



## Balkan Dialogues: Defusing Geopolitical Tensions in the Western Balkans<sup>1</sup>

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*After years of sluggish progresses and mixed results with their European Union (EU) and NATO accessions, the Western Balkans find itself on the moving ground of shifting regional and world dynamics. Against this background, the first Balkan Dialogue—held in Belgrade—has challenged all geopolitical actors involved in the region to review their paradigms and to change the conversation. In fact, not only do the transformative tools of the West appear increasingly at odds with providing viable ways forward for the region, but the status quo does not look like an option either. The lack of progress, with the passing of time, is simply making the situation worse. The region is experiencing an incremental exhaustion of energy and resources, while the overall political and economic uncertainties favour the emergence of new types of geopolitical strains. A simple glance at the map of Europe shows that the Western Balkan region is today not the EU’s south-eastern courtyard, but rather, its overlooked “soft belly.” Located between the most politically, economically and—in security terms—fragile EU member states and already formally and informally connected to the entire Union, the Western Balkans are part of the Western order, but represent one of its most dysfunctional and permeable areas. This all points towards the urgent need to provide a broader framework in which regional actors can work together and build trust. This broader approach should be articulated along several tracks that would respectively favour regional socio-economic convergence with the EU, help find solutions to regional disputes through a thoughtful approach and reaffirm EU democratic and human rights criteria as conditions for a credible offer of membership.*

The two as yet unattainable goals of EU and NATO accession, which have been fundamental to maintaining stability in the Western Balkans since the end of the wars in former Yugoslavia, appear today no longer capable of generating a perspective for the region. After decades of sobering results from economic and democratic transitions, a considerable part of the Western Balkan population seems less and less enchanted by the two accession tracks opened by the West as a means to generate comprehensive political and economic remedies. At the same time, the Western allies appear increasingly reticent and fragmented, assuming a more defensive rather than transformative stance towards the Western Balkans, while China, Russia, Turkey and some Gulf states are vying for political, economic and cultural influence in the region. This reality reflects the re-emergence of broader geopolitical strains and places the Western Balkans on moving ground of shifting regional and world dynamics.

Against this background, the EastWest Institute, in partnership with the Belgrade Fund for Political Excellence, have organized the first Balkan Dialogue in Belgrade, on March 28-29, 2019, to start a series of several high-level dialogues between experts from the EU, the U.S., Russia and China, as well as select participants representing the Western Balkan states. The Balkan Dialogues seek to deepen understanding and build trust by providing a platform to defuse tension and pursue common interests. To this end, the gathering in Belgrade has launched the debate and challenged all actors involved to reassess existing political paradigms to move the conversation in a more productive direction.

### Failing convergence

We need to examine the current policies of the EU toward the Western Balkan region. Whereas it is difficult to imagine a positive way forward for the Western Balkan countries without a credible promise of EU accession—and U.S. support of such a goal—it is also clear that the EU enlargement instruments, which have been at least partially

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<sup>1</sup> The EastWest Institute (EWI), in partnership with the Belgrade Fund for Political Excellence (BFPE), seeks to convene a series of four high-level, discreet dialogues between experts from the European Union, the United States, Russia and China, as well as select participants representing the Western Balkan states. The Belgrade conference on March 28-29, 2019 was the first in a series of four Balkan Dialogues to be continued on both sides of the Atlantic. This analytical paper provides a cross-section of the debate held in Belgrade under The Chatham House Rule.

successful in Central Eastern Europe, have failed to deliver results in the Western Balkans. The idea behind the “EU perspective” for the Western Balkans was for economic reforms—in combination with the progressive adoption of EU laws, principles and activities in the framework of the EU’s enlargement policy—to create functioning market economies, foster democratic institutions and pave the way for EU membership. However, things have turned out differently in the Western Balkans and the expectations that these countries would gradually converge towards EU economic and political standards remain unmet.

An overview of the economic situation tells the story. Bosnia and Herzegovina and Serbia are in the group of countries worst off, among all transition economies, in recovery of pre-transition GDP and income inequality. These two countries have still not reached their 1989 level of real GDP. The rapid market opening and integration with the EU—which began in the early 2000s, and brought some foreign, mainly EU, capital into the region—have primarily fostered domestic consumption, while having a limited impact on the restructuring and modernization of the economy. This economic model has led to insufficient job creation, continuous deindustrialisation, the widening of trade deficits, and rising public and private debt.

The same holds true for democratic, institutional and state consolidations, and post-conflict reconciliation, where the EU perspective has helped deliver only limited results. Today, the region remains an explosive mixture of weak states with soft borders, strong leaders and failed reform policies. The Western Balkans’ aspirations to join the EU, while undertaking the challenging process of nation- and state-building, has generated conflicting dynamics, leaving unresolved bilateral disputes, widespread autocratic tendencies and backsliding of democracy and an independent media.

## Unrealized EU Promises

Against this background of a fragmented and incomplete transformation, defense of the status quo could appear to some observers as a second-best alternative; the problem is there is no stable status quo in the region. Because of this lack of progress, the region is experiencing an incremental exhaustion of momentum and resources.

This is clear, for instance, regarding EU membership, which after 20 years, appears today as having almost entirely exhausted its potential to act as a catalyst for domestic demands for change. However, this is even more evident if we look at the poor economic, social and political outlook for the region. According to recent estimates by the EBRD, it could take 200 years for the region to converge with the EU average GDP per capita.<sup>2</sup> This means that these countries have not been able to set in place a process of convergence with the West. Moreover, the region is experiencing a sharp and unprecedented process of environmental deterioration, suffering from rising temperatures, de-forestation and levels of air pollution beyond any acceptable standards. Additionally, the structural change with the greatest potential impact in the region is driven by demographic developments. Migration and depopulation not only continue, but are anticipated to accelerate. This has not only dire economic implications—in terms of loss of human capital, reduction of growth potential and public and private debt sustainability—but also harsh political and psychological consequences, forcing the dissatisfied and disenfranchised to leave their countries instead of voting and being active in their communities. Today’s harsh realities and the ensuing “brain drain” reinforces the impression among people in the Balkans that they live in failed societies.

Furthermore, the European perspective—the only force legitimizing the appearance of a status quo in the Western Balkans—is openly challenged. This implies that not only is the status quo deteriorating, the illusion of a status quo is fading—bearing bitter consequences for domestic and regional stability. Despite what one can argue are empty EU promises, the prospect of integration with Europe is fundamental for maintaining a formal alignment with basic democratic principles and keeping open channels for political dialogue among regional actors, therefore also helping to defuse tensions. Thus, this fading away of the EU perspective, together with an increasing awareness by large parts of the population that there will not be a better, more “normal” life in the region for the next few generations, sets forth conditions for harsher alternatives that, as a rule, tend to be openly populist and authoritarian.

## Lacking a framework for the resolution of bilateral disputes

The overall uncertainties of political and socio-economic outlooks of the region increase the urgency for Western Balkan countries to resolve regional conflicts and disputes, but without necessarily paving the way to viable solutions. In fact, the volatility of the regional and international environments make it imperative that Western Balkan governments resolve bilateral issues. This shortcoming represents one of the main constraints in having the flexibility

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<sup>2</sup> Peter Sanfey and Jakov Milatovic, “The Western Balkans in transition: diagnosing the constraints on the path to a sustainable market economy,” European Bank for Reconstruction and Development (EBRD), February 2018, 6. <https://www.ebrd.com/publications/country-diagnostics/western-balkans>.

and ability to deal with the region's unpredictable state. However, this mounting pressure on regional leaderships to deliver results does not automatically translate into growing trust and mutual understanding between Western Balkans nations, but rather serves to further polarize the parties involved. At the same time, the engagement of the international community, with its military and civilian presence in the region, has so far been fundamental for preventing major political/ethnic incidents and violence, but it seems increasingly at odds with enlarging the scope of problem-solving beyond immediate tactical engagement, which can be conducive to the resolution of bilateral disputes.

The limits of the status quo and the urgency to provide a broader framework are clear if we look at relations between Belgrade and Pristina. The Brussels' sponsored dialogue, which has proceeded with its "constructive ambiguities" between cajoling and arm-twisting of the two parties, has reached a deadlock. Failed negotiations and negotiations that fail, in fact, are two different things and debated options appear today off the table, while what little remaining trust seems to be exhausted. This pushes the need to rethink the framework within which confidence can be built and changes can occur, and where the wide set of problems between Serbs and Kosovar Albanians can be embedded in broader questions that have to do with wider strategic goals of all actors involved. Seeking an understanding between two, deeply-divided parties and providing several tracks in which they can work together—starting from a credible economic prospective—should be among the guiding principles, rather than seeking a direct agreement.

Reinforced attention should be dedicated also to North Macedonia, despite the celebrated success of the Prespa Agreement. The historical agreement solving the 30-year long dispute on the name of the former Yugoslav republic, reached by the Prime Minister of Greece Alexis Tsipras, and his counterpart of North Macedonia, Zoran Zaev, is certainly an important achievement, but the path in front of North Macedonia remains extremely complex. On the positive side, the agreement removes the main barriers for North Macedonia's accession to NATO, which is now proceeding smoothly. NATO makes the difference for the country, offering support that guarantees the country's unity despite its internal divisions. Moreover, the agreement is the first major agreement in the Balkans not imposed—at least overtly—by the international community, as Dayton, Ohrid and the Ahtisaari plans were. Finally, it is an agreement that was reached by two left-wing leaders, who found courage to overcome nationalist political oppositions and reach a compromise.

However, the good news ends here; there is still an incomplete regime change in North Macedonia, with the celebrated Macedonian revolution—ultimately made possible only by a U-turn of key allies of the previous government of Prime Minister Nikola Gruevski, foremost the Albanian parties of the country. The new Prime Minister Zaev may have good intentions, but corruption is deeply-rooted in the country's system, something Gruevski perfected. The burden of proof remains with the new government's ability to demonstrate its commitment to fight for rule of law, media freedoms and against clientele networks and corruption. Moreover, the promise of EU membership, instead of providing perspective, appears today increasingly as a wild card, both for the country and for the region. Disagreements and differing sensibilities among EU member states could result in a further denial of opening accession negotiation with North Macedonia and Albania at the European Council in June, sending the wrong message to the region and pushing the balance in both countries towards anti-reformist forces.

## No classical geopolitical competition

Against this background, is it appropriate to ask how dangerous is the situation in the Western Balkans today and how can things deteriorate? One answer could be that it is better not to address it, and some might claim that the situation is not particularly dangerous. Surrounded by a chain of NATO members, the region poses only limited military threats and implications. Although in recent years, Western Balkan countries have intensified their political and economic relations with a number of non-EU countries like China, Russia, Turkey and the Gulf States, the present degree of EU–Western Balkan economic integration remains high, dominating economic relations with other partners. There is still going to be some geopolitical rivalry, but of minor importance. Local leaders can still play "East versus West," but without great success. And even if they turn their back to the EU and Western allies and openly embrace autocratic tendencies, the main victims would be their citizens.

Brussels and the EU find themselves in a paradox with the Western Balkans. The less the Balkans are relevant, populated and influential, the more the failure of EU action in the Balkans will be as embarrassing. In fact, in no other region in the world has the EU made such a huge ideological investment, in no place has the EU been so deeply present with its civilian and military missions, and in no other area is it already so deeply integrated and connected—economically, financially, politically—as the Western Balkans.

This means, in practical terms, that the main danger to the EU coming from the region cannot necessarily be better understood as third countries aiming to fill the strategic void left by the EU and Western allies. Rather, it points at how this void, together with the intense network already set in place between the EU and the Western Balkans, can be

used as an easy inroad to the EU by third actors. In fact, a simple glance at the map of Europe shows that the Western Balkan region is not the EU's south-eastern courtyard, but rather its overlooked "soft belly." Located between the most politically, economically and—in security terms—fragile EU member states, and already formally and informally connected with the entire EU, the Western Balkans are already part of the Western order, but simply represent one of its most dysfunctional and permeable areas.

## Reassessing strategic goals and broadening the dialogue

However, this brings also another—more symbolical, but not less relevant—implication: the fading importance of the Western Balkans, where enlargement—as an act of solidarity and multiculturalism—might feed into the resentments and anger of nationalists in EU member countries. Moreover, this reality mirrors the prospective waning importance of the EU and the unifying role that was imagined for the European integration project. The crisis of EU transformative power in the Western Balkans, and the EU's inability to provide for a credible framework for the integration of states that have populations of medium-small cities and that altogether account for only 3.5 percent of EU's population—without having to face major geopolitical competition—is a major crisis for the EU itself, another chapter in the multitude of EU crises.

It is therefore fundamental for Europeans to keep in mind the broader picture, in the region and across Europe; problems cannot be solved in isolation, but only as part of a broader strategy. This broader picture should be not only about the Western Balkans, but about where Europe and the EU want to be in a few years from now. In this regard, imagining a core Europe that gives up on transforming the Western Balkans for the status quo, and leaves Southeast Europe altogether, in order to first consolidate elsewhere, does not appear as part of a solution of EU problems, but rather as another driver of current EU internal instability and fragmentation.

The trap of the status quo, however, equally applies to the U.S., which cannot take for granted that major European countries will be able to sustain the current level of partnership in world affairs in years to come. If the U.S. still maintains that Europe should be able to shape its own destiny on the continent and actively contribute to broader international issues, instead of being increasingly the target of other actors and their ambitions, it is now time to show its full support. In this regard, it is fundamental for the U.S. to reconfirm its commitment toward a "Europe whole and free."

## Recommendations

- The EU should treat southeast Europe and itself as a single geo-economic and geo-political entity. This would entail the opening of the EU's structural fund for the SEE6. This would re-start the region's socio-economic convergence with the EU and thus help re-establish the EU's credibility in the region and the readiness of the political actors in the region to comply with EU's democracy standards.
- The EU should re-examine its approach to solving the disputes in SEE. There should be no limitations in the approach when looking for solutions to bilateral disputes; in parallel the EU should not soften its criteria regarding democracy and human rights criteria when dealing with the governments of the region.
- This two-pronged approach (a new boost to socio-economic development and an openness to all proposals for the resolution of bilateral and other disputes in the region) should help re-assert the EU's role as the driving force of stability in the region and its integration into the EU. The EU should not hesitate to communicate to other international actors, such as the US, China, Russia, Turkey and the Gulf states, that it will not give up on EU membership for all SEE countries.