



The Western Balkans: back in the EU spotlight

by Sabina Lange

Since the summer of 2015 and the onset of the migration crisis, the Western Balkans is talked about in the media and decision-making rooms in Europe as much as it was throughout the 1990s.

Yet this time it is different. Western Balkan countries are not at risk of descending into another military conflict. In fact, their efforts to manage the flow of refugees and migrants to Europe have led to increasingly coordinated action. However, the severe strains the migrant flows place on states and societies along the so-called Balkan route have exposed deeper political and stability risks in the region ranging from the dire state of the economy to the fragile state of democracy. In addition, accounts of increased radicalisation and high numbers of 'foreign fighters' originating from the Western Balkans are also a reason for the EU to step up its approach towards the region.

A 'moratorium' on enlargement announced by then president-elect of the European Commission Jean Claude Juncker in the Summer of 2014, and the ensuing renaming and re-organisation of the Commissioner's portfolios and administration with the focus on enlargement *negotiations* (contrary to the previous concentration on its *finalité*), resulted in a further drop in support for

EU expansion. This was the case not only in EU member states, but also in Western Balkan countries themselves: opinion polls there showed that only 40% of respondents in the region thought EU membership was a good thing, according to the Balkan Barometer 2015.

The absence of the Western Balkans from the media in recent years was matched by its scarce appearance on the agenda of decision-makers. A handful of member states kept an eye on the US presence in the region and occasionally voiced concerns over the deteriorating economic situation, the state of democracy in the region, as well broader security concerns.

It's the economy...

The streams of refugees and migrants to the EU revealed large numbers of asylum seekers from the countries of the Western Balkans. According to Eurostat, there were 177,925 asylum applications filed by citizens from Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Kosovo and Serbia in EU/EFTA countries in the first three quarters of 2015 alone. Albanians and Kosovars were the second and third most frequent arrivals to Germany in 2015 (after Syrians), while Serbs and



Macedonians were in sixth and seventh place, respectively (after Afghans and Iraqis) – despite the fact that Serbia was listed as a safe country of origin the year before, and all Balkan states were on the list by the end of October. Expat numbers for the Western Balkan countries vary between 10% and 30% of the population. In contrast, in most countries in Western Europe, the share of the population that lives abroad is between 2% and 4.5%. While there are legitimate asylum seekers among the applicants from the Western Balkan countries, the vast majority of them are economic migrants.

Data for some of the main economic indicators in the region is grim. Unemployment across the region in 2015 stood at 21.6% (down from 22.9% a year earlier), with youth unemployment at an alarming 45% (peaking at almost 63% in Serbia). Across the region, a third of respondents to the Balkan Barometer 2015 survey replied that they fear that they will lose their job within a year. The poll also revealed that 79% of the respondents would prefer working in the public sector, while only 16% would choose to work in the private sector. According to the World Bank, public debt has been rising continuously, averaging at 6% since 2011. Albania's, Montenegro's and Serbia's levels of public debt are now at about 70% of GDP. Due to the exchange rate depreciation and a relatively high share of debt denominated in dollars, the World Bank projects that Serbia's external financing need in 2016 will amount to 16.6% of GDP.

Moreover, the trade deficit of the region with the EU in 2014 stood at €8.331 billion. And with the exception of Albania, all Western Balkan countries experienced sharp drops in their already low (and volatile) levels of FDI since the beginning of the financial crisis. Western Balkan countries, with the exception of the former Yugoslav Republic of Macedonia, are also ranked very low on the World Bank's 'ease of doing business ranking'. It is worth noting that while the region is looking for financial backers from elsewhere, FDI from Russia, Turkey, China or Arab states is unlikely to fill in the gap. Selected larger investments, in particular Russian ventures in Serbia, are motivated more by strategic considerations than economic ones.

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GDP per person in the region has hardly grown in the last five years, and in Croatia (an EU member state since 2013), Serbia, and Montenegro it has even fallen slightly. Average (weighted) growth in 2015 was 1.8%. At the same time, the latest World Bank report on the state of the economy in the region estimates that only a yearly growth rate of 6% would allow income convergence of the region with the EU by 2035. However, with its current rate, the Western Balkans would only achieve 40% of the EU's average GDP per capita (per purchasing power parity) by the same year.

This depressing socio-economic context underpins domestic politics, inter-state and broader international relations and the process of EU integration. While the root causes of growing radicalisation and sizable numbers of fighters from the region in Syria are complex – by some estimates, the highest numbers of foreign fighters of European origin per capita come from Kosovo and Bosnia and Herzegovina – this bleak economic situation, in particular for the youth, is a significant factor.

...but the causes lie elsewhere

Given the scale of the refugee crisis, the EU's coordination with the countries along the migrants' path became crucial and rendered their leaders instrumental in efforts to weather the storm. Politicians from the region have met their European counterparts on numerous occasions, and as the crisis worsened and attendees to these meetings became ever more exclusive, leaders or ministers from the Balkan route were always present. In the course of these meetings, a series of conclusions were adopted, providing the countries on the migration path with financial support

and border management assistance. The frequency of meetings and the nature of the agreements led Commissioner Hahn to conclude, speaking at a conference in Brussels on 16 February 2016, that the migration crisis demonstrates that the Balkan countries “in one way or another are members of the club”.

The crisis has thus given prominence to the leaders from the region and strengthened their relations with the EU in the framework of the accession

process, and their relations with certain individual EU member states. However, the European Commission – in its 2015 Enlargement Strategy Paper and accompanying reports per country – has painted a different picture of the candidates’ and potential candidates’ readiness to join the club.

Western Balkan countries share problems related to widespread corruption, the presence of organised crime, the lack of an independent and/or functioning judiciary, and the deep politicisation of public administration. The countries differ according to the acuteness of their problems, the political will to tackle them, legal frameworks in place and capacity for enforcement. These issues have severe consequences for economic performance, especially regarding the prospects of attracting FDI or generating employment, collecting state revenue, and promoting small and middle-sized enterprises. These problems are rooted in the general state of democracy and the political culture in the region, as well as diplomatic issues surrounding statehood.

Between tensions...

Violent protests in January 2015 and disruptive incidents in the parliament in Kosovo in November exposed the fragility of democracy and the lack of political dialogue between government and opposition in the country. The same can be said for the boycott of the parliament and ensuing protests in Montenegro in September 2015.

A year-long boycott of the parliament, a wiretapping scandal involving Prime Minister Gruevski and events surrounding the violence in the town of Kumanovo in May 2015 have caused the worst political crisis in the former Yugoslav Republic of Macedonia since the signing of the Framework Ohrid agreement in 2001.

Moreover, the so-called Priebe Report of a group of senior experts from 8 June 2015 listed significant shortcomings (in unusually clear language) regarding the state of rule of law there. An agreement known as the Pržino Deal was reached in early July between main political parties, and was mediated by Commissioner Hahn and a delegation of three members of the European Parliament.

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However, the process of implementing the agreement is not going smoothly. The organisation of the special prosecutor’s office tasked with investigating the wiretapping scandal was slow and was accused of being politicised. Prime Minister Gruevski eventually resigned in January 2016, clearing the way for new elections agreed for 24 April. Amid concerns over the possibility of an unfair electoral process, the EU and

the US, which are monitoring the implementation of the Pržino Deal, supported the opposition and succeeded in postponing the elections, which are now to be held on 5 June. The electoral roll, media law and close links between the state machinery (including the police) and the governing party (in power since 2006) are some of the issues that need to be addressed for free and fair elections to take place.

Elsewhere, Bosnia and Herzegovina marked the 20th anniversary of the Dayton agreement in late 2015. The constitutional settlement based on ethnic and nationalist divisions still hampers the functioning of the country in all matters of public policy and economic development. Republika Srpska’s leader Milorad Dodik continues to question the constitutional order and the authority of the national institutions, most recently by calling for a referendum on the jurisdiction of the national Court of Bosnia and Herzegovina. Eventually, Dodik yielded to international pressure and indefinitely postponed the referendum in February 2016. Episodes like this, however, put off investors and divert policymakers’ attention away from necessary reforms.

Nevertheless, progress was achieved along the EU path, allowing Bosnia and Herzegovina to submit its EU membership application on 16 February 2016. The World Bank estimates that the reforms conducted in the process of accession in Serbia and in Bosnia and Herzegovina may boost FDI, and, in turn, GDP growth by 0.2%-0.3%. Kosovo remains severely inhibited due to its ambiguous diplomatic status, which also prevents the state from collecting revenue (e.g. from energy transit), while steps to normalise its international status through membership in international bodies risk confrontation with Serbia (the failed bid for UNSECO membership on 9 November 2015 was a case in point).



...and progress

In general, however, regional cooperation and bilateral relations are two aspects which saw some progress in the course of 2015. Serbia and Kosovo continue to implement the 2013 EU-brokered 'First agreement of principles governing the normalisation of relations', as well as other arrangements. Further deals between Serbia and Kosovo, with direct impact on the lives of ordinary citizens, were concluded in August 2015, and Montenegro agreed on border demarcation with Bosnia and Herzegovina and Kosovo (notwithstanding the Kosovar opposition disputing the latter). Significant progress was also made regarding transport and energy connectivity last year. The refugee crisis was a test for relations between all the countries on the migration route, and the former Yugoslav Republic of Macedonia and Serbia coordinated their actions without generating the kind of tensions which marred border cooperation between other states, for example.

That said, effective cooperation between the countries remains limited and issues of trade facilitation and mobility – needed for any significant regional integration to take off – are yet to be addressed. Despite being encouraged by the EU, the countries are far more focused on broader links with the international community, including NATO.

Membership of the alliance is something which Montenegro and the former Yugoslav Republic of Macedonia in particular view as a necessary component of statehood and international recognition. Montenegro received an invitation to begin accession talks with the alliance at a meeting of NATO foreign ministers on 2 December 2015. The name issue, like in the case of EU integration, needs to be solved before the former Yugoslav Republic of Macedonia can begin the process towards membership. Serbia's situation in relation to NATO is far more delicate. As a former target of NATO airstrikes, any *rapprochement* with the alliance requires a delicate balancing act in domestic politics, as well taking Serbia's traditional partners in foreign relations (most significantly Russia) into account.

Stepping up the game

The number of political, security and economic challenges facing the region has resulted in increased efforts by some member states and forced the EU to search for solutions beyond, or in parallel to, the accession process.

In the midst of uncertainty in Brussels over the fate of enlargement, in August 2014 German

Chancellor Merkel took the initiative and started what has become known as the Berlin Process. A year later, the Vienna summit continued in the same spirit of building ties among the countries of the region, including the endorsement of the the Brdo-Brijuni Process agreement on a 'Positive agenda for the youth in the Western Balkan'. The follow-up summit is now scheduled for this summer in Paris.

In addition to this essentially intergovernmental component, 2015 and early 2016 saw significant steps in the EU accession process for most countries of the region (plus a new methodology for the Commission's annual reports), creative engagement in crisis management, as well as broader efforts of the transatlantic community to give occasional incentives to the countries of the region.

On 27 October 2015, the European Union signed a Stabilisation and Association Agreement with Kosovo. Bosnia and Herzegovina concluded a Framework Participation Agreement (FPA) in 2015 after years of stalled negotiations and then submitted its application for membership on 16 February 2016. Serbia is one of only four non-EU members who signed an administrative agreement with the European Defence Agency (back in 2013). Most significantly, Belgrade opened its first chapters (chapter 32 on financial control and chapter 35 on other business, starting with the item on normalisation of relations between Serbia and Kosovo) in enlargement negotiations on 14 December 2015.

Initiatives such as the Berlin Process, the next steps on the route to accession, and the EU's accelerated conclusion of the aforementioned agreements are aimed at tackling the *symptoms* of malaise in the region in order to keep up the reforms required for EU membership. However, the refugee crisis and worrying statistics over foreign fighters from the region have also exposed the underlying *causes* of instability in the Western Balkans.

While the crisis has provided the EU with the possibility to build a qualitatively new relationship with the leaders from the region, it will require a renewed commitment and some adjustment of its instruments – including increasing financial resources and crafting a legal migration framework for the region – if the mutually beneficial relationship with the states of the Western Balkans is to be maintained.

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