

Policy Brief: The Working Group on the Western Balkans

Although the EU and the US agree that the long-term goal for the Western Balkans is European integration, progress has stalled. This series of working group meetings aims at launching a discussion on the hurdles to enlargement in the Western Balkans, the tools available to various international actors in the region, and how these resources might best be applied to reach the goal of integration most efficiently. These meetings, therefore, address issues that are at the core of the making the Transatlantic relationship work.

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Policy Brief from Meeting III: Reaching out to the Balkans in Times of Crisis

Many international organizations and individual states have their own policies towards the countries of the Western Balkans. This assortment of policies is a natural result of a diverse international community, which is composed of many actors, each with its specific strengths and unique tools. Yet, all of these policies compete for attention in the region, creating an environment of contradictory messages and complicated agendas. The result is a cacophony that confuses civil society and compels political leaders to cover their ears. The purpose of this meeting, therefore, was two-fold: to identify, analyze and find ways to overcome the region's most outstanding challenges and to foster stronger cooperation and coordination between the European Union and the United States on the Western Balkans.

The conference was divided in four discussion panels which focused on the following issues respectively: 1) the dynamics of the region's most outstanding disputes; namely Kosovo's status, the situation in Bosnia and the dispute between Greece and FYROM over the latter's name, 2) the current economic situation in the Western Balkans after the outbreak of the global and later Greece's financial crisis, 3) the role of some key international actors in the region (such as the EU, NATO, US, IMF, Russia as well as Turkey) and finally 4) the impediments towards the Western Balkans states' European future and the necessary strategies that need to be found and implemented in order to facilitate and accelerate their Euro-Atlantic integration.

Serbia and Kosovo

The fallout of the July 22, 2010 International Court of Justice Decision on the legality of Kosovo's unilateral declaration of independence has changed the dynamics between Kosovo and Serbia. The EU's initiative to bring Kosovo and Serbia to negotiations was praised: for too long the international community has done very little, while local leaders have used their publics' intransigent stance as an excuse for avoiding diplomatic settlements. Obstacles exist, however, especially since Serbia will enter into negotiations with three important limitations: 1) its Constitution forbids the recognition of Kosovo's independence, 2) public opinion is predominantly against recognition and 3) the disunity between Kosovo Serbs living in Northern Kosovo and those living in other enclaves.

Therefore, the forthcoming direct dialogue between Belgrade and Pristina should begin with relatively “easy” topics (e.g., the cooperation of the two sides on issues such as the missing persons, refugees’ return, energy, transports and communication as well as CEFTA) which will create a better atmosphere between the two sides. An effort to reduce Kosovo’s unemployment should also be included in the agenda, since it affects the lives of both Albanians and Serbs and may lead to social protest.

Moreover, the outcome of these initial negotiations should not hurt either side. It would be unrealistic to believe that the current government in Serbia would recognize Kosovo, especially since the situation in Northern Kosovo remains unresolved. Nevertheless, Serbia has critical interests in reaching an agreement with Kosovo, since it cannot otherwise combat corruption and organized crime, which thrive in Kosovo’s unstable rule of law system. Moreover, the path to the EU is blocked for both Serbia and Kosovo until progress on status is made. Kosovo is the only state in the region that has not signed an SAA or visa liberalization agreement with the EU, and does not belong to NATO’S Partnership for Peace Program. For Kosovo, it is essential for it to attain the power to sign legal agreements with the EU. Therefore, there is a need for Kosovo to move beyond the current situation. Therefore, allowing Kosovo to remain a frozen conflict is not in anyone’s interest, which ought to compel both sides to work together on their shared vision of membership in Euro-Atlantic institutions.

The Global Financial Crisis

The Balkans’ fragile economic growth model of the last ten years has had the following characteristics: 1) it was based on excessive foreign borrowing that led to trade deficits, 2) it was consumption-driven and 3) the labor market (despite the GDP growth) was significantly compressed. As a result, the global financial crisis has left the Western Balkans unable to attract the foreign financing that has been crucial for their sustainability. Most of these economies have experienced negative economic growth over the last two years, stagnating and declining incomes, and increased unemployment. In the medium term (at least for the next two or three years) Balkan economies are likely to remain stagnant, due in large part to the lack of foreign financing.

As a result of the economic recession, almost every country in the region is currently under external financial assistance programs (of the IMF’s 18 rescue programs, 8 of are for countries in the SEE region). Balkan governments have responded to this crisis by trying to reduce their foreign currency credit growth, depreciating their currency (with both positive and negative consequences) and by pressing their commercial banks to adopt a more conservative approach in their lending strategy (since they have accumulated a significant number of non-performing loans).

The political and social consequences of this bleak situation are yet to be seen. Serbia and Croatia are the countries in which social protest may be most intense, and it may lead to the sacking of their current governments. In other countries, it is remarkable that there have not yet been large-scale protests.

To help avoid such turmoil, the international community should focus on helping these countries through their economic recession by: 1) large-scale inter-regional infrastructure projects (despite the current fiscal limitations and the lack of will

among the Balkans' political and economic elites for regional cooperation); and 2) attracting FDI, especially from Germany.

However, where the economy has become a liability, politics has become an asset, which allows some optimism for the region. The Western Balkans have recently increased their regional cooperation, which has been highlighted by the increase of Croatian exports to Serbia, the joint-venture signed by Slovenia, Croatia and Serbia on rail transport and the new ferry that links Serbia with Vukovar. There is much more space for regional cooperation, particularly for inter-regional infrastructure projects concerning sectors like transport (e.g. rail, roads, and water) and energy (e.g. distribution networks of petrol and liquefied gas). A necessary precondition will be the development of transparent procurement rules.

External Actors

The UN, EU, US, OSCE, Russia, Turkey and recently the IFI's are the region's most important external actors, but the EU has primacy, given that it has given the region a perspective for membership. However, the EU's leverage and credibility as a transformative power has weakened over the last few years, mainly because of the EU's incoherent policy, which has been caused by the different goals and interests shared by the European Commission on the one hand, and several member states on the other.

The European Commission has always been more enthusiastic about enlargement than the increasingly "enlargement-fatigued" member-states. This internal split has led to several setbacks in the Western Balkans in recent years. In Kosovo, there is a split between the 22 member states that have recognized Kosovo's independence and the five that have not. This has stalled the deployment of the EULEX mission, which still has not been able, so far, to establish itself in Northern Kosovo.

In Bosnia, EU conditionality has lost its credibility over the last few years, mainly because of the EU's setbacks on Bosnia's constitutional and police reforms. In its hope to create a more centralized state, the EU had initiated and strongly supported these reforms, making them an indirect condition for Bosnia's EU accession. However, it was later forced to moderate its position after strong pressures by some member-states.

The new foreign policy framework, created by the Lisbon Treaty, has not helped matters. Whereas previous presidencies were able to keep the Balkans high on the EU's agenda, the implicit demotion of the rotating presidency in foreign policy will be deeply felt. It will be rather difficult, therefore, to expect that a new impetus or dynamic will be given to policies on the Western Balkans during the Hungarian Presidency. According to the preliminary Hungarian Agenda, the overwhelming emphasis of the Presidency will be on managing the economic crisis and reforming the EU budget, rather than on EU enlargement to the Balkans, which is only sixth on the list of priorities. Nevertheless, the Hungarian Presidency will try to take some initiatives including: 1) trying to close and even sign the Accession Treaty with Croatia, 2) urging the European Council to give a date for the start FYROM's accession negotiations, 3) launching visa-liberalization negotiations with Kosovo and 4) monitoring Serbia's dialogue with Pristina as well as its cooperation with the ICTY.

At the same time, the US has maintained a presence in the Western Balkans over the last year, and has attempted to be balanced and constructive. But, despite the view of a small number of US policymakers that there is some unfinished business in the Balkans (especially in Kosovo and Bosnia) and their partial distrust on the EU's abilities to lead the international chorus in the region, the primary US strategic interests are elsewhere in the world. Therefore, although the US is still engaged in the region, the scope, duration and comprehensiveness of its engagement may not be as robust as it once was.

The major US goals in the region are: 1) securing the Western Balkans, 2) making the region a net contributor in the US security efforts around the globe, instead of being a net recipient and 3) solving the remaining problems in Kosovo and Bosnia because of the prior heavy US engagement on these two cases. The US is trying to achieve these goals mainly by: 1) strongly supporting the region's integration in the EU and NATO, 2) providing diplomatic assistance (especially in Bosnia, Kosovo, Serbia and FYROM) and 3) providing financial assistance (which currently is almost entirely headed towards improving the region's governance structures).

But there is a gap between the US ambitious objectives in the region and the US diminishing means. The US is trying to moderate this gap by using Europe's resources. Because the US still has leverage on the region, future US engagement in the Western Balkans must be more tightly wound to the EU agenda for the EU integration policy to succeed. To that end, 1) there is a dire need for better coordination between the region's key external actors; 2) the international community should approach the region with a new strategy that goes beyond simply an EU accession model; and 3) there is need for a division of labor among the international actors, in order to conserve resources and increase the power of a united policy.

EU Policy

The EU's recent Progress Reports on the Western Balkans issued by the European Commission sent a significant message to the region. They reveal the following about the region's readiness to join the EU: Albania must confront its political crisis and adequately prove its democratic credentials; Serbia must confront its Kosovo obstacle, Kosovo must confront its organized crime problem, Bosnia must confront its internal divisions, and Macedonia must manage its nationalistic overdose. On the more positive side, Croatia is moving forward despite its problems on judicial reform, Montenegro received a positive avis and will become a candidate, and Bosnia and Albania have gained visa-liberalization status.

However, reading between the lines of the Progress Reports, the following conclusions can be made it seems clear that enlargement is no longer a priority for the EU. The lack of a common EU position on Kosovo and the failed policies in Bosnia make the enlargement policy to the Western Balkans seem more like an entanglement than a strategy. Most significantly, conditionality has lost a significant level of its former efficiency compared to previous enlargements. The international community must buttress this policy of EU integration, since it is the only positive future for the region.

To that end, the EU should become more of a visionary than a manager. Recently, Turkey has been engaging in the Balkans in a systemic and successful way, which should offer a model to follow, as well as another partner in the region. Moreover, the EU should remember that it is better than any other international institution in promoting minority rights, regional cooperation and bilateral disputes, recent setbacks aside.

Moreover, these setbacks should not be allowed to overshadow the clear progress in the region. For example, 1) the independence of Kosovo has brought the most pro-European government in Serbia; 2) there has been an increased number of Kosovo Serbs who have participated in Kosovo's elections during the past few years; 3) nobody worries anymore for a return of violence in Bosnia; 4) the Croat President's apologies for Croatia's policies during the Yugoslav Wars have created a basis for regional cooperation; 5) all states (except Kosovo) have achieved visa-liberalization status; and 6) the dialogue between Serbia and Kosovo is ranked as the second most important priority in Catherine Ashton's Agenda for 2011.

In addition to the negotiations between Serbia and Kosovo, Greece's dispute with FYROM is the other looming bilateral issue that the international community ought to work quickly to overcome. On the name issue, the international community should help both sides reach a compromise, with clear incentives for both sides. For instance, one innovative solution could be for the EU to begin negotiations with FYROM with the condition that a new name would be immediately used in their bilateral relations and in which the Skopje Parliament would immediately pass a constitutional amendment on the new name on the day FYROM joins the EU. Such a settlement would give Greece the guarantee that the new name will immediately replace FYROM on their bilateral relations and that it will be *erga omnes* when FYROM joins the EU. On the other hand, FYROM will have the guarantee that if it will not join the EU it will not give away its name. In any case, the only workable solution between Greece and FYROM should address the identity concerns and sensitivities on both sides.

The international community should relaunch the EU accession policy for the Western Balkans, and this iteration ought to be characterized by a deeper cooperation between all external actors; well-meaning attempts to end the bi-lateral issues between states and embrace innovative solutions that amplify the unique powers of each member of the international community..