

POLITICAL ANTAGONISMS, MISALIGNED SECURITY POLICIES, AND ECONOMIC INTEGRATION EFFORTS IN THE WESTERN BALKANS: PRESENT CHALLENGES AND FUTURE PERSPECTIVES

Sanja JELISAVAC TROŠIĆ and Mitko ARNAUDOV¹

Institute of International Politics and Economics, Serbia

Abstract: Incoherence is an expression that could be used to describe the political, economic and security developments in the Western Balkans. Armed conflicts during the 1990s, attempts at reconciliation during the 2000s and regional cooperation under “external” mentorship represent three focal points that characterize the contemporary history of the Western Balkans. Meanwhile, numerous regional models, frameworks and initiatives for economic integrations followed the formula – economic integration as a prerequisite for lasting peace. All of these have contributed to the fact that actors in the Western Balkans have only one common denominator – membership in the European Union, as a key and strategic foreign policy goal. However, the achievement of that common denominator was without a clear strategy on how to do it and whether such a foreign policy goal, in real international circumstances, is still achievable. Therefore, the aim of this paper is to establish how regional circumstances determine the realization of the foreign policy goals of the Western Balkan actors. How and whether potential economic integration, as a basis, has contributed to essential reconciliation and cooperation? From the academic perspective, in a theoretical sense, the goal is to establish how much economic integration is a realistic basis for reconciliation on the political level in ongoing international circumstances, which would probably be best described today by neoclassical realists.

¹ The paper presents findings of a study developed as a part of the research project “Serbia and challenges in international relations in 2024”, financed by the Ministry of Science, Technological Development and Innovation of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade, during the year 2024.

Keywords: Western Balkans, economic integration, European Union, foreign policy goals.

Introduction

Western Balkans actors are states and political entities listed in the group of developing nations from different domains, but with accent to their economic systems, democratic institutions, political framework, security and defense mechanisms. In fact, those are states and political entities which are facing contemporary and ongoing domestic and foreign challenges, risks and threats with very limited resources, which lead those nations to continuous emergency position, closely connected to the question of their long-term sustainability. Majority of internal and regional issues are in correlation with the period after the Yugoslav Federation break-up in which the entire region was introduced to civil clashes, economic collapse, the overthrow of the political system and creation hostility and animosity on national and religious level. In fact, post-Yugoslav area (including Albania, but without Slovenia and Croatia) represents a geographical connected unity which shares same and similar domestic, regional and foreign challenges, risks and threats, but refuses to establish common and integrated platform for resolving mentioned difficulties. Although European Union membership represents common denominator to all actors, promoted as a key or strategic foreign policy goal, concrete steps in that direction are missing, especially from the regional point of view in the context of resolving outstanding regional or bilateral issues, or in the context of creation common platform for overcoming other potential domestic, regional and so-called “imported” threats, which are also facing all the actors in the Western Balkans region, with a lower or higher intensity. The point is that Western Balkans region is composed of states and political entities which are integrated *by default* in different ways, but at the same time burdened with divisions, mistrusts and political factors which do not allow any initiative that could lead in the direction of solid and predictable stabilization of the region, as a whole, which also will bring all the Western Balkans actors to become reliable, prospective, stable and sustainable factors within the international relations.

Political positioning of “actors” in the Western Balkans

In order to form a clear picture of the political positioning of “actors” in the Western Balkans, it is necessary to analyze it starting from two different

angles: internal and foreign. Because above all, we are talking about small states whose positioning is largely determined by internal and external circumstances that interpenetrate each other. Any attempt to analyze and explain the political positioning of states and political entities in the Western Balkans, focusing only and strictly on internal (dis)opportunities or on external (geopolitical) circumstances, will lead us in the direction of achieving limited and not comprehensive results. Observing from the perspective of internal politics, we have to establish that these are states with a large “burden” of internal political difficulties.

Concretely, the principle of public policies has not been revived, democratic institutions are still very weak, borders are undefined and a clearly formulated foreign policy is also absent. (Varga, 2018) According to the opinion of some authors, we are talking about states that function almost in a permanent unstable political, economic and security situation. (Varga, 2018) In fact, we are talking about states and political entities within the so-called Western Balkans framework that, even in 2023, are included in the Freedom House list of „Nations in Transit“, and are positioned in the internal political context as systems led by transitional governments or hybrid regimes. (Smeltzer, 2023, p. 14)

Main challenges according to Freedom House 2023 Report „Nations in Transit“:

State or political entity	Key objections
Serbia	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders • elections marred by irregularities
Albania	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders • institutions are challenged by clientelistic party politics • lagging judicial vetting process • special anticorruption courts made small strides in addressing graft

State or political entity	Key objections
North Macedonia	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders • acute political dysfunction • strong political polarization • parliamentary blockades
Bosnia and Herzegovina	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders
Montenegro	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders • acute political dysfunction • political polarization • lawmakers pushed through legislation that undermined citizens' basic rights
Kosovo*	<ul style="list-style-type: none"> • elite-driven politics and diplomacy have excluded the voices of civil society and ordinary citizens • antidemocratic and authoritarian leaders • an uptick in violence in the Serb-majority north

Source: Nations in transit 2023 – Freedom House Report, In *War Deepens a Regional Divide*, pp. 7-8: https://freedomhouse.org/sites/default/files/2023-05/NIT_2023_Digital.pdf.

In the context of the political positioning of states and political entities in the Western Balkans, we must not ignore Dušan Pavlović's explanation, which directs us towards a new "model" of a captured state. In fact within the Western Balkans we are facing the version of captured state, as Pavlović explains, in which "it is primarily about political parties as political machinery to collect votes", and, on that basis, "party patronage becomes the main element of state capture" (Pavlović, 2021, p. 1). Furthermore, according to Pavlović, "state capture is not anymore about changing policy regulations so that certain corporate agents can gain an advantage over other corporate agents" (Pavlović, 2021, p. 3), but "it is primarily about organizing political machinery to win elections, thus ensuring the incumbent remains in office" (Chipkin & Vidojević 2021, as cited in Pavlović, 2022).

In this context, if we merge internal political challenges, faced by Western Balkans states and political entities, mentioned in the Freedom House “Nations in Transit” report alongside with understanding of captured state provided by Dušan Pavlović we could assume twofold understanding of political positioning of “actors” which are subject of this analysis: first, internal obstacles lead these countries and political entities to self-produces challenges that become risks and threats which endanger internal stability and sustainability; second, potential self-produced risks and threats are eroding internal institutional framework of these subjects, including foreign policy service, thus creating unable “actors” for realization of foreign policy goals, including positioning within international relations.

If we “move” back to the subtitle of this chapter, based on a data we have provided so far, we could assume that political positioning of the Western Balkans states and political entities is not favorably from the point of different segments. There are maladjustments in leading internal and foreign policies which, in the context of small states, could potentially have multiple consequences. For example, Bulgaria or Greece, although those are also grouped in the small states from the points of geographical size and population, because of the EU membership, have comparative advantage to lead restrictive and in a huge manner discriminatory internal policy toward minority groups within their societies although it is against the Union’s principles. From the other side, these two states on the foreign policy level have the comfort to pledge for democracy, including respecting minority rights, although both are using opposite mechanisms internally. But the EU membership, *de facto*, provides to Bulgaria and Greece such “maneuvering” space. From the other side, when it comes to the Western Balkans states and political entities, such “maneuvering” space is, usually, impossible bearing in mind their foreign policy capacities, as well as limited domestic capacities which determine also their political positioning.

The Western Balkans and the European Union in the light of economic integration

The Western Balkans is geographically surrounded by EU member states. The most important determinant of the relationship between the EU and the Western Balkans is the EU accession process. As they often emphasize in their strategies, that convergence to EU standards is one of the main goals of the development strategy, the countries of the Western Balkans directed their resources to fulfill the criteria set before them by the EU.

EU accession process is a shared strategic objective for the whole region. On this path, some countries have advanced further, while some are still in the EU so-called “waiting room”. However, the common denominator for all countries is that they are not progressing fast enough. Accession talks are underway with Montenegro and Serbia, while the Council has opened accession negotiations with North Macedonia and Albania. Bosnia and Herzegovina and Kosovo* are at the end of the “line”, as potential candidates for EU membership. Apart from political ties and the importance of relations with the countries of the European Union, the countries from the Western Balkans region are also economically closely connected with the EU, and to some extent, they are also dependent on the EU.

All Western Balkans partners have signed Stabilization and Association Agreements (SAA) with the EU, with which it is opening up trade and aligning the region with EU standards. The SAA provides the overall framework for the relations of the EU with the Western Balkans. The SAAs are adapted to the specific situation of each partner from the Western Balkan and it is establishing a free trade area between the EU and the certain country, but also identifies common political and economic objectives and encourages regional cooperation. The EU also provides political and financial support for the Western Balkans partners to foster good neighborly relations and build shared prosperity through regional integration. The EU also supports regional cooperation organizations, to boost economic development, improve connectivity, and enhance security and many other benefits across the region. The connection of this region with the EU can also be seen through trade, because the EU is the leading trade partner for all Western Balkans, with almost 70% of the region’s total trade. From 2011 to 2021, EU trade with the Western Balkans has grown by almost 130%, and in the same period, Western Balkans exports to the EU have increased by 207%. EU businesses are also leading investors in the region. In 2018, EU companies accounted for over 65% of foreign direct investment in the region (European Union External Action, 2022).

The SAA, an international treaty between Serbia and EU, entered into force on 1 September 2013, thus granting the Republic of Serbia the status of an associated country to the European Union. Serbia has taken over with the signing of the SAA the two most significant commitments: to establish a free trade zone and align domestic legislation with the EU. “SAA is a legal basis for the improvement of cooperation between Serbia and the EU in a number of areas: economic and commercial policy, statistics, banking, insurance and financial services, auditing and financial control, promotion and protection of investments, industrial cooperation, small and medium-sized enterprises,

tourism, agriculture and agro-industrial sector, fishery, customs, taxation, social cooperation, education and training, cultural cooperation, collaboration in the audiovisual field, information society, electronic communications networks and services, information and communications, transport, energy, nuclear safety, environment, research and technological development, regional and local development and public administration.” (Ministry of European Integration, 2024). From that moment on, this comprehensive treaty became the basis of economic cooperation and economic relations between Serbia and the EU countries. SAA and Interim Agreement with Albania is signed on 12 June 2006, and entered into force on 1 April 2009. The SAA between the EU and Kosovo* entered into force on 1 April 2016, with North Macedonia entered into force on 1 April 2004, with Bosnia and Herzegovina enters into force on 1 June 2015 and with Montenegro on 1 May 2010 (European Commission, 2024a).

The prospect of EU membership is an incentive to bring forward reforms in the Western Balkans to enable difficult decisions to be implemented and to change the institutional as well as the economic and legal structure. Reforms have always been a key for the European path, but more importantly, they are crucial to improve political, legal and economic governance, and more precisely the rule of law, media freedom and conditions for civil society. This is path in the shared interest of the citizens of the Western Balkans and of the EU.

Initiatives and plans for supporting the region

In the ongoing negotiations between the EU and partners from the Western Balkan region, there were a large number of initiatives, investments and cooperation, so we will mention only a few of the most recent ones. The European Commission on 6 October 2020, adopted a comprehensive Economic and Investment Plan for the Western Balkans. The aim of this plan is to spur the long-term economic recovery of the region, supporting a green and digital transition, fostering regional integration and convergence with the EU. The Economic and Investment Plan sets out a substantial investment package mobilizing up to €9 billion of funding for the WB region. The Economic and Investment Plan identifies ten investment flagships to support major road and railway connections in the region, renewable energy and the transition from coal, renovation of public and private buildings to increase the energy efficiency and reduce greenhouse gas emissions, waste and water management infrastructure, the roll out of broadband infrastructure, as well as increased investments in the private sector to boost competitiveness and innovation, in particular of small and medium sized companies and a

Youth Guarantee (European Commission, 2024b). On 08 November 2023, the European Commission also adopted a new Growth Plan for the Western Balkans, with the aim of bringing some of the benefits of membership to the region in advance of accession, boost economic growth and accelerate much needed socio-economic convergence. The objective should be to enable partners to step up reforms and investments to significantly accelerate the speed of the enlargement process and the growth of their economies. For this, a new €6 billion Reform and Growth Facility for the Western Balkans has been proposed for the period 2024-2027 (European Commission, 2024c).

Among the assistance for the region, we may mention the Western Balkans Investment Framework (WBIF) which provides financing and technical assistance to strategic investments in the energy, environment, social, transport, and digital infrastructure sectors. WBIF also supports private sector development initiatives. This is a coordinated blending platform financing the preparation and implementation of priority infrastructure projects through: 1) grants from the European Commission's Instrument for Pre-Accession Assistance (IPA) and 20 Bilateral Donors; with 2) loans from the participating financial institutions; and 3) national finance (WBIF, 2024). The priority investment programs for the region, according to the EU, are Economic and investment Plan, sustainable transport, clean energy, environment and climate, private sector, human capital, digital future. The Economic and investment Plan for the Western Balkans 2021-2027, put forward by the European Commission in October 2020, is a clear sign of the EU's commitment to these goals in the region (WBIF, 2023).

Economic convergence is an essential element in getting the Western Balkan countries closer to the EU. But, currently, the level of convergence between the Western Balkan partners and the EU is not progressing fast enough, with average GDP *per capita* in purchasing power for our Western Balkan partners standing at between 30% and 50% of the EU average (European Commission, 2024d). It is painfully obvious that the Western Balkans are an integral part of Europe, but not the European union. The differences in these two regions are not small, but in order to bring them closer together the European Union, but also the WB region, must work together towards the long-term economic recovery, faster regional integration and convergence with the EU.

Existing regional economic initiatives in the Western Balkans

Regional initiatives in the Western Balkans after the end of Yugoslavia almost always had a goal of overcoming conflicts, reconciliation,

rapprochement, establishing cooperation and the like. In recent years, these initiatives have increased and shared cooperation on the path of European integration. Some of them are the Central European Free Trade Association (CEFTA), the Energy Community and the Western Balkans Transport Community, the Regional Cooperation Council (RCC). After the disappointment of the perspective of quick entry into the EU, the Berlin process stood out as the most important initiative. The main achievements of the Berlin Process are the establishment of the Regional Youth Cooperation Office (RYCO), the Agreement on the Development of a Common Regional Market, the signing of the Regional Roaming Agreement, and the creation of the so-called “green lanes” to speed up border procedures with key goods during the COVID-19 pandemic (Jelisavac Trošić, Arnaudov, 2023, p. 60). “The leaders of the Western Balkans, have agreed to enhance economic cooperation in the region by developing Common Regional Market (CRM), based on the EU rules and standards, to increase the attractiveness and competitiveness of the region and to bring the region closer to the EU markets.” Building upon the commitments and results of the Regional Economic Area, the leaders of the Western Balkans at the at the Berlin Process Summit, held on 10 November 2020 in Sofia, adopted the CRM 2021-2024 Action Plan, based on the four freedoms and enriched with trade, digital, investment, innovation and industry areas (Declaration on Common Regional Market, 2022).

Four key areas of the CRM 2021-2024 Action Plan (CRM, 2024):

<i>Regional trade area</i>	Free movement of goods, services, capital and people, including crosscutting measures, such as the Green Lanes, to align with EU-compliant rules and standards and provide opportunities for companies and citizens	<i>Regional investment area</i>	To align investment policies with the EU standards and best international practices and promote the region to foreign investors
<i>Regional digital area</i>	To integrate the Western Balkans into the pan-European digital market	<i>Regional industrial and innovation area</i>	To transform the industrial sectors, shape value chains they belong to, and prepare them for the realities of today and challenges of tomorrow.

The RCC and CEFTA Secretariats are leading regional organizations to facilitate the implementation of the Action Plan, but the main responsibility lies on public institutions in each of the Western Balkan's economy, in particular ministries and institutions leading the implementation effort at the economy level (CRM, 2024). As part of the Berlin Process, in July 2017, the Regional Cooperation Council (RCC) presented the Multi-annual Action Plan for a Regional Economic Area in the Western Balkans (MAP REA) during the Berlin Process Summit in Trieste, Italy (Regional Cooperation Council, 2017).

On the other hand, with the resulting saturation of even the Berlin process, three countries separated from the Western Balkans group and tried to find a slightly different type of cooperation, primarily without the direct influence of the EU. A new regional initiative was launched by Albania, Serbia and North Macedonia Initially called Mini Schengen, which grew into the Open Balkan, with an ambitious goal to form a single market with unhindered movement of people, goods, services, and capital (Proroković, Entina, 2023, p. 106). So far, agreements and documents signed under the Open Balkan initiative are: Memorandum of Understanding on Trade Facilitation, Memorandum of Understanding on Cooperation Related to Free Access to the Labour Market in the Western Balkans, Memorandum of Understanding on Cooperation in Protection Against Disasters in the Western Balkans – all signed in July 2021; Agreement on Conditions for Free Access to the Labour Market in the Western Balkans, Agreement on the Interconnection of Electronic Identification Schemes for Citizens of the Western Balkans, Agreement on Cooperation in the Areas of Veterinary, Food and Feed Security and Phytosanitary Areas in the Western Balkans, Agreement on Mutual Recognition of Certificates of Authorized Economic Operators (AEOS) Between Albania and North Macedonia, Agreement on Mutual Recognition of Certificates of Authorized Economic Operators (AEOS) Between Albania and Serbia, Trilateral Agreement on Cooperation Between General Directorate of Accreditation of the Republic of Albania (DPA), Institute of Accreditation of the Republic of North Macedonia (IARNM) and Accreditation Body of the Republic of Serbia (ATS) – all signed in December 2021; Agreement on mutual recognition of academic qualifications, MoU on cooperation in the field of tourism in the Western Balkans, MoU on cooperation in the field of culture, MoU on cooperation in the field of tax administrations in the Western Balkans – all signed in June 2022 (Chamber of Commerce and Industry of Serbia, 2024).

The business community expects to benefit from boosting regional economic integrations within the framework of Open Balkan initiative. But, on the other hand, we cannot ignore potential negative aspect of the abolition of barriers on the border may be the impetus to intensification of cross-border crimes (Proroković, Entina, 2023, p. 107).

Current challenges in the framework of the Western Balkans

Actors in the Western Balkans “traditionally”, after the breakup of Yugoslavia, are faced with internal institutional challenges that cause all-pervading effects. We are talking about effects that are noticeable in the economic and political system, but also in the security sector. The instability of the political and economic system, as a result of institutional deficiencies, further endangers the national security systems of actors in the Western Balkans in dealing with internal and external challenges, risks and threats. However, there are not only internal challenges, but there are also regional issues that additionally have a negative impact on the security mosaic of the Western Balkans. According to Dragan Đukanović, “there are still essentially unresolved issues, such as the relations between Belgrade and Pristina (which are currently accelerating primarily due to the US), the internal reconfiguration of relations in Bosnia and Herzegovina, and the gradual attempt to suppress the further growth of Russian influence in certain states of the region (it already has a strong influence in Serbia and the BiH entity, the Republic of Srpska)” (Đukanović, 2023, p. 135). When it comes to disagreements between Belgrade and Pristina, from the Arnaudov’s perspective, this regional issue largely determines the regional security mosaic, and thus the bilateral relations of actors in the Balkans (Jelisavac Trošić & Arnaudov, 2023, p. 151). “In the regional context, Belgrade is alone in its position on Kosovo*, which may not directly, but indirectly affects the relations with other regional actors”, explains Arnaudov (Jelisavac Trošić & Arnaudov, 2023, p. 151) and adds that unresolved regional issues of this type testify to the lack of political trust, as a basis for cooperation in different domains, which greatly negatively determines cooperation and integration within the framework of the region and, also, indirectly prevents the potential creation of a common regional platform for dealing with contemporary security challenges, internal and external. But, in the regional context, we have also not ignore the migrant challenges, in the format of the transit zone and the so-called Balkan route (The migrant crisis has caused great concern in the Western Balkans region. The Balkan migrant route was

the only sustainable passage for the massive influx of migrants from the Middle East and Africa. According to the United Nations, 80% of the almost one million refugees who found refuge in Germany in 2015 went through this route, either registering at the Centre in Preševo, Serbia (600,000) or bypassing it and continuing (Cocco, 2017, as cited in Jelisavac Trošić & Arnaudov, 2023), then the all-pervasive phenomenon of emigration of the capable of working and qualified population from the Western Balkans to Western Europe, as well as challenges in the sector of health and within the labour market, as a consequence of ongoing emigration.

In the context of regionalism, “security problems that characterise the Western Balkans in the post-Yugoslav paradigm have not yet been adequately resolved” (Đukanović, 2023). Separatism as a tool in political action in the Western Balkans is still very much current. Many politicians call for “secession” as a method of increasing political popularity, which de facto contributes to the strengthening of animosity in the region, but also the phenomenon of negative peace, which in practice makes it impossible to deal with current internal challenges such as economic challenges, political disputes, problems in the health system framework, deficit in the labor market, etc. On the other hand, also from the regional perspective, missing the momentum for accelerated regional integration, primarily based on the needs of new geopolitical developments, will contribute to the deepening of animosity within the borders of the Western Balkans (Gjurovski & Arnaudov, 2023, p. 286).

In fact, it is about internal and regional challenges in the Western Balkans that permeate each other. Because the institutional and political problems that are evident in the framework of the actors in the Western Balkans, which we have mentioned in the previous chapter, to a large extent cause the deepening of the existing ones and the development of new challenges, risks and threats:

- political corruption makes institutions inefficient, and subsequently ineffective
- inefficient and ineffective institutions make the economic, political, health and social system unstable
- instability in the framework of politics, health, economy and social policy makes society dissatisfied, as well as unstable, regardless of national and religious affiliation
- social instability and unsustainability lead to emigration flows of the working and qualified part of the population

- emigration, as an internal, modern and massive phenomenon, leads to problems on the labor market
- problems on the labor market, in the opposite direction, weaken the health and social system, and thus the economic (in the economic context, as Gocevski and Gjurovski have stated, “the theories of security and peace unequivocally indicate that one of the key factors for the promotion and preservation of world peace is precisely raising the level of economic development of countries (Arnaudov, 2022, p. 28) and financial sustainability of the overall system all the problems together make the actors in the Western Balkans unsustainable, and therefore unprepared to face internal, and then regional and “imported” challenges, risks and threats.

The #SecuriMeter 2021 survey which had been conducted in Albania, Bosnia and Herzegovina (BiH), North Macedonia, Serbia, Montenegro and Kosovo in the period from January 28 to February 19, 2021 has showed that, according the perception of citizens, economic crisis, poverty and social exclusion (63 percent), crime, organized crime and vandalism (58 percent), pandemic (53 percent), natural disasters, climate change and pollution (29 percent) major reasons that have a negative impact on their sense of security, while for 26 percent of respondents it is the migrant crisis. (Komarčević, 2021) In this context, the unresolved internal and regional challenges should be analyzed, as well as the impact of “imported” threats, challenges and risks on the security picture of the Western Balkans if we attempt to create clear and empirically verifiable analysis about the security aspects of the case study region.

The research data we have mentioned above also confirm the thesis that the national institutional framework is the main cause of internal challenges, risks and threats in the Western Balkans:

- 70% of the respondents believe that insufficient capacity of competent institutions is the biggest problem in the fight against organized crime;
- Slightly more than half (54%) believe that law enforcement agencies should do more to combat organized crime;
- Almost the same percentage of respondents is of the opinion that corruption is the main reason for the poor performance of institutions in the fight against organized crime (Komarčević, 2021).

Internally, the Western Balkans as a whole is facing internal (in terms of actors) and regional challenges, risks and threats that have largely arisen as a result of institutional and political instability. We are talking about

pervasive political and institutional challenges that continuously generate new internal and regional challenges, while deepening existing ones. In this context, it is almost impossible to analyse separately facing internal and regional challenges, without first analyzing how to solve the challenges at the institutional and political level. In fact those are about multiple, multidimensional and causal relations of causes and consequences that overlap each other and that, de facto, create a mosaic of all-pervading challenges, risks and threats in the Western Balkans, the overcoming of which presupposes a fundamental systemic reconstruction.

Economic challenges

Consequences that disintegration of former Yugoslavia has brought upon industry, production, trade and economic relations has brought a lot of changes and challenges (Jelisavac Trošić Sanja, 2018, p. 264). The partners from the Western Balkans belong to small open economies that are trying to strengthen the upward trajectory of export-led economic growth. Although exports have revived over the past years, their role needs to be strengthened even more (Table 1). Structural changes in the economy and strengthening of the institutional infrastructure are a condition for the growth of the role of exports as a factor in economic growth. For instance, Serbia's exports are mostly labour-intensive products with less added value (Jelisavac Trošić, Tošović-Stevanović, Ristanović, 2021, p. 47). The partners of the Western Balkans specialize in industries with low and medium technologies and have a relatively small number of high-tech products, mainly in the mechanical, automotive or chemical industries, with which they could enter the international market. For the sake of their own faster development, but also for the sake of strengthening competitiveness and exports, the partners of the Western Balkans should develop strategies for the development of high-tech products that will be competitive on the European Union market (Jelisavac Trošić, 2023, p. 99).

Table 1: Trade in goods (in million euro)

	2012	2015	2019	2020	2021	2022
	Exports					
EU	1770880	1876328	2131985	1932727	2181004	2572720
Albania	1531	1728	2426	2190	3012	4090
Bosnia and Herzegovina	4018	4595	5876	5379	7298	9190
Kosovo*	276	325	384	475	756	920
Montenegro	367	317	416	366	437	700
North Macedonia	3124	4088	6424	5781	6922	8300
Serbia	8251	11447	16859	16464	21053	26353
	Imports					
EU	1702498	1648068	1940879	1717439	2125964	3002095
Albania	3797	3882	5269	4860	6545	8002
Bosnia and Herzegovina	7799	8105	9969	8634	11042	14642
Kosovo*	2508	2635	3497	3297	4684	5639
Montenegro	1821	1842	2601	2105	2504	3540
North Macedonia	5071	5801	8463	7599	9638	12126
Serbia	13522	14425	22216	21482	27332	36736
	Balance					
EU	68382	228260	191106	215288	55040	-429375
Albania	-2267	-2154	-2843	-2670	-3533	-3912
Bosnia and Herzegovina	-3781	-3510	-4093	-3254	-3744	-5452
Kosovo*	-2232	-2309	-3114	-2822	-3929	-4719
Montenegro	-1454	-1524	-2185	-1739	-2067	-2840
North Macedonia	-1947	-1714	-2040	-1818	-2716	-3826
Serbia	-5271	-2978	-5356	-5019	-6279	-10383

Source: Eurostat.

From the Western Balkans Regular Economic Report, we can find out that in the context of weakening global demand, growth in the region decelerated over the course of 2022 and into 2023. On the one hand, the slowdown in global demand for goods contributed to weaker than expected

industrial production in the European Union and with a spillover effect also in the Western Balkans, especially weighing on Bosnia and Herzegovina, North Macedonia, and Serbia. On the other hand, global demand for services has proved to be more resilient, in particular for travel, which has benefited Albania, Kosovo, and Montenegro. Against the all odds the Western Balkans labor market continued strengthening in 2023, and the average employment rate for the region reached a historical high of 47.8 percent in June 2023. Unfortunately, labor shortages continued to be among top concerns raised by businesses in the region. With inflation remaining high, poverty rates in the region are estimated to continue their downward trend, but at a slower pace. “Despite recent momentum in the post-pandemic years, labor force participation rates in the Western Balkans continue to lag other countries with similar levels of economic development, and the gender disparities persist in all countries, despite a gradual increase in female labor force participation” (Western Balkans Regular Economic Report, 2023).

All in all, for Western Balkans reforms are still essentially needed – to consolidate the recovery toward sustainable growth. Meanwhile, negotiations with the EU hold the potential to bolster prospects in those countries. Since the agriculture sector is undergoing a major structural transformation, efforts to green agriculture are important to ensure access to the EU market and for the competitiveness of agriculture, rural development, and food and nutrition security (Ibidem). Agricultural production and export of agricultural products are very important for the economic and sustainable development of the Western Balkans. However, the participation of agriculture in economic development (GDP), as well as the participation of agriculture in employment, have a statistically negative impact on the economic and sustainable development of the Western Balkans (Jelisavac Trošić, Tošović Stevanović, Benhida, 2023, p. 97).

“Imported” political and security challenges

In order to be more precise, in this chapter we will use the term “imported”, which in essence represent security and political challenges that do not recognize the physical borders of sovereign states, and as such are consequences of broader European and world events.

In the case of the Western Balkans, we must point out that these are challenges that can be divided into five subgroups:

„Imported“ political and security challenges				
Political		Security		
European	Economic	Military/ Ukrainian War	Health	Energy

When it comes to political challenges, we can divide them into: European, created as a consequence of the institutional and political crisis within the framework of the European Union, which indirectly caused consequences for the enlargement policy in relation to the Western Balkans; and economic, which arose as a consequence of the all-pervading European economic and global crisis caused by numerous new war hotspots that essentially threatened the existing global supply chains, and thus caused major shocks on the world stock markets, which had a direct negative effect on the stock markets within the Western Balkans as well.

European institutional crisis

From the perspective of EU institutional crisis and the enlargement policy towards Western Balkans, it is important to stress out that membership in EU, as a strategic foreign policy goal of all six Western Balkans actors, represents from a different aspects issue closely related to the security and stability of the region. First, because the EU membership perspective, as a chance for development and prosperity to the whole region, represents the least common denominator to all actors within Western Balkans, which determines reconciliation process, resolving open disputes after the break-up of Yugoslav Federation and provides political justification for inter-actors and inter-ethnic cooperation which is burdened of the civilian wars during nineties. The eventual marginalization of the European perspective of the Western Balkans can greatly harm the regional circumstances in two ways: first, slow down the process of overcoming existing disputes, which is a prerequisite in the process of European integration; secondly, it can slow down the initiated processes of institutional and civil democratization, which would be directly to the detriment of citizens. From the other perspective, at it explains Dragan Djukanovic, “as the influence of Russia, Turkey, China, the United Arab Emirates, etc., grew cyclically, the (Western Balkans) leaders of these countries gradually softened their previously emphasised pro-European and pro-Euro-Atlantic efforts and began to diffuse their foreign policy efforts and activities to identify other options for their countries’ positions”

(Đukanović, 2023, p. 136). On the road to EU membership, in an attempt to achieve faster economic growth, the WB found itself in a position of susceptibility to especially Chinese loans and investments (Stojanović-Višić, Jelisavac Trošić, Simić, 2023, p. 240).

However, the goal of this work is not to determine which external partners are more rational and pragmatic for the development and sustainability of actors in the Western Balkans, but rather to show, on the example of the interweaving of the interests of various external actors in a case study region, how much this can lead in the direction of potential regional destabilization due to potential occurrences of the following variables:

- division of the Western Balkans societies into “pro-Western” and “pro-Russian”
- division of the Western Balkans actors into “pro-EU” and “anti-EU”
- division of Western Balkans political subjects into “pro-EU” and anti-EU (which in practice makes the defined foreign policy goals unsustainable).

Such scenario could additionally destabilize the security mosaic of the region, bearing in mind already existing regional disputes, as well as strengthening of extreme political options which are promoting numerous radical political approaches, as an attractive way for their political positioning. According to some analysts, in recent years there has been growing concern about the potential for violent right-wing extremism in the Western Balkans: in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. With a history of violence stemming from right-wing political ideologies, experts express concern about the spread of right-wing extremism in the context of potential political conflicts (Al Jazeera Balkans, 2023).

Ukrainian War

The war on the territory of Ukraine represents a multiple “imported” security challenge for actors in the Western Balkans:

- the security destabilization of the European continent is closely related to the EU enlargement policy
- the security destabilization of the European continent threatens the defined economic supply chain, which threatens investment flows and financial stability

- the security destabilization of the European continent, in the context of the Russian-Ukrainian conflict, threatens the energy sustainability of the entire continent, including the Western Balkans.

In this context Western Balkans actors have become even more vulnerable from security point of view, bearing in mind, in a huge manner, limited capacities in the economic and energetic sector. Economic development of Western Balkans depends of foreign companies investments, which, as a consequence of the Ukrainian War, have become slower in deciding on new investments or expansion of existing ones. In fact, unstable security circumstances within European continent have influenced directly to investment strategies of leading global companies. According to NALED conducted survey from April 2022, immediately after the beginning of the Ukrainian war, “impact of the crisis on the Serbian economy will be negative consequences for the macroeconomic performance of the Serbian economy, primarily through the rise in prices of energy, primary agricultural products and food, shortages, higher inflation, which will consequently lead to slowing down of economic activity” (Rančić & Stojanović, 2022). On the other hand, the Ukrainian conflict further increased the existing animosities between the actors in the Western Balkans to those who provide firm support to Ukraine and are fully adapted to the EU sanctions policy against the Russian Federation (Al Jazeera Balkans, 2023b) and to those who provide firm support to Ukraine but reject the EU sanctions policy, considering that this approach does not punish the Russian Federation, but ordinary citizens of that country (Tanjug/RTV, 2024).

Energy crisis

The energy crisis in the Western Balkans also represents an external security challenge in this region, as a consequence of the Ukrainian conflict. It is a security challenge that is affecting the economic and financial system of actors in the Western Balkans, due to the impossibility of functioning of the economy without the import of this energy source and due to the fact that it is largely a region that “relied” on the import of Russian gas. As Simonida Katarska explains, the war in Ukraine “has significant implications for the Western Balkans from several aspects. First, as in the entire European context, the invasion creates insecurities that will have long-term security and economic consequences. Almost exclusive reliance of the Western Balkans to the Russian gas makes it very vulnerable in such escalations” (Alibegović, 2022). In fact, the war in Ukraine has found the countries of the Western Balkans which are significantly dependent on

Russian gas, after which some resorted to searching for alternative sources (Manojlović, 2023). But the fact is that looking for alternative access to gas is a very expensive and long-term endeavor that requires large financial expenditures. In this context, the actors in the Western Balkans are still very vulnerable, bearing in mind the “limited” gas capacities they possess, but also the danger of possible shortages, bearing in mind the existing energy infrastructure, which foresees the delivery of the largest amount of Russian gas in the Western Balkans via the territory Ukraine, where the conflict is still taking place on a large scale.

Health challenges

When it comes to health “imported” challenges, we have not ignore the consequences that the Covid-19 pandemic has caused on a global level, and thus also in the Western Balkans region. Bearing in mind the fact that we are talking about actors who are still classified as “developing countries”, we have not ignore the potential dangers that can cause health crises, which can be established by the example of Covid-19. The crisis caused by the COVID-19 virus pandemic has severely affected the public finances of most countries in the world, (Kisin et al., 2021, p. 67) including the countries of the Western Balkans (Kisin et al., 2021, p. 67). With the onset of the pandemic, all countries in the region have increased their public debt, much more than was the case during the global economic crisis (Kisin et al., 2021, p. 69).

The Covid-19 pandemic had a threefold impact on actors in the Western Balkans:

- first, it “weakened” their economic and financial performance through new debts on the international financial markets (directly), higher public expenditures (directly) and “slowed down” investment policy (indirectly);
- secondly, it additionally “weakened” the health system (directly), which was already largely vulnerable due to the internal challenges (institutional and political) faced by actors in the Western Balkans
- thirdly, it showed how dependent the economies in the Western Balkans are on external partners, and how much their overall stability and sustainability, including health security, is dependent on external actors.

In fact, this concrete chapter, represents a textbook example of the fact how much small states, on the Western Balkans actors case study, are dependent of foreign political, security and economic flows and how much mentioned flows, interfered with internal/national challenges, risks and

threats, determine the scale of vulnerability, from one side, and sustainability, from the other side, of those subjects of international law.

Conclusions

The Western Balkans represents a connected region which is geographically so close to the European Union, but in the political, economic and security context yet so far away. A region which is, *de jure*, constantly searching for reconciliation and development, but at the same time continuing to feed animosities and disputes which contribute to “deepening the gap” of mistrust. Regional communication, as well as cooperation in a larger number of fields, political, economic, security, legal, diplomatic and other fields, has proved to be very difficult and slow progressing. All Western Balkans partners have Stabilization and Association Agreements with the EU. All of them are on the path of opening up trade and aligning the region with EU standards. The overall framework for the relations of the EU with the Western Balkans has been set for some time. The EU also provides political and financial support for the Western Balkans partners to foster good mutual relations and to build prosperity through regional integration. But the longer this process of settling down and raising the quality-of-life lasts, in this slow pace, the more and more people, companies and politicians are worn out along the way.

The Western Balkans is composed of countries and political entities which are integrated *by default* in different ways, but at the same time burdened with divisions, mistrusts and political factors. All mentioned, do not allow any initiative that could lead in the direction of solid stabilization of the region, as a whole. And it's not the result of a lack of trying. Projects and initiatives were driven by external factors, but also by the participating countries themselves. It remains an open question whether Western Balkans actors will ever become reliable, prospective, stable and sustainable factors within the international relations. And again, on the other hand, will the interference from outside be really and sincerely constructive and bring a stabilizing influence and a perspective of progress.

In fact, in the context of Western Balkans states and political entities there is double missed opportunity for reconciliation, cooperation and integration – within the region and European: from one side, sharing internal institutional, political, economic and security challenges, threats and risks represents excellent basis for common and synchronized approach in resolving mentioned obstacles; second, common foreign policy goals

represent additional and from EU perspective, strong and essential determinators which could enhance regional potentials for reconciliation, cooperation and integration. On that basis would be reached triple goal:

- Resolving internal challenges, threats and risks
- Regional approach as a mechanism for effective foreign policy activities
- Direct contribution to the reconciliation process on the lowest level, within the Western Balkans societies, which are still under strong political discourse of animosities from nineties.

In that direction, on the basis of this paper, we are proposing following measures:

- Creation a framework for political cooperation released from internal (state/political entity) pressure by certain political and social factors
- Creation an economic regional platform released from the obstacles of ongoing bilateral and regional disputes and issues
- Creation a strategic regional foreign policy platform which will cite ongoing and potential challenges, threats and risks in the process of realization of foreign policy goals and, on that basis, provide mechanisms and instruments for efficient and effective foreign policy for all Western Balkans actors.

References

- Al Jazeera Balkans. (2023, February 28). Ekstremna desnica na Balkanu | Kontekst. *Al Jazeera Balkans*. Retrieved March 12, 2024, from <https://balkans.aljazeera.net/program/kontekst/2023/2/28/ekstremna-desnica-na-balkanu-kontekst>
- Al Jazeera Balkans. (2023b, March 29). Sjeverna Makedonija, Albanija, Kosovo i Crna Gora pokrenuli regionalnu platformu. *Al Jazeera Balkans*. Retrieved March 12, 2024, from <https://balkans.aljazeera.net/news/balkan/2023/3/29/sjeverna-makedonija-albanija-kosovo-i-crna-gora-pokrenuli-regionalnu-platformu>
- Alibegović, J. (2022, March 21). Kacarska: Oslanjanje na ruski gas čini Balkan veoma ranjivim. *Al Jazeera Balkans*. Retrieved March 12, 2024, from <https://balkans.aljazeera.net teme/2022/3/21/kacarska-iskljucivo-oslanjanje-balkana-na-ruski-gas-cini-ga-veoma-ranjivim>
- Arnaudov, M. (2022). A Contemporary Security Threat to North Macedonia: Securitization of Emigration and the Corruption in Public Institutions.

- Contemporary Macedonian Defence*, Vol. 22 no. 43, 28. https://mod.gov.mk/storage/2022/12/Sovremena-Makedonska-Odbrana_br.43-en.pdf.
- Chamber of Commerce and Industry of Serbia. (2024). *Signed Agreements*, Retrieved February 25, 2024, <https://en.pks.rs/open-balkan-section/signed-agreements>
- Chipkin, I., Vidojević, J. (2021). Making Sense of State Capture in South Africa. Submission on the State Capture Commission. Gauteng, Government and Public Policy Think-tank. (Manuscript)
- Cocco, E., (2017) Where is the European frontier? The Balkan migration crisis and its impact on relations between the EU and the Western Balkans. *European View* 16, 293–302, Available at: <https://doi.org/10.1007/s12290-017-0471-5>.
- Common Regional Market (CRM) (2024) Retrieved February 22, 2024, <https://www.rcc.int/pages/143/common-regional-market>.
- Declaration on Common Regional Market. (November, 9 2022). Western Balkans Leaders Declaration on Common Regional Market, A catalyst for deeper regional economic integration and a stepping stone towards EU Single Market.
- Đukanović, D. (2023). Current Security Challenges in The Western Balkans and Consequences of The War in Ukraine. *Security Dialogues*, Vol. 14 no. 2, 135–148. <https://journals.ukim.mk/index.php/sd/article/view/2094/1734>
- European Commission. (2024a). *European Neighbourhood Policy and Enlargement Negotiations (DG NEAR)* Retrieved March 7, 2024, from https://neighbourhood-enlargement.ec.europa.eu/countries_en.
- European Commission. (2024b). *Western Balkans: An Economic and Investment Plan to support the economic recovery and convergence*. Retrieved February 8, 2024, from https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1811.
- European Commission. (2024c). *European Neighbourhood Policy and Enlargement Negotiations (DG NEAR)*. Retrieved February 18, 2024, https://neighbourhood-enlargement.ec.europa.eu/index_en.
- European Commission. (2024d). *Commission presents a new Growth Plan for the Western Balkans including €6 billion in grants and loans to accelerate economic convergence with the EU*. Retrieved February 22, 2024, https://neighbourhood-enlargement.ec.europa.eu/news/commission-presents-new-growth-plan-western-balkans-including-eu6-billion-grants-and-loans-2023-11-08_en.

- European Union External Action. (2022). *The EU and the Western Balkans: towards a common future*. Retrieved March 2, 2024, from https://www.eeas.europa.eu/eeas/eu-and-western-balkans-towards-common-future_en.
- Gjurovski, M., & Arnaudov, M. (2023). Regional Approach of the European Union in a Potential New Cycle of Enlargement – a Case Study of the Western Balkans. In *The State of European Union – a need for unity and solidarity* (pp. 279–287). Sofia University “St. Kliment Ohridski”, “Hanns Seidel” Foundation, Wilfried Martens Center for European Studies. <https://www.martenscentre.eu/wp-content/uploads/2023/10/The-State-of-the-European-Union-A-Need-for-Unity-and-Solidarity.pdf>.
- Jelisavac Trošić, S. (2023). Dinamika razvoja intelektualne svojine u međunarodnim ekonomskim odnosima. Beograd: Institut za međunarodnu politiku i privredu. <http://repozitorijum.diplomacy.bg.ac.rs/1213/1/Dinamika-razvoja-intelektualne-svojine.pdf>.
- Jelisavac Trošić, S. (2018). Serbia’s Sustainable Development Strategy and Industrial Policy for the European Union and the World Trade Organization, in: M Yülek (ed.), *Industrial Policy and Sustainable Growth*, Springer, Singapore, pp. 263–284. https://doi.org/10.1007/978-981-10-5741-0_23
- Jelisavac Trošić, S., & Arnaudov, M. (2023). Serbia and North Macedonia in 2023: Economic Risks, Political Challenges and Security Threats. *Security Dialogues*, Vol. 14 no. 2, 149–165. <https://journals.ukim.mk/index.php/sd/article/view/2095/1735>
- Jelisavac Trošić, S., Arnaudov, M. (2023). What are the Realistic Capabilities of the Berlin Process and the Open Balkans Initiative?. *The Review of International Affairs*, 74, 59–85. https://doi.org/10.18485/iipe_ria.2023.74.1187.3
- Jelisavac Trošić, S., Tošović-Stevanović, A., & Ristanović, V. (2021). Kriza svetske ekonomije na početku XXI veka. Beograd: Institut za međunarodnu politiku i privredu. http://repozitorijum.diplomacy.bg.ac.rs/806/1/2021_Trosic-Stevanovic-Ristanovic-Kriza_svetske_ekonomije.pdf.
- Jelisavac Trošić, S., Tošović-Stevanović, A., & Benhida. (2023). Challenges of Sustainable Development and Implementation of the Sustainable Development Goals of Serbia and the Countries in the Region, *International Review*, No 1-2, 79–89. <https://doi.org/10.5937/intrev2302085J>

- Kisin, J., Mašović, A., & Ignjatović, J. (2021). Growing public debt as a result of the COVID-19 pandemic in the Western Balkans region: The case of North Macedonia and Serbia. *Poslovna Ekonomija*, 15(2), 66–85. <https://doi.org/10.5937/poseko20-35315>
- Komarčević, D. (2021, May 24). Najveći strahovi Zapadnog Balkana: Od lažnih vesti do terorizma. *Radio Slobodna Evropa*. <https://www.slobodnaevropa.org/a/bezbednosni-izazovi-za-gra%C4%91ane-zapadnog-balkana/31270978.html>
- Manojlović, M. (2023, October 23). Energetska zajednica: EU i Zapadni Balkan zajedno traže alternativu za ruski gas. *Radio Slobodna Evropa*. <https://www.slobodnaevropa.org/a/energetska-zajednica-zapadni-balkan-gas-eu/32650128.html>
- Ministry of European Integration. (2024). *Stabilisation and Association Agreement*. Retrieved March 2, 2024, from <https://www.mei.gov.rs/eng/serbia-and-eu/stabilisation-and-association-agreement/>
- Pavlović, D. (2021). State capture in the Post-Communist Southeast Europe. A new variant? *Academia Letters*. <https://doi.org/10.20935/al3032>
- Proroković, D., Ekaterina E., Open Balkan: A New International Organization or an Unsustainable Initiative? *International Organisations Research Journal*, 2023, vol. 18, no 2, 106–121 doi:10.17323/1996-7845-2023-02-06
- Rančić, J., & Stojanović, B. (2022). Uticaj oružanog sukoba u Ukrajini na poslovanje privrede u Srbiji. In *naled.rs*. Retrieved March 12, 2024, from <https://naled.rs/htdocs/Files/09749/Uticaj-krize-u-Ukrajini-na-privredu-Srbije-final.pdf>
- Regional Cooperation Council. (12 Jul 2017) *Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six* Retrieved February 16, 2024, <https://www.rcc.int/docs/383/multi-annual-action-plan-for-a-regional-economic-area-inthe-western-balkans-six>.
- Smeltzer, M. (2023). Nations in transit 2023. In *War Deepens a Regional Divide*. Freedom House. Retrieved March 12, 2024, from https://freedomhouse.org/sites/default/files/2023-05/NIT_2023_Digital.pdf.
- Stojanović Višić, B., Jelisavac Trošić, S., Simić, M. (2023). Development of the Belt and Road Initiative in Serbia, *Ekonomika preduzeća*, Year LXXI, No 3-4, May–June 2023, 230-242 Serbian Association of Economists, ISSN 0353-443X, <https://doi.org/10.5937/EKOPRE2303230S>
- Tanjug/RTV. (2024, February 20). Vučić o neuvođenju sankcija Rusiji: Moja reč vrednija od tuđeg čvrstog obećanja. *Kosovo Online*. Retrieved March

12, 2024, from <https://www.kosovo-online.com/vesti/politika/vucico-neuvodjenju-sankcija-rusiji-moja-rec-vrednija-od-tudjeg-cvrstog-obecanja-20>

Varga, B. (2018, January 2). *Zapadni Balkan: Geopolitika nedovršenih država – Boris Varga – Peščanik*. Peščanik. Retrieved March 12, 2024, from <https://pescanik.net/zapadni-balkan-geopolitika-nedovršenih-drzava/>.

Western Balkans Investment Framework (WBIF). (2023). *Economic and Investment Plan for the Western Balkans 2021-2027*. Retrieved February 18, 2024. <https://www.wbif.eu/#:~:text=Economic%20and%20Investment%20Plan%20for%20the%20Western%20Balkans%202021-2027,the%20Western%20Balkan%20Guarantee%20Facility>.

Western Balkans Investment Framework (WBIF). (2024). *About the WBIF*. Retrieved February 18, 2024, <https://wbif.eu/about/about-wbif#Priorities>.

Western Balkans Regular Economic Report. (Fall 2023) Retrieved February 25, 2024, <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>.