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On the 8th June 2010 Serbia continued their international rehabilitation by signing a military cooperation deal with Croatia. After the bitter ethnic wars of the 1990s both sides agreed that the deal demonstrates a commitment to the normalisation of relations within the Balkans. A core component of the agreement opens up the possibility of cooperation between each state's military industries. According to Croatia's Minister of Defence, Branko Vukelic, as both state's defence sectors are 'quite complementary' it is possible that they will cooperate in the global marketplace.

Over the past year Serbia's defence industry has seen a revival in its fortunes. According to Serbia's Defence Minister, Dragan Sutanovac, in 2009 Belgrade approached a level of military sales comparable with the former Yugoslavia twenty years earlier. Belgrade estimates that Serbia will export between $500 million to $1 billion worth of military equipment and services in 2010. Serbia's best customers are states identified with the Non-Aligned Movement, an organisation in which Yugoslavia was a leading light. Iraq accounted for more than a third of Serbia's arms exports in 2009. These included a $305 million contract for the supply of twenty Lasta training aircraft. Belgrade's military academy has also begun training Iraqi officers and medical personnel.

Serbia has recently increased its military cooperation with Libya. A three day visit to the country by Sutanovac has prompted speculation that Libya will award Serbia with a contract to construct a military hospital similar to the Military Medical Academy in Belgrade. Sutanovac also discussed with his Libyan counterpart greater cooperation within economics, medicine and education.

The driving force behind Serbia's re-emergence within the global defence marketplace is Yugoimport-SDPR. As the centralised trading group for the six principal state-owned defence manufacturers, Yugoimport-SDPR has developed a two-pronged approach to enhance Serbia's position within defence manufacturing. Firstly Yugoimport-SDPR promotes foreign trade in armaments and equipment. Serbia's broad range of products encompassing small arms, medium calibre weapons and ammunition are targeted in particular at developing nation markets. However Yugoimport-SDPR also wants to re-model Serbia's defence industry along the lines of the global leaders in defence manufacturing. This entails moving Serbia away from the production of capital weapons systems inherited from the former Yugoslavia towards the development of advanced technologies.

However Serbia's ability to make the transition to more advanced defence manufacturing remains compromised by geopolitics. Despite signing a Partnership for Peace Security Agreement with NATO in 2008, Serbia remains committed to a policy of military neutrality. Yet the Belgrade-based Centre for Civil-Military Relations believes neutrality is hindering Serbia's ability to develop a technologically-savvy defence industrial base. Currently Serbia remains

capable of providing cheap exports to countries looking to upgrade their ageing Soviet-made arsenals. Yet such transactions are unlikely to lead to the kind of technological transfers that would benefit Serbia's defence industries.

Serbia's attempts to introduce new technologies through licensing or operations with foreign companies have also been hampered by events dating back to the 1990s. In 2005 the European Union (EU) began talks with Belgrade on the development of a Stabilisation and Association Agreement. This agreement was signed in 2008 but was immediately frozen pending Serbia's cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and the Netherlands' insistence on the prior capture of Ratko Mladic. However, on the 14th June all EU member states agreed to start the ratification process of the Stabilisation and Association Agreement. As ratification represents a major step forward in Serbia's bid to become an EU member it is possible that its defence industries may soon benefit from wider cooperation, despite its failure to bring war criminals to justice.

Like its neighbours, Croatia once had a defence sector that was considerably larger than it is today. Yet by the end of the Balkans conflict the industry had become plagued by poor management of arms production and procurement functions, as well as a lack of financial support from the government. As a result Croatia's defence sector experienced a prolonged period of downsizing. Whilst Croatia acknowledges that its defence industry still makes a contribution to the economy, as of 2009 the country's service sector accounted for approximately 65% of gross domestic product.

Some notable Croatian defence exports have also mirrored those of their Serbian counterparts. Since independence Croatia's primary exports have included the HS-2000 pistol. An estimated 500,000 of these have been exported to the United States for use by law enforcement agencies and gun enthusiasts. Croatia has also exported the RT-20 Antimateriel Sniper Rifle to France and Spain, rocket launchers to Colombia and artillery sights to Turkey. Yet Croatia's most significant recent exports have been demining vehicles manufactured by the Zagreb-based firm DOK-ING Ltd. What makes these vehicles unique is that they are developed as separate units rather than upgrades for armoured vehicles. This has made them much sought after on the international market. To date DOK-ING has exported vehicles to 27 countries on all five continents. The United States, for example, uses the MV-4 machines in Afghanistan.

Croatia has also used a centralised government agency to coordinate defence exports. Through Agencija Alan Croatian exports have grown in recent years and are reported to exceed $300 million. Yet the government and Ministry of Defence have recently launched an initiative that seeks to change this arrangement. On the 12th April 2010 the Ministry of Defence presented the Concept and Strategic Framework of the Programme of [the] Croatian-Industrial Cluster (HVIK). The aim of the HVIK is to stimulate greater integration between the government and the commercial and scientific sectors to help develop Croatia's defence industry. The HVIK also seeks to enhance Croatia's standing within the global defence marketplace through the development of international partnerships. Key to such partnerships is the continued provision of quality products by the domestic defence industry.

The commercial success of DOK-ING Ltd suggests that Croatia's defence industries can make

a positive contribution to the objectives of the HVIK. Another good omen is that key production facilities are able to manufacture both military and civilian products. Steiner Telecommunications, for example, not only provides the Croatian military with command-and-control systems but also makes other products commercially available. Croatia's more versatile defence industry also explains the logic behind enhanced military cooperation with Serbia. Cooperation potentially offers Belgrade access to the kind of technologies that Serbia's defence industries currently lack. In return Croatia may utilise Serbia's extensive international connections to increase the profile of its own defence sector. In talks leading up to the agreement both Serbia and Croatia discussed the possibility of jointly modernising Kuwait's fleet of M-84 main battle tanks. Should Croatia's reputation be enhanced in the Middle East, its private sector companies may also be considered for the $70 billion worth of projects that are expected to arise in Iraq after the U.S. withdrawal.

Any kind of cooperation in a region previously blighted by conflict and ethnic unrest should be viewed as a confidence-building measure. Yet for both Serbia and Croatia increased military cooperation is more than about putting the past behind them. This is an opportunity for both states to improve their standing within the global defence marketplace. Whilst Serbia holds the key to extensive international cooperation, Croatia leads the way in technological know-how. It would be interesting to re-examine this partnership once both countries' defence industries have overcome their weaknesses.