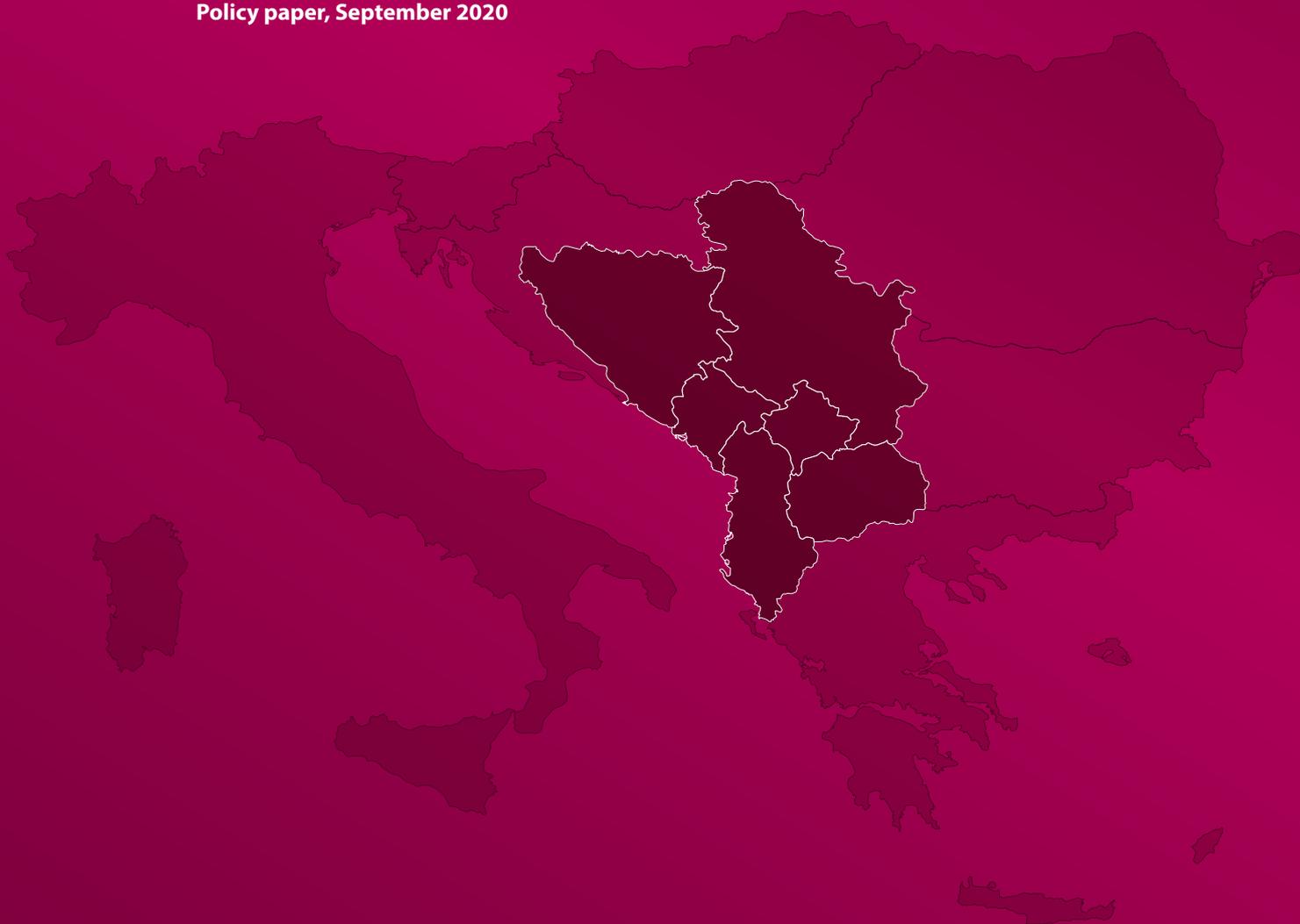




The Western Balkans: Between the EU and a Hard Place

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Policy paper, September 2020



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Executive Summary

Since early 2020, the COVID-19 pandemic has created a context for new escalation of regional tensions and geopolitical competition in the Balkans. As recent months saw the breakdown of the Chinese “mask diplomacy,” Russian-Serbian “historic brotherhood” and the interruption of the White House’s Serbia-Kosovo peace initiative, the European Union re-emerged as the region’s key ally and the only true stabilizing force. Nevertheless, as the policy paper shows, despite its extensive financial capacity and its enlargement perspective, the EU is still far from having secured its position in the region.

On the one hand, heightened regional and geopolitical tensions still provide numerous opportunities for new Balkan crises in the coming months. On the other hand, the EU and the Western Balkans do not see eye to eye on a number of issues related to the enlargement process, which has been the foundation of their relationship. Their divergent views and interests have in recent years caused many misunderstandings and in some cases mistrust between the EU and Balkan countries.

The EU position in the region is already being tested by the lack of cooperation and coordination between the EU and US-led initiatives for Belgrade-Priština dialogue, which

is continuing in early September with separate meetings having been scheduled in the White House and Brussels. This discord within and between the EU and US spells new trouble not only for the dialogue itself, but for the entire Balkans, as it further weakens EU and US influence and creates new space for self-serving Chinese, Russian, Turkish or other interests.

If the EU wants to strengthen its position in the region and aid in its gradual stabilization and normalization, it will have to fundamentally change its perception of and approach to the Western Balkans – something that Brussels itself and EU member states have been desperately avoiding for the past decade. Such a move may go against the EU’s conventional political wisdom, especially since its attention is currently focused on much more urgent and critical challenges – from the COVID-19-related internal health and economic crisis to the situation in Belarus and fragile relations with the USA, China and Russia. Yet all other global actors are already including the Western Balkans into their geopolitical games. It would be prudent for the EU to do the same, to consider the Western Balkans not only a liability, but also an asset – one which can, for better or for worse, affect the stability of the continent, as it occasionally has in the past.



Introduction

The purpose of this paper is to assess the status of the European Union in the Western Balkan Six countries¹ in light of their ongoing struggle with the consequences of the COVID-19 pandemic and the intensified geopolitical competition the region has been facing in the recent months. This paper is a continuation of the briefing paper titled **“COVID-19 Raises Geopolitical Stakes in the Balkans,”** (available here) which documents recent American, Chinese, Gulf countries, Russian and Turkish humanitarian, economic, political and other activity in the Balkans.

The paper **“The Western Balkans: Between the EU and a Hard Place”** identifies and analyses opportunities and challenges which the EU is facing in the region as it tries to regain its leverage there. The policy paper starts from the oft-repeated premise that of all foreign actors, only the

EU has the capacity to gradually stabilize and normalize the Balkans. It also examines the roots of the chronic misunderstanding and miscommunication between EU and Balkan officials. Finally, the paper identifies possible recommendations that could help the EU in tackling Balkan challenges.

While both papers are mainly focused on foreign influences in the Balkans, this does not mean that they ignore or negate local actors’ responsibility for the difficult situation in which the region finds itself today. However, given the current political impasse that is evident in all Balkan countries, the long history of various foreign influences in the Balkans and the latest escalation in geopolitical competition in the region, the two papers presume that foreign influences may have a greater impact than local ones on the direction of the region in the near future.

1 Serbia, Bosnia and Herzegovina, North Macedonia, Albania, Montenegro and Kosovo.

Will COVID-19 Turn a New Page in EU-Balkan Relations?

Since the 1990s, the EU has played an unusual role in West Balkan politics as the sole foreign actor expected to stabilize and democratize the region through a process of gradually absorbing it into itself. Review of all available public resources and databases also shows that the EU leads in investments in the region, and EU member countries dominate the trade exchange with the Western Balkans Six countries. For details on EU financial assistance to the region within the framework of the Instrument for Pre-Accession Assistance (IPA) see Annex I, showing volumes of assistance which each of the countries received within the legal framework of IPA 2007-13 (IPA I) and IPA 2014-20 (IPA II). For details on Foreign Direct Investments (FDIs) see Annex II. The table clearly shows dominance of the EU and member countries in FDI's in all Balkan Six countries, with the exception of Montenegro where most investments over the last year came from Russia and then China (Bankar 2020). Nevertheless, the history of EU-Balkan relations shows that the EU's massive financial engagement in the region remained incommensurate with its limited political influence and was often eclipsed by other global actors' political, religious or cultural involvement.

In fact, it was the EU's growing internal problems and the weakening of its enlargement perspective, as well as the US' gradual withdrawal from Balkan daily politics, which "created a space for other players to fill the vacuum" (Prague Security Studies Institute 2018).

With the outbreak of the COVID-19 pandemic, Brussels' initial poor reaction and a new escalation of geopolitical competition in the Western Balkans further undermined the

EU position in the region. Nevertheless, the general slowing down of Chinese "mask diplomacy" in May, the interruption of the White House's Serbia-Kosovo peace initiative in late June, and the spat between Belgrade and the Kremlin over violent protests in July have cleared the path for the EU to restore its dented influence in the Balkans.

With its extensive financial capacity and its enlargement perspective, the EU emerged once again as the only foreign actor capable of ensuring long-term stability for the volatile region. However, while apparently recognizing the high stakes that are involved in the current local and geopolitical games played there, the EU still seems reluctant to fully engage in an energetic and assertive policy in the region.

The EU would be badly mistaken to fall into complacency and think that it has secured its position in the region. What seems like a lull in the ongoing geopolitical competition in the region is the calm before a new storm, as the conflicting interests of regional and global actors offer ample opportunity for development of new Balkan crises in coming months.

One can assume that if the EU again fails to establish the Balkans as a zone of strategic interest, other global actors will once again quickly fill this vacuum, which would likely add fuel to already heightened regional tensions. To avoid this potentially dangerous scenario, the EU and its member countries should understand the roots of the current geopolitical competition in the Balkans, as well as of the EU's repeated miscommunication and misunderstandings with the Balkans.

The EU and the Western Balkans: an unrequited love affair

Guided by their own still-fresh experiences from the Balkan conflicts in the 1990's, and encouraged by the EU's all-time-high political and economic results in the early 2000's, EU leaders of that time came to the conclusion that further enlargement of the European Union in the Western Balkans was beneficial – if not critical – for both the EU and the Balkans. EU membership offered normalization and long-term stability to Balkan countries, while further strengthening the EU's position as the emerging key geopolitical actor. This realization resulted in the

"Thessaloniki agenda" – a declaration adopted by the heads of the EU and Balkan states at the session of the European Council in Thessaloniki on June 21, 2003. The document confirmed common shared values, as well as the region's EU perspective. *"The EU reiterates its unequivocal support to the European perspective of the Western Balkan countries,"* stated the declaration, a statement repeated numerous times in subsequent years (European Commission 2003). Yet this plan was derailed by what turned out to be the most serious, multi-layered crisis in the history of the EU: the 2009



global recession in 2008-9, the migrant crisis that started in 2014, the rise of right wing populism in the EU, UK's BREXIT referendum in 2016 and finally the COVID-19 pandemic in 2020. These developments, most of which have had a heavy impact on the Western Balkans as well, have undercut the democratization process in the Balkans and decimated popular support for the enlargement of the EU.

Some 17 years after the Thessaloniki summit, the EU and the Balkans do not see eye to eye on a number of issues related to the enlargement process, which has been the foundation of their relationship. Left unaddressed, these differences caused many misunderstandings over the last decade and gradually created an environment of mutual mistrust. Some of the key differences in their respective perceptions include:

✘ **Enlargement goals and benefits (reforms vs. national identities):** Directly linked to the previous point, the EU and the Balkans have always had different views on the main goals of the enlargement. The EU has been focused on the transformative power of requested reforms on political, administrative, economic and social systems of aspiring member countries. While rule of law, human rights or better living standards are also very important for many people in the Balkans, they see other important benefits of EU membership, which the EU largely fails to appreciate. Namely, the breakup of the former Yugoslavia in the early 1990's brought to the surface old and new nationalist ideas across the region. Even today, many Albanians, Bosniaks, Croats, and Serbs wish to live within the same borders as their ethnic kin. Many of them no longer feel at home in the states where they are living today, and are nostalgic for the supra-state they have lost; after Yugoslavia, the EU is the only entity that could placate and eventually put to rest these nationalist ideals.

Balkan political elites have a different problem with the EU. On the rhetorical level, they feel obliged to pay lip service to the EU accession ideas in public. Privately,

however, they are aware that eventual EU membership would at best mean the end of their populist and unaccountable politics, and at worst would put them in jail for corruption or misuse of office.² Finally, the Western Balkans is still home to several deep disputes – such as Kosovo-Serbia relations, the status of Bosnia and Herzegovina or North Macedonia – which cannot be resolved without Western mediation. For all these reasons, an effective disappearance of the EU perspective could lead to further escalation of ethnic tensions and potentially to new ethnic violence in the region. “[The] Balkans needs the EU at least as a context. BiH and North Macedonia can exist as states only within the EU context,” one Balkan expert said.³

✘ **EU's inconsistent standards:** One of the main factors of the EU's waning image in the region has been its inconsistency when it comes to its own accession criteria. While EU officials often claim that EU accession criteria are always constant, academics and experts recognize that the accession criteria have been constantly getting more and more complicated from one accession cycle to the other. Furthermore, experts stress that contrary to EU official positions, the accession process is determined not by the aspiring countries' meeting technical criteria, but by the political situation in which the EU makes such decisions.⁴ Even in recent years, the EU was found to be frequently changing the enlargement criteria outlined for Western Balkan countries.⁵

An additional problem for EU-Balkan relations is the general perception shared by many Balkan people that the EU is using double standards, both when dealing with different Balkan countries, as well as when addressing its own internal issues. For several years, Brussels was hailing Serbia and Montenegro to be the enlargement frontrunners, yet local and international experts stress that these two governments' autocratic tendencies, disrespect for rule of law and corruption create equal if not bigger problems than in the rest of the Balkans.⁶ Meanwhile, the EU is struggling with

2 Interviews with different Balkan politicians, 2015-2020.

3 Online interview with Remzi Lani, the executive director of the Albanian Media Institute in Tirana, May 19, 2020.

4 Online interview with Andras Inotai, research director at the Institute for World Economics of the Hungarian Academy of Sciences and a professor at the Centre International de Formation Européenne, CIFE Institute, May 13, 2020. Between 1995 and 1998 professor Inotai also headed the Strategic Task Force at the office of the Hungarian Premier, preparing Hungary's EU accession.

5 Online interview with Alex Roinishvili Grigorev, president, Council for Inclusive Governance (CGI), May 20, 2020,

6 Online interviews with international and Balkan experts, March-August 2020.



the performance of its own member countries, some of which, according to EU experts, have already fallen afoul of Copenhagen criteria,⁷ such as in the cases of Hungary and Poland with respect to the rule of law or human rights, or Italy with respect to its fiscal performance.⁸

While at the moment the EU seems to be lacking mechanisms to force its own members back into compliance with these principles, it is still requiring aspiring member countries to meet them before joining the club. On the one hand the examples of Hungary and Poland represent a plausible argument for the EU to be even more vigilant in observing conditionalities for future members. On the other hand, aspiring member countries see this as an example of the EU's double standards, which undermines the EU's image and the enlargement process. This conundrum was further emphasized by the difficult compromise that was achieved at the latest EU Summit in Brussels in July, after which some international media claimed that the EU has "given up on rule of law in its member states" (Kelemen 2020).

✘ **Divergent focuses (process vs. end result):** One of the probably most important differences stems from the different perception of the enlargement process itself. While the EU has been from the very beginning focused more on the process itself, Balkan leaders and people have been mostly focused on its end-result – membership in the Union. For this reason, a 30-year membership perspective is simply not considered a realistic goal in daily life or daily politics.

✘ **Divergent focuses II (economy vs. rule of law):** Another key controversy in the EU enlargement process has been its technical focus. While some experts and most Balkan officials called for greater attention to economic issues, lately EU officials have insisted more on rule of law reforms, hoping that this way they will stop and eventually reverse the Balkans' democratic backsliding. The new enlargement methodology, adopted in February this year, states that "we will open the accession negotiations with the rule of law cluster and we will close them with the rule of law cluster" to enable

its monitoring throughout the process (European Commission 2020). This priority is understandable given the backsliding on the rule of law witnessed in recent years in some EU and Balkan countries alike. On the other hand, many experts stress that the prospect of these reforms is slim in a situation where the prospect of EU enlargement has been almost completely lost, while the Balkans and EU are facing new security, political, economic and social challenges.

According to the European Commission's former Western Balkans director, Pierre Mirel, the EU has made a mistake in its approach to the Balkans in recent years by focusing its activities on rule of law and other difficult reforms, rather than on the economy, which would have a much greater positive impact on the region. "It was a big mistake, a total ignorance of history and of the geopolitical situation. We should have put the economy first at those times. Instead of doing that, we focused on rule of law and (provided) only tiny assistance. That was not what the region needed," Mirel says.⁹

Yet even the economic part of the enlargement process has so far had "unforeseen" negative effects, says a 2017 report authored by two leading German experts for the Balkans, Dušan Reljić, the director of the Brussels office of the German Institute for International and Security Affairs (SWP) and Tobias Flessenkemper, CIFE fellow and current head of the Belgrade office of the Council of Europe. The opening of the regional market to the EU has weakened local industry that was "unable to withstand competition from the European Union"; resulting in the growth of unemployment and foreign debt (Flessenkemper and Reljić 2017). "EU enlargement policy in the Western Balkans has been a story of failure," the paper stated, underlining that Balkan countries now urgently need "a development perspective and more public investment" from the EU, yet concluding that the EU shows an interest in the region only when its crises threaten the EU itself (Flessenkemper and Reljić 2017).

In one of his more recent reports, Reljić (2020) pleaded that the EU needs a "fundamental change of direction" in the Balkans. He added that even the latest massive aid package offered to the Balkans in April 2020 "will be able to do little to change the fundamental problems of the region if the EU does not treat the Western Balkans as an integral part of the EU" (Reljić 2020). According to Reljić, most Balkan leaders

7 The "Copenhagen criteria" is a set of political, economic and institutional rules and conditions which a country needs to meet in order to become a member of the EU. For details, see: https://eur-lex.europa.eu/summary/glossary/accession_criteria_copenhagen.html

8 Online interview with professor Andras Inotai, May 13, 2020.

9 Online interview with Pierre Mirel, May 26, 2020.



do not foresee that EU involvement will bring any serious economic growth to their countries in the near future, while at the same time they are convinced that implementation of difficult rule of law and other EU reforms would cost them their positions, possibly even land them in jail.¹⁰ As a result, they have already grown so distant from the EU that they are even ready to “write off” their countries’ EU membership.

These two different technical focuses could be reconciled by an approach that included significant, strategically-focused EU investments paired with gradual and measured reforms aimed not so much at short-term administrative or legal changes as much as long-term behavioural change in the region. The EU could try the same approach in dealing with the same issues in its own ranks.

These and other differences have over the years seriously undermined the enlargement process, from both sides. They also led to a series of EU blunders in the Balkans. One such major blunder was the Council’s 2019 decision not to open accession talks with Albania and North Macedonia, which waited for almost two years to get dates for their start, mainly because of the whims of French President Emmanuel Macron – what EU officials and media publicly called the EU’s “historic mistake.”¹¹ EU leaders finally agreed to give the two Balkan countries dates for the start of

their respective accession talks on March 20, 2020, but by that time this “breakthrough” went almost unnoticed in a region that was already preoccupied with the Coronavirus pandemic. Another similar mistake has been the ongoing postponement of granting the long-expected visa-free regime to Kosovo, which remained blocked by several EU countries despite the fact that European Commission publicly announced that Kosovo has fulfilled all requirements already in 2016. Since then, the EU granted a visa-free regime to the citizens of countries like Colombia and Moldova, but not Kosovo.

Another senior Balkan expert from Zagreb University, Dejan Jović, also warned that more and more Balkan citizens are indifferent towards whether the region will join the EU or not. Speaking at the conference “*Bringing the Balkans back to the EU fore*”¹² in Belgrade in December 2019, Jović blamed this phenomenon on the EU’s failure to seize the moment, its constant changes of the Copenhagen criteria, as well as bilateral disputes which Balkan countries have on the path to the EU. If this trend continues, the “*region will look to the other side, such as the US, UK, Russia, China and Turkey,*” Jović was quoted as saying (EWB 2019).

The EU presence in the region was further tested by the escalation of regional and geopolitical quarrels following the outbreak of the COVID-19 pandemic.

COVID-19 pandemic tests the EU position in the Balkans

The EU’s initial reaction to the COVID-19 pandemic revealed many of its internal problems. EU institutions seemed powerless to stop the re-establishment of its internal borders and restrictions on the free movement of people which each EU member country had established within the Schengen area. While first China and later Russia started scoring PR points with their mask diplomacy, EU member countries suspended export of their medical supplies, drawing angry reactions from EU and Balkan countries alike. Serbian President Vučić’s comments drew global attention when he publicly declared that “*European solidarity is dead (and) it is only a paper fairytale*” on March

15 (Tanjug 2020). Vučić added that he has asked for help from “*the only ones who can help, and that is China*” (Ibid). One of Vučić’s closest political allies, Milorad Dodik, the Serb member of the BiH Presidency and the leader of the ruling Bosnian Serb party, the Alliance of Independent Social Democrats, quickly joined the Serbian president in EU-bashing. He told the media that “*the EU has failed on the test of solidarity, it showed to everyone how weak and disorganized it is*” (Mišljenović 2020).

While some point to the fact that Vučić and Dodik, as well as media under their control, hardly waited for an excuse to

10 Interview with Dušan Reljić, June 16, 2020.

11 „It’s a major historic mistake and I hope it will only be temporary and won’t become engraved in the collective memory as a historic mistake,” The Telegraph quoted European Commission chief Jean-Claude Juncker as saying, read more at <https://www.telegraph.co.uk/news/2019/10/18/europe-union-warned-historic-mistake-emmanuel-macron-blocks/>.

12 Details about the conference are available at: <https://www.iai.it/en/eventi/bringing-balkans-back-eu-fore>.



continue criticizing the West and sucking up to China and Russia, many people in the Balkans were truly disgusted by the EU's initial response and thought that they had drawn this criticism upon themselves. Many Balkan politicians, while avoiding Vučić or Dodik's venomous statements, shared the same views.

Growing criticism from Balkan but also some EU countries finally drew attention from the top EU brass. They blamed some of these statements on local and global disinformation campaigns, orchestrated by China and Russia and supported by some local leaders (Makszimov 2020). Yet they also admitted the EU urgently needed to change its performance in order to improve its position in the rough geopolitical game that was raging amidst the global pandemic. Josep Borell, the EU's High Representative for Foreign Affairs and Security Policy, warned there was *"a battle of narratives within Europe"* adding *"it is vital that the EU shows it is a Union that protects and that solidarity is not an empty phrase"* (Borell 2020).

The EU eventually got its act together and returned strongly to the Balkan arena at the end of April, when it offered a 3.3 billion euro assistance package for Balkan countries aimed at helping them deal with the challenges caused by the Coronavirus pandemic.¹³ The proposal was welcomed by all local officials as one of the most concrete EU moves in the region in recent years, as well as a sign of renewed EU interest in the Balkans (EWB 2020a).

By late June, Chinese and Russian mask diplomacy seemed to be in retreat, the White House initiative for a Kosovo-Serbia peace deal had been suspended, and top EU officials – including German Chancellor Angela Merkel and French President Emmanuel Macron – initiated the first round of negotiations with Serbian and Kosovo leaders (EWB 2020b). Despite the high-level support, however, the talks did not bring any concrete result, showing how deeply entrenched disputes between Kosovo and Serbia were.

This temporary respite in foreign influences in the Balkans, as well as EU leaders' readiness to recommit themselves

to the region, have provided the EU with a window of opportunity for concrete and robust action. Yet there is also a risk that the EU will become complacent and will once again drop the ball in the Balkans while focusing on other, more pressing internal or external issues.

Speaking at a high-level video conference on July 1, a senior EU official said that Russia was *"slightly on the retreat"* and that *"we may very well end up seeing less China"* in the Balkans in the coming period. The official concluded that *"the EU has been getting unnecessarily nervous about the western Balkans"* and that this was the moment for the EU to put the key reforms back on the Balkan table *"because there isn't going to be another actor that is going to step up in its place."*¹⁴

Yet many Balkan experts disagree with such an analysis and warn that the EU is still far away from wresting the Balkans away from China, Russia and other foreign actors and winning it over for good. This was already clearly visible during the same debate, as both Kosovo and Serbia-based experts stressed that the EU was lacking authority and trust in the region.¹⁵

13 The 3.3 billion euro package includes immediate support for the health sector from the Instrument for Pre-Accession Assistance (IPA) worth 38 million euro; 389 million euro earmarked for social and economic recovery needs; 455 million economic reactivation package; 750 million euro of Macro-Financial Assistance and a 1.7 billion euro assistance from the European Investment Bank. European Commission press release, April 29, 2020. Available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_20_777.

14 A high-level online conference about the Balkans, focused on the relations between Kosovo and Serbia, July 2020.

15 Ibid.



The EU-US spat over Kosovo-Serbia deal spells trouble for Western positions in the Balkans

The EU has endeavoured to repair Kosovo-Serbia relations – one of the biggest remaining issues in the Balkans – since 2011, but with little success. The process has hit a wall and was almost completely suspended by mid-2019, at which time Kosovar Prime Minister Ramush Haradinaj demanded that the EU High Representative and the mediator in the Belgrade – Priština dialogue, Federica Mogherini, be removed from the process. While Haradinaj did not elaborate on his request, it was believed to be a result of Kosovo's politicians' repeated accusations that Mogherini sided with Belgrade and allowed border changes to become a part of the dialogue agenda (N1 2019).

A paper from 2017 argued that *“there is a paradigmatic ambiguity on the very question of what the dialogue means for the EU, for Kosovo and Serbia, and altogether for the EU's relations with both countries”* (Gashi et al. 2017: 550). The paper concluded that: *“the EU makes rampant reference to the dialogue being ‘historic’, even though it is not clear what exactly is historic about it and for whom this would be. The dialogue and its value thereafter are downgraded to a mere symbolic representation of ‘reconciliation’, to the fact that leaders of both countries have sat down together and held discussions”* (Ibid).

By mid-2020, the EU grew concerned that Grenell's initiative could further complicate Kosovo-Serbia relations, but also undermine the EU's position in the region. In June, Brussels appointed its own special Balkan envoy Miroslav Lajčák, who quickly resumed the EU-led Belgrade-Priština dialogue. Several senior EU officials admitted that Lajčák's mission was as much to match or if need be parry Grenell's initiative as it was aimed at improving Kosovo-Serbia relations.¹⁶

This was not the first time the EU jumped into diplomatic action just to parry a similar US initiative. In November 2014,

Germany and the United Kingdom surprisingly launched a new diplomatic initiative for Bosnia and Herzegovina, which was later even accepted as a new EU strategy for the country (Deutsche Welle 2014). Eventually it turned out that the EU made this move mainly to prevent the US from launching its own already-prepared initiative for changes to Bosnia's constitution which the EU deemed unrealistic and potentially destabilizing.¹⁷

Just like the EU's Bosnia initiative in 2014, the renewed EU initiative for Belgrade-Priština dialogue seems doomed to fail. Some Western officials even say that it was the EU's lacklustre approach to the renewed Belgrade-Priština talks in July and the apparent absence of any new ideas for this initiative that has enabled the resumption of the parallel US process, which was announced by Special Presidential Envoy Richard Grenell in mid-August.¹⁸ Serbian President Aleksandar Vučić and Kosovo Premier Avdullah Hoti have already confirmed their participation in the meeting, which will be hosted by the White House on September 4, only three days before a high-level meeting which the EU has previously scheduled in Brussels (Grenell 2020).

According to EU and US officials acquainted with these two initiatives, there is little or no cooperation and/or coordination between the two initiatives.¹⁹ The Special EU Envoy for the Balkans, Miroslav Lajčák, has on several occasions complained that he repeatedly tried to call or email to Grenell, to no avail.²⁰ On the other hand, some US diplomats blamed the lack of cooperation on the EU.

“[The] problem was not between the US and the EU, but within the EU due to different positions of different member countries,” one US diplomat said during an online debate about the Kosovo-Serbia dialogue, which took place in July. He added that *“the EU is not a single entity; it speaks with multiple voices and these voices need to be reconciled.”*²¹

16 Online interviews, two senior EU officials, June-July 2020.

17 Interviews with US and EU officials, Brussels, Berlin and Sarajevo, 2014-2015.

18 Online interview with a Western expert based in Priština, August 2020.

19 Online interviews with a senior EU official and a US expert acquainted with the two initiatives, August 2020.

20 Online interview with another US expert, August 2020.

21 An online debate about Kosovo-Serbia dialogue organized in July, which included a number of regional experts as well as EU and US diplomats and officials.



This discord between the EU and the US spells new trouble for the Balkans, a challenge for EU and US' respective positions in the region, as well as a new opportunity for other foreign influences already present there. At the same time, the prospect of a positive outcome for either EU or US-sponsored talks seems slim. Most pundits agree that the escalation of internal political tensions which both Kosovo and Serbia experienced in recent years has fuelled nationalist sentiments in both local societies, making any kind of comprehensive agreement unlikely.²² According to one Belgrade-based expert *"there is no political will for a real dialogue, neither in Serbia nor in Kosovo."*²³

The main obstacle in the relations between Belgrade and Priština remains the status of Kosovo, since the general public in Serbia still strongly rejects to accept Kosovo's independence. Even if the EU and the US would set to jointly resolve the Kosovo-Serbia dispute, it would require a completely new, comprehensive approach, and significant efforts from both of them that would probably take several years. Yet it remains highly questionable whether either the EU or the US are ready for such an investment at a time when both face many other internal and external problems and challenges. Working separately or even against each other further reduces US and EU chances of success.

The US may still have sufficient muscle to persuade Belgrade and Priština to accept some pro-forma

agreement, yet the White House is widely believed to lack proper understanding of this complex matter, as well as the willingness and capacity to put any more comprehensive document on the table.²⁴ The continuation of Grenell's initiative is in fact still perceived to be motivated mainly by Donald Trump's re-election campaign and Grenell's ambition for his further career advancement if Trump wins a second mandate in the US elections in November 2020.²⁵

The EU lacks sufficient authority in both Belgrade and Priština to push through any concrete deal between the two. Furthermore, given the heightened nationalist sentiments, both Serbia and Kosovo would need serious "carrots" to consider accepting a compromise. Years ago, in an exchange for a deal Brussels promised both Belgrade and Priština significant advancements on their path to the EU membership, yet that option is clearly not on the table since most – if not all – EU member countries have backtracked on continued enlargement, at least for the time being.²⁶ The best carrot that the EU can offer at this stage is its new financial package for the Balkans, which will be presented this fall. Yet that by itself is far from being enough to resolve decades of Belgrade-Priština disputes, especially in a situation in which Serbia already has access to Chinese cheap loans, while Kosovars mistrust the EU after they have repeatedly failed to grant them visa-free regime (European Commission 2018).

22 Online interviews with senior political analysts and EU and US diplomats and officials in Kosovo and Serbia, May-August 2020.

23 Online interview with Dušan Janjić, Belgrade based political analyst, politician and publicist, June 2020.

24 Online interviews with two separate senior US experts, August 2020.

25 Ibid.

26 Online interview with a senior EU diplomat involved in Kosovo-Serbia dialogue, July 2020.



The Western Balkans Face New Ethnic, Political and Security Challenges

Despite poor chances for quick success, the EU should not stop its efforts in the Belgrade-Priština dialogue, yet it should shift gears and do what the EU does best – build a comprehensive, long-term process that should first aim to cool down tensions and establish communication and some basic cooperation between the two communities. In this effort the EU would certainly need support from the US, which is still considered the top foreign actor by people in Kosovo, yet this option remains uncertain, at least until the US presidential elections in November.

In the meantime, the EU should expand the scope of its attention to the rest of the region, in which all countries – even without the looming economic and social downturn caused by the COVID-19 pandemic – are facing new ethnic, political and security challenges in the coming weeks and months.

In what follows, the paper provides a short overview of the current political situation and main challenges ahead in each of the six Western Balkan countries.

Albania: deep political disputes threaten country's EU path

For the past few months, the situation seemed to be most stable in Albania, where the government of Edi Rama has used the COVID-19 situation to temporarily cement its power in the country. Yet Albania remains deeply polarized between pro-government and pro-opposition forces and this dispute is triggering quick and frequent escalations, as was the case when police clashed with protestors over the demolition of the National Theatre in Tirana in May (Erebara 2020). Deep political disputes in Albania threaten the country's EU path, even after it received the green light for the eventual announcement of the date for the start of its accession negotiations. This is especially so after Albania's ruling coalition in the parliament on July 30 voted for changes to election regulations in the constitution, to allow open and a new formula for the coalitions. The EU did not seem to be overly pleased with this vote. The head of the EU delegation in Tirana, Luigi Soreca, said in a Twitter post that it was unfortunate *"that no more time was dedicated in the preparatory phase to finding a compromise with all parties"* and called for these issues to be *"properly discussed with all political actors in the Political Council"* before the final vote in the Parliament (Soreca 2020). These and similar political clashes are expected to continue in the near future in relation to a number of open and unresolved issues, such as the ongoing judicial reform, upcoming economic and social measures, etc. According to local experts, Albania is probably the least affected of the Balkan countries by turbulent geopolitical developments. Yet it is also suffering

from the deteriorating foreign policy of its main foreign ally – the USA, the still-weak presence of the EU, and the deepening rift between these two key allies. *"Albania is very much in favour of Euro-Atlantic integration, but we do not want to be between the EU and the US,"* says Remzi Lani, the executive director of the Albanian Media Institute, adding that *"in the past Brussels and Washington DC were at the same page, but now there is a difference."*²⁷ According to Lani, China, Russia or Turkey have little chance to increase their influence in Albania in the coming period. Yet if US foreign policy continues fumbling, and if the EU fails to take a stronger stand in the region soon, Albania may turn more towards Italy and Germany. While some do not see this as a problem, others note that even the growing influences of individual EU member countries also contribute to the weakening of the EU's collective presence in the region.

27 Interview with Remzi Lani, May 19, 2020.



BiH: political system on the board of a collapse

In Bosnia and Herzegovina the governance and political system almost completely collapsed amidst the COVID-19 pandemic in recent months. The country's politicians have not been even trying to establish a new government in the BiH Federation entity, some year and a half after its 2018 general elections. Furthermore, the deepening mistrust and personal dislike among Bosniak, Bosnian Croat and Bosnian Serb leaders have delayed adoption of the 2020 state budget, thus threatening the holding of local elections. Local US and EU ambassadors have played a key role in gradually negotiating a compromise, which led to the adoption of the state budget in July – just in time to enable organization of local elections in November. By the end of August, all local parties had

escalated their populist and/or nationalist statements as part of their respective pre-election campaigns. Bosnia is facing an uncertain future as a radicalized political and media scene has brought the country back into the chaos that existed just before, or right after the 1992-5 war. More serious crises have been so far avoided thanks to the interventions of local EU and US officials. Some experts say that BiH's Dayton agreement is effectively dead, which has pushed the country towards state failure and reopened key questions about the country's status, integrity and sovereignty. With this situation, BiH seems to have much greater and more immediate potential for serious trouble than Kosovo-Serbia relations, and as such requires even greater and more immediate EU attention.

Kosovo: inching towards a failed state

Feeling abandoned by its key ally, the USA, and still suspicious towards an equivocal and ineffective EU, Kosovo is hurt and confused, which is reflected in its deeply divided and corrupt political scene. While waiting to see what will come out of the renewed EU-led Kosovo-Serbia dialogue, as well as the indictment against its president Hashim Thaci, Kosovo seems oblivious to the looming economic and social crisis caused by the global slow-down due to COVID-19. On the other

hand, Kosovo's deeply divided, confrontational and populist political scene hinders any serious negotiations, whether they are led by the EU, the US, or both. Together with BiH and to a certain degree North Macedonia, Kosovo remains one of the remaining pieces of "unfinished businesses" in the Balkans, and as such requires special EU attention. Otherwise, Kosovo could further give way to the influence of local organized crime rings, as well as various external actors.

Montenegro: deepening religious, ethnic rifts threaten stability

Experts warn that Montenegro has been succumbing to ethno-nationalism and radicalism in recent months as the country prepared for new general elections that were held on August 30. With growing ethnic, religious and political tensions fuelled by the government's oppression of the Serbian Orthodox Church and its followers and supporters, as well as by recent forceful arrests of mayor and city councillors in the town of Budva (Kajosević 2020), the country seems to be almost on the verge of a civil war, some pundits say (Beta 2020). Radicalization of the local society has been evident since 2012 and intensified even more with the beginning of the anti-NATO protests of the opposition Democratic Front (Koprivnica 2020). The tight election results, in which the ruling Democratic Party of Socialists, DPS, and the main opposition coalition both claimed victories and pledged to form their government, indicate that the country's political and ethnic crisis will continue escalating in the subsequent months. While

the EU has been praising Montenegro – together with Serbia – as the regional leader in EU reforms, this has only been hurting the EU's image in the Balkans, where most see the regimes in Montenegro and Serbia as regional leaders in corruption and misuse of office. Frequent protests, disputes over the fate of religious objects, and increased police brutality have made the situation in the country extremely volatile and uncertain, both before and after the elections. Adding to already-present concerns, US diplomats and some Montenegrin officials are directly blaming Serbia and Russia for orchestrating disinformation campaigns and trying to destabilize the country (RSE 2020, Novosti 2020). EU influence in Montenegro is almost non-existent, and the country is increasingly under Chinese and Russian political and economic pressure, showing that even NATO membership – which was granted to Montenegro in 2017 – cannot save a Balkan country from internal destabilization and external influences.²⁸

28 Interviews with Montenegro experts, May-June 2020.



North Macedonia: from a sign of hope to hopelessness

Until a year ago, North Macedonia was considered the most positive example in the region, after its Prime Minister Zoran Zaev struck a deal with his Greek counterpart Alexis Tsipras, resolving the years-long name dispute between the two countries. That optimism, however, is now mostly gone, as the country spiralled back into political crisis and apathy caused by poor local politics, as well as by the sense of EU betrayal after the Union failed to publicly recognize and reward its historic achievement and grant it a date for the start of EU negotiations. The latest elections in North Macedonia do not offer much sign for optimism, as the ruling and opposition parties competed again using empty

promises and/or radical statements. After a narrow victory, the Social Democrats led by Zaev and the Democratic Union for Integration led by Ali Ahmeti on August 18 reached a deal on forming a new cabinet that will see Zaev return to the North Macedonian premiership. Yet experts stress that the positive momentum from a year ago is completely gone and that the formation and especially functioning of a new government will be very difficult. This, in turn, also means that the country's path to the EU will remain blocked without special attention and some hand-holding by Brussels.

Serbia: geopolitical competition's main prey in the Balkans

Together with Montenegro, Serbia was until recently considered one of the two regional frontrunners in EU reforms. Following his landslide election victory at the end of June, Vučić faced strong criticism from many EU officials, who saw his victory as a suspension of democracy and a new slide towards even greater authoritarianism. At the same time, Vučić is facing even greater domestic challenges, with violent protests rocking the capital and several other Serbian cities at the beginning of July. Many Serbian citizens face a desperate situation, between a

drastic increase in the number of infected cases and a growing number of unemployed – all believed to be directly linked with the government's decision to ease up restrictions to enable holding of elections. There are also signals that Russia may have been supporting, if not instigating some of the recent protests, in an apparent fight for dominance over Serbia's political scene. For details see the paper **["COVID-19 Raises Geopolitical Stakes in the Balkans," \(available here\)](#)**.

Conclusions

Since early 2000, the EU was perceived the only foreign actor able to stabilize and democratize the Western Balkans through its gradual accession. Still, the history of EU-Balkan relations shows that EU's political influence in the region remained far below its massive financial engagement, is often tainted by mutual misunderstandings and mistrust, as well as overshadowed by other global actors' political, religious or cultural involvement.

Furthermore, the most difficult multi-layered crisis, which the EU has faced over the past decade – from the 2008/9 recession to the latest COVID-19 pandemic – has effectively neutralized Balkan's EU perspective, creating space for renewed regional tensions as well as an escalation of geopolitical competition for control over the Balkans.

EU's divided and self-centred initial reaction to the outbreak of the COVID-19 pandemic, as well as strong populist activities of other global actors have further jeopardized EU's positions in the region at the beginning of 2020. Yet the EU managed to stage a strong comeback at the end of April, pledging 3.3 billion euro in grants and loans for the reconstruction and development of the Western Balkans.

The EU has also renewed Belgrade-Priština dialogue, but it already seems troubled by the apparent lack of new ideas and stronger and more concrete political support, as well as by a parallel initiative led by the White House-appointed

Special Envoy Richard Grenell. The two parallel initiatives are expected to continue in early September, and the lack of cooperation and coordination between EU and US officials threaten not only their respective initiatives, but also their respective positions in the Western Balkans.

In the meantime, the EU is working on the action plan for the realization of this assistance package, linking concrete funds with specific criteria, which Balkan countries will have to implement in order to get the money. The new package is expected to be presented this fall and EU leaders hope it will pave the way for new enlargement momentum in the Balkans.

While this plan indeed represents a major opportunity for EU-Balkan relations, it also carries many risks, especially if the EU fails to change its attitudes. On the one hand, most experts agree that if/when the EU enlargement finally takes hold in the region, no foreign actor stands a chance to truly influence any Balkan country. Many pundits also fear that EU's continued failure in the Balkans would likely endanger security of the region and of the entire Europe. Asked about possible consequences of the "non-enlargement" (effective disappearance of the enlargement perspective for the Balkans), European Commission's former Western Balkans director, Pierre Mirel said: *"That would be an absolute disaster (...) the EU cannot afford the price of non-enlargement."*²⁹

29 Online interview with Pierre Mirel, May 26, 2020.

Recommendations

EU-Balkan relations could have better chance if the EU would take into account the following issues:

- ✘ The EU has never had a stand-alone strategy for the Balkans, besides the enlargement process, which for almost two decades served as both the strategy and technical tool for the EU's relationship with the region. The EU needs to differentiate between the two and create a new Balkan strategy in which enlargement will be only one of the tools for building a better and more honest relationship with the Balkans. Other tools should include a stronger political presence, strategic communications, etc.
- ✘ The EU's strategy for the Balkans should take into account the reality of the situation and the fact that the enlargement option is currently "unavailable," but also the need for continued enlargement as a key stabilizing factor for the region. This conundrum can be reconciled by splitting the process into two: an immediate one that would focus more on concrete strategic investments, including those into infrastructure, clean energy and job-creating projects, which would feed into the second, long-term process that would gradually build local capacity and willingness for deeper changes of socio-political practices and behaviour, such as rule of law, etc.
- ✘ The recent attention the EU has been paying to the Balkans is welcome. Yet it is obvious that this attention has been so far motivated not so much by the EU's true interest in the region, but mainly by its fears that China or Russia could use COVID-19 to strengthen their positions there.³⁰ This is a poor basis for the EU's future engagement in the Balkans because it still ignores this region's own importance for the EU and the continent itself, but also because foreign influences in the region are hard to ascertain, as they often either underestimated, or overestimated, and are frequently changing. Instead of treating it as a foreign affairs issue, the EU should accept the Balkans as a part of its internal security, political and economic space and deal with its issues as a part of its own future reforms. For example, the "Europe of different speeds"³¹ or any similar idea would be a good opportunity to integrate the Balkans into the EU as part of its new "circle." This way, for example, the Balkans could gain earlier access to EU funds, but would get voting rights only in line with closed chapters in the accession process. The EU should also observe the Balkans, as well as its neighbourhood as a part of its geopolitical position, and try to regulate and resolve its relations, especially with Russia and Turkey.
- ✘ The new EU enlargement methodology ignores the reality on the ground, as it was prepared not to address the realistic needs of the Balkans, but to appease the French President Emmanuel Macron. For this reason, the new approach opens doors for further complications. One such controversial issue is the proposal that member states be more involved in monitoring of progress, which undermines the very concept of EU enlargement. The potential for confusion and complications is even greater given the fact that the new enlargement methodology at this stage formally applies only to Albania and North Macedonia. Serbia and Montenegro can choose whether to continue their accession process in line with the old or new methodology, while the starting point for the accession process for BiH and Kosovo is still very much uncertain. Any new EU methodology for the Balkans should take into consideration the lack of political will and technical capacity for reforms in the region. From that standpoint, future enlargement strategy could be more successful if the Commission would simplify the process, and create a set of country-specific step-by-step action plans to avoid a "Balkan regatta" competition, which only adds fuel to already tense relations among different Balkan actors. Due to the fact that politics is the main if not the only game in the Balkans, the EU should also become much more politically savvy in its dealings with local politicians. This should also include much greater attention to mainstream as well as alternative communication channels, directly addressing Balkan citizens.

30 Interviews with Balkan experts, May-June 2020.

31 The idea was launched by the previous EU commission president Jean-Claude Juncker, in his "white paper" presented on March 1, 2017. Available at: https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf.



✘ The EU's recent political efforts in the region have been focused primarily on Kosovo-Serbia negotiations, mainly as an EU reaction to the previous US initiative. However, the EU should broaden its perspective and pay more attention to the rest of the region. Relations in and between Priština and Belgrade are unlikely to lead to any comprehensive agreement or any serious

new conflict anytime soon, as local societies in both Kosovo and Serbia have been radicalized on this issue for too long and now need a cool-down period. On the other hand, the EU seems to be ignoring increasingly worrisome developments caused by the deepening ethnic and political divisions in Montenegro and BiH.

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Online interview with Alex Roinishvili Grigorev, president of the Council for Inclusive Governance (CGI), May 20, 2020.

Interview with Dušan Reljić, director of the Brussels office of the German Institute for International and Security Affairs (SWP), June 16, 2020.

Online interview with Dušan Janjić, Belgrade based political analyst, politician and publicist, June 2020.

Online interview with Pierre Mirel, European Commission's former Western Balkans director, May 26, 2020.

Online interview with a senior EU diplomat involved in Kosovo-Serbia dialogue, July 2020.

Online interview with a Western expert based in Priština, August 2020.

Online interviews with international and Balkan experts, March-August 2020.

Online interviews with senior EU and US officials and diplomats, June-July 2020.

Interviews with different Balkan politicians, 2015-2020.

A high-level online conference about the Balkans, focused on the relations between Kosovo and Serbia, July 2020.

Annex I.

EU financial assistance to the region within the framework of the Instrument for Pre-Accession Assistance (IPA)^{32*}

All values are expressed in millions of euro.

IPA I**								
Country	2007	2008	2009	2010	2011	2012	2013	Total
Albania	61,0	70,7	81,2	94,1	94,4	94,5	95,3	591,2
BiH	62,1	74,8	89,1	105,3	107,4	107,8	63,6	610,1
Kosovo	68,3	184,7	106,1	67,3	68,7	68,8	71,4	635,3
Montenegro	31,4	32,6	34,5	33,5	34,1	35,0	34,5	235,6
Northern Macedonia	58,5	70,2	81,8	91,6	98,0	101,8	113,2	615,1
Serbia	189,7	190,9	194,8	197,9	201,8	202,0	208,3	1.385,4
Multi-country	129,5	137,7	188,8	141,7	186,2	176,2	177,2	1.137,3
Total	600,5	761,6	776,3	731,4	790,6	786,1	763,5	5.210,0

**IPA I also included Croatia, Iceland and Turkey

IPA II***							
Country	2014	2015	2016	2017	2018	2019–2020	Total
Albania	68,7	91,9	82,7	80,2	115,6	200,7	639,8
BiH	75,7	39,7	47,0	74,8	102,5	212,4	552,1
Kosovo	66,8	82,1	73,9	78,2	100,7	200,6	602,2
Montenegro	39,5	36,4	35,4	41,3	46,8	79,7	279,1
Northern Macedonia	81,7	67,2	64,6	82,2	121,4	191,7	608,8
Serbia	179,0	223,1	202,8	212,2	255,9	466,3	1.539,3
Multi-country	242,3	346,7	435,3	403,4	389,6	1.162,9	2.980,2
Total	753,7	887,1	941,7	972,3	1.132,5	2.514,3	7.201,5

***IPA II also includes Turkey.

Country	IPA I	IPA II	Total
Albania	591,20	639,80	1.231,00
BiH	610,10	552,10	1.162,20
Kosovo	635,30	602,17	1.237,47
Montenegro	235,60	279,10	514,70
Northern Macedonia	615,10	608,80	1.223,90
Serbia	1.385,40	1.539,30	2.924,70
Multi-country	1.137,30	2.980,20	4.117,50
Total	5.210,00	7.201,47	12.411,47

* Source of data: https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en

32 See more about IPA at: https://ec.europa.eu/regional_policy/en/funding/ipa/

Annex II.

Most recent FDIs to the West Balkan Six countries*

ALBANIA (first quarter of 2020)	mil. EUR
EU Total	681
Switzerland	254
Other for confidential purposes**	204
Turkey	70
USA	24
Gulf Total	15
Cayman Islands	3

BOSNIA AND HERZEGOVINA (first quarter of 2020)	mil. EUR
EU	232
Russia	142
Gulf countries	10
Turkey	0
USA	-3

SERBIA (first quarter of 2020)	mil. EUR
EU-28	1.976,10
Russian Federation	685,6
China	210,1
USA	187
Gulf countries	51,9
Turkey	14,5

NORTH MACEDONIA (first quarter of 2020)	mil. EUR
EU	37
Turkey	7
USA	3
China	1
Gulf	0,34
Russia	0,12

* The table includes the latest available data from central Banks of Albania, BiH, North Macedonia and Serbia. It shows FDI originating in foreign countries that this paper covers (i.e. not regional one). Official data for Kosovo and Montenegro could not be found. The only available information that could be found about Montenegrin FDIs comes from a report from Montenegrin business news portal, bankar.me (Bankar 2020). According to this report, in all of 2019 plus the first quarter of 2020 the list of FDI's is led by Russia with 95 million of euro, China 70 million euro (all invested in the first quarter of 2020). The first EU country on the list is Hungary with 54.5 million euro.

** The Central Bank of Albania, like Eurostat and many countries, occasionally withhold names of its investors either by the request of the investor or the recipient country.

About the author

Srećko Latal covered Bosnia and Herzegovina, Kosovo and the rest of the Balkans during the wars in the 1990s as Associated Press correspondent, and later editor and Sarajevo bureau chief. He also served as an overseas correspondent from other places such as Afghanistan and Pakistan. Since 2000 he worked as a communications expert and political advisor for the EU and the World Bank, while from 2008 he joined the International Crisis Group, ICG as its Balkan Analyst until 2013 when ICG left the region. Afterward, Srećko established a new regional

think-tank, Social Overview Service (SOS), and worked as its director and senior analyst. Over the past two decades, Srećko also cooperated closely with the Balkans Investigative Reporting Network, BIRN, and is currently working as their regional editor. Throughout this period, he also covered the Balkans for numerous international media and analytical organizations, such as Oxford Analytica, Janes Defence (currently IHS Janes), World Politics Review and Economist Intelligence Unit.

About the project

“Western Balkans at the Crossroads: Ways Forward in Analyzing External Actors' Influence” is a follow-up project that aims to build upon a knowledge base established in the preceding project “Western Balkans at the Crossroads: Assessing Non-Democratic External Influence Activities,” which mapped, analyzed and publicized Russian, Chinese, Turkish, and Gulf States' influence activities in the region. The innovative project focuses on in-depth socially rooted research and investigative journalism. Its design reflects the aim to go beyond conventional analytical frameworks, overcoming ideologically constructed stereotypes and methodological nationalism while combining a variety of methodological approaches from security studies to visual anthropology.

Project outputs consist of fifteen analytical studies and fifteen journalistic articles drawing on their findings. Major observations on external actors' influence gathered throughout the work on the project will be summarized in a final reflection paper.

Project duration: 10/2019 – 03/2021

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About Prague Security Studies Institute

PSSI is a non-profit, non-governmental organization established in early 2002 to advance the building of a just, secure, democratic, free-market society in the Czech Republic and other post-communist states. PSSI's mission

is to build an ever-growing group of informed and security-minded policy practitioners dedicated to the development of democratic institutions and values in Central and South-East Europe.

