions for the rapprochement of the Balkan peoples with the rest of Europe. Thus, it becomes obvious that development of infrastructures in the Balkans was an important issue during the period of transition to market economy.

As we have been made aware, geopolitical factors play an important role in the formation of economic development. The significance of a region's fragility is a decisive factor for the mood of those who wish to risk investing in it. The Balkans is considered a region of Europe looking intensely towards the East. The area neighboring the Black Sea and the Black Sea basin itself are "related" to the Balkan countries and, as a result, when one of these areas is influenced, the impact is felt strongly elsewhere. In this context, various co-operations formed among Central and Eastern European countries aimed at contributing to the development of the countries of the region. One of them, as we have clearly seen, was BSEC, with a participation of 11 countries from the former Soviet Union and the Balkans, including Greece and Turkey. This fact is particularly significant, if one takes into consideration the long confrontation between these two countries, considered the most important powers in the Balkans.

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