THE WESTERN BALKANS: RUSSIA’S WAR ON UKRAINE AND THE REGION’S ENDURING CHALLENGES

Report

Michal SZCZERBA (Poland)
Rapporteur

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The countries of the Western Balkans have made varied progress in economic and political transition; yet, the region’s transition is incomplete and there are signs of backsliding which have alarmed NATO allies. Enlargement fatigue in the EU had previously dimmed the prospects for rapid integration of the region into the Union and reduced incentives in the region for making tough reforms and dealing with outstanding societal tensions in several countries. However, the failure to move forward empowered those who wanted to take the region along pathways that were less conducive to stability, democratic transition and good governance.

Not coincidentally, Russian, Chinese and other non-European actors' influence in the region has grown in recent years. This, in turn, became a source of mounting concern both in Europe and the United States, and is one factor leading to a new resolve to help the region address a range of pressing issues that account for ongoing instability and political tensions. But some of these fractures – ethnic, national, sectarian and political – are deeply rooted and exploited by domestic and international political forces that do not share the integrationist and democratic agenda.

Russia's war in Ukraine adds a further source of concern. Russia has long seen the region as a point of vulnerability for the West and has undertaken to exploit the region's fragilities for its own advantage. How the countries of the region view Russia reflects some of the deepest fissures in the region. It is an important energy supplier to Serbia and has never hesitated to exploit this for political and diplomatic gain. Now, enormous uncertainty clouds Russia's future role in the region as a result of its brutal war on Ukraine and its people and because of powerful international sanctions against it. This could be a clarifying moment for the Western Balkans, but it is also a time of enormous risk and renewed tension.
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I- INTRODUCTION

1. The countries of the Western Balkans have made varied progress in economic and political transition. Three of the countries in the broader region have acceded to NATO. This has been a source of genuine stability and clarified that the future for much if not all of the region lies within the transatlantic community of nations. But the degree of progress towards this end has varied considerably by country and there remain worrying fractures in the region and hesitations in Western Europe that have slowed this process of transformation and integration and, in some cases, even set it back.

2. To some extent, members of the EU and NATO may have taken this region’s transition for granted and lost focus on it over the past decade while remaining formally engaged in its transition. Enlargement fatigue in the EU dimmed the prospects for rapid integration and reduced incentives in the region for making tough reforms and dealing with outstanding societal tensions and conflicting views of the past and its lingering impacts in several countries. The failure to move forward empowered those who wanted to take the region along pathways that were far less conducive to stability, democratic transition, and good governance. Russian, Chinese and other non-European actors’ influence in the region grew. This, in turn, became a source of mounting concern both in Europe and the United States and a shift in approach has been emerging over the past two years to refocus attention on the region.

3. Russia’s vicious and unprovoked war on Ukraine now constitutes a clarifying moment for the Western Balkans. Insofar as Russia once held out a different pathway for some players in the region, that pathway now looks more like a dead end. It offers a vision of the future that is nihilistic, authoritarian, bankrupt and violent. How the region responds will reveal much about where it is headed. For its part, the transatlantic community of nations will have to open the door to full integration for those countries prepared to assume responsibility for undertaking the changes that will ultimately lay the foundations for peace, security, democracy and prosperity.

II- CHALLENGES TO THE REGIONAL ECONOMY

4. The COVID-19 pandemic struck the Western Balkans just as the region’s economic growth had begun to accelerate after the financial crisis from 2008. The region had grown at roughly 2.5% per year for most of the decade following 2010, but in 2018, the rate jumped to 3.8% and was projected to rise to 3.7% for the two following years (World Bank, 2021). Instead, in 2020, regional growth contracted by 3.1% because of COVID-19. In fact, the positive economic performance of the Western Balkans between 2010 and 2019 belied a set of structural weaknesses that have long impeded the region’s development. Political tensions inside these societies, diplomatic tensions among them, and the destructive role played by Russia, a malign outsider seeking to stir up trouble in this fragile region, all remain critical barriers to long-term stabilisation and undermine the economic potential of the Western Balkans. The pandemic, costly and environmentally problematic Chinese investments and now Russia’s war on Ukraine have all exposed and deepened these vulnerabilities.

5. A substantial deterioration in domestic and foreign demand for goods and services throughout the COVID-19 pandemic contributed to the region’s economic challenges. The sudden fall in demand linked to lockdowns across the globe caused serious cash-flow problems in many Western Balkan countries. The region, moreover, was hardly immune to the global crisis in supply chains. Goods and input shortages had an outsized impact on the region’s very important small and medium-sized enterprises (SME’s) which account for 73% of private sector employment there (OECD report, 2020).

6. Pervasive black and grey markets remain a serious problem in the Western Balkans. This has meant that a significant share of the region’s workforce does not enjoy the normal protections that
official labour markets afford. Those employed informally were more vulnerable to exploitation during the pandemic as many had no access to safety nets. This phenomenon also deprives the region’s governments of essential tax-generated income while undermining the rule of law.

7. A significant share of the region’s economy is not captured in official numbers. Between 2016 and 2020, hidden employment in the region rose in most Western Balkans economies. Serbia is the only country in which hidden employment declined, while as many as 80% of workers in Kosovo operate in the grey and black economies. These workers have significantly less access to normal health services and are thus more vulnerable in a public health crisis. In Kosovo, for example, an estimated 60% of workers are not provided with health insurance through their job. It is worth noting that one of the criteria for accession to the EU would require the region candidates to lower the size of the informal sector (EWB, 2020).

8. Fiscal policy support in most OECD countries has been critical to helping the private sector weather the COVID-19 shock. A key challenge, however, has been the lack of fiscal space enjoyed by national governments. This has impeded state capacity to provide substantial relief to economies struck by this public health shock (OECD report, n.d.). Montenegro has the highest level of debt in the region at roughly 72% of GNP while Kosovo has the lowest at around 17%. The crisis has also weakened foreign exchange reserves. Remittance payments by workers living in Western Europe have long been a key source of foreign exchange earnings in the region, but lockdowns and impaired European economic growth undercut this important revenue source. This, in turn, has impeded consumer demand which is an essential component of GDP. Trade deficits are typically financed by a combination of remittances and foreign direct investments, but both have fallen substantially during the crisis. The pandemic has also undercut productivity growth, particularly in Montenegro, Albania, Kosovo and Serbia (Djurovic, 2020). On the positive side, the region’s financial systems were made more resilient due to financial reforms undertaken after the 2008 financial crisis. Banking systems now enjoy capital and liquidity buffers that have helped both finance external imbalances and underwrite investment. Unfortunately, those financial systems will be challenged by the economic consequences of Russia’s war in nearby Ukraine.

9. The pandemic may also have exacerbated the perennial problem of corruption in the Western Balkans. The European Commission has explicitly linked this pervasive challenge to a degree of democratic backsliding in the region (European Commission, May 2019). Parliamentary lockdowns and weakened journalistic scrutiny have contributed to the problem. Systemic corruption has long challenged the region’s fledgling democracies while preventing them from achieving their economic potential. It has also acted as a catalyst of conflict insofar as some elites have stoked ethnic and sectarian divisions both to maintain their grip on power and distract attention from insider self-dealing and poor governance. Corruption essentially imposes a costly tax on the region’s societies, undermines public investment and raises risk premia while discouraging both domestic and foreign investment (Baldwin, 2022). It also undermines faith in public institutions and in democratic government, particularly as it suggests that participation in democratic life is less impactful than insider self-dealing in determining policy outcomes. The rule of law and functioning legal and democratic norms are critical to democratic governance, particularly when a country has been struck by economic shock. For example, the introduction of a state of emergency in Serbia was understood more as a subversion of democratic governance and basic freedoms than as an effective vehicle for managing the crisis (Cavdarevic, 2020).

10. Unemployment remains a critical long-term economic, social and political challenge in the Western Balkans. It has triggered an exodus of workers mainly to the EU which, while generating a degree of foreign exchange earnings through remittances, also constitutes an important brain drain which undermines the region’s economic potential, particularly if the best educated and highly skilled elements of this workforce never return home. The problem has become particularly acute in Bosnia and Herzegovina (BiH) as it’s despairing youth essentially see no option but to flee from a
society that is increasingly riddled with corruption and unable to promise a future to those with aspirations for one. They are, in essence, voting with their feet and feel that they can no longer afford to wait for positive changes and economic opportunity in a heavily statist national economy which corrupt leaders exploit while undermining the private sector – the country’s only real hope for sustained economic development. In 2021, an estimated 140,000 people emigrated from BiH and the forecast is that figure could rise to 350,000 by the end of 2022 (NATO PA Mission Report, 2022). Western Balkan youth unemployment stood at roughly 32% in 2019 (World Bank, 2020) and has risen to roughly 37% today.

11. The pandemic has had an outsized impact on the tourism industry. Tourism accounts for 15% of the region’s GDP and in 2019 generated more than 550,000 jobs (RCC Int, 2020). That sector constitutes approximatively a third of GDP in Montenegro and a quarter in Albania. Tourism, however, slumped by half in 2020 and is not expected to achieve 2019’s record levels until 2026 at the earliest (European Committee of the Regions, 2021). Montenegro’s per capita GDP contracted by around 15% in 2020 and its tourism sector was just emerging from the COVID recession when Russia attacked Ukraine. The conflict could have a very negative impact on this tourist-dependent economy. Russians and Ukrainians typically account for between 20 and 30% of foreign tourists in that country and are also a critical component of Albania’s tourist trade (BIEPAG, 2022). Serbia is less tourism-dependent and thus more insulated from this sectoral decline. This may explain why its per capita income fell by only 1% in 2020 (Council of Europe Development Bank, 2021). On the other hand, migrants from both Russia and Ukraine began flowing into Serbia and Montenegro due to the war and sanctions. From February 24 to May 31, 44,531 Russian citizens entered Serbia. Only 3,998 of them applied for a temporary residence permit, of which 2,586 were approved. It is too early to foresee what economic impact this will have. Indeed, the entire region has had to prepare for a significant influx of Ukrainian war refugees and Russians fleeing from their ever more authoritarian government (Balkan Insight, 2022). It is also worth noting that Russians opened an estimated 1,107 companies in Serbia between 24 February and 31 May 2022.

12. The COVID-19 pandemic paradoxically created new economic opportunities in the region. In 2019, relatively underdeveloped infrastructure supporting a digital economy, low levels of connectivity and a lack of investment in digital transformation constituted several limiting factors to the region’s longer-term economic outlook (Civil Society Forum, 2019). Remote work and distance learning, driven by the need to maintain social distancing, coupled with EU funding support for digital transformation have brought important technological changes to the Western Balkans. The pandemic and government responses to it have created opportunities for new firms to meet changing consumer demands with previously underdeveloped services. The changes introduced over the past two years could have long-term transformational impacts which will help better align the region’s economies with the technological changes that are driving global economic development (OECD report). Indeed, this transformation has already begun to alter the structure of regional labour markets by creating new opportunities for self-employment and enhanced productivity. In 2020, as containment measures forced workers out of the workplace, internet traffic in the Western Balkans expanded dramatically. Policies like providing internet access for free or at a reduced price and partnerships with the ICT have helped to invigorate the region’s digital sector (WeBalkans, 2021).

13. Women in the Western Balkans have some of the lowest labour market participation rates in Europe. In 2017, roughly two-thirds of working-age women in the region were either inactive or unemployed. The problem is particularly acute for those women with lower levels of education. But other factors contribute to the problem, including inadequate childcare and family leave policies, distorted tax disincentives and early retirement policies. Addressing the problem will require promoting return migration by improving the economic policy climate; developing affordable childcare options; improving family leave; introducing progressive labour taxation; and reviewing social assistance and pension frameworks to raise incentives for women to work (Atayan and
This gender disparity imposes serious costs on the region and undermines its economic and democratic progress. The IMF suggests that improving educational opportunity, introducing family leave policies and encouraging female participation in the labour market are all essential. Unfortunately, the pandemic has only worsened the situation. While the gender employment gap was, in fact, narrowing in 2019, the female participation rate in the job market fell during the pandemic. Gender-based violence has also constituted a serious problem. Often where black and grey markets are pervasive, there is also a heavy presence of organised criminality, and this is indeed a systemic problem throughout much of the Western Balkans.

The pervasiveness of black and grey markets constitutes a powerful impediment to EU accession. According to the EU, corruption, organised crime, media freedom, democracy and human rights problems are problems that the region's governments are not addressing with sufficient alacrity. Moreover, an EU Court of Auditors report recently suggested that EU funding to address these problems has failed to help these countries cope with the challenge. Indeed, in several countries, there is more evidence of backsliding than progress despite the hundreds of millions of euros in aid provided to deal with these challenges (Taylor, 2022). Despite international concerns and programs to address the problem, corruption remains among the region's most intractable problems. In some instances, there are apparent links between transnational organised crime and government authorities, including those overseeing the police, public finance, public works and regulations. Such networks undermine national economic potential, democratic development and regional security. Transparency International notes that the problem has grown more serious in recent years, and the countries of the region stand far below the lowest-ranking EU member countries on that organisation's Corruption Perception Index (Cuckić, 2021).

There are also energy matters at stake. The Western Balkans now confront an energy price crisis stemming from the war, with the Republic of North Macedonia and Kosovo declaring energy emergencies in August as both anticipate serious shortages this winter. North Macedonia and Bosnia and Herzegovina are completely dependent on Russia for gas, but gas does not constitute a high percentage of their energy use. The most important source of energy problems in the region as a whole is not gas dependency as such (which is minimal except from Serbia), but rather soaring electricity prices and obsolete and inefficient electricity generation plants. The region needs to engage as a whole in a full-fledged energy transition and a coherent policy framework to carry this out.

High energy prices constitute a significant challenge as they would also contribute to inflation and increasing food prices. Despite this dependence on Russian gas, much of the region has taken a strong stand against Russia's war on Ukraine. Serbia again is something of an outlier in this regard as it maintains a degree of military cooperation with Russia as well as with NATO. The countries of the region, with the exceptions of Serbia and BiH, have adopted the EU sanctions regime. It is important to note, however, that the region derives much of its energy from fossil fuels and particularly coal. Serbia, Bosnia and Herzegovina and North Macedonia are the region's largest importers of Russian gas, although gas is a relatively small part of their energy mix. For its part, Croatia is positioned to ease regional energy vulnerabilities by expanding its liquefied natural gas (LNG) terminal on the island of Krk. The Western Balkans rely heavily on ageing, inefficient and environmentally harmful coal-fired power plants, and the countries of the region have not sufficiently invested in more sustainable energy solutions. As a result, these countries suffer from some of the worst air quality in Europe and blackouts are all too common as demand often outstrips capacity.

The EU has pushed for a clean energy transition in the Western Balkans and efficiency improvements to ensure that energy is not wasted. Albania is the exception here insofar as it has substantial hydro-electric facilities. Cross-border energy trade is poorly developed and more integrated networks will be essential to bolstering regional energy security. Sustained efforts are also needed to broaden the scope of electricity generation and demand introduce scale economies, lower
costs, deepen regional energy integration and shared investment, reduce emissions and enhance energy security. EU support will be essential to this effort. As the EU quickly moves to reduce its dependence on Russian energy, the Balkans could come to play a strategic role in helping to achieve this given its growing role as a transport hub for gas from the Caspian Sea (Engjellushe, 2022).

18. More broadly, the war and sanctions have had a negative global economic impact and affected commodities prices, oil, gas, electricity, fertilizer and food prices while further fouling up global supply chains. The Western Balkans may be particularly vulnerable to these adverse economic impacts. Yet, Russia’s economic weight in the Western Balkans has often been overstated. The region has focused on its trade relations with the EU over the past quarter of a century and EU countries are the primary source of investment there. Even if Serbia is Russia’s closest regional partner, trade with and investment from Russia only accounts for a relatively small share of its GNP. Direct investment from Russia in Montenegro, by contrast, accounts for roughly 30% of that country’s GNP. The figure is substantially less for other countries in the region (Vale, 2022).

19. Its humanitarian centre in Nis serves as a centre of espionage activity, giving the Russians access to the local and national civil defence infrastructure, and there is an array of informal ties, for example, between the two countries’ national churches, charities and other organisations. Similar kinds of links have also been forged between Russia and the Republika Srpska (Miranova, 2018).

III- RUSSIA’S WAR ON UKRAINE: IMPLICATIONS FOR THE WESTERN BALKANS

20. The Kremlin has sought to fill perceived power vacuums when doing so somehow seemed to be in the regime’s interest. Putin’s decision to invade Ukraine is only the latest and most consequential example, but Ukraine’s powerful resistance and the international community’s united response demonstrate how badly he has miscalculated. The consequences of Putin’s illegal invasion of Russia’s large neighbour are myriad but include the possibility that tensions could rise in some parts of Europe where Russia has a certain degree of influence. This unfortunately includes the Western Balkans. What might ultimately impede the recrudescence of violence and war in the Western Balkans is the international community’s united and swift response to Russian aggression including strong support for Ukraine, a strengthening of its deterrence posture and a reassertion of its commitment to continental and regional security and stability. The high price Russia will pay for Putin’s miscalculation could act as a powerful deterrent to those contemplating following Putin’s example or already under his influence.

21. Putin’s Russia has long sought to exploit the region’s instability to reinforce its geostrategic advantage. The regime has maintained particularly close ties with Serbia and the separatist Serb leadership in Bosnia and Herzegovina and has played on their shared sense of grievance – long an animating force of Serbian nationalism. Both countries have taken aim at NATO – in Serbia’s case due to the NATO intervention during the war in Kosovo and in Russia’s case out of its long opposition to NATO enlargement and residual Cold War concerns. The Kremlin has cultivated and exploited these grievances and presents itself as the only genuine and legitimate defender of Serbian interests. Indeed, the problem is that grievances in the Western Balkans are often sectarian and nationalist and have in the past sparked violence and war. When Putin exploits these sentiments, he is perfectly aware of their explosive potential. There are legitimate concerns now that Russia’s war could encourage new attempts by nationalistic political forces and Russia itself to polarise regional politics and even seek to redraw borders – efforts that the international community would stoutly oppose, and which would likely lead to violence and military conflict in this fragile region. It is not surprising that Russia now refuses to recognise the authority of the Office of the High Representative in BiH and has announced its opposition to renewing the mandate of EUFOR in that
country. Political leaders in the Republika Srpska have also refused to recognize the legitimacy of the High Representative and prevented him from address the RS Parliamentary Assembly.

22. The problem is particularly acute in Bosnia and Herzegovina (BiH) where the government of the entity largely inhabited by Serbs, Republika Srpska, is now actively seeking to break out of the federal state structures that have held that country together since the signing of the Dayton Peace Agreement. Prior to the outbreak of war in Ukraine, the parliament of the Republika Srpska announced its intention to pull out of the federal tax, judicial and military systems and to establish their own instead. Powerful secessionist sentiments in Republika Srpska and dissatisfaction with the scheme of representation has led to a paralysis of government and budgetary gridlock. This blockage has impeded the country’s democratic and economic development on a range of fronts. The constitutional order set up in the Dayton Accords cannot function without inter-communal cooperation and this simply is not present today. Indeed, the Republika Srpska has embarked on an effort to construct parallel institutions which would lead to a de facto secession. Croat parties have been dissatisfied with the electoral legislation, the provisions of which were proclaimed unconstitutional by BiH’s constitutional court.

23. Dragan Covic, the leader of the Bosnian Croat nationalist party HDZ-BIH, has accordingly challenged the current electoral law in BiH. In the run up to 2 October 2022 elections, there has been almost no constructive dialogue among these communities, and this has fed suspicion and stoked serious political, social and economic tensions. These tensions led to a showdown with the High Representative in 2022 who has invoked the special Bonn Powers to override decisions by Bosnian officials that violate the Dayton Agreement. He did so both when officials in Banja Luka began to dispose of state property that must be disposed of by the federal government and in June to impose technical changes on election rules to ensure a free and fair vote in national elections needed to ensure compliance with the Dayton Accords after politicians refused to implement election laws. Following rumours about the High Representative’s binding decision that would have reverted unconstitutional provisions of the state’s Election Law, in July 2022 Bosniak political leaders mobilized their electorate to protest in front of the Office of the High Representative (OHR) in Sarajevo. This sparked disturbing nationalist and inflammatory hate speech against non-Bosniak groups and the OHR. The High Representative also sought other changes to enhance the effectiveness of government in the country (Office of the High Representative, 2/2/2022). There are concerns that now a single incident could trigger significant violence.

24. While Bosnian federal officials and the presiding member of the Bosnia and Herzegovina presidency, Željko Komšić, condemned Russia’s invasion of Ukraine, Milorad Dodik appeared at a public event with the Russian ambassador to BiH to support Russia’s aggression and has visited Moscow twice this year to speak with President Putin and Minister of Foreign Affairs Sergei Lavrov. The last visit coincided with Russia’s announcement of a partial mobilisation. Dodik has stoutly resisted BiH participation in sanctions against Russia. One MP from Dodik’s SNSD party, Dušanka Majkić, threatened a Russian military intervention should Bosnia and Herzegovina join NATO. Russia has added fuel to the fire by refusing to recognise the authority of the current High Representative in BiH and ended its financial support to the office. The national military of BiH needs to be modernised but the budget has been blocked due to the political stand-off which has only worsened as national elections approach. This not only undermines the country’s security, but also imperils the efforts of those in the country who want to align BiH more closely with NATO. It is now nearly impossible to engage in long-term defence planning due to this budgetary uncertainty. Soaring global prices are only making matters worse. Dodik and his party may initially have seen in Putin’s decision to invade Ukraine an opportunity to advance their goal of breaking up Bosnia and Herzegovina (Krastev, 2022), but they are now employing the rhetoric of defending the constitutional order. Dodik is trying to show himself as truly committed to the Dayton Peace Agreement and taking advantage of failed negotiations between Bosniaks and Croats on electoral reform,
but he is also aware that the international focus on Ukraine could also give him some space to unwind the current status quo in the Balkans.

25. Russia's global isolation and the sharp sanctions it now faces may ultimately precipitate a rethinking in Banja Luka as well as in Belgrade as pressure from Europe and the United States is likely to ratchet up over the coming months. The rhetoric in Belgrade and Banja Luka has indeed grown somewhat more moderate, perhaps because western resolve to oppose Russian meddling in the region has grown more apparent since the outbreak of war in Ukraine. However, this is likely more tactical than representative. Just prior to the war, the EU's foreign policy chief, Josep Borrell, announced that the size of EU’s EUFOR Althea peacekeeping forces in the country would jump from 600 to 1,100 troops – a significant increase although perhaps not sufficient to contain a consequential outbreak of violence should one occur. EUFOR characterised the deployment of these forces as a precautionary measure to strengthen stability in BiH by positioning sufficient, capable forces to support BiH government efforts to maintain a safe and secure environment. The signal was nonetheless clear and the mission has been to demonstrate the EU’s determination to maintain stability in Bosnia and Herzegovina and to express its unequivocal commitment to the territorial integrity and sovereignty of the country (Shannon, 2022).

26. Serbia along with Belarus are among the European countries that have not imposed sanctions on Russia. Serbia itself has seen an opportunity in Russia’s isolation and launched more Air Serbia flights to Russia. Divisions in Montenegro and Bosnia and Herzegovina have so far blocked the adoption of sanctions, while North Macedonia, Kosovo and Albania have joined with the EU and US in imposing sanctions on Russia (Kajosevic, 2022). After the launch of the Russian invasion, Serbian President Aleksandar Vučić said that “Undermining the territorial integrity of any country is a very bad thing”, but then added that Serbia has “its vital interests and its traditional friends” and would thus not impose sanctions on Moscow (Vale, 2022). Serbia voted for the UN resolution condemning Russia's aggression, but its reluctance to participate in sanctions on Russia has disappointed EU governments. Russia has long backed Serbia on a range of issues including matters pertaining to Kosovo. Years of pro-Putin rhetoric have made it very difficult for the government to re-gauge its positions on relations with Russia and this was only confirmed by election results in Serbia in April (Stojanovic, April 2022). Pro-Russian parties in Serbia provide a means to maintain good working relations between Serbia and Russia. It is noteworthy that during this crisis, Belgrade is the only European capital city that has held a sizeable rally supporting Putin’s war. Serbian public opinion polls suggest a sharp divergence from views in the rest of Europe. One recent poll revealed that 60% of Serbian blamed the US for the war and 51% blamed NATO, compared to only 26% who blamed Russia and the 24% who thought Ukraine or the EU were to blame for the invasion (BNE IntelliNews, 2022).

27. Some of this does not reflect genuinely positive feelings about Russia but rather originates from persistent grievances against the West and NATO, in particular. The Kremlin exploits this and works to identify potential allies within a certain strain of Serbian nationalist movements. This view of Russia puts Serbia at odds with consensus view in Europe where even those politicians that once trumpeted their close personal ties with the Russian president have been compelled to scurry away from that position and now, to varying extents, repudiate him.

28. It is noteworthy that in a resolution condemning Russia’s war on Ukraine, the European Parliament singled Serbia out for special criticism for refusing to back sanctions. The 1 March 2022 resolution “Notes with grave concern the persistent efforts by the Russian Federation to destabilise the Western Balkan countries and interfere with their democratic processes; denounces those who expressed support to the Russian Federation following its aggression against Ukraine and commends the support shown by those Western Balkan countries that are Euro-Atlantic allies; strongly regrets Serbia’s non-alignment with EU sanctions against Russia, which damages its EU accession process, and reiterates its expectation that EU accession candidates align not only with
the EU *acquis* but also with the EU’s common foreign and security policy” (European Parliament, 2022).

29. There are signs that this crisis will gravely complicate the accession process for Serbia, particularly if it continues to buck the European consensus on sanctions and its public see the EU in such a negative light. Serbia’s position grows increasingly untenable as Putin’s crimes become ever starker and more horrifying. The risk is that the government could grow increasingly isolated in Europe. As the European Parliament’s resolution suggests, Serbia’s already troubled candidacy is now in greater jeopardy.

**IV- CHINA AND THE WESTERN BALKANS**

30. China has recently emerged as third-party actor in the Western Balkans and while its interests there initially seemed largely economic in nature, this could be shifting. It saw potential benefits by including it in its so-called “mask diplomacy” initiative as the COVID-19 pandemic unfolded. This eventually included the provision of Chinese-manufactured vaccines (Vuksanovic, 2020). Serbia has been working to encourage Chinese investments and China has become a key source of foreign direct investment (FDI) there. Although Serbia nominally remains dedicated to EU membership, it is clearly looking to reinforce a special relationship with China. China’s economic footprint in the Western Balkans as a whole nevertheless remains relatively small and accounts for only 6% of the region’s trade (Zweers et al., 2020). That said, Beijing sees the Western Balkans as strategically located along the extensive trade route it is developing between China and Europe through its Belt and Road Initiative (BRI). China has also become an increasingly important player in infrastructure development markets both in terms of construction and finance. But the terms of these arrangements have come under increasing scrutiny. Indeed, the relative absence of the kind of financial due diligence that is customary in the West has led some critics to describe these projects as debt traps, in which selected well-connected figures make significant amounts of money while governments and taxpayers are left holding debt that is very difficult to service. Part of this has been driven by regional competition for EU funds for infrastructure development. Serbia finds it difficult to compete with the region’s EU members which have access to ample funding from Brussels, and it is tempted to accept terms from China to keep up. Beyond economic relations, there are other spheres of cooperation between the countries of the region and China. This includes the sale of surveillance systems to Serbia which is then used for mass surveillance (Krivokapić, 2022; Delbos-Corfield, 2022).

31. China’s acquisition of the Greek port of Piraeus outside of Athens in the wake of the 2008 financial crisis marked something of a watershed event for China’s relations with south-eastern Europe (Shopov, 2021). This was the first major Chinese infrastructure acquisition in south-eastern Europe. China had also sought to purchase the Albanian port of Durres but turned the concession over to an Albanian firm with seven years left on the concession for EUR 71 million without explanation. Beijing had begun to accumulate a degree of negotiating leverage in in the region through infrastructure lending, and the terms of many of these contracts heavily favoured the Chinese side. But with the exception of Serbia, there is now far more reluctance to push for Chinese investments because of the many downsides. Indeed, China’s business practices are almost never transparent and evade any kind of democratic scrutiny. This opens the door to corruption and one-sided deals that do very little for the greater interest of the country. Virtually all investment contracts it signs are done in secret. Montenegro’s problems with Chinese highway investments are instructive in this regard. There are also concerns about the environmental sustainability of certain Chinese investments. It has, for example, invested in a large coal power project in Tuzla in BiH at a moment when the global trend is to move away from such highly polluting forms of energy. The government of the Republika Srpska has also signed a contract with a Chinese investor to construct another hydroelectricity plant on the Trebišnjica River in eastern Herzegovina.
Some analysts have characterised the project as an ecological hazard that threatens the Neretva River (Trkanjec, 2022).

32. Over the past decade, Chinese firms have invested more than USD 2.4 billion in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia while providing USD 6.8 billion in infrastructure loans. China is the third-largest foreign direct investor in Serbia and accounts for 6.61% of all net foreign direct investments. The European Union accounts for a far higher share at 72.27% while Russia accounts for 11.21%. China holds roughly 25% of Montenegro’s public debt.

33. The central region-wide initiative of the Chinese government for the Western Balkans is the China-Europe Land-Sea Express Route (LSER). This is a primary transport corridor for the BRI that seeks to facilitate trade between China and Europe. Serbia and Montenegro have played a pivotal role in support of the project. Belgrade has been China’s most significant partner and was the only Western Balkans country visited during Xi Jinping’s June 2016 visit to the region. Serbia has endorsed Beijing’s “One China” policy and China’s leaders in turn support Belgrade’s position on Kosovo while endorsing negotiations between Belgrade and Pristina. China objected to NATO’s military intervention during the 1999 war and the US bombing of its embassy remains a highly emotive issue for Beijing. Serbian officials openly supported China’s position on Hong Kong but have refrained from explicit comments on the South China Sea issue, beyond calling for a peaceful settlement. Milorad Dodik, the Serb leader of Bosnia and Herzegovina, has also expressed support for China on Hong Kong (Zweers et al., 2020). More broadly, the region's governments have been largely mute on the question of human rights matters in China.

34. Economic relations also shape security matters. Again, this is most apparent in Serbia which works with China across a range of security sectors including police cooperation, military equipment purchases and certain telecommunications operations. The two countries collaborated on a complex anti-terrorist and police exercise in 2019 involving almost 200 Chinese police officers (Shopov, 2021). Serbia has purchased medium-range, radar-guided surface-to-air missiles from China as well as armed drones. China has also sold drones to Serbia and China’s Defence Minister Wei Fenghe recently visited North Macedonia and Serbia. These point to burgeoning Chinese military interests in the region at a moment when it is acquiring a degree of financial leverage over some of the region’s governments (Vuksanovic, 2021). The scope of China’s security cooperation in the region outside of Serbia, however, remains limited particularly as NATO remains the privileged interlocutor on security for other allied and most partner countries in the region.

V- THE EU AND THE WESTERN BALKANS

35. The European Union’s partnership with the Western Balkans has been premised on support for the region’s stabilisation through partnership, integration and ultimately accession. It structures its cooperation with the region to promote effective political and economic governance, adherence to the rule of law, the promotion of media freedom and a vibrant and autonomous civil society (European External Action, 2022). In 1999, the EU launched a double-track approach aimed at stabilising the region and increasing its regulatory alignment with the EU. The two ambitions were meant to be complimentary because as the region’s countries moved to elevate good governance and best practices by gradually adopting the Acquis Communautaire, they would also be reinforcing national governing institutions and practices essential for stability and economic development (Rant et al., 2020). In 2003, the Thessaloniki European Council confirmed that all countries participating in this double-track process were potential candidates for membership and that “the future of the Balkans would ultimately be within the European Union” (Dabrowski and Myachenkova, 2018). So far, however, the only former Republics of the old Socialist Federal Republic of Yugoslavia to have joined the EU are Slovenia (2004) and Croatia (2013).
36. For the rest of the region, progress towards membership has been slow. Following the “Big Bang” accession in Eastern Europe from 2004 to 2007, accession criteria were toughened because of lessons learned in the first series of enlargements (Miščević and Mrak, 2017). This slowed the process considerably. During this period, the European Union itself confronted other challenges including a global economic and financial crisis beginning in 2008, Brexit, which consumed the EU for several years, and worrying signs of democratic erosion in the region. Croatia’s accession in 2013 proved a notable exception to what many saw as a worrying set of developments for the region.

37. To counter these trends, in 2014, Germany and its European partners launched the Berlin Process to advance the EU’s agenda in the Western Balkans across three sectors: economic growth and connectivity; good neighbourly relations, regional cooperation and civil society development; and people-to-people connectivity (Marciacq, 2017). This process sought to reinforce the EU’s enlargement process and engaged the Western Balkan partners on an ad hoc format in mini lateral negotiations to allow more flexibility outside of the traditional enlargement framework. Ultimately, this was a way to reengage the region and address a range of concerns that had emerged from 2007 to 2014. The Berlin Process was meant to express EU dedication to the notion of fostering regional cooperation and while envisioning the Union itself as both a pole of attraction and a central protagonist in the region’s economic and political development. This vision remains operative and has become even more important in a period when Russia and China are holding out very different visions for the region – plans that the EU sees as constituting fundamental challenges both to the region and to itself (Marciacq, 2017).

38. In 2019, the European Commission hoped to break the impasse on EU enlargement and called for accession talks with North Macedonia and Albania as soon as these would be feasible. The Commission argued that progress on regional cooperation and specifically the Prespa agreement between Greece and North Macedonia settling the name dispute, as well as ongoing reform efforts, advances in adopting the acquis, successful efforts to bolster democratic, anti-corruption measures, and other judicial, economic and regulatory reforms were positive developments that could help put candidate countries back on track in the accession process (European Commission, May 2019). The Commission recognised that the transition in these countries was not complete and that there was more work to be done. But it was clearly concerned that delaying the process could strengthen anti-EU, anti-reform and anti-democratic forces throughout the region.

39. In June 2019, however, EU ministers meeting at the General Affairs Council in Luxembourg decided to postpone the decision to open talks with North Macedonia. Several member countries opposed tendering negotiation offers to kick off accession talks for several different concerns including corruption and organised crime, and the notion that the EU needed to strengthen its institutions and decision-making before embarking upon another round of enlargement (Aguera, 2019). The Council nevertheless noted the progress made by Albania and North Macedonia in these areas and in judicial reform (Palickova, 2019). Several analysts at the time suggested that the failure to begin talks would undermine the credibility of the Union and leave the region vulnerable to Russian and Chinese influence as well as anti-democratic forces within these societies (Barigazzi, 2019). Subsequent developments seemed to justify these concerns.

40. Indeed, the Commission’s 2018 Western Balkans strategy and its 2020 revision betray a heightened sense of concern about the region’s fragility, including growing vulnerability to penetration by Russia and China (European Commission, 2018 and 2020). The EU High Representative for Foreign Affairs and Security Policy / Vice-President of the European Commission, Josep Borrell, describes the new methodology as a two-way street: “The new methodology is a merit-based approach. It puts a stronger focus on fundamental reforms, such as rule of law, fundamental freedoms, economy and functioning of democratic institutions. Our partners need to address them,
in the interest of their citizens and to advance on the EU path. And they need put aside their differences. On the EU side, we need to deliver on our commitments. The EU is not complete without the Western Balkans. It’s time we come together and unite in building a stronger Europe” (European Commission, 2021b).

41. The Commission is now putting enlargement back to the centre of discussions about the region’s future. Already, at a May 2020 EU summit, EU leaders gave “unequivocal support” for the eventual accession of six Western Balkan partners and offered candidate countries additional financial support.

42. This renewed emphasis on accession seemed prompted, at least in part, by Russia and China’s growing presence and active diplomacy in the region. European leaders also outlined a robust aid package of EUR 3.3 billion after Russia and China sent medical supplies to the region to counter the impact of the COVID pandemic (Emmott, 2020). Russia, for example, has exported its Sputnik V vaccine to Montenegro, North Macedonia, Bosnia and Herzegovina, and signed an agreement to start producing Sputnik V vaccines on Serbian soil (Vuksanovic, 2021). Russian special military units were also dispatched to fight the virus (disinfection) however they also entered one or two Serbian military bases for the same purpose even though the Serbian army has its own units dedicated to such activities. The then German Chancellor Merkel said she saw the six Western Balkan partners as future EU members for “geostrategic reasons” (Radio Free Europe, July 2021). Following the announcement of Russian and Chinese aid, the Commission conveyed that it expected the Western Balkan candidates to share EU foreign policy objectives, a clear expression of mounting concern about candidate countries aligning themselves too closely with Russia and China. Russia’s attack on Ukraine has further clarified this position and the choice is now a stark one for the candidates, including Serbia.

43. The EU, of course, is also an economic organisation. Trade integration with the Western Balkans has thus remained a primary focus of its work there. The EU signed Stabilization and Association Agreements with each of the partners in the region (2009 with Albania, 2004 with North Macedonia, 2010 with Montenegro, 2013 with Serbia, 2015 with Bosnia and Herzegovina and 2016 with Kosovo) and those agreement directly aspired to hasten integration into the EU market and rapid harmonisation of the region with EU standards. The agreement called for the removal of tariffs and non-tariff barriers, harmonised trade and investment regulations and deeper institutional integration. The impact has been to deepen economic links between the EU and the region. In 2021, for example, the export rate of the EU to the Western Balkans was 75%, and the import rate was 76% for manufactured goods. Germany is the largest importer from and exporter to the region followed by Italy. The EU is also the most important source of foreign investment and provides a range of aid and support to the region (Bal, 2022).

44. The EU also provides important support for infrastructure that aims to facilitate regional integration and broader integration with the EU itself. It is a key infrastructure partner for the region’s governments and has helped fund key projects like the Adriatic highway that will open an array of new trading and tourism opportunities. It also provides important sectoral support for agriculture, tourism and the rule of law while working to underwrite critically needed education reform. On the security front, the EU is working to stabilise the situation in BiH through its EUFOR Althea mission and recently increased its military presence in that country in response to mounting tensions there and potential spill-over from the war in Ukraine. In November 2022 the UN Security Council will decide whether to renew EUFOR’s mandate and Russia may seek to block this. It is likely that the EU would maintain its presence in BiH in any case. The EU also increased the police presence for its police and justice mission in Kosovo, EULEX (European Union Rule of Law Mission in Kosovo) in March 2022 following the Russian invasion of Ukraine (EURACTIV, March 2022).
A. ACCESSION HESITATION/ENLARGEMENT FATIGUE

45. After Croatia became the 28th EU member state, “Enlargement Fatigue” altered the signal from Brussels about member state enthusiasm for rapid enlargement. This pessimism not only infused the upper echelons of many European governments, but it was also reflected in public opinion where scepticism about EU enlargement and even the greater European project appeared to have mounted. A 2019 European Council on Foreign Relations poll confirmed that many EU citizens harboured a doubtful view of enlargement, particularly regarding those countries that would not immediately become net contributors to the EU budget (Dennison, 2019). Respondents also affirmed, paradoxically perhaps, that while enlargement might be slowed, the EU’s global role should be further developed – a perspective that seemed to pit the notion of enlargement against the ambition to deepen Europe.

46. The failure to endorse continued enlargement in 2019 led Serbia’s President Vučić to suggest that the decision had left the region feeling it could not rely on its western neighbours alone (Hopkins, 2019). He called for deeper economic cooperation in the Western Balkans, something which the EU has long supported and endorsed, for example, in the Berlin process. But for some, Vučić’s real meaning was that China and Russia should be integral to this process. Vučić’s argument had a degree of resonance in the region but was hardly welcome in Brussels.

47. In October 2019, Albania, North Macedonia and Serbia signed a ‘Mini-Schengen’ declaration on regional economic cooperation, which called for the free movement of goods and people, modelled on the passport-free zone of the EU (Zivanovic, 2019). The expectation was that by 2021, due to this Open Balkan initiative, citizens of these three countries would be able to cross shared borders using only their ID cards. In fact, the 2017 Western Balkans Summit in Trieste, Italy, established a framework for cooperation among six Western Balkan partners called the Multi-annual Action Plan on Regional Economic Area in the Western Balkans and dubbed the partnership the “WB6” (Sekularac, 2017). This framework was spearheaded by the European Bank of Reconstruction and Development (EBRD). Closer cooperation among the economies of the Western Balkans is indeed very welcome as it more deeply engrains the habit of cooperation and the sense of a shared destiny. But outstanding concerns about the motives of various actors, including non-European outsiders, have stalled progress on this effort. It is worth noting, however, that the European Council in June 2022 called on all political leaders in Bosnia and Herzegovina to urgently finalise the constitutional and electoral reform, which will allow the country to advance on its European path, in line with the opinion of the Commission (European Council, 24/06/2022). In October 2022, the Commission recommended that Bosnia and Herzegovina be granted candidate status by the Council, on the understanding that it takes steps to reinforce democracy, the functionality of state institutions, the rule of law, the fight against corruption and organised crime, the guarantee of media freedom and migration management in the country. Kosovo remains a potential candidate for EU and aspires to NATO membership but is not recognised by all member states.

48. Some have also argued that delayed European enlargement has been a contributing factor to democratic backsliding in the region. In Serbia, the government-controlled press incorporated the enlargement veto into a narrative suggesting that the EU would invariably oppose Serbian membership whatever progress it made (Laurent, 2021). This then became a kind of excuse to dismiss certain democratic standards established in the acquis. The region’s more pro-European media expressed disappointment with the entire negotiating process and characterised the veto on enlargement as an effort to maintain the status quo despite significant concessions from certain countries like North Macedonia which had negotiated a difficult agreement on the name change. How the EU is linked to democratic construction is a theme of tremendous importance in the region. Research in Serbia and North Macedonia, for example, has demonstrated that conditionality tied to the EU’s enlargement has linked the very idea of democracy to the European project, while nationalism and authoritarianism are more closely bound to Euro-scepticism. For reasons of
diplomacy, the EU has sometimes demonstrated a certain reluctance to call democratic backsliding by its name and, instead, has publicly embraced minor reform steps as promising signals when what has been transpiring more broadly is deeply worrying (Gafuri and Muftuler-Bac, 2019).

49. In March 2020, as the COVID pandemic took hold, the European Council agreed to begin accession talks with Albania and North Macedonia. However, talks with Albania only began officially in June 2022 and have not yet begun with North Macedonia. The President of the European Commission, Ursula von der Leyen, said that “North Macedonia and Albania did what was asked of them, and they have continued making progress in the reforms needed. Today marks the start of the journey to a bigger and stronger European Union. And this decision is in the European Union's geostrategic interest.” The Commissioner for Neighbourhood and Enlargement, Olivér Várhelyi, added that “Opening of accession talks sends a loud and clear message not only to the two countries, but to the Western Balkans as a whole. It reafirms and delivers on the EU's commitment to the European perspective of the region: its present is with the EU and its future is in the EU” (European Commission, March 2020).

50. The key question today is how the situation in Ukraine might alter the EU’s approach to the Western Balkans and particularly to those countries aspiring for membership. Ukraine itself has now formally declared its candidacy for EU membership. That Serbia and BiH are not participating in EU sanctions against Russia while the rest of the region has signed on to them demonstrates both that the region remains divided, and that the EU could see this crisis as something of a litmus test. There are also lingering concerns that membership may not be the democratic anchor that many had hoped it would be as there are signs of democratic backsliding even among some member states. It is worth noting that Freedom House lowered its appraisal of Serbia from free to partly free in 2019 despite the country’s stated EU aspirations.

51. On the other hand, the war in Ukraine now provides an additional incentive for the EU to advance the accession process to consolidate peace in the Western Balkans at a moment when there is a risk of contagion. This was precisely the stated goal of the European Council and Western Balkans Summit of June 2022 (European Council, June 2022) But to translate this strategic opportunity into genuine action demands resolution of outstanding bilateral tensions throughout the region. Some have expressed a sense of hopelessness about the project and even argued that the region should operate as a kind of outer ring of the Union, benefitting from its openness and support but denied a place at the decision-making table. That would not likely prove very attractive to the governments and people of the region. The best option, in a sense, is the hardest as it involves political and economic commitments to affect fundamental democratic and market-oriented change in the region with the assurances from the EU that the pathway to membership remains open. This will require success in overcoming the problems of state capture, corruption, poor governance and ethno-nationalism. This is not entirely easy to envision at a moment when populism is drawing on all these elements to entrench itself even in countries where democracy itself was presumably entrenched. The problem is that the more deeply rooted populism becomes, the more alienated public opinion is likely to be not only from democratic norms but also from the European project itself. And the more this phenomenon is operative in the Western Balkans, the less enthusiastic Europe becomes for enlargement. It is no wonder that Putin’s regime so ardently supports the anti-democratic forces of corrupted ethno-nationalism in the region (Bechev, June 2022).

**B. WHERE ACCESSION NEGOTIATIONS NOW STAND**

52. Currently Serbia, Montenegro, North Macedonia and Albania are all candidates for EU membership while BiH has not applied to begin the negotiating process. Serbia and Montenegro are the only two of these countries to have initiated accession negotiations, but these talks have moved very slowly. Although Serbia’s candidacy was formalised in 2012, it has made little progress in closing negotiating chapters. As of December 2021, when Belgrade simultaneously opened four
chapters in the negotiation process, it had opened 22 of 35 negotiating chapters but only provisionally closed two chapters (Radio Free Europe, December 2021).

53. Serbia will need to make significantly more progress on judicial independence, rule of law, media freedom and the fight against corruption and organised crime, but also deal with humanitarian issues, including the unresolved fate of missing persons who disappeared during the conflicts in the 1990s. The problem of Kosovo looms very large in this process and poses a serious obstacle to progress in the negotiations (Radio Free Europe, 2021). In 2017, a majority of the Serbian public affirmed the goal of acceding to the Union, but the same poll revealed that an overwhelming majority opposed recognising Kosovo’s independence (NSPM, 2017). This remains a fundamental stumbling block. Tensions with Pristina remain high and even bureaucratic initiatives like a Kosovar decision to adopt their own license plates triggered violence in the summer of 2022 (Davies, 2022).

54. After a 2006 referendum vote to declare independence from Serbia, Montenegro initiated the process of accession to the European Union in 2007. In its 2016 assessment of the accession progress, the Commission noted that Montenegro demonstrated the highest level of preparation for membership among negotiating states. Considering the widespread support among EU members’ officials, accession of the country to the EU is considered possible by 2025. In fact, the government elected at the end of 2021 campaigned on the promise to meet all the criteria for membership by 2025 (Kajosevic, 2021). The view from Brussels is that Podgorica still has work to do to improve media freedom, take on the twin challenges of organised crime and corruption, and reform the judiciary. EU membership is strongly supported by 80% of Montenegrins compared with 63% of Serbians (Crowcroft, 2021). Rising Serbian nationalism, however, has had some spill-over impact in Montenegro with a minority pushing for closer links with Belgrade. Moscow has played on this minority to muddle the accession process, weaken Montenegrin democracy and assert greater influence in the region. This has been a serious concern in Brussels. Both Serbian elements and Russia were understood to be involved with an attempted coup in 2020 which sought to replace the current President with a pro-Serbian official.

55. Bulgaria blocked the initiation of accession talks with North Macedonia and Albania at the end of 2021 over several unresolved bilateral issues with North Macedonia regarding history and identity (Marusic, 2021). Sofia’s new government, however, has signalled its intention to find an agreement with North Macedonia to kick-start accession talks. In an effort to kick off accession negotiations with North Macedonia, a joint commission of historians from Sofia and Skopje reached a compromise on how to label historical figures from the common history, as well as to celebrate them jointly. The commission has come up with a number of recommendations for changes in history textbooks (Krassen, 2022). A proposal tabled by the outgoing French presidency of the Council of the EU would allow North Macedonia to kick off accession talks against a commitment to include Bulgarians in the list of communities mentioned in its constitution’s preamble. Negotiations will only begin after amendments are passed by the Macedonian legislature. The French proposal notes that the EU negotiation framework will reference bilateral documents adopted by Skopje and Sofia – including the historical commission. It also offers Bulgaria a formula for not formally recognising the existence of a separate Macedonian language (Bechev, July 2022). After a final endorsement by Council members expected this year, the Commission will submit proposals for a negotiating framework with the two countries which will establish the guidelines and principles governing the accession negotiations with each. Albania will be expected to make further progress on electoral, judicial, asylum and media reforms and deepen the fight against organised crime and corruption.

56. While the Commission has taken note of Kosovo’s progress in improving the rule of law and the fight against corruption, its candidacy remains blocked due to non-recognition by several EU member countries while its dispute with Serbia obviously remains a serious concern. The final potential candidate, Bosnia and Herzegovina, has been a source of continuing concern for the EU. If anything, this concern has mounted. Although the Commission noted progress in a 2019
assessment, a 2021 assessment was a chronicle of backsliding. According to that report, legislative and executive authorities in BiH had a low output due to political polarisation and the disruption caused by the pandemic. While the municipal elections were held in Mostar in December 2020, which was one of the 14 key priorities set by the Commission, BiH still needs to address the decisions of the Constitutional Court and European Court of Human Rights and strike an agreement on constitutional and electoral reform. (European Commission, 12/10/2022; European Council, 12/06/2022) The country needs to ensure a professional and depoliticised civil service and a coordinated countrywide approach to policy-making and judicial reform. On the judicial front, it notes persistent and evident signs of deterioration which require urgent measures to strengthen the integrity of and regain citizens’ trust. There is a lack of commitment to judicial reform from political actors, and poor functioning of the judicial system which undermines the citizens’ enjoyment of rights and the fight against corruption and organised crime. Urgent action is required to adopt the pending legislation on public procurement and conflict of interest. During the pandemic, the negative effects of widespread corruption and signs of political capture continued to manifest strongly, directly affecting the wellbeing of citizens. As regards fundamental rights, while the legislative and institutional framework is largely in place, Bosnia and Herzegovina has yet to adopt a comprehensive strategic framework. Significant reforms are needed to ensure that all citizens are able to exercise their political rights and to ensure non-discriminatory, inclusive and quality education for all, including by overcoming the practice of ‘two schools under one roof’. The failure of the authorities to establish a sustainable migration and asylum system led to a humanitarian crisis in December 2020. As regards the economic criteria, according to the Commission, Bosnia and Herzegovina has made limited progress and is at an early stage of establishing a functioning market economy. The country took measures to counter the negative effects of the COVID-19 pandemic on the economy and the labour market. The Central Bank undertook significant measures to improve its analytical capacities. Some steps were taken to strengthen the financial sector’s shock resilience. However, there have been no significant measures to improve the functioning of the product markets. Cooperation and coordination among the country’s stakeholders has further deteriorated. Resistance from the Republika Srpska entity against EU acquis-related country-wide reforms has further slowed down the country’s compliance with the EU accession criteria. Bosnia and Herzegovina is overall at an early stage and has some level of preparation regarding its level of preparedness and the ability to take on the obligations of EU membership and needs to significantly step up the alignment with the EU acquis and implement and enforce the relevant legislation. Limited to no progress was made on the different EU acquis chapters during the reporting period (European Commission, 9 October 2021).

VI- RETHINKING UNDER WAY IN BRUSSELS

57. A recent study suggested that a possible problem has been that EU has adopted a “leader-oriented approach” and has not sufficiently engaged parliaments and civil society organisations in the accession process (Zweers et al., 2022). Thus, while the EU has allocated a great amount of humanitarian assistance for Bosnia and Herzegovina, it has done so through the International Organization for Migration (IOM) instead of actual capacity building with BiH institutions to provide an adequate crisis response. This approach transfers state responsibilities to an international organisation and places focus on short-term stability rather than fostering better internal coordination and domestic capacities for crisis management.
58. As noted above, the Commission has now sought to revivify the enlargement process driven by concerns that the status quo poses serious risks to regional stability and European security. The Croatian presidency of the EU in the first half of 2020 and the EU-Western Balkan summit in Zagreb, in Slovenia in October 2021 and in Brussels in June 2022 demonstrated that the region is back on radar screens in Brussels. The EU has provided substantial support to the region to help it weather the COVID-19 pandemic and made a significant funding pledge under the Economic and Investment Plan to reinforce the foundations for sustainable economic growth in the region. These developments are part of the broader European Commission effort to provide clear trajectories for immediate stabilisation and future accession. Russia’s invasion of Ukraine has clearly raised the stakes for Europe and made stabilisation and integration of the Western Balkans more essential. Ukraine has made it clear that it wants a fast path to EU membership proving how those who see democracy at threat also see the EU as a democratic anchor. How this ultimately resonates in the Western Balkans will be telling but it is instructive that most of the region has sided with the EU on sanctions (Brzozowski, 2022).

59. Brussels announced in early 2022 that it would reinforce the European Union Rule of Law Mission in Kosovo (EULEX). The EU launched that mission in 2008 under the auspices of the EU’s Common Security and Defence Policy. The mission strives to support relevant rule of law institutions in Kosovo by helping them to become more effective, sustainable, multi-ethnic, accountable, free from political interference and in full compliance with international human rights standards and best European practices. It has also helped the Kosovo Correctional Service develop a consolidated and professional senior management team as well as sustainable capacities to counter undue interference and preferential treatment of inmates. At the same time, it has provided technical support to the implementation of relevant agreements emerging from the EU-facilitated Dialogue on normalisation of relations between Belgrade and Pristina.

60. On the operational front, EULEX maintains a limited capability as a second security responder and provides continued support to Kosovo Police’s crowd and riot control capabilities. EULEX supports the Kosovo Police particularly on matters pertaining to international police cooperation and facilitates information exchange between the Kosovo Police and Interpol, Europol and the Serbian Ministry of Interior. The Mission also assists the Specialist Chambers and Specialist Prosecutor’s Office with logistic and operational support. It works with counterparts at the Institute of Forensic Medicine to determine the fate of missing persons and facilitates identification of victims from the Kosovo conflict. It also manages a witness protection programme.

61. The EU has also decided to reinforce its EUFOR peacekeeping force in Bosnia, bringing the total force presence in BiH to 1,100 troops (Latal, 2022). The EUFOR Althea operation contributes to maintaining stability in the region by supporting the Armed Forces of Bosnia and Herzegovina (AFBiH) through collective and combined training and by facilitating their adoption and implementation of NATO standards. It derives its mandate from United Nations Security Council Resolutions (UNSCR) 1551 and 1575. It provides deterrence and helps to ensure continued compliance with the terms of the Dayton / Paris Peace Agreement. By extension, it seeks to contribute to a safe and secure environment in Bosnia and Herzegovina in line with its mandate, the implementation plan of the Office of the High Representative (OHR) and the Stabilization and Association Process (EUFOR, 2021).
VII- THE BIDEN ADMINISTRATION REVIVES US ENGAGEMENT IN THE WESTERN BALKANS

62. As part of a broader effort to revamp transatlantic relations and to renew the US partnership with the European Union, the Biden Administration from its early days signalled its interest in reengaging with the Western Balkans and helping the region to work through persistent obstacles to the region’s stabilisation and development and tighten its links to the Euro-Atlantic community. This renewed US focus was generally, although not universally, welcomed in the region. President Biden immediately demonstrated a seriousness of intent when he named Christopher Hill as Ambassador to Serbia. As a deputy to Richard Holbrooke, Hill had played a leading role in the Dayton Peace Agreement that ended the war in Bosnia and Herzegovina. Ambassador Hill has an acute sense of where things need to move if the region is to enjoy a more enduring peace. As Vice President during the Obama Administration, Biden himself had played a central role in U.S.-Western Balkans policy and had been the first senior US government official to visit Serbia in a quarter of a century.

63. In practical terms, this has meant that the United States under President Biden will push harder for a resolution of the dispute between Belgrade and Pristina and will work for a broader political settlement in Bosnia and Herzegovina. In a letter sent to the leaders in Pristina and Belgrade in February 2021, for example, President Biden urged both sides to move to peace and to do so first through mutual recognition. But the challenge for the Administration has remained democratic backsliding in the region, secessionist tendencies in Bosnia and Herzegovina and the rising influence of China and Russia, both of which hold out very different models of development and international engagement that are clearly antithetical to the liberal integrationist model held out by both the Administration and the EU (Vuksanovic, 2021).

64. The United States along with the EU has also engaged in discussions about electoral reform in BiH. President Biden has appointed a special US envoy for election reform in Bosnia and Herzegovina to help facilitate “limited, targeted constitutional change” prior to elections slated for October 2022. Currently, governing structures are not functioning effectively. The US has welcomed the High Representative’s October 2022 decision that ensures that BiH’s institutions and their power-sharing mechanisms function (U.S. Embassy, Bosnia and Herzegovina, 2/10/2022). The threat of the country’s dissolution has raised alarm bells in Brussels and in Washington, and the US has worked with the EU to employ its leverage to preserve BiH’s territorial integrity while maintaining peace (Radio Free Europe, November 2021).

65. The Biden Administration thus seems less likely to tolerate and engage with the culture of “Stabilitocracy” in which corrupt local and national bosses actively undermine democratic institutions and exploit deep-seated public fears to maintain their grip on power. Recently there has been some progress on this front as civil societies have grown more assertive in the face of authoritarian challenges. But real problems persist in countries like Serbia where former acolytes of Slobodan Milosevic have returned to power (Vuksanovic, 2021). The State Department has underlined the problems in Serbia and elsewhere in the region in recent human rights reports.

66. US engagement with the region will likely deepen as a result of the Russian invasion of Ukraine. The Administration will see this aggression as posing a direct threat to the stability of the region and it will now push very hard to ensure that Russia is not positioned to play a spoiler role there. There are concerns in Washington and elsewhere that Moscow may well be tempted to open a second front surreptitiously in the Western Balkans, which are already on edge, and where it has a degree of influence among certain actors. It has played this card before, working to weaken Montenegro after it joined the Alliance and by constantly exacerbating tensions between Serbs and Kosovars, and Serbs and Bosniaks (Graham, 2022). Russia holds a veto at the UN Security Council over the annual extension of EUFOR Althea – the EU military mission that is maintaining peace and...
security in Bosnia. Russia could be tempted to throw a wrench into the stabilisation effort by voting against renewal in November this year (Barnes-Dacey and Ruge, 2022).

VIII- NATO’S ROLE IN THE WESTERN BALKANS

67. For a quarter of a century, NATO has played a fundamental role in ending violence in and stabilising the Western Balkans. NATO used military force for the first time in its history when it intervened during war in Bosnia and Herzegovina. In 1999, it also led an air campaign against the Milosevic regime, aimed at putting an end to violence in Kosovo. NATO’s SFOR mission, established in December 1996, brought a multinational peacekeeping force to war-torn Bosnia and Herzegovina which remained active until 2004 when it was replaced by EUFOR Althea in December of that year. NATO does, however, retain a small Headquarters in Sarajevo to engage in training and to support the EU-led operation EUFOR Althea. NATO’s Building Integrity program has reinforced the effort to enhance transparency and increase accountability in the military. NATO’s KFOR mission was deployed in 1999 under UN Security Council resolution 1244 (1999) and continues to this day to contribute towards maintaining a safe and secure environment in Kosovo and freedom of movement for all. KFOR is now a conditions-based mission and plays an essential role in maintaining regional peace and security. NATO also had an advisory mission and through various initiatives promotes policies like civilian oversight of the security sector, strategic communications and human resources management. NATO has 3,770 troops to maintain the peace in Kosovo, mainly in the north, where some 50,000 local Serbs do not recognise Kosovo’s authorities (EURACTIV, March 2022).

68. NATO efforts in the region, however, have extended well beyond these two important missions to include a broad range of security-building initiatives, and most importantly, the accession process itself. Slovenia, Albania, Croatia, Montenegro and the Republic of North Macedonia are now all fully fledged NATO members. It is worth adding that Russia worked assiduously through both covert and open means to block both Montenegro’s and the Republic of North Macedonia’s accession although it ultimately failed in those efforts. It is no coincidence that the most grave and persistent security threats within the region lie outside of the NATO membership space: ongoing tensions between Serbia and Kosovo and simmering tensions in Bosnia and Herzegovina remain deeply worrying.

69. Kosovo has made clear its desire to join NATO and has reiterated this point in the wake of Russia’s invasion of Ukraine. But four NATO member countries have not recognised it as a state: Spain, Greece, Romania and Slovakia. This means consideration of possible membership is currently off the table. Ongoing tensions between Kosovo and Serbia remain deeply concerning. Serbia, for its part, is a partner with NATO but has repeatedly indicated that it has no interest in applying for NATO membership. Again, it actively and positively engages with the Alliance on a range of issues and works well with KFOR.

70. For its part, Bosnia and Herzegovina has been negotiating with NATO for more than a decade and was extended an invitation to join the Membership Action Plan in 2010. But the leader of the Republika Srpska, Milorad Dodik, strongly opposes accession and seems increasingly focused on seceding from the federation. Dodik warned last year that he was prepared to bring down the 1995 Dayton Peace Agreement, suggesting that “if anybody tries to stop us, we have friends who will defend us”. The NATO Secretary General has expressed “serious concern” with this kind of inflammatory rhetoric, adding, “The unified structures of Bosnia and Herzegovina are important for the stability of the country. In particular, the Armed Forces, one of the country’s strongest multi-ethnic institutions” (Aydogan, 2021). As Russia began an invasion of Ukraine in February 2022, Bosnia and Herzegovina’s Foreign Minister warned of the threat this posed to the country (Brennan, 2022).
71. Indeed, the war in Ukraine has shifted the region’s diplomatic dynamics. At his press conference following Russia’s invasion of Ukraine, NATO Secretary General Jens Stoltenberg went out of his way to reassure Bosnia and Herzegovina and reaffirm NATO’s Open Door Policy, saying “The Kremlin is trying to make NATO and the EU provide less support to our partners. Our collective answer must therefore be more support to countries like Georgia, Moldova and Bosnia and Herzegovina. To help them succeed with their democratic reforms and pursue the path that they have freely chosen” (NATO, 2022).

72. Addressing the problem of corruption has been part of this effort. NATO’s Building Integrity Initiative (BI) has looked at corruption problems in the defence sector in particular, and identified these as a threat to regional security, democratic governance and economic development (Baldwin, 2022). BI contributes to NATO’s security as well as its efforts to project stability in the Euro-Atlantic area and beyond. It provides diagnostic tools and tailored support to strengthen good governance principles and practices and reduce the risk of corruption in the defence and related security sector. Endorsed at the 2016 Warsaw Summit, the NATO BI Policy recognises the impact of corruption on peace and security and the myriad ways it undermines the effectiveness of operations and missions. The EU has contributed roughly two million euros to the BI Trust Fund and provides in-kind contributions (expertise). NATO BI also works closely with the United Nations, World Bank, the Organization for Security and Co-operation in Europe, and the African Union as well as the private sector, academia and representatives from civil society (NATO, December 2021). This is a critical element of NATO’s work in the region, and it engaged all the countries of the region in the effort, including Serbia which has made clear that it does not aspire to membership (Agatonović, 2018).

73. At the June 2021 Brussels Summit of heads of state and government of allied governments, the final Communiqué included a statement about NATO relations with the Western Balkans. Paragraph 67 of that statement reads: “Allies strongly support the sovereignty and territorial integrity of a stable and secure Bosnia and Herzegovina in accordance with the General Framework Agreement for Peace in Bosnia and Herzegovina and other relevant international agreements, encourage domestic reconciliation, and urge political leaders to avoid divisive rhetoric. We commend Bosnia and Herzegovina, an aspirant country, for its contributions to NATO-led operations. We are committed to maintaining strong political dialogue with Bosnia and Herzegovina and offer our continued support to the implementation of all reform efforts, including through NATO HQ Sarajevo. We encourage the leadership of Bosnia and Herzegovina to take full advantage of the breadth of NATO cooperative security and partnership tools. Allies welcome the work of the Commission for Cooperation with NATO. Allies urge political leaders to work constructively and to demonstrate political will for the benefit of all in Bosnia and Herzegovina in advancing Euro-Atlantic aspirations by implementing the much-needed political, electoral, rule of law, economic, and defence reforms, including through the country’s Reform Programme with NATO, without prejudice to a final decision on NATO membership” (NATO, 2021). At the 2022 Madrid Summit, allies reaffirmed their commitment to the Open Door Policy and asserted that “In light of the changed security environment in Europe, we have decided on new measures to step up tailored political and practical support to partners, including Bosnia and Herzegovina, …to build their integrity and resilience, develop capabilities, and uphold their political independence” (NATO, June 2022).
IX- CONCLUSION

74. The Western Balkans continue to confront serious challenges to peace and security, stability, democracy and economic development. The Russian invasion of Ukraine risks further polarisation in this still unstable region, but it is also a clarifying moment in the sense that leaders in the region will find it far more difficult to play the Russian card when Russia has become a global pariah. This could make life more difficult for the region’s anti-democratic figures who saw in Putin’s Russia a buttress to underwrite their blend of ultra-nationalism and authoritarianism employed for the purposes of state capture. Putin’s regime has now revealed its true colours. It is accordingly essential that the transatlantic community of nations continues to shine a light along the path leading toward regional stability, reconciliation, democracy and economic integration.

75. One thing that has united the entire region is the desire for membership of the European Union. The EU has a leading role to play in consolidating the region’s democracies and demonstrating how democratic development is in the broad interest of these societies. Efforts to foster integration, and to advance the region’s progress toward European integration should be intensified and the war in Ukraine and Ukraine’s push for an accelerated accession to the EU could change the dynamics. This will demand renewed efforts to resolve some of the region’s outstanding disputes, and the EU can provide a degree of reassurance by making the benefits of integration tangible while advancing the notion that this will require compromise among all concerned. What happened to this region in the 1990s and what is now unfolding in Ukraine should remind all players of the stakes here.

76. Greater international support is needed to help the Western Balkans diversify their energy mix and proceed with energy transition. There are serious concerns that parts of the region could confront daunting energy shortages or serious price spikes this winter, and concentrated efforts are needed to reduce the risk of this transpiring. There are also concerns about high food prices, particularly for the more vulnerable sectors of a society which spends a significant share of income on food. Foreign assistance will likely be needed here as well.

77. Although the Western Balkans have suffered from the breakdown of critical international supply chains and have had to deal with resulting price rises, over the long run they could benefit from a process of near-shoring as European firms reassess the risk of relying so heavily on over-extended lines of trade. But the region’s governments will have to convince market players of their reliability and capacity for good governance. Those conditions are not yet there but there are emerging incentives to create those conditions as the structure of the international trading order shifts.

78. At the same time, the two-tiered system of democratic standards should be eliminated. Some of the region’s least democratic leaders have operated with a degree of impunity. Their transgressions have included opening the door for Russia’s malign influence in the region. That door must now be firmly shut, and Western policy needs to be unambiguous on this matter. Those who play the Russian card should not expect forbearance and concessions from institutions and governments dedicated to building stability and democracy in the region (Joseph, 2021).

79. This is precisely why the EU has demanded that for Serbia to remain a viable candidate for EU membership, Belgrade should immediately harmonise its foreign policy with that of Brussels. Serbia has so far refused, and Europe will need to take stock (Hajdari, 2022). During the conflict with Ukraine, Russia has seemed intent on weaponising the flow of refugees and its criminal destruction of civil infrastructure in Ukraine seems designed to do just this. Although it is the front-line states that have borne the brunt of this influx and made enormous sacrifices to care for these innocent victims of Russia’s vicious war, the Western Balkans have also been exposed to rising numbers of Ukrainian refugees (Mikovic, 2022). Russians fleeing the increasingly totalitarian rule of Vladimir Putin are also starting to move in significant numbers. While wealthier and more stable countries are likely to be...
challenged by this massive influx of desperate people, the Western Balkans could be very seriously
taxed and will need additional support to weather this very difficult storm should it come to pass.

80. NATO should consider enhancing its military presence in the Western Balkans to deter
aggression and violence at a moment of extreme international tension. A strong signal needs to be
sent that the region’s stability remains a vital interest of the transatlantic community and the region
itself and that Russia and its proxies will not be allowed to destabilise this important part of Europe.
This issue will have to be carefully considered, but there are other ways to achieve stability in the
region in the meantime, including enhancing NATO’s presence there. The EU can also make a
strong contribution to anchor this region more firmly in the European security community and it must
include the region in efforts to shield the region from energy insecurity arising out of this crisis.


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