

MAKE-OR-BREAK MOMENT:

# EU ENLARGEMENT IN SOUTHEAST EUROPE IN PANDEMIC TIMES

**Matteo Bonomi (Rome), Albana Merja (Tirana),  
Theresia Töglhofer (Berlin) and Dušan Reljić (Brussels)**

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former Foreign Minister of the Republic of Albania

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Integrating the SEE6 into the EU would be a step towards achieving the EU's finalité. Ultimately, it would imply that the project of European integration has consolidated into a concrete political space with a precise boundary on a continental scale.



If the EU wants to integrate the SEE6, it should open its structural and cohesion funds for the SEE6, or provide zero-priced capital from other of its funding sources.



The substantial increase in financial assistance should be a reward for SEE6 countries' adequate performance in reforms.



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# MAKE-OR-BREAK MOMENT: EU ENLARGEMENT IN SOUTHEAST EUROPE IN PANDEMIC TIMES

Former Minister of Foreign Affairs of the Republic of Albania Mr Ditmir Bushati initiated in the spring of 2020 a policy research project on the changed perspectives of the EU enlargement policy in southeast Europe in pandemic times. The project aims to support the current reframing of the European Union's enlargement policy towards the six southeast European non-EU national economies (the SEE6, in the parlance of the World Bank and the International Monetary Fund). It offers analysis and policy recommendations to political actors in the EU and SEE6.<sup>1</sup>

There were two principal sources for the findings of this paper: the first was a series of confidential interviews carried out by the research team with almost twenty informed political practitioners and analysts. In addition, the research team reviewed the current topical publications and conducted other desk research. In September 2020, an international expert group discussed the draft report. The final report reflects also their comments and suggestions.

Matteo Bonomi (EU enlargement policy), Istituto Affari Internazionali, Rome, Albana Merja, (intra-regional

cooperation) independent researcher, Tirana and Theresia Töglhofer (external influences), German Council on Foreign Relations, Berlin, committed to paper the results of their analysis. Dušan Reljić, German Institute for International and Security Affairs, Brussels/Berlin, led the production of this study.

This research was realized in cooperation with the FES Tirana office of the Friedrich-Ebert-Foundation. The authors wish to express their gratitude to the Head of FES Tirana, Ms Stine Klapper, and to Jonida Smaja, FES Program Coordinator, for their encouragement and support. However, the views expressed in this study reflect only the opinions of the authors and are not necessarily those of FES or Ditmir Bushati.

This research paper will be presented to interested parties in Brussels, Berlin (Germany is at the helm of the EU in the second half of 2020) and in the SEE6. There will be an update of the paper after these debates to reflect the new comments and developments.

## PROSPECT

If the EU and its member states intend to retain credibility about their strategic goals in the SEE6 area, then they have to develop a new understanding of the region. They should abandon the terribly compromised phrase of offering a 'European perspective' to the countries in southeast Europe. Instead, the relationship with the SEE6 should centre on the imperative for the EU to achieve its finalité. This is only possible by rapidly integrating the SEE6 also into formal membership since strong factual integration through economy, security interests and human communication already exists.

The authors of this policy paper have no doubt that any EU strategy towards the SEE6 is futile and even harmful if it does not have at its core investment programmes to boost human capital, growth and prosperity in the region. Without socio-economic development, and accompanied by negative campaigning by authoritarian nationalists, the population will soon identify the EU (or already has done so),

rightly or wrongly, as the culprit for the plight of their communities.

With this in mind, the EU and national governments must first stop talking about improvements regarding corruption and the rule of law in the SEE6, when in the citizens' eyes it is obvious that the situation is just the opposite. In other words, they must speak the language of truth about democratic and socio-economic backsliding and rising authoritarianism in the SEE6 countries.

EU actors should hold leaders from the region politically accountable for violating EU rules and their underlying values. In the same manner, EU actors should publicly denounce and push back the efforts of the so-called third actors to recruit junior partners in the region. The overt purpose of such dangerous liaisons is to undermine EU values and norms, which the parliaments and governments of the Western Balkan states have, at least publicly, endorsed.

<sup>1</sup>SEE6: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The authors of the report occasionally also use as an alternative the expression Western Balkans. However, in spite of much support for it among the authors, a third synonym – Eastern Adriatics – is not used to avoid confusing the reader.

# INTRODUCTION: THE SEE6 AS THE SOFT BELLY OF THE EUROPEAN UNION

The EU and NATO encircle the SEE6. Albania, Montenegro and North Macedonia are part of NATO. The SEE6 have almost three quarters of their trade with the EU. Most foreign investments come from the Union and their financial system is to a considerable extent in the hands of EU banks. Most important – outward migration in the last decades has led to a situation in which at least a fifth of the SEE6 native population lives in the EU (see Chart 1).<sup>2</sup>

All main political outcomes over the course of the turbulent last decades in the region have occurred with critical involvement of EU states – even to the extent that Bosnia and Herzegovina and Kosovo were for some time directly externally governed (e.g., Eulex and the High Representatives in Bosnia and Herzegovina) and to a point still are. Reciprocally, what distresses the SEE6 also affects the EU: the migration wave in 2015 via the Balkan Peninsula, which is still active, or the spread of the pandemic are only the most recent examples.

Since the EU launched the Stabilisation and Association Process in 1999 and especially after the Thessaloniki Summit in 2003, it also held out the

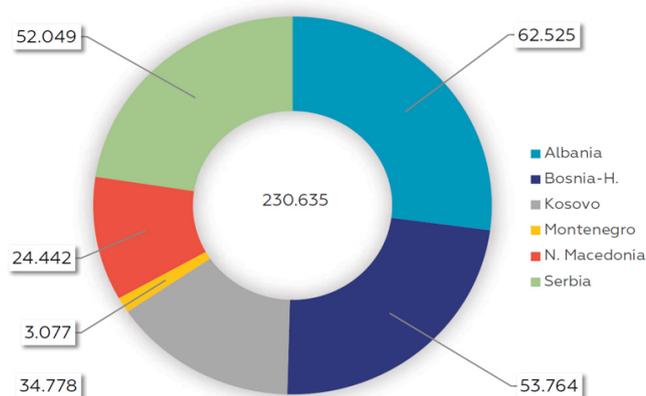
‘prospect of membership’ to the Western Balkan countries. The main aim of the EU integration process is to stabilize the region and thus enhance Europe’s security. The process should trigger convergence in the SEE6 to the average socio-economic standards in the EU. This should be accomplished through domestic reforms, chiefly the establishment of the rule of law. The outcome should be the transformation of the way politics, economies and societies work and to empower the democratic forces in these countries.

Integrating the SEE6 into the EU would be a step towards achieving the EU’s finalité. Ultimately, it would imply that the project of European integration has consolidated into a concrete political space with a precise boundary on a continental scale.

However, the effects of the global economic and financial crises from 2008 onwards spilled over from the EU to the SEE6 causing profound economic and social stress. A democratic decline and a new form of nationalism and authoritarianism, which has spread in the region since then, continue to plague the SEE6. This regress is to a great extent the effect of the withering away of the belief in the region that EU

**Chart 1: Every two minutes one citizen from the Western Balkans migrates legally to the EU (first permits of residence in the EU in 2018)**

Source: Theresia Töglhofer (2019), “No Time to Lose for the EU Overcoming the Accession Stalemate in the Western Balkans.” German Council for Foreign Affairs Policy Brief, No. 8 (December), p. 3, <https://dgap.org/en/node/33272> – based on Eurostat data: First permits by reason, length of validity and citizenship.



<sup>2</sup> C.f. UNFPA Regional Conference (2019), “Population Dynamics, Human Capital and Sustainable Development in South-East Europe.” Sarajevo, October 21-22, <https://eeca.unfpa.org/en/events/regional-conference-population-dynamics-human-capital-and-sustainable-development-south-east> P.7

integration is the panacea to all socio-economic woes.

The prolonged socio-economic regression is the root cause of the failures of the governance reforms and the EU transformation policy in the SEE6. Poverty and income inequality are the defining characteristics of the social fabric in the region. A middle class exists only nominally; most people live in poverty or under the threat of poverty. The pandemic has aggravated this condition.

The present structure of the EU–SEE6 economic interaction does not permit convergence and lasting transformation.<sup>3</sup> In essence, the SEE6 countries offer cheap labour at the lower end of the value producing chain, which starts in the EU, mostly in Germany and Italy. Income remains extremely low in comparison with the EU (300–400€ monthly wages and salaries are the average, which means that the majority works for less).

Table 1: SEE6 and the EU AIC and GDP per capita in PPS\* in 2019

Actual Individual Consumption (AIC) is a measure of material welfare of households. The highest level in the EU is in Luxembourg (135) with Germany (123) on the second place. **EU average = 100**

Source: Eurostat, the statistical office of the European Union

\*The Purchasing Power Standard (PPS) is an artificial currency unit that eliminates price level differences between countries. Thus, one PPS buys the same volume of goods and services in all countries.

\*\*Data for Kosovo not available.

SEE countries*	AIC per capita	GDP per capita
Albania	40	31
Bosnia and Herzegovina	42	32
North Macedonia	43	38
Serbia	49	41
Montenegro	60	50
EU countries in the vicinity	AIC per capita	GDP per capita
Bulgaria	59	53
Croatia	66	65
Hungary	67	73
Slovakia	73	74
Greece	77	68
Romania	79	69
Slovenia	81	88
Italy	99	95
Austria	118	127
Germany	123	121

## POLITICAL CAPITALISM AND STRONGMEN

Instead of increasingly experiencing the benefits of a typical EU social welfare state, the SEE6 countries are increasingly adopting the model of predatory capitalism, which has high-level corruption and state capture at its essence.<sup>4</sup> The current political set-up favours the 'charismatic strongman' unchecked by democratic mechanisms.

If the structure of the economic relations between the EU and the SEE6 remains unchanged, the push and pull causes of migration from the SEE6 towards core EU countries will become even more forceful than

now. Together with the rapid aging of the population, the demographic decline and the rampant environmental degradation, this will exacerbate the economic, social and political entropy in the region.

The World Bank and other international financial institutions have stipulated in several reports that the regional annual growth rate must be above 6% to attain sustainable progress. To achieve convergence with the EU average income, the level of investments in the region should rise above 25% of GDP.<sup>5</sup>

<sup>3</sup> Here we follow the argumentation from Matteo Bonomi, Ardian Hackaj, & Dušan Reljić (2020), "Avoiding the Trap of Another Paper Exercise: Why the Western Balkans Need a Human Development-Centred EU Enlargement Model." IAI Papers, No. 20, Rome.

<sup>4</sup> C.f. Branko Milanović (2019), *Capitalism, Alone. The Future of the System That Rules the World.* Cambridge/London, The Belknap Press of Harvard University Press, p. 207-211.

<sup>5</sup> See for instance Claude Berthomieu, Massimo Cingolani, & Anastasia Ri (2016), "Investment for Growth and Development in the Western Balkans." Starebei Research Project, EIB Institute, University of Nice (France), June.

Evidently, the transformation process of the SEE6 is more difficult than the Central and Eastern European parallel. The speed of the accession process confirms this. Since the Thessaloniki Summit in 2003, only Croatia has joined the EU, in 2013. Clearly, the accession process has been on life support since Central and Eastern European countries joined the EU back in 2004 and 2007. The prospects of future EU enlargement in the SEE6 are slim. Today, the narrative of EU enlargement regarding the SEE6 lacks strategic clarity and energy. It has mostly shifted towards pointing out political consequences of accepting new members and, often in an essentialist manner, questioning their capacity to become member states, ever. The sense of optimism that shaped the developments in the 2000s has faded away.

A series of crises (financial, refugees, Brexit) and now the pandemic coupled with long-term political upheavals in the EU (such as populism, right-wing extremism, the decline of the rule of law in some member states) have helped to cement the resistance towards enlargement in the near future. As a result, the EU has lost much of its ability to shape strategic developments in the Western Balkans. At the same time, the status quo in the SEE6 is growing firmer as there is evidently little political will to complete the accession process mapped out by the EU.

Stability, democracy and economic development in the SEE6 directly depend on the consolidation of the European integration project and the completion of the reunification of the continent, a process that started after the Second World War and attained new vigour after the fall of the Berlin wall. The EU has proclaimed its intention to be the 'driving force' (Xavier Solana in 2000) of the transformation towards peace, security and prosperity in southeast Europe after the end of the post-Yugoslav armed conflicts. If the EU wants to retain credibility, it cannot now consider the SEE6 accession a burden but a pressing responsibility.

In this context, it is necessary to deconstruct the 'European perspective for the SEE6', a darling phrase of Brussels mandarins and many EU leaders. The SEE6 does not need such a perspective. As far as one can tell, the Balkan Peninsula is part of Europe. The SEE6 countries are irrevocably anchored in the Union, geographically, economically, politically and socially, albeit in its 'soft belly' rather than in formal membership. It is also a logical mistake to conceptualize the

current arguments in the EU about its relationship with the SEE6 as part of the old debate on 'deepening versus widening' and the future of the Union. In truth, the formal integration of the SEE6 area into the EU would be an important step towards achieving the finalité of the EU.

For a region like the SEE6, which is struggling to strengthen rule of law and improve social and economic standards, the membership process towards the EU remains indispensable. The EU accession process has always also been a state-building process and by the same token a stabilizing process for the whole region. The real problem was less the methodology of the enlargement process than the lack of appetite in the EU to confront 'state captures'<sup>6</sup> in the Western Balkans, as described in the Enlargement Strategy of 2018. Diplomats from the EU countries working in the region frequently express their fear that overly strong criticism of the governments might diminish their motivation for reforms. For all that, the EU should abandon sweet-talk when dealing with local potentates.

The paper offers a critical view of the present enlargement discourse, providing at the same time an alternative conceptual framework. It sets off from the understanding that the enlargement process in southeast Europe means the political, socio-economic and territorial consolidation of the European Union.

The analysis focuses on three inseparably interlinked principal policy areas of the EU's enlargement in south-east Europe.<sup>7</sup>

**First**, it looks at the changed state of affairs between the EU and the SEE6 during the outbreak of the pandemic. As part of this change, the new methodology of the enlargement process is also analysed. **Second**, it examines the state of intra-regional cooperation and instruments in SEE6, given that the EU conditions progress in membership negotiations with proof of successful cooperation within the region. **Third**, the paper surveys the debate about increased 'external' influences in the region in the context of the pandemic. The issue is whether autocratic political models are winning against the EU's long-term drive to support its own liberal democratic model in the SEE6. The paper concludes with an outline of possible actions to advance the EU enlargement process in southeast Europe.

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<sup>6</sup> Political scientists have defined 'state capture' as a situation in which 'decisions are made to appease specific interests, often through illicit private payments to public officials, rather than to suit the national interest aggregated and mediated through a democratic process'. See Anne Mette Kjaer (2014), "State Capture." In Encyclopaedia Britannica, <https://www.britannica.com/topic/state-capture>.

<sup>7</sup> Clearly, there are many other issues that play an important role in the EU enlargement debate such as clean energy transition, media freedom in the SEE6 or the perception of the region in the EU member states. However, at this moment, in terms of overall relevance and their role in the 'enlargement discourse', these three policy areas stand alone.

# IN PANDEMIC TIMES, HOW TO ACHIEVE THE EU'S FINALITÉ

The outbreak of the COVID-19 pandemic has put to test the solidarity among Europeans. It could be, for good or bad, also a turning point in the relations between the EU and enlargement countries in the Western Balkans. The crisis provides the opportunity for decisive action to achieve the EU's finalité by integrating the SEE6 into the Union. However, there is also a risk that things will come to a halt as nervous EU leaders struggle to find answers for the future of the EU.

In any case, close and tightening political, institutional, economic and cultural ties have made it almost unthinkable for the SEE6 (and this is also the case for their EU neighbours) to face the devastating consequences of the pandemic and connected lockdowns in isolation and without the EU's support and concert. Still, coordinated responses and common actions between the EU and the Western Balkans do not occur by default.

In the 'Zagreb Declaration',<sup>8</sup> the EU reiterated its support and solidarity with its Western Balkan partners and the intentions, already outlined in the Commission's Communication of 29 April, to sustain their efforts to fight the Coronavirus outbreak.<sup>9</sup> The EU promised a package of over EUR 3.3 billion to support the immediate responses of the Western Balkans in tackling COVID-19 and the post-pandemic economic recovery. By August 2020, the EU had agreed Memoranda of Understanding on macro-financial assistance programmes for ten enlargement and neighbourhood countries, intended to help them cope with the economic costs of the pandemic.<sup>10</sup>

These political moves should give an opportunity not only to sustain the economic recovery of the region but also to harmonize Western Balkans responses with those of the EU, and therefore help cement ties further. This will however only be the case if the autumn plans for the Western Balkans materialize, and if internal disagreements within the EU or the negotiations on the

multi-annual EU budget do not water the measures down. Already in September 2020, there were indications that the EU states will only agree to spend significantly less money on support to the SEE6.

Moreover, in sharp contrast with the ethos of the new enlargement methodology that put reforms in the spotlight, the Zagreb Declaration points in the opposite direction: fundamental reforms were slapped on at the end of the document as a brief afterthought and with no connection whatsoever with the significant amount of money on offer in response to COVID-19. True, these are not pre-accession funds. Yet, to effectively address the health crisis and support an economic recovery based on green and digital transformations, democratic reforms are key.

According to reports of the European Bank for Recovery and Development (EBRD), the pandemic crisis will affect the region in different sectors. Travel restrictions and social distancing measures will temper tourism in Albania and Montenegro, while lower remittance flows from the diaspora will reduce domestic demand in Kosovo.<sup>11</sup> On the other hand, the crisis will hit the manufacturing bases of Bosnia and Herzegovina, Serbia and North Macedonia, due to the disruption of global supply chains.<sup>12</sup>

Experts consider that the business linkages of the region with Germany, Italy and other manufacturing centres in Europe will exacerbate the pandemic stress to the region's economies. Especially, small and medium-sized enterprises will suffer. However, the linkages with chief European manufacturers could also help accelerate the recovery across the region once Germany's economy, and the production sites in other EU countries, kick back into gear.<sup>13</sup>

All the Western Balkan countries will experience strong effects of the pandemic on their labour markets, due to their specific features: high share of informal, tempo-

<sup>8</sup> Zagreb Declaration (6 May 2020), <https://www.consilium.europa.eu/media/43776/zagreb-declaration-en-06052020.pdf>

<sup>9</sup> European Commission (2020), Support to the Western Balkans in Tackling COVID-19 and the Post-pandemic Recovery. Commission contribution ahead of the EU-Western Balkans leaders meeting on 6 May 2020. Brussels, 29 April, COM(2020) 315 final, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/com\\_2020\\_315\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/com_2020_315_en.pdf)

<sup>10</sup> European Commission (2020), "Press Release. Coronavirus: Eight Macro-Financial Assistance Programmes Agreed to Support Enlargement and Neighbourhood Partners." Brussels, 11 August.

<sup>11</sup> World Bank (2020), "Recession Looms for Western Balkans as Countries Respond to COVID-19." <https://www.worldbank.org/en/news/press-release/2020/04/29/recession-looms-for-western-balkans-as-countries-respond-to-covid-19>

<sup>12</sup> EBRD (2020), "Regional Economic Prospects. Covid-19: From shock to recovery." May update, <https://www.ebrd.com/what-we-do/economic-research-and-data/rep.html>

<sup>13</sup> Financial Times (2020), "Central Europe Fear Effects of German Slowdown." 2 June.

rary and self-employment, together with weak social safety nets. Therefore, most countries are likely to register a further worsening of labour market indicators,

which could additionally contribute to existing social and political tensions (partially relieved by sustained migration outflows).

Table 2: Forecast of real GDP growth in the Western Balkans (in per cent per annum)

	Forecast 2020				Forecast 2021	
	European Commission	EBRD	World Bank baseline scenario	World Bank downside scenario	European Commission	EBRD
<b>Albania</b>	-4.8	-9.0	-5.0	-6.9	4.2	12.0
<b>Bosnia-H.</b>	/	-4.5	-3.2	-4.2	/	6.0
<b>Kosovo</b>	/	-5.0	-4.5	-11.3	/	7.5
<b>Montenegro</b>	-5.9	-8.0	-5.6	-8.9	4.4	10.5
<b>N. Macedonia</b>	-3.9	-3.5	-1.4	-3.2	4.0	5.5
<b>Serbia</b>	-4.1	-3.5	-2.5	-5.3	6.1	6.0

Chart 2: Unemployment rate in SEE6 (percentage of labour force, aged 15–74)

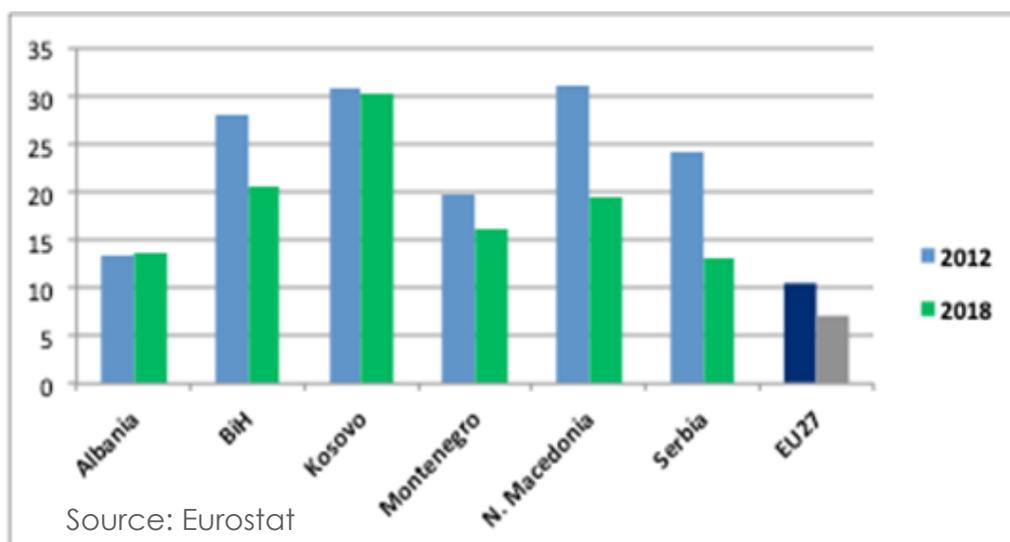
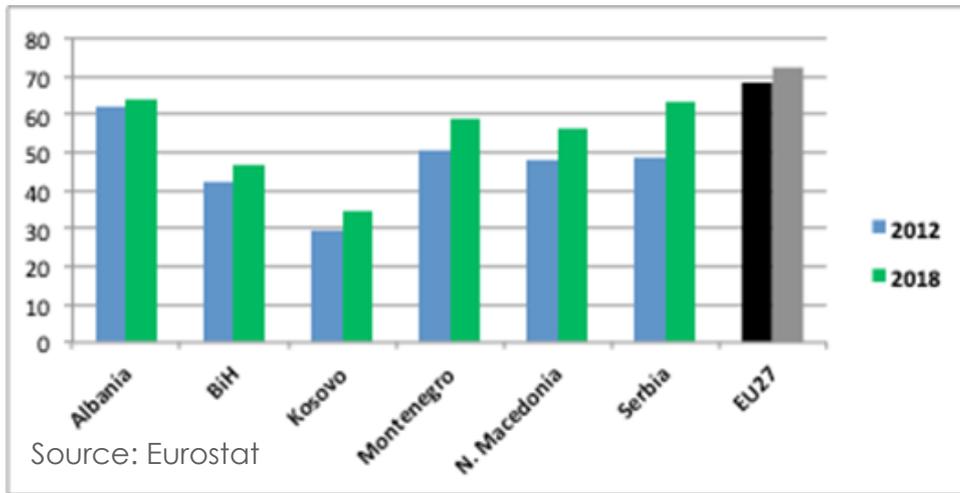


Chart 3: Employment rate in SEE6 (percentage of population, aged 20–64)



In the absence of a major intervention from the EU, it is likely that there could be a repetition of the trend that took place after the global financial and economic crisis. After an initial soaring of public budget deficits to sustain supply and demand and an increase in foreign indebtedness, the SEE6 as a rule turned to tough austerity policies with enormous economic and social costs.<sup>14</sup> In the aftermath of the 2008 global economic crisis, this came together with the cutting of internal consumption and increasing competition to attract external investments through a race to the bottom in regulatory standards, often aiming at EU firms, and murky investment deals with non-EU countries. Moreover, in most countries, the prolonged socio-economic regression went hand in hand with changing political leaderships and return of nationalist rhetoric and old narratives, culminating in continuous backsliding of democratic and rule of law standards and drastic decline of media freedom, as reported by all major international observers.<sup>15</sup>

That the COVID-19 crisis came in parallel with Freedom House's downgrading of both Serbia and Montenegro – from 'semi-consolidated democracies' to 'hybrid regimes', to join the regional group – is not without some symbolism. It signals the culmination of a period of over ten years in which the 2000s wave of democratization in the Western Balkans has been completely exhausted and reversed, thus substantiating a major risk of the consolidation of undemocratic regimes.

Clearly, this should not necessarily happen, but the outcome will depend, largely, on how the EU and its member states treat their Western Balkan partners. The Union's ability to restore momentum for EU integration in response to COVID-19 will be crucial to determine the quality of future engagement with the Western Balkans.

<sup>14</sup> Will Bartlett & Milica Uvalić (eds) (2013), *The Social Consequences of the Global Economic Crisis in South East Europe*. LSEE Research on South Eastern Europe, <http://www.lse.ac.uk/LSEE-Research-on-South-Eastern-Europe/Assets/Documents/Publications/Research-Network-on-Social-Cohesion/Social-Consequences-Final.pdf>

<sup>15</sup> Trends of democratic backslidings were reported by Freedom House (<https://freedomhouse.org>), Bertelsmann Transformation Index (<https://www.bti-project.org/en/home.html?&cb=00000>) and EIU Democracy Index (<https://www.eiu.com/topic/democracy-index>).

### Box 1: External financing cannot replace domestic capital accumulation

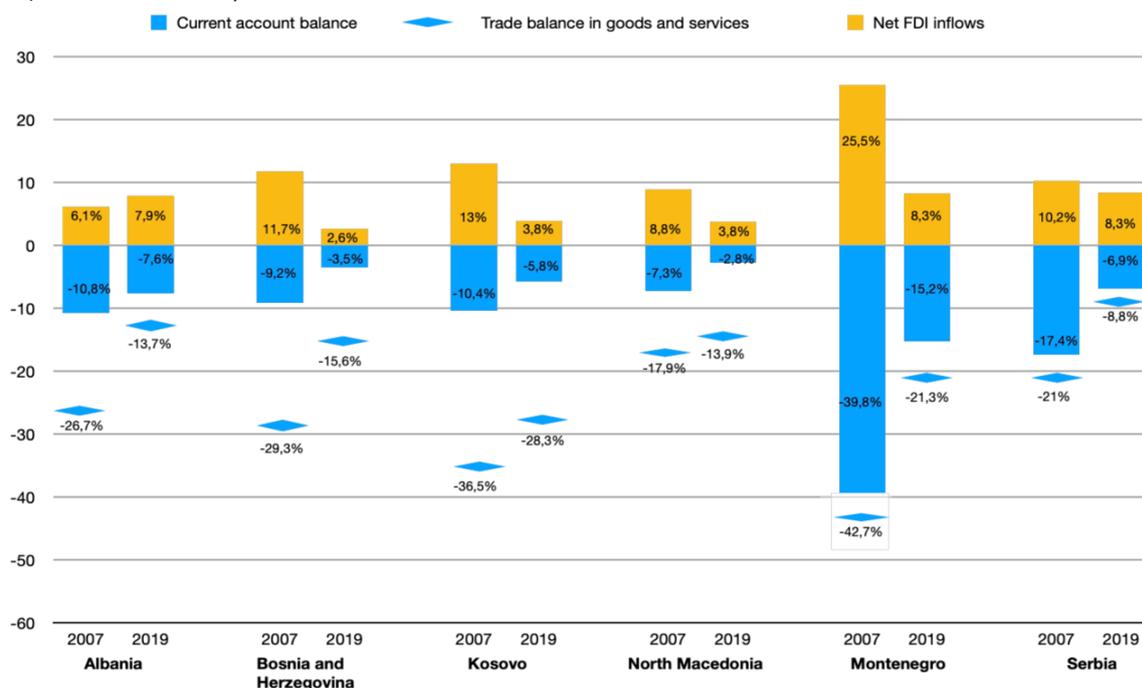
The limited economic restructuring of the Western Balkans has translated into difficulties in increasing competitiveness on world markets, leading to persistently high trade and current account deficits. With the EU alone, the Western Balkan countries have accumulated a trade deficit in goods of almost 100 billion euro between 2008 and 2018. Capital inflows from abroad (foreign direct investments, bank loans, remittances, donor assistance) covered these deficits for years. External resources usually function not only to secure a country's immediate financing needs, but also to favour long-term productivity gains and therefore the ability to cover current account deficits in the future. Such expectations have been fulfilled in the Western Balkans only to a limited extent. Foreign direct investments have mainly targeted non-tradable sectors while even those investments directed towards the industrial sector have usually had little or no positive impact on value-added manufacturing, employment and exports<sup>16</sup>

Whereas by now the current account deficits of all Western Balkan countries have more than halved, these adjustments in the aftermath of the 2008

global economic crisis came primarily at the expense of a massive reduction of domestic consumption and sharp increases in public and private debt. Despite the return of foreign investors in recent years, as of 2019 none of the countries had regained FDI, in per cent of GDP, at pre-crisis levels (this is true even for Albania which reached its peak of FDI net inflow, 9.7 % of GDP, a year later, in 2008).

The external position of the Western Balkans remains fragile since the region continues to depend on the volatile mood of foreign investors. Moreover, the impact of the recent investment cycle on the real sector, external competitiveness and long-term productivity of the Western Balkan economies already appears to be weak. Recent studies have shown that although new FDI in recent years (often heavily subsidized by local governments) has created some new jobs and increased exports in most Western Balkan countries, it has not led to an improvement – but rather regression<sup>17</sup> – of labour productivity, with limited technology spillovers to the local economy. The import intensity of FDI-based production in the Western Balkans remains extremely high, testifying to limited connections between foreign investors and local suppliers.<sup>18</sup>

Chart 4: Net FDI inflows, trade and current account balances (in percent of GDP), 2007 and 2019



Source: Matteo Bonomi's elaboration based on World Bank data

<sup>16</sup> Saul Estrin and Milica Uvalić (2016), "Foreign Direct Investment in the Western Balkans: What Role Has It Played During Transition?" Comparative Economic Studies, <http://eprints.lse.ac.uk/67004/1/ESTRIN%20Foreign%20direct%20investment%20.pdf>

<sup>17</sup> As shown for Serbia in a recent report of the World Bank: World Bank (2019), Serbia's New Growth Strategy. Forging a New Future. December, <http://www.worldbank.org/serbia-cem>

<sup>18</sup> Will Bartlett, Besnik Krasniqi and Jasmina Ahmetbašić (2019), "Attracting FDI to the Western Balkans: Special Economic Zones and Smart Specialisation Strategies," Croatian Economic Survey, Vol. 21, No. 2, p. 5-35, <https://doi.org/10.15179/ces.21.2.1>

## OVERLAPPING CHALLENGES AND INTERESTS IN THE EU AND THE SEE6

In a unison pitch, all experts interviewed for this paper voiced the opinion that the political acceptance of the population and the political actors in the EU to welcome new member states is linked to finding solutions to some current existential issues faced by the EU. However, in light of today's crisis, the challenges facing the EU and the SEE6 overlap even more than before – and thus also their well-understood interests – despite the lack of formal membership status on the part of Western Balkan countries.

*Firstly*, with regard to the challenges for EU internal cohesion and common response to the economic crisis, the crisis has certainly strengthened the need for a common agenda not only within the EU but also between the EU and the Western Balkans, even more than before – including economic recovery, green deal, the energy transition, digital market, infrastructure, migration management, etc. Should the environmental degradation in the SEE6 continue unchecked, it will hinder the continent in fulfilling climate preservation goals and other vital European ambitions.<sup>19</sup>

Only a successful EU action to re-launch the economy while maintaining cohesion among the 27 member states could open an inroad to successful cooperation with the Western Balkans as well. This could come as an appendix to the EU's internal engagement. At the same time, a less effective EU internal response to the economic crisis and increasing fragmentation would most likely lead to EU enlargement receiving even less attention than before the crisis.

In truth, as a recent study conducted by a group of researchers at the University of Ljubljana (Slovenia) showed, additional budgetary costs for the member states of the EU enlargement in the Western Balkans are 'practically insignificant'. The estimated costs are between €1.6 and €10.8 per capita per year. Such small budgetary costs may also help, as the authors of the study ventured to hope, 'thaw some of the considerations behind the EU enlargement fatigue'.<sup>20</sup>

*Secondly*, challenges within the EU and the Western Balkans overlap regarding European democratic values. Certainly, national responses to the pandemic – with leaders seizing a great deal of authority to the executives with scant resistance – have put into an even starker light the path toward authoritarianism that has been characteristic of most Western Balkan countries now for almost a decade.<sup>21</sup>

Still, these challenges to consolidate democracy have characterized all of Central and Eastern Europe since the global economic and financial crisis. Evidently, the Balkans' vicissitudes are intimately interlinked with the fight for the defence of the rule of law and democratic values within the EU, making the Balkan countries one of the frontlines of the 'rule of law battle'.

To reverse these trends, the EU should have the political will to put together the rule of law and economic and human development as priorities that go hand in hand. In fact, there cannot be rule of law without economic development, but neither can there be economic development – in the Balkan context – without the rule of law.<sup>22</sup> Therefore, there are no shortcuts: democratic political culture should be frontloaded and defended, and linkages to the reform process should always be present in EU–Western Balkans relations, despite immediate frictions this could bring with local leadership.

*Lastly*, engaging with the Balkans corresponds to the fundamental challenge of reaffirming European unity in front of external actors. Defending the survival and further development of democratic culture and decent economic conditions in the Balkans is not only a moral duty of the EU, it is also in its own fundamental political and economic interest: contributing to the ongoing process of EU consolidation and reorganization within an (increasingly) challenging global environment.

<sup>19</sup> C.f. Regional Cooperation Council (2018), "Study on Climate Change in the Western Balkans Region." <https://www.rcc.int/pubs/62/-study-on-climate-change-in-the-western-balkans-region>

<sup>20</sup> C.f. Vasje Rant, Mojmir Mrak, & Matej Marinč (2020), "The Western Balkans and the EU Budget: The Effects Of Enlargement." Southeast European and Black Sea Studies, Vol. 20, p. 14; Milica Uvalić & Renzo Daviddi (2019), "Doing the Right Deeds for the Right Reasons: Costs and Benefits of EU Enlargement to the Western Balkans." 13th International Conference "Challenges of Europe," Bol (Croatia).

<sup>21</sup> For an overview of the domestic political and other responses to the pandemic see Centre for European Policies (CEPS) (2020), "Southeast Europe – Covid-19 Bulletins," [www.ceps.org](http://www.ceps.org); Brandle, Max, et al. (2020), "Political Battles Emerging from the Corona Crisis in the Western Balkans, Croatia and Slovenia." Friedrich-Ebert-Stiftung series on Democracy and the State of Emergency, No. 4, <http://library.fes.de/>

<sup>22</sup> For a succinct summary of the interlinkage between socio-economic development and the rule of law see Andrea Lorenzo Capussela (2020), "Can the EU Assist the Development of the Western Balkans? How to Prevent the 'Stealing from the Many.'" Südosteuropa Mitteilungen, Munich.

## THE 'GEOPOLITICAL' EUROPEAN COMMISSION AND THE NEW ENLARGEMENT METHODOLOGY

Experts interviewed for this report mostly expressed a positive opinion of the new EU Commission's methodology, which was the basis for the EU Council's March 2020 conclusions to (finally) open accession talks with North Macedonia and (under conditions) with Albania.<sup>23</sup> They assessed the new methodology to be a step in the right direction, especially on strengthening rule of law and fighting corruption, despite still lacking details.

In their opinion, four aspects are particularly positive:

**First**, the cluster approach could bring greater focus to making progress on the ground, such as in cluster two regarding the Single market, which could help improve the economic situation.

**Second**, the methodology introduces stronger political governance to the enlargement process. Already up to now governments and parliaments of the EU member states have been able to decisively influence the enlargement process. This was shown by Greece's prolonged veto on the beginning of negotiation with the then Former Yugoslav Republic of Macedonia, because of the so-called name issue. Similar was the Bundestag's list of conditions for Serbia's start of negotiations in 2012 and Albania's in 2019. Yet, political conditionality is now explicit and institutionalized. Although there are some reservations, politicization will presumably shift the process away from a bureaucratic approach often perceived as a Brussels-based machinery.

Conversely, EU member states could make greater use of this avenue to attempt to achieve bilateral political goals in their relations to the SEE6. This risk could be difficult to handle, as the recent behaviour of Bulgaria towards North Macedonia suggests. Sofia made good bilateral relations contingent on the outcome of the work of a joint commission of historians.

**Third**, the performance-based approach in relation to the Instrument for Pre-accession Assistance, together with the reversibility clause (namely, the possibility to adopt measures sanctioning any serious or prolonged stagnation or even backsliding in the reform process) represent potentially powerful incentives.

**Fourth**, the participation in more EU programmes – once the negotiations about individual clusters finish – forms a welcome addition.

The changes in the methodology may provide a more effective negotiating process and the Commission may well proceed in opening accession negotiations with Albania and North Macedonia. Nevertheless, the methodology itself cannot revolutionize the enlargement process. At the end (and this is to state the evident), whatever the methodology, no amendment to the process can replace the political will on both sides: on the side of the candidates, to implement their commitments; and on the EU side, both to draw conclusions from backsliding situations and to honour its promises after the candidate countries fulfil the conditions. Conditionality and compliance are obviously mutually dependent.

Veteran EU diplomat Pierre Mirel recently described the Western Balkans as 'an exclusive geopolitical zone for the geopolitical commission'.<sup>24</sup> Indeed, the respondents from the expert pool in this project all shared the opinion that the Western Balkans is a region where the EU is most able to exercise its geopolitical influence. However, they also thought that it seems unlikely that the new geopolitical Commission will accelerate the EU–Western Balkans integration process. Despite the new enlargement methodology, the member states still suffer from 'enlargement blues', as then EU Commissioner for Enlargement Oli Rehn put it at the end of his tenure in 2010.

In light of the predictions by leading economists about a long-lasting economic recession, and the fact that EU member states will get a bigger role in the implementation of the new enlargement methodology, a number of experts interviewed for this brief predicted that the pre-accession process is likely to move slower. On the other hand, an experienced former EU mandarin told the authors of this report he expects that, once the EU formally abandons Turkey's membership perspective (to be replaced by a sui generis partnership), enlargement could eventually shed the negative aura the prospect generates nowadays in many circles. The jury is still out.

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<sup>23</sup> European Commission (2020), Enhancing the Accession Process: A Credible EU Perspective for the Western Balkans. Brussels, COM(2020) 57 final, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology_en.pdf)

<sup>24</sup> Pierre Mirel (2020), "Challenges and Constraints Facing a 'Geopolitical Commission' in the Achievement of European Sovereignty." European Issues, No. 560, Fondation Robert Schumann.

# A PUZZLING KALEIDOSCOPE: AMBIVALENT INITIATIVES IN THE SEE6 REGION

Regional cooperation has been one of the main political catchwords in southeast Europe for many years. Formulated by the EU as a major precondition for the SEE6 towards accession to the Union, it aims to improve trust and stability, and to contribute to good neighbourly relations in the region. The countries of the region have committed to cooperation at all EU–Western Balkans Summits since the 2000s, and it has become a mantra-like repetition at all Western Balkans–EU gatherings. It featured also in the Zagreb Declaration of May 2020, in which the EU promised to continue to support regional cooperation and urged the Western Balkans leaders to fully exploit its potential.<sup>25</sup>

Several EU states, prodded by Germany, invested some political capital into the so-called *Berlin Process*. Chancellor Angela Merkel launched the undertaking on August 28, 2014 with the comment that at this moment when Europe was commemorating a century since the outbreak of the First World War, it was also necessary to step up efforts to foster peaceful development in the Western Balkans.<sup>26</sup> In addition, Chancellor Merkel made it clear that geopolitical motivations also play a role: she mentioned the assertive political presence of Russia and other actors in a region to which, since 1999, as she also put it, the EU had promised a ‘European perspective’.

The German chair of the first conference outlined the goals of the Process: ‘To make additional real progress in the reform process, in resolving outstanding bilateral and internal issues, and in achieving reconciliation within and between the societies in the region’, as well as to enhance ‘regional economic cooperation and lay the foundations for sustainable growth’.<sup>27</sup> The news media reported a lot about the ‘face time’ that political leaders from the EU and the SEE6 enjoyed at the many summits and other conferences staged as part of the Process. However, some respondents in this study also argued that the Berlin Process substitutes for genuine efforts to usher the SEE6 more quickly towards EU membership.

A generous review of the Process would concede that because of it the political concerns of the SEE6 probably featured more on the agenda of the EU. Sceptics would demand evidence that there was any improvement on the ground because of Berlin Process flurries, especially so regarding socioeconomic development in the region. Critics would point out that since the Berlin Process started, international human rights and democracy organizations have detected little progress in the SEE6. Indeed, the European Commission admitted in its 2018 enlargement strategy that ‘captured states’ are still present in the SEE6 region.<sup>28</sup>

Whereas the Berlin Process was intentionally to have no structure, funds or administration of its own, the Regional Cooperation Council (RCC) has all of this. Created under the auspices of the South-East European Cooperation Process (SEECPP) as the successor to the EU’s Stability Pact for South Eastern Europe (1999–2008), it is chiefly financed by the EU. It intends to ‘remove obstacles to increased mobility, enhanced connectivity and improved competitiveness in SEE, while also contributing to better governance, improved functioning of the rule of law and enhanced security in the region’.<sup>29</sup>

The main role of the RCC is to work closely with the authorities in the region on both regional cooperation and European integration.<sup>30</sup> The organization should also communicate to the EU the potential and challenges in addressing these issues. Arguably, the RCC is simultaneously the most visible forum and instrument of regional cooperation. However, except for a grand remit, it has neither the financial means nor the administrative capacities to foster transformation on the ground. Ultimately, the SEE6 governments do not need an intermediary for dealing with the EU or between themselves. With more time passing and less concrete effects, the RCC will face more and more questions about its *raison d’être*.

<sup>25</sup> Zagreb Declaration (6 May 2020), <https://www.consilium.europa.eu/en/press/press-releases/2020/05/06/zagreb-declaration-6-may-2020/>

<sup>26</sup> Text of the press conference at the launch of the Berlin Process, August 28, 2014, <https://www.bundesregierung.de/breg-de/aktuelles/pressekonferenz-von-bundestkanzlerin-merkel-ministerpraesident-rama-und-eu-kommissionspraesident-barroso-am-28-august-2014-846734>

<sup>27</sup> C.f. <https://berlinprocess.info/about/>; for a critical review see <https://cdinstitute.eu/2018/02/08/the-berlin-process-2014-2018/>

<sup>28</sup> ‘Captured states’ quote from the 2018 enlargement strategy: European Commission (2020), *Enhancing the Accession Process: A Credible EU Perspective for the Western Balkans*. Brussels, COM(2020) 57 final, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology_en.pdf)

<sup>29</sup> For more information see Regional Cooperation Council website: <https://www.rcc.int/>

<sup>30</sup> For more information see CDI database on Regional Cooperation initiatives: <https://cdinstitute.eu/regional-cooperation-initiatives-rci-database/>

Altogether, there are around 70 governmental and non-governmental organizations, initiatives and activities aimed at enhancing intra-regional cooperation, as reported by one of the experts interviewed for this report.<sup>31</sup>

Manifestly, the results achieved over the last two decades have been limited. This, as the respondents in the expert poll for this study also said in unison, is the outcome of the poor performance of the governments and the lack of strong and sustainable economic growth in the region. In addition, local political leaders in their majority do not accept that establishing a more integrated region is by any means an alternative to integration into the European Union.

## INSIDE THE KALEIDOSCOPE

In truth, the SEE6 economic area is still a fragmented market, although fundamentally connected with the EU. Intra-regional trade remains low in the SEE6, essentially due to the lack of tradeable goods and services. At the same time, there is an increased economic integration of the countries with the EU.<sup>33</sup>

After trade with the EU, intra-regional trade comes second in importance, representing a fifth of all exports and a tenth of imports.<sup>34</sup> Intra-regional exports are geographically concentrated and most of them originate from Serbia. Kosovo and Bosnia and Herzegovina are the chief importers. For a decade until 2018, intra-regional trade was almost stagnant because of the 2008 global crises.<sup>35</sup> The pandemic stopped the modest upward trend after 2018.

Politically, there is still more bickering than solidarity. The same holds true in security terms. Most importantly, large segments of the various ethnicities still

In mid-summer of 2020, the Vienna Institute for International Economics and the Bertelsmann-Stiftung published an evaluation of regional economic cooperation in the Western Balkans.<sup>32</sup> The conclusion of this study neatly sums up the currently flawed concept of cooperation among the SEE6 under EU auspices:

*“There is a clear risk that pushing hard for greater regional cooperation would be ‘pushing on a string’, so to speak. In other words, it could require major efforts and a large investment of political capital as well as create a lot of expectations, but then only result in a few tangible rewards as well as subsequent disappointment and frustration.”*

perceive other ethnic groups in the region, and in some cases within their own countries, as unchanging historic enemies.<sup>36</sup>

The respondents shared the view that three factors have particularly flawed attempts to foster cooperation and reconciliation in the region. These came again to the fore during the current pandemic crisis. **First**, notwithstanding the aim of the Central European Free Trade Agreement (CEFTA) to create a free trade area in the region, many physical, fiscal and technical non-tariff barriers to trade still exist, hampering economic integration within the SEE6.<sup>37</sup> This includes a long range of measures, starting from long waiting hours on border crossing points due to bureaucratic procedures, different sanitary and phytosanitary rules, and different fiscal norms.

**Second**, there is limited political commitment, willingness and determination to put the many agreements

<sup>31</sup> For more details regarding regional cooperation forms and structures see: CDI (2020), “Connectivity Agenda and Structural Weaknesses of EU Candidate Countries,” <https://cdinstitute.eu/2020/04/29/connectivity-agenda-and-structural-weaknesses-of-eu-candidate-countries/>; EBRD (2018), “Regional cooperation in the Western Balkans,” <https://www.semanticscholar.org/paper/Regional-cooperation-in-the-Western-Balkans-Levitin-Sanfey/a69d28daafe3e773276ae4442e78900966a312d0>; SEE Think Net (2019), “Regional Cooperation in the Western Balkans: Is There a Civil Society Pillar?” <https://idscs.org.mk/en/portfolio/regional-cooperation-in-the-western-balkans-is-there-a-civil-society-pillar/>; BiEPAG (2015), “Culture of Regional Cooperation in Southeast Europe,” <http://biepag.eu/wp-content/uploads/2019/03/BIEPAG-Culture-of-Regional-Cooperation-in-the-Western-Balkans.pdf>

<sup>32</sup> Stephani Weiss (2020), “Pushing on a String? An Evaluation of Regional Economic Cooperation in the Western Balkans.” Bertelsmann Stiftung, DOI 10.11586/2020047

<sup>33</sup> For more data see Eurostat (2020), “Western Balkans–EU: International Trade in Goods Statistics,” [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Western\\_Balkan\\_countries-EU\\_-\\_international\\_trade\\_in\\_goods\\_statistics&oldid=385140#Serbia\\_is\\_the\\_largest\\_trade\\_partner\\_of\\_the\\_EU\\_in\\_the\\_Western\\_Balkans](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Western_Balkan_countries-EU_-_international_trade_in_goods_statistics&oldid=385140#Serbia_is_the_largest_trade_partner_of_the_EU_in_the_Western_Balkans)

<sup>34</sup> Plamen Kaloyanchev, Ivan Kusen, & Alexandros Mouzakis (2018), “Untapped Potential: Intra-Regional Trade in the Western Balkans.” European Economy Discussion Papers, 080/May, P.10.ff, [https://ec.europa.eu/info/sites/info/files/economy-finance/dp080\\_western\\_balkans.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/dp080_western_balkans.pdf)

<sup>35</sup> Economist Intelligence Unit (2018), Western Balkans to 2025, A Brighter Future or Permanent Marginalization? London.

<sup>36</sup> For more data about mutual ethnic perceptions in the region see: <https://www.rcc.int/balkanbarometer/publications/>; Jovan Teokarević (2019), Of Friends and Foes: Balkan Nations in Serbian Press, Čigoja štampa, Belgrade.

<sup>37</sup> C.f. <https://cefta.int/>

into practice. Leaders of the SEE6 countries focus more on nurturing closer relations with the EU or external powers such as Russia, China and Turkey, rather than with their neighbours. This is added to an insufficient recognition of the benefits of regional cooperation.

*Third*, unresolved structural challenges and bilateral disputes, including statehood issues, minority rights and border disputes, have halted intra-regional cooperation at different levels. Often, politicians use them for domestic gains at the expense of regional cooperation. Primarily, it is the dispute between Belgrade and Pristina that is hampering improvements not only between the two but also in the region. As stated by several of the experts interviewed for this report, if this dispute is not resolved, there will be little progress regarding democratic institutions and respect for human and minority rights, and of course regional cooperation.

## LIMITS OF COOPERATION IN TIMES OF CRISIS

Two key questions have risen in recent months concerning intra-regional cooperation: How effective have the existing regional structures been in confronting the COVID19 crisis, and, consequently, what are their true potentials?

This crisis has shown that the role of these structures has been rather limited. Restrictive measures on the freedom of movement and the decision to close the borders caught everyone unprepared. Governments mostly implemented national crisis plans and initially did not coordinate measures. There have been some bilateral attempts at cooperation, yet even these have been to some extent politicized. For instance, there was a joint letter by SEE6 foreign ministers asking Brussels to exempt the region from the EU export restrictions on personal protective medical equipment. Yet, Montenegro refused Serbia's offer to supply equipment, while the test kits sent from Serbia to Kosovo generated a heated debate in Pristina over whether to accept them.

However, after the first shock, the Regional Cooperation Council, the CEFTA Secretariat and the Transport Community started the so-called 'Green Corridors' initiative. The initiative was set up by all countries in the region, the Directorate-General for Neighbourhood and Enlargement Negotiations and the Directorate-General for Taxation and Customs Union. As relayed by one of the experts interviewed for this paper, the Transport Community and CEFTA led the implementation of the Green Corridors. While the

Similarly, the state of Bosnia and Herzegovina is still fragile because of the ongoing disputes between the political actors in the country regarding the scope of political (de)centralization, ethnic representation and competencies of the judiciary as well as many other basic segments of the political system. All conflicts within Bosnia and Herzegovina immediately involve regional actors and external influencers. As a result, confidence building in the region evolves usually in the one-step-forward, two-steps-backward rhythm. By now, Western actors have all but given up on the country. The encrusted message coming from the West to the leaders of Bosnia and Herzegovina is that they should acknowledge to their population that the state is facing the risk of political and socio-economic decay if reforms continue to stall.

former prepared the draft proposal, guidelines and action plan for the transport and movement of heavy trucks, the latter prepared the list of primary goods to move freely through the green lines. The initiative facilitated the flow of food, medical equipment and medicines within the region and with the European Union.<sup>38</sup>

This action, of course, played an important role during the pandemic and demonstrated that if good will prevails, cooperation is fruitful. Nevertheless, it took almost one month for all the countries to agree on this initiative. Once again, this showed that regional structures do not properly function without the commitment of the political leadership of every country in the region. Ultimately, as one of the respondents stated, it is difficult to expect good regional cooperation from politicians who have troubles in their own countries in creating an inclusive environment and collaborating with the political opposition and civil society.

Have the governments in the region learned something from the pandemic crises in 2020? Some examples indicate that there could be a learning curve: for instance, the ministers of tourism of Montenegro, Albania, North Macedonia and Kosovo held an online meeting on May 21, 2020 to identify possible means to support tourism. The pandemic has most severely affected cross-border travel. A variety of regulations, coming both from the EU and from the states in the region, have hindered recreational travel in 2020.

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<sup>38</sup> For a brief overview see <https://cefta.int/news/cefta-took-stock-of-the-regional-trade-achievements/>

## MINI-SCHENGEN STILL NOT IN THE MAKING

One of the most debated initiatives is the so-called 'Mini-Schengen'.<sup>39</sup> Political leaders of Serbia, Albania and North Macedonia launched the initiative with the aim of contributing to the growth and development of the countries in the region by introducing an unhindered flow of goods, people, services and capital (the renowned four EU 'freedoms').<sup>40</sup> Kosovo's government initially argued that it does not want under any circumstances to replace the Euro-Atlantic perspective with a regional initiative. However, in September 2020, at a meeting with US President Donald Trump in the White House in Washington, Serbian President Aleksandar Vučić and Kosovo's Prime Minister Avdullah Hoti signed separate documents in which, as part of a pledge to normalise bilateral relations, Pristina expressed the intention to joint Mini-Schengen. It remains to be seen if Montenegro and Bosnia-Herzegovina will also join the initiative.

Political leaders from the SEE6 had met online on June 29, 2020 to discuss regional economic cooperation in the aftermath of the crisis. They agreed to accelerate free movement of goods, services, capital and people in the region and to remove barriers that hamper economic growth. The SEE6 leaders also agreed to prepare an action plan structured around the four freedoms. The plan is to be adopted at the Sofia Summit, embedded into the Berlin Process, in the autumn of this year.<sup>43</sup>

In the view of several experts interviewed for this report, if the existing forums and instruments of regional cooperation were to function, there would be little need for another structure. Considering the low level of integration between the SEE6, 'four freedoms' in the region can become a reality only after long and serious preparations and a fundamental change of political and economic relations between the participating countries. It took the EU several decades to achieve this stage.

It remains to be seen how the four EU freedoms could be achieved regionally without sufficient financial means and adequate regulations and institutions in place. Also, it remains to be clarified how Mini-Schengen fits into other projects such as the Regional Economic Area, which has been developed upon the request of the leaders of all SEE6 and is supported by European Commission.

Undoubtedly, any further liberalization in trade, services and capital flows in the region will have beneficial effects on the overall situation on the ground. However, there is the impression that with Mini-Schengen local potentates are, at the moment, largely showing off their readiness to co-operate among themselves in difficult moments for the enlargement process and thus impress the EU leaders.

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<sup>39</sup> On October 11, 2019, in the Serbian city of Novi Sad, the Prime Ministers of Albania and North Macedonia, Edi Rama and Zoran Zaev, together with the President of Serbia Aleksandar Vučić, signed the declaration of intent to establish the free movement of people, goods, services and capital between the three countries

<sup>40</sup> For more information see: [https://www.b92.net/eng/news/politics.php?yyyy=2019&mm=11&dd=10&nav\\_id=107497](https://www.b92.net/eng/news/politics.php?yyyy=2019&mm=11&dd=10&nav_id=107497)

<sup>41</sup> For more news see: <https://kallxo.com/gjate/cka-nenkupton-mini-schengeni-ballkanik/>

<sup>42</sup> <https://prishtinainsight.com/kosovo-and-serbia-sign-economic-normalisation-agreements-with-us/>

<sup>43</sup> Atlantic Council (2020), "Western Balkans Partnership Summit: Chair's Conclusions," <https://www.atlanticcouncil.org/commentary/western-balkans-partnership-summit-chairs-conclusions/>

# GEOPOLITICS IN THE SEE6: DEALING WITH DESPOTS

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The influence of non-Western political actors in the Western Balkans has come to be among the most frequently invoked arguments and, as it seems, one of the main drivers for the EU's reinvigorated engagement with the region. The EU, sees itself as the beacon of democracy at home and multilateralism based on international law. Consequently, the integration of the Western Balkan states into the EU is particularly significant for the Union. This was already explicitly delineated in the EU's first European Security Strategy adopted in December 2003. The enhanced EU enlargement strategy dating from 2018 designates the integration of the Western Balkans into the EU as a 'geostrategic investment'.<sup>45</sup> Furthermore, the most recent Commission document on tackling COVID-19 hails the region as 'a geostrategic priority for the European Union'.<sup>46</sup>

The COVID-19 pandemic in 2020 has intensified the debate on whether non-Western and non-democratic actors are gaining further influence in the Western Balkans to the detriment of the EU's plans to integrate the region into its fold in due course. Western commentators particularly questioned whether external influence might buttress the rule of the many autocrats in the region. In particular, China's fast-growing foothold in the SEE6 – with the exception of Kosovo which it does not recognize – and its role in the coronavirus crisis in particular have been at the centre of attention. Against this backdrop, the question suggesting itself is what the EU's response should look like.

In the early days of the pandemic, China and Russia – soon joined by Turkey – were quick to recognize the 'geopolitical imperative'<sup>47</sup> to assist the Western Balkans.<sup>48</sup> Their escorting propaganda not only highlighted their own achievements in providing aid to countries in need, the EU's crisis response was presented as chaotic and lacking genuine solidarity. The implied conclusion was that Western democratic systems were not able to cope adequately with the crisis. The fact that the principal part of the assistance came from the EU counted for little.

In truth, the EU's response to the situation in the Western Balkans had a rather bumpy start. The Union certainly did not prove its geopolitical instincts when on March 15 it did not exempt the Western Balkans from export restrictions on personal medical protection equipment to third countries.<sup>49</sup> Shortly before the European Commission's Communication on the Western Balkans Summit on April 29, the Commission released the export of these goods for the region. During the preparations for this meeting, the European Commission announced the already mentioned €3.3 billion recovery package, with an Economic and Investment Plan to follow in the autumn or at some later point.

Nonetheless, the EU's ability to assert itself in the Western Balkans and especially in the largest state in the region, Serbia, seems to have weakened since the outbreak of the pandemic. Serbia's and many regional news media initially reported mainly on the arrival of

<sup>44</sup> We owe the title of this section to Sir Frank Robert's almost eponymous autobiographic book published in 1991, *Dealing with Dictators: The Destruction and Revival of Europe 1930-70*. London: Weidenfeld & Nicolson. Sir Frank was British Ambassador in Hitler's Germany, Stalin's Soviet Union and, indeed, Tito's Yugoslavia.

<sup>45</sup> European Commission (2020), *Enhancing the Accession Process: A Credible EU Perspective for the Western Balkans*. Brussels, COM(2020) 57 final, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/enlargement-methodology_en.pdf)

<sup>46</sup> European Commission (2020), *Support to the Western Balkans in Tackling COVID-19 and the Post-pandemic Recovery*. Commission contribution ahead of the EU-Western Balkans leaders meeting on 6 May 2020. Brussels, 29 April, COM(2020) 315 final, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/com\\_2020\\_315\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/com_2020_315_en.pdf)

<sup>47</sup> Elisabeth Braw (2020), "Forget Washington and Beijing. These Days Global Leadership Comes from Berlin." *Foreign Policy*, 28 April.

<sup>48</sup> Dimitar Bechev (2020), "Turkey Joins Soft Power Race During Covid-19 Crisis." *Ahval*, <https://ahvalnews.com/turkey-coronavirus/turkey-joins-soft-power-race-during-covid-19-crisis>

<sup>49</sup> Presently, the EU is preparing to repeat twofold the same mistake: as of August 2020, the SEE6 was not included in the EU preparations of a joint procurement of the COVID-19 vaccine. In addition, the EU still adheres to the plans to impose European Travel Information and Authorisation System requirements to citizens of the Western Balkans as of 2021. In practice, this would hamper the visa-free travel from the SEE6 to the EU.

medical aid shipments from China, Turkey or Russia. EU solidarity is a fairy tale, rumbled Serbia's President Aleksandar Vucic.<sup>50</sup> The fact that he allowed himself be carried away in an attempt to thank the Chinese people in Chinese in front of running cameras, kissing the Chinese flag and calling the Chinese leader 'friend and brother Xi Jinping', can only partly be interpreted as an attempt to curry favour. Still, it is too soon to judge where the new way might lead – as a rule, the leaders in the region seldom provide ideological justification for their U-turns. Indeed, in September 2020, Vučić visited the White House and performed a similar kowtow in front of President Donald Trump.

However, it would be wrong to assume that autocratic tendencies that occurred during the coronavirus crisis are inspired by allegedly more efficient crisis management in autocratic regimes. Democratic backsliding and state capture in the Western Balkans go back much further than the coronavirus crisis and are homemade.<sup>51</sup> The abuses of the emergency situation to curtail the role of the legislative, and critical voices from the media and civil society more broadly, arise from the region's strongmen seeing an opportunity in the crisis to consolidate and expand their power base. In fact, even without the nefarious activities of the autocratic cliques, the perception has spread in the Western Balkans that the aspired-to EU membership cannot be the panacea for the region's persistent problems.

What boosts this perception is the fact that the EU, in spite of its ambition since the beginning of the disintegration of Yugoslavia in the 1990s to be the driver of stabilization of the region, did not manage to resolve the two most difficult ethno-political conflicts. The so-called normalization of relations between Belgrade and Pristina is the key condition for both candidates to obtain a realistic accession perspective. Despite a

decade of EU mediation and several technical agreements reached, many of these agreements were never implemented, and a decisive breakthrough never occurred. Moreover, a solution to the Kosovo conundrum needs the blessing of all permanent members of the UN Security Council. Only if all permanent members of the UN Security Council endorse a settlement will there be a pathway leading to Kosovo's UN membership and a smooth implementation on the ground.

In September 2020, the White House brought together the President of Serbia and the Prime Minister of Kosovo who confirmed their commitment to the normalisation of bilateral economic relations. The US administration instrumentalized its intervention for a different foreign policy goal too. Serbia and Kosovo pledged to align themselves with US Near East undertakings (Serbia to relocate its embassy from Tel Aviv to Jerusalem and Kosovo to establish diplomatic relations with Israel).<sup>52</sup>

Another worry to regional stability is Bosnia and Herzegovina's plight. The protracted modus vivendi under the 1995 Dayton Peace Agreement does not provide for a functional state. The entrenched ethno-politics pursued by political leaders of Bosniaks, Serbs and Croats serves their own interests, but decisively hampers the country's ability to pursue political and economic reform and take steps towards EU integration. International actors, including the EU, have preferred the encrusted arrangements over the risk of creating new instabilities. Nevertheless, as long as these unresolved conflicts hang over the region like a sword of Damocles, non-Western political actors will keep their leverage. Serbia and the Republika Srpska in Bosnia and Herzegovina will continue to be dependent on their support and veto power in the UN Security Council.

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<sup>50</sup> Milica Stojanović (2020), "Serbia Imposes State of Emergency, Pleads for China's Help." *Balkan Insight*, 16 March, <https://balkaninsight.com/2020/03/16/serbia-imposes-state-of-emergency-pleads-for-chinas-help/>

For a detailed analysis, see Milan Lavrič & Florian Bieber (2020), "Shifts in Support for Authoritarianism and Democracy in the Western Balkans." *Problems of Post-Communism*, 16 June.

<sup>51</sup> For a detailed analysis, see Milan Lavrič & Florian Bieber (2020), "Shifts in Support for Authoritarianism and Democracy in the Western Balkans." *Problems of Post-Communism*, 16 June.

<sup>52</sup> C.f. <https://www.economist.com/middle-east-and-africa/2020/09/12/srbia-and-kosovo-awkwardly-embrace-israel>

## FUNDS ARE THE MOST ROBUST INSTRUMENT

With EU membership remaining a remote prospect, and resolution of the ethno-political conflicts nowhere near at hand, EU funds are the most robust geopolitical instrument that the EU has at its disposal. Experts consulted in the drafting of this paper agreed that it is crucial to link the means provided by the EU's recovery scheme to strong conditionality with regard to democracy, the rule of law and other criteria such as environmental and social standards. The goal should be to enable the citizens, not the autocratic cliques, to benefit from EU support.<sup>53</sup> Accordingly, the support provided to the region needs to undergo thorough controls. International oversight and civil society actors should be systematically involved in these efforts and assume a watchdog function on transparent spending and good governance.

Realistically, there are no indicators that the United States, Russia or China, and much less Turkey, will be interested or able to match the EU's financial assistance to the Western Balkans in the future. Still, there are several reasons to assume that the Western Balkans might be more receptive to the influence of external actors on the economic as well as the political front.

As already outlined in this paper, the region will suffer from a severe economic downturn because of the pandemic. Governments will have even less fiscal room to finance infrastructure and other investment projects and will be in dire need of external funding. At the same time, investments and demand from EU countries are likely to decrease because of the crisis, while China in particular is recovering from the crisis much faster than the EU. This could contribute to a further increase of Chinese exports and investments in the region.

China currently only accounts for around six per cent of trade and three per cent of FDI in the Western Balkans. These numbers seem low in comparison to the EU's share of 69 per cent of trade and around 60 per cent of

FDI. Nevertheless, the Western Balkans countries' debt to China is swelling. In 2018, Montenegro and North Macedonia owed 39 and 20 per cent of their national debt to China, respectively. Governments in Podgorica and Skopje took loans from Beijing to pay Chinese companies for the construction of motorways. In addition, Albania, Bosnia and Herzegovina, and Montenegro face a high risk of debt distress due to financing related to the Belt and Road Initiative.<sup>54</sup>

Borrowing from China (and to a lesser extent from the Gulf States, Russia, Turkey, even Kazakhstan and Azerbaijan) is attractive as an expedient short-term solution for the governments in the region to patch holes in the state budget, to build and modernize the badly needed transport infrastructure and for other purposes.<sup>55</sup> State contracts are struck in a backroom-deal manner, circumventing public procurement procedures and competition norms and lacking transparency on the terms and conditions of contracts as well as the feasibility and cost-benefit analyses of projects, thus allowing corruption to thrive.<sup>56</sup>

Environmental standards and the fight against climate change have been put aside, for instance by the construction and modernization of coal-fired thermal power plants in Bosnia and Herzegovina and Serbia. Surveillance technologies purchased from China raise concerns about privacy and data protection, and more fundamentally democratic governance.

Direct dealings between governments in the region and non-democratic, non-Western powers have strengthened autocratic strongmen in the Western Balkans. There is far less transparency and accountability in such arrangements in comparison to EU-funded projects. Yet, to the population, the government-controlled media present the new roads and railways as proof of progress and the efficiency of the country's leader.

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<sup>53</sup> C.f. fn 22., Capussela

<sup>54</sup> John Hurley, Scott Morris, and Gailyn Portelance (2018), "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective." Center for Global Development Policy Papers, No. 121 (March), <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>

<sup>55</sup> A development expert from the region, interviewed for this report, pointed out that Chinese investment partners go out of their way to finish a feasibility study for a highway, or wastewater treatment plan, or some other project, in the shortest possible time and then offer 'turnkey' contracts. Indeed, Chinese loans tend to be more expensive (currently, the interest rates are 3–4% annually after a grace period) than European loans (0.2–1% p.a.). However, EU loans require a domestic financial contribution to the overall costs and local capacity to implement projects. At the end of the day, loans from both sources do not differ much in their overall price. What SEE6 countries acquire from EU loans is, in the words of the interviewee, perhaps good governance – in the end. Chinese loans bring immediate and visible results in the eyes of the population and require far less engagement by the SEE6 governments. The expert concluded that the EU could overcome this disadvantage only through more grants in its investment programmes in the SEE6.

<sup>56</sup> See for instance Florian Bieber and Nikolaos Tzifakis (2019), "The Western Balkans as a Geopolitical Chessboard? Myths, Realities and Policy Options." BiEPAG Policy Brief (June), <https://biEPAG.eu/the-western-balkans-as-a-geopolitical-chessboard-myths-realities-and-policy-options/>; Jakob Mardell (2019), "China's Economic Footprint in the Western Balkans." Asia Policy Brief, Bertelsmann Stiftung, <https://www.bertelsmann-stiftung.de/en/our-projects/germany-and-asia/news/asia-policy-brief-chinas-economic-footprint-in-the-western-balkans>

## HOW MUCH DO THE WESTERN BALKANS MEAN TO NON-EU ACTORS?

The coronavirus crisis not only bears the risk of the EU 'losing' the Western Balkans – or vice versa; it also offers a chance to boost the integration of the region into the Union. In times when the global economic architecture will rely more on shorter supply chains ('near-shoring' is the new buzzword), geographic proximity and mutual understanding matter even more. In the reinvigorated debate on the EU's strategic autonomy, the Western Balkans could thus be an interesting theatre when it comes to keeping important supply segments in Europe.

Moreover, there is a need for nuanced judgment. Not all activities and influences of non-Western actors are detrimental to or incompatible with EU integration. Crucially, foreign investments in businesses and infrastructure can have a positive effect on connectivity and regional economic development. Furthermore, China and other external actors could also have an interest in political stability, economic growth and the region's full membership in the single market that would allow their investments to thrive.

Yet, EU rules and norms will continue to be transgressed if EU representatives do not start to assert them more vocally and confront governments in candidate countries that are deliberately and continually ignoring them. The EU should also involve the Western Balkans in the debate on stricter controls of foreign investment and distortions of competition, or in the words of High Representative Josep Borrell: 'Europe must no longer be offered on a plate to the rest of the world'.<sup>57</sup>

Against the background of enhanced geopolitical competition, the question might arise whether the EU can afford to link its external financial support and more broadly the association process with strict conditionality or whether this, on the contrary, might turn

out to be a competitive disadvantage. Already during the past years, the fear of alienating governments and pushing them into the hands of other external actors has most probably played a role in the EU's reluctance to raise its voice at full volume against serious violations of democratic and rule of law standards. The fact that certain EU member states are no longer full-fledged democracies adds to the problem, as they lack both motivation and credibility to push for political transformation in candidate countries.

While there is a risk that local political leaders confronted with reform demands might turn their back to the EU, the alternative for the EU is to renounce its capacity to shape developments in the region. The EU has good reasons to encounter and, if necessary, confront external and domestic political players with greater self-confidence. As pointed out earlier, the economies of the region are tightly associated with the EU. Although it has lost some of its attraction, citizens continue to aspire to EU integration. Non-Western actors offer no alternative integration model or long-term future to the region. This will make it more difficult for local leaders to replace the EU with other partners and sell such a shift to their electorate.

Overall, the Western Balkans do not mean much geopolitically to the United States or Russia, or indeed China. A success in turning the region into a site of geopolitical trust-confidence building could be useful, but 'a failure would not be a great loss', as analysts from the US and Russia have jointly concluded.<sup>58</sup> The only loser would be the project of European integration if the socio-economic entropy and the shift in support for authoritarianism continues in the Western Balkans and the region remains an open wound in the soft belly of the European Union.

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<sup>57</sup> Josep Borrell (2020), "The Post-Coronavirus World Is Already Here." ECFR Policy Briefs, [https://www.ecfr.eu/publications/summary/the\\_post\\_coronavirus\\_world\\_is\\_already\\_here](https://www.ecfr.eu/publications/summary/the_post_coronavirus_world_is_already_here)

<sup>58</sup> Jeffrey Mankoff & Andrey Kortunov (2020), "Addressing Unresolved Challenges in U.S.–Russia Relations." Centre for Strategic and International Studies (CSIS) Policy Papers, p. 2.

# RECOMMENDATIONS

For each of the three analytical areas of this report, the authors propose to the EU, parliaments and governments of the EU member states and of the SEE6 as well as other political, economic and social actors, the following set of actions:

## RAPID INTEGRATION OF THE SEE6 INTO THE EU

We consider two principles guiding future EU actions in the region to be particularly important:

**First**, the EU and the member states should aim to increase economic resilience in the SEE6 by assisting the economic development of the region through more substantial financial assistance (primarily grants, not loans), thereby increasing the standard of living and improving overall human capital in the region. This would be essential to overcome the current bleak situation (lack of investments, high outward migration, etc.).

Growth in the SEE6 and pushing back poverty and inequality cannot be achieved without zero-priced capital coming from abroad. Presently, the region cannot accumulate enough capital to fund its 'great leap forward' with its own capacities. If the EU wants to integrate the SEE6, it should open its structural and cohesion funds to the SEE6 or provide zero-priced capital from other of its funding sources.

To channel and control the spending, the EU should expand the remit of the Brussels-based Western Balkans Investment Facility into a development agency based on the experiences of the Agency for Reconstruction and Development in the Western Balkans, which already existed from 2000 to 2008 in Thessaloniki. EU agencies should be involved in the SEE6 throughout the entire project implementation cycle, starting from initial planning, through cooperation and oversight.

The development boost could be chiefly channelled through the announced economic and investment package, speeding up integration into the single market (cluster 2 in the accession negotiations) together with the implementation of the Regional Economic Area Road Map.

**Second**, the substantial increase in financial assistance should be part of a broader political framework. Its disbursement should be a reward for SEE6 countries' adequate performance in reforms. Together with the improvement of living standards, the reduction of corruption in the judiciary, the health system and education are among top priorities of SEE6 citizens, as confirmed by all current public opinion polls.

In particular, the EU should pay attention to the following actions:

- Integrate the SEE6 in the building-up of a post-covid economic order and the Green Deal.
- Be fast and concrete on the implementation of post-pandemic recovery measures and the investment package announced for the autumn of 2020.
- Step up funding for main infrastructure projects in the region that are part of the EU's connectivity strategies.
- Speed up the SEE6 EU integration in sectors that are drivers of economic development and modernization and match the EU's own priorities such as climate change, environment, energy, transport and technology-related issues.
- Ensure that not exclusively ruling elites, but citizens are benefiting from EU support. The investment package must tackle social cohesion, redistributive tools, equal access to jobs and prosperity.
- Ensure thorough oversight on the ground, and engagement that is by far more political, that the EU's long-term and crisis assistance is well spent. Local civil society actors should be systematically involved in these efforts.

## A CLEARER VISION IN THE KALEIDOSCOPE: STREAMLINING INTRA-REGIONAL COOPERATION IN THE SEE6

■ The EU should continue to support the collaboration between countries in the region, maintaining a strong focus on the regional cooperation element in the integration process. However, the precondition for the success of the integration of the SEE6 with the EU is effective local ownership and strong political commitment to regional cooperation on the part of leaders of the SEE6. The EU should address this (non) commitment in straightforward language avoiding ambiguity so that the population understands the meaning of the actions of its governments.

■ The key element to boost intra-regional cooperation lies in the settlement of bilateral disputes. The conflict transformation efforts must continue without interruption, in order to ensure that they do not

hamper cooperation in the region and do not have a negative effect on the accession process.

■ The EU must retain control over the dialogue between Kosovo and Serbia. Until Belgrade and Pristina agree on a solution, cooperation in the whole region will continue to be problematic and results will be limited.

■ The EU should invest as much energy and resources into the negotiations about the future of Bosnia and Herzegovina as it does into the Kosovo issue. Letting the country linger in oblivion cannot be an option for the EU if it wants to live up to its self-chosen geopolitical role.

## DEALING WITH DESPOTS

■ The EU should clearly identify the activities of external actors, in their conduct with SEE6 governments, that contradict EU values and standards, name these effects and hold governments accountable for violating their commitments to EU rules.

■ The EU should include the SEE6 in its strategies towards China, Russia and other individual states and in the EU's approach to the Near East, the Gulf region and other areas of ongoing conflicts.

■ The EU should include the SEE6 in its deliberations on stricter controls of foreign investment and distortions of competition. It should ensure that foreign investors and local governments respect the competition rules in place.

■ The EU should avoid repeating the mistake from March 2020 (when the EU limited the export of personal medical protection equipment to the Western Balkans) by unnecessarily and thoughtlessly leaving out the Western Balkans from preparation of a joint purchase of vaccines against COVID-19.

■ The EU should scrap the decision to apply the European Travel Information and Authorisation System) requirements to Western Balkans citizens as of 2021. Otherwise (mis)perceptions are unavoidable that the EU intends to reintroduce visas through the 'backdoor'.

■ It is necessary to strengthen the EU's communication capabilities and self-presentation in the region. The EU needs to refrain from vague statements and hollow language that give the citizens the impression that it is not in touch with realities on the ground.

■ The EU should foster direct links with citizens in the region through channels of communication that do not allow political leaders to reinterpret the EU's messages.

■ The EU should considerably boost the financial support to media freedom and freedom of expression in the region. These are prerequisite for fair political competition and democratic governance and crucial to counter disinformation campaigns by foreign and domestic actors.

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## Abbreviations

AIC	Actual Individual Consumption
CEFTA	Central European Free Trade Agreement
EU	European Union
FDI	Foreign Direct Investments
FES	Friedrich-Ebert-Stiftung
GDP	Gross Domestic Product
NATO	North Atlantic Treaty Organization
PPS	Purchasing Power Standard
RCC	Regional Cooperation Council
SEE6	South East Europe Six (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia)
UN	United Nations
US	United States

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## IMPRINT

Friedrich-Ebert-Stiftung, Office Tirana,  
Rr. Kajo Karafili Nd-14, Hyrja 2, Kati 1, P.O.Box 1418,  
Tirana, Albania

Responsible:  
Stine Klapper, Director Friedrich-Ebert-Stiftung, Tirana  
Office  
Project Coordinator: Jonida Smaja

Tel: +355 042250986 / 042273306

Fax: +355 04 22622067

[www.fes-tirana.org](http://www.fes-tirana.org)

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## The Friedrich-Ebert-Stiftung in Southeast Europe

After more than two decades of engagement in Southeast Europe, the FES appreciates that the challenges and problems still facing this region can best be resolved through a shared regional framework. Our commitment to advancing our core interests in a socio-ecological transformation, democratic consolidation, social and economic justice and peace through regional cooperation, has since 2015 been strengthened by establishing an infrastructure to

coordinate the FES' regional work out of Sarajevo, Bosnia and Herzegovina: the Regional Dialogue Southeast Europe (Dialogue SOE). In close cooperation with the twelve FES country offices across Southeast Europe, Dialogue SOE provides analysis of shared challenges in the region and develops suitable regional programs and activities

<http://www.fes-southeasteurope.org>

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## MAKE-OR-BREAK MOMENT:

### EU ENLARGEMENT IN SOUTHEAST EUROPE IN PANDEMIC TIMES



The EU and NATO encircle the SEE6. Albania, Montenegro and North Macedonia are part of NATO. The SEE6 have almost three quarters of their trade with the EU. Most foreign investments come from the Union and their financial system is to a considerable extent in the hands of EU banks. Most important – outward migration in the last decades has led to a situation in which at least a fifth of the SEE6 native population lives in the EU



The outbreak of the COVID-19 pandemic could be, for good or bad, also a turning point in the relations between the EU and enlargement countries in the Western Balkans. However, there is also a risk that things will come to a halt as nervous EU leaders struggle to find answers for the future of the EU.



The key-element to boost intra-regional cooperation in the SEE6 area is the settlement of bilateral disputes. The EU should retain control over the dialogue between Kosovo and Serbia. Also, the EU should invest as much energy and resources in ensuring the future of Bosnia and Hercegovina as it does into the Kosovo issue.

Further information on the topic can be found here:  
[www.fes-tirana.org/publication](http://www.fes-tirana.org/publication)