

Regional and EU Integration of the Western Balkans: Beyond a Two-Track Approach

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Notwithstanding the conclusion of a number of EU-sponsored agreements aimed at deepening economic integration in the Western Balkans, implementation has lagged behind. In parallel, new developments have emerged under the so-called “Open Balkans” (OB) initiative which similarly promotes economic and political cooperation in the Western Balkans, but has attracted criticisms for its lack of clarity and the divisions it created in the region.¹

¹ See Elona Elezi, “Open Balkan Initiative Risks Aggravating Political Problems in the Region”, in *Deutsche Welle*, 18 August 2022, <https://p.dw.com/p/4Fe3p>.

Divisions have emerged among Western Balkan states – only Albania, North Macedonia and Serbia have joined the OB so far – but also among Western allies. The US and Germany have taken opposite positions, the former adopting a more pragmatic approach and the latter trading more cautiously. Other EU member states, such as Italy, have fallen somewhere in between.

All this suggests the need for careful assessments. This is particularly true now that German Chancellor Olaf Scholz seems ready to give new impetus to regional cooperation by

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convening a new summit in November 2022.² The summit aims to breathe new air into the “Berlin Process” (2014–21), the intergovernmental initiative of engagement with the Western Balkans, launched in 2014 by Angela Merkel and joined by Austria, France, Italy, the UK, Poland and others countries.

The EU’s support for regional cooperation and (intra)regional economic integration in the Western Balkans is far from new, having emerged in response to the Yugoslav wars in the second half of the 1990s.³ Moreover, since the launch of the Stabilisation and Association Process in 1999, regional cooperation has become a central part of EU accession conditionality, in addition to the Copenhagen accession criteria formulated in 1993.

In the past, regional cooperation initiatives have undoubtedly had a positive impact on the Western Balkans. This was evident especially during the first decade of the 2000s, when integration into the EU proceeded at a slow pace. The process was substantially delayed due to the disintegration of former Yugoslavia and other domestic

political problems.⁴ At that time, regional cooperation proved to be pivotal in advancing the EU agenda for the region in a number of fields, from trade liberalisation and market opening (through the 2006 Central European Free Trade Agreement – CEFTA) to police cooperation and visa liberalisations,⁵ promoting stability and economic growth.⁶

In such a context, support for regional cooperation allowed the EU to pursue a “two-track strategy” towards the Western Balkans,⁷ complementing EU bilateral relations and enlargement conditionality for individual candidate (and potential candidate) countries, with the promotion of EU standards through EU-sponsored parallel structures and multilateral intra-regional initiatives. The basic idea was that these two processes of EU and intra-regional integration could be mutually reinforcing, since regional

² “Scholz Announces Western Balkans Summit in November”, in *European Western Balkans*, 13 July 2022, <https://europeanwesternbalkans.com/?p=46354>.

³ Regional cooperation and the respect of all international obligations were among EU demands for Western Balkan countries already in 1996, within the so-called “Regional approach for Southeast Europe”. See European Commission, *Regional Approach to the Countries of South-Eastern Europe: Compliance with the Conditions in the Council Conclusions of 29 April 1997 (COM/1998/618)*, 28 October 1998, <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:51998DC0618>.

⁴ In particular, these were linked to Western Balkan countries’ cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

⁵ See Stephan Renner and Florian Trauner, “Creeping EU Membership in South-east Europe: The Dynamics of EU Rule Transfer to the Western Balkans”, in *Journal of European Integration*, Vol. 31, No. 4 (2009), p. 449-465.

⁶ See Richard Grieveson, Mario Holzner and Goran Vukšić, “Regional Economic Cooperation in the Western Balkans: The Role of Stabilisation and Association Agreements, Bilateral Investment Treaties and Free Trade Agreements in Regional Investment and Trade Flows”, in *WIIW Research Reports*, No. 450 (September 2020), <https://wiiw.ac.at/p-5362.html>.

⁷ See for instance, Sandra Lavenex, “Concentric Circles of Flexible ‘European’ Integration: A Typology of EU External Governance Relations”, in *Comparative European Politics*, Vol. 9, No. 4-5 (2011), p. 372-393, <https://archive-ouverte.unige.ch/unige:76472>.

integration among Western Balkan countries would prepare them for smoother integration with the EU in the future, also strengthening EU conditionality in a region characterised by continuous political and economic instability.

Against this backdrop, it is hardly surprising that recent EU efforts to re-engage the region have placed a strong emphasis on further advancements of regional integration in the Balkans. This has been the case especially under the Berlin Process, which was meant to engage the Western Balkans under conditions of renewed geopolitical tensions with Russia, rising geoeconomic competition and mounting enlargement scepticism in some EU capitals. Thus, under the intergovernmental format, Western Balkan leaders agreed on two important projects for regional economic integration: the Multi-annual Action Plan on Regional Economic Area 2017–2019 (REA) and Common Regional Market 2020–2024 (CRM).⁸

These ambitious plans for regional economic integration appeared as key mid-term objectives that could have helped foster the enlargement agenda in the Western Balkans on the basis of the EU's four market freedoms. This would have fostered their alignment to the EU *acquis*, built trust among themselves and, ultimately, engender local ownership and responsibility.

⁸ Western Balkans Six (WB6), *Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six*, 12 July 2017, <https://www.rcc.int/docs/383>; and *Declaration on Common Regional Market*, 9 November 2020, <https://www.rcc.int/docs/544>.

Yet, notwithstanding some progress, such as the negotiation of CEFTA's Additional Protocol 6 (a framework agreement extending the principle of free trade to the service sector)⁹ or the facilitation of border-crossing procedures for goods (thanks to "Green Corridors"¹⁰), the results of regional economic integration among the Western Balkans have remained modest and uneven.¹¹ Overall, consensus remained mostly declarative, as lack of commitment and political will, together with unresolved bilateral disputes, have not made the REA/CRM fully applicable in practice.

Yet, this outcome is not surprising either. The effort to reinvigorate the EU's two-track strategy in the Balkans under the Berlin Process seems to faltered for at least three reasons.

Firstly, regional economic integration among the Western Balkans alone simply does not have sufficient weight and attraction. It does not represent a game changer for economic growth and development of the region and, thus, it hardly justifies the realisation of a fully-fledged internal regional market. Whereas a regional market remains important for the Western Balkans, representing a stable share in their total trade, it stands today at second or even third place (after the EU and China).

⁹ See *CEFTA Additional Protocol 6 on Trade in Services*, Tirana, 18 December 2019, <https://cefta.int/wp-content/uploads/2020/09/Additional-Protocol-6-on-Trade-in-Services-.pdf>.

¹⁰ CEFTA Secretariat, *The First Year of the Green Corridors/Green Lanes Implementation*, 15 April 2021, <https://cefta.int/?p=6970>.

¹¹ Regional Cooperation Council, *Common Regional Market Report on Implementation for 2021*, April 2022, <https://www.rcc.int/pubs/145>.

Moreover, since the global financial and economic crisis, the importance of economic diversification has become particularly relevant, including the adoption of strategies to intensify economic relations with non-EU third countries. In other words, regional economic integration remains crucial, but it is only one component of a broader economic strategy in the Western Balkans which includes multiple economic relations at the regional, European and international levels.

Secondly, beyond the technical dimension, economic and trade policies are becoming more politically salient, and are hardly perceived as neutral. This includes long-term political projects, such as the European Green Deal for instance, but also increasing geostrategic competition and domestic contestation. In this regard, it is not by chance that trade has been the most relevant field of confrontation between Belgrade and Pristina in recent years, with the so-called “trade war” between Kosovo, Serbia and Bosnia and Herzegovina (2018–2019) being one example.

Finally, and probably most importantly, the EU’s two-track strategy toward the Balkans was successful during the 2000s insofar as the regional approach was meant to complement a credible enlargement process that was challenged mainly on its demand side. In other words, the ongoing political and economic instability of the EU candidate (and potential candidate) countries did not allow for a fast advancement of EU enlargement policy and, therefore, had to be complemented

by a regional approach.

Today, these conditions are no longer in place. Since the 2008 global economic crisis, Western Balkan countries have had to diversify their economic relations and combine regional, EU and third countries economic strategies, in order to attract foreign investments and relaunch economic growth. Moreover, EU engagement has appeared highly ambiguous regarding its declared goal of integrating the Western Balkans into the EU, providing for further uncertainty and projecting its own instability on the region.

Within such a context, the OB initiative that emerged in 2019 under the name of “Mini-Schengen” has injected new dynamism, helping to promote trade and cooperation along more pragmatic lines, without a clear institutional setting and on a purely intergovernmental basis. Despite public declarations by the three founding countries about their willingness to realise a “single market” on the basis of “four freedoms,” in line with the REA/CRM, it is clear that the OB initiative is much less ambitious.¹² Indeed, it seems meant to cherry-pick from these other regional initiatives, realising some of the measures that were negotiated – such as simplification of administrative procedure for access to labour markets – on an *ad hoc* basis.

Against this backdrop, Germany’s intention to renew the Berlin Process is certainly positive. However, the two-

¹² See Relja Radovic, “Open Balkans Shows No Sign of Delivering Promised Freedoms” in *Balkan Insight*, 16 June 2022, <https://balkaninsight.com/?p=1005272>.



track approach in today's circumstances has become less credible and, in a way, unsustainable.

Whereas intra-regional and EU integration could still be mutually reinforcing, today this might require additional policy instruments, since there are no automatism transposing gains from one process to the other. The two processes would require a more efficient approach across both dimensions.

It is time to move from a two-track approach to a more encompassing strategy for the Western Balkans that would ensure more effective harmonisation of the different bilateral and multilateral policies in various fields. The alternative is to accept a more pragmatic approach toward regional cooperation coming from the region, which does not necessarily converge towards the EU *acquis* and standards, and could, moreover, inadvertently give further impetus to the current permanence in power of anti-reformist and illiberal forces.

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