



Clingendael

Netherlands Institute of International Relations

Gridlock, Corruption and Crime in the Western Balkans

Why the EU Must Acknowledge its Limits

Peter van Ham

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1. Introduction

The European Union (EU) faces a dilemma in its policy towards the Western Balkans. In the 2003 Thessaloniki Declaration, the EU offered its unequivocal support for the ‘European perspective’ of all the countries of the region. After the (more or less) successful enlargement towards Central Europe, the EU used the same formula in the Western Balkans: the prospect of ‘joining Europe’ was expected to overcome inter-ethnic strife, foster stability, and encourage economic and political modernization. Regrettably, the Western Balkans are kept back by deep-seated political and inter-ethnic divisions, resulting in the stagnation of economic and political reforms, high unemployment, and widespread corruption. Although the steady stream of EU reports acknowledges the dire situation in the region, the EU and its member states have resigned themselves to the status quo. As Dimitar Bechev has argued: ‘The message Western Balkans politicians hear in Brussels, Berlin or Paris is: sort out your internal mess, demonstrate you are ready, and then come and talk to us’.¹

Stagnation therefore characterizes both the situation in the Western Balkans and the EU’s strategy towards the region. This Clingendael Report examines the current gridlock and argues that the region’s backsliding in most key governance indicators can no longer be ignored by turning a politically correct blind eye.² The EU accession of Romania and Bulgaria (in 2007) has led to growing popular opposition to any further enlargement.³ The 2014 elections have delivered a much more EU-sceptic European Parliament. This will inevitably raise the political bar for future enlargement, eroding the motivation of Western Balkans’ elites and citizens to continue their often painful reform process. Until now, the European Commission has adopted a ‘business as usual’ policy towards the region. Yet behind this façade of declarations and negotiations, a silent pact has emerged ‘between enlargement-fatigued EU member states and rent-seeking elites in the Western Balkans who don’t mind slowing the pace of transformation’.⁴ One could argue that the EU (and many EU member states) pretend that they still want the Western Balkans to join, and that the elites in the region pretend that they are seriously tackling their multiple and chronic economic and political problems.

For the time being, the EU prefers a strategy of ‘hope over experience’ towards a region that remains mired in severe troubles. This Clingendael Report argues that the EU needs to revisit its current approach, taking into account its limited ability and dwindling (political and financial) resources to coax the region in the right direction. Both the EU and the Western Balkans need to accept that despite their proximity, full integration is not on the cards. This does not mean that the region has to abandon its aspirations of ‘joining Europe’. It does, however, imply that the EU has to acknowledge the limits of its current strategy of conditionality, and that it has to offer concrete, realistic steps towards the economic integration of the Western Balkans into a more flexible EU. It must be clear for the elites *and* the population of the Western Balkans what *exactly* the EU can offer them within the politically relevant time span

1 Dimitar Bechev, ‘The Periphery of the Periphery: The Western Balkans and the Euro Crisis’, *ECFR Policy Brief* (August 2012), p. 7.

2 World Bank, *Worldwide Governance Indicators* (2013), online at www.govindicators.org.

3 ‘Füle: Bulgaria and Romania’s Accession Questioned the Credibility of EU Enlargement’, *Euractiv.com* (26 June 2014).

4 Bechev, ‘The Periphery of the Periphery’, p. 7.

of, for example, a decade, rather than the illusory 'pie in the sky' and redemption that are associated with EU membership. This Clingendael Report also analyzes the possible negative implications of such a new EU approach towards the Western Balkans, and concludes with some insights on the prospects of a more hard-nosed policy towards a region that has lost itself in crime and corruption.

2. Chronic Malaise: Crime, Corruption and the Spectre of Terrorism

For the purpose of this Clingendael Report, the Western Balkans consists of six states: Albania; Bosnia and Herzegovina; Kosovo; Macedonia; Montenegro; and Serbia (see Map 1). With only 18 million people, the region is as populous as the German state of North-Rhine Westphalia, but has only 25 per cent of its total GDP. The EU, however, has adopted the so-called 'regatta principle', which assumes that 'integration into the EU should progress in accordance with a country's reform milestones'.⁵ As a result, each country can in principle 'earn' its own entry into the EU by complying with the EU's membership conditions. This is particularly important since the 'Western Balkans' faces a collective image problem: it conjures up images of civil war, ethnic strife, and general lawlessness. Attempts to rebrand the Balkans into the more neutral 'South-Eastern Europe' have remained futile. It is therefore important to analyze each Western Balkans state individually, and to judge it on its own merits. Although all states in the region suffer from weak governance and widespread crime and corruption, each has its own unique set of problems and challenges.

Map 1: The Western Balkans



5 Theresia Töglhofer, 'Accession Regatta Lull: The Western Balkans' Long Journey to the EU', *DGAP Analyse Kompakt*, no. 2 (April 2012), p. 3.

For example, Bosnia and Herzegovina, as well as Kosovo, remain (at least partially) internationally administered (by the United Nations (UN) and the EU).⁶ Bosnia and Herzegovina are hamstrung by a political deadlock between three main ethnic groups: Bosniaks; Croats; and Serbs. In February 2014, protesters set fire to government buildings during the worst civil unrest since the country's three-year civil war ended in 1995. Meanwhile, Kosovo's ties with the EU are restricted, since five EU member states (Cyprus, Greece, Romania, Slovakia, and Spain) refuse to recognize Kosovo's independence. In Kosovo, conflicts between Serbs and Kosovo's ethnic Albanian majority seem to continue forever, against the backdrop of a Kosovar (now caretaker) prime minister (Hashim Thaci, a former UCK/KLA (Kosovo Liberation Army) commandant), who stands accused of a wide range of serious crimes, including drugs trafficking and the sale of human organs.⁷ The Former Yugoslav Republic of Macedonia (hereafter Macedonia, for brevity's sake) remains confronted with a Greek veto over accession negotiations because of the on-going naming dispute. The presence of radical Islamist networks and Wahhabi movements is a particular concern for Albania, Bosnia and Herzegovina, Kosovo, and Macedonia.⁸ Although a recent International Crisis Group Report suggests that the 'few existing groups are small and divided', and that '[v]irtually no home-grown [Islamic] radicals have been involved in violence', it concludes that 'a plethora of non-traditional Salafi and other Islamist groups have appeared, raising fears of terrorism'.⁹ Compared to the other five countries of the region, Serbia's concerns seem rather mundane and clear-cut (that is, mainly crime and corruption), although Belgrade remains under close scrutiny regarding its full cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY).

The region's problems are many, and were well known when the EU offered the carrot of membership to the Western Balkans at the June 2000 Feira Summit. The EU's Stabilization and Association Process (SAP) suggested a step-by-step process towards accession, based on strict conditionality. With only few and minor exceptions, democratic reforms have stalled, and internal political polarization, corruption, and clientelism have become common. A 2011 United Nations Office on Drugs and Crime (UNODC) Report concludes that corruption 'is considered one of the main causes hindering their economic and social development as well as their European Union accession process. (...) Results presented in this report show that the people of [the Western Balkans] rank corruption as the most important problem facing their countries/areas after unemployment and poverty'.¹⁰

Economically, the Western Balkans are confronted with high levels of state interventionism, an underdeveloped private sector, and subsequent high levels of unemployment (see Table 1).

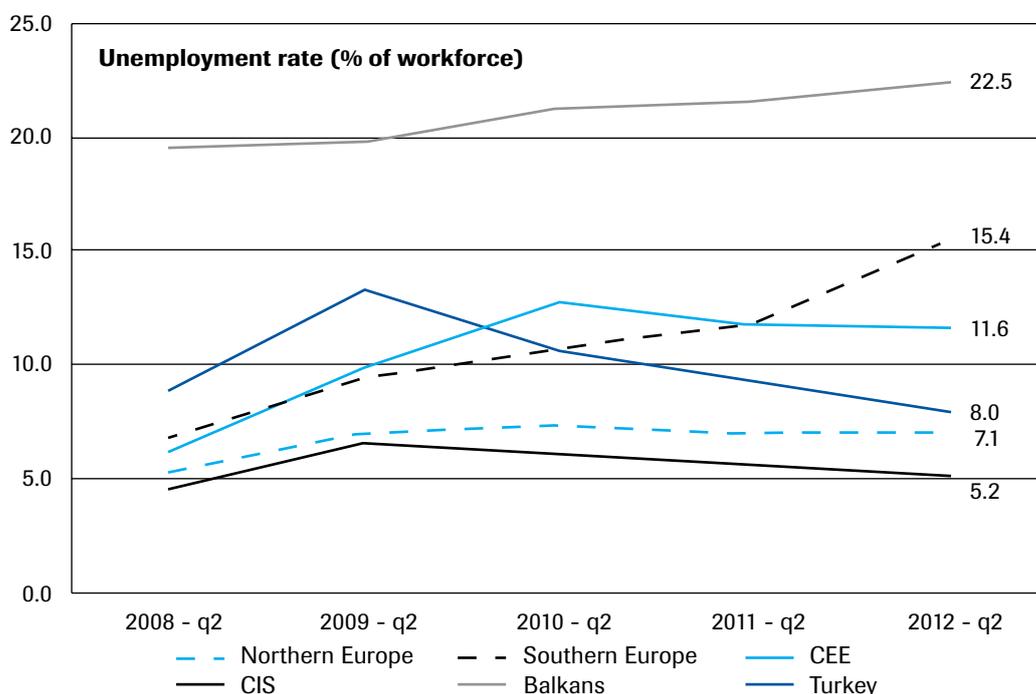
6 See the *United Nations Development Assistance Framework (UNDAF) 2010–2014, Progress Report*, Sarajevo (March 2009) for the UN's involvement in Bosnia and Herzegovina. The United Nations Interim Administration Mission in Kosovo (UNMIK) has remained actively involved (since 1999) in administering Kosovo, together with the EU's Rule of Law Mission in Kosovo (EULEX). For Kosovo, international 'supervised independence' officially came to an end in September 2012.

7 Nicholas Schmidle, 'Bring Up the Bodies', *The New Yorker* (6 May 2013). See also: Jeton Zulfaj, 'Thaci's Thirst for Power is Harming Kosovo', *EUObserver.com* (16 July 2014).

8 Dimal Basha and Jana Arsovska, 'Radical Route: Salafism in the Balkans', *Jane's Intelligence Review* (September 2012).

9 'Bosnia's Dangerous Tango: Islam and Nationalism', *ICG Policy Brief*, no. 70 (February 2013), pp. 1–2.

10 UNODC, *Corruption in the Western Balkans: Bribery As Experienced By the Population* (Vienna: UNODC, 2011), p. 7.

Table 1: Balkans Unemployment Rate, 2008–2012 (World Bank, 2012)

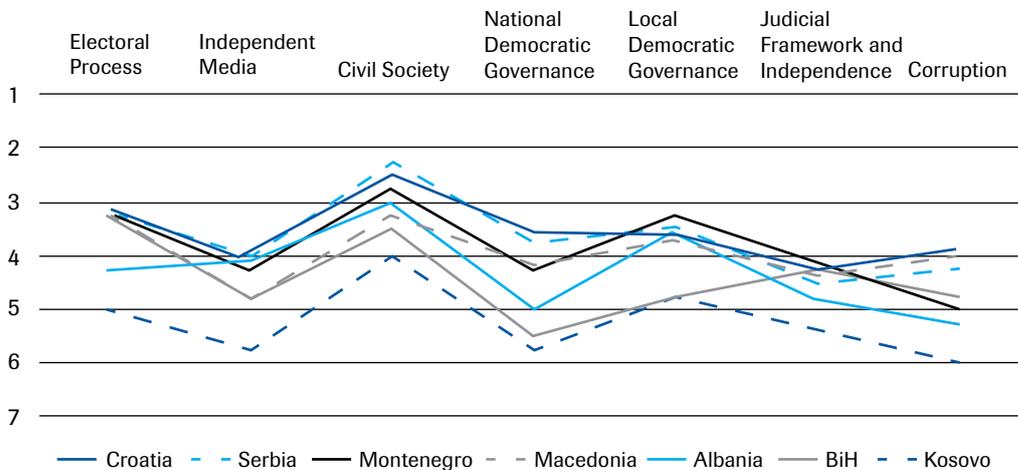
Uncompromising political elites and ethno-nationalist parties are part of the establishment, and have consolidated their economic and political power. This is especially the case in Albania, Bosnia and Herzegovina, Kosovo, and Macedonia. The result has been a process of ‘state-capture’, characterized by ‘governance through clientelism and patronage networks accompanied by large-scale, high-level corruption’.¹¹ Alan Riley claims that ‘[w]hat the region has experienced in the last 20 years is a process of “refeudalization”, where power is held by informal networks that run through every state institution and the private sector’.¹² The consequences of state-capture in the Western Balkans have been dramatic. A recent Democratization Policy Council Report (on Bosnia and Herzegovina) even suggests that ‘much of the general population has clearly lost hope that the country’s political system can represent them or deliver any meaningful change. Such misgivings are well founded: the problem is structural and institutional, not simply a question of who occupies given offices’.¹³ The level of corruption remains very high throughout the Western Balkans, and has not changed over the past decade (see Table 2 for an assessment of the current situation).

11 ‘The Western Balkans and EU Enlargement: Ensuring Progress on the Rule of Law’, *FCO/Wilton Park Conference Report* (March 2013), p. 3.

12 Alan Riley, “‘Refeudalisation’ in the Balkans and the Danger to the EU”, *Prospect Magazine* (2 July 2013), online.

13 Bodo Weber and Kurt Bassuener, ‘EU Policies Boomerang: Bosnia and Herzegovina’s Social Unrest’, *DPC Policy Brief* (February 2014), p. i.

Table 2: Democratic Scorecard For the Western Balkans (Freedom House, 2013)



Note: Countries are rated on a scale from 1 to 7, with 1 representing the highest level of democratic process, and 7 the lowest.

All countries of the region face similar problems in establishing the Rule of Law (RoL), mainly because existing economic and political power structures are not strong enough to fight corruption effectively. This, in turn, has seriously undermined state legitimacy and has hampered economic reform and prosperity in the region. The worryingly high level of organized crime and corruption can be traced back to three factors: history; geography; and ethnicity/religion.

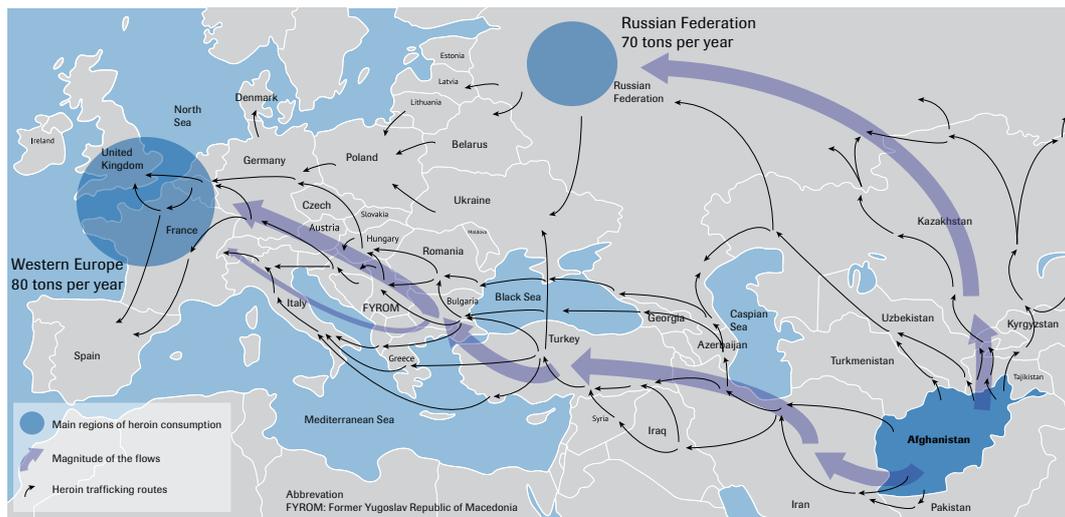
First, the traditional challenges of post-communism are linked to inadequate legislation, a weak RoL, and the absence of a vibrant civil society. Poorly controlled national borders and weak state institutions, combined with high unemployment, have in turn created the perfect operational setting for organized crime networks. The Western Balkans’ recent experience with armed conflict and ethnic strife have created links between the state’s security sector and organized crime that still burden the quality of governance. As Wolfgang Koeth argues, the region is afflicted ‘by a culture of conspiracy, which served as survival tactics in a hostile environment characterized by poor relations with the authorities. These authorities, be they Ottoman, Yugoslav or Serbian, were perceived as oppressive and repressive foreign colonial overlords, against whom the extended family, the clan and the wider ethnic group served as protection’.¹⁴ Distrust between citizens and the state has a long pedigree in the Western Balkans. Illegal and unethical behaviour has become so widespread and carries such small social and legal costs that the development of a civil society based on a high ethical standard seems impossible.

Second, a simple glance at the map indicates that the Western Balkans are uniquely positioned as a gateway between Europe on the one hand, and Asia and the Middle East on the other. Weak regional governance (from law enforcement to the judiciary) makes it easy for organized criminal networks to engage in the heroin (as well as cocaine) trade, human trafficking, counterfeiting and contraband, as well as weapons smuggling. The shortest route

¹⁴ Wolfgang Koeth, ‘State Building without a State: The EU’s Dilemma in Defining its Relations with Kosovo’, *European Foreign Affairs Review*, vol. 15, no. 2 (2010), p. 244.

from Afghanistan (which produces 90 per cent of the heroin intended for the European market), goes straight through the Balkans, via Turkey. Transit routes through all the countries of the Western Balkans are used intensively, using poorly maintained border crossings (see Map 2).¹⁵ Although the figures from the International Organization for Migration (IOM) and the UN fluctuate, it is estimated that every year some 120,000 women and children are trafficked through the Western Balkans, often forced into prostitution within the EU.¹⁶ The main routes go via Bosnia and Herzegovina to Austria and beyond, and from Serbia, Montenegro, Kosovo, and Albania across the Adriatic to Italy and beyond.

Map 2: The Western Balkans Gateway: Illicit Drugs Trafficking (UNODC, 2010)



The Western Balkans have established themselves as a free haven for human trafficking, making it a low-risk and high-profit criminal enterprise. The profit margins (especially for trafficking narcotics and people) are so high that the corruption of law enforcement officials has become endemic. The European Commission’s annual Enlargement Reports generally conclude that there is ‘limited progress’ in fighting organized crime and anti-corruption policy in the region as a whole, which is a polite way of saying that the Western Balkans are not making any progress on these issues at all.¹⁷

Apart from history and geography, the Western Balkans are burdened by a *third* factor that weakens the RoL and facilitates crime and corruption: closely-knit ethnic communities and the local Muslim population’s susceptibility to radical Islamic groups. Most crime networks have an ethnic (and/or religious) component. Organized crime thrives within a culture of trust, and trafficking and distribution are facilitated by the presence of large diasporas

15 UNODC, *The Illicit Drug Trade through South-Eastern Europe* (Vienna: UNODC, March 2014).

16 Ivana Jovanovic, ‘Balkan Countries Join Effort in Battle against Human Trafficking’, *SETimes.com* (15 November 2012).

17 European Commission, *Enlargement Strategy and Main Challenges 2013–2014*, COM(2013) 700, (Brussels: European Commission, October 2013).

(especially Kosovan-Albanian and Turkish) in the EU.¹⁸ The Albanian crime syndicates are considered the region's only true 'mafia', based on firm beliefs of honour and pride, and falling back on a tradition of vendetta. Ethnic Albanian and Turkish syndicates are closely intertwined, both playing crucial, different roles along the crime-ridden twenty-first-century 'Silk Road' between Asia and Europe.

Over the years, Kosovo and Bosnia and Herzegovina (and to a lesser extent Albania and Macedonia) have raised concerns about the possible rise of Islamic terrorism in the region.¹⁹ The link between the Western Balkans and Islamic radicalism is far from new. During the 1990s, Osama bin Laden visited Albania several times, allegedly to gain a foothold in Europe and to establish training camps, preparing Jihad warriors from Sudan, Algeria, Saudi Arabia, and Egypt. In Kosovo, which is highly dependent on external aid, Islamic radical organizations operate under the banner of humanitarian NGOs, often sponsored by Saudi Arabia and Qatar. These Gulf States fall under the suspicion of funding and recruiting Jihadi warriors for the al-Nusra Front in Syria, which is considered a terrorist group by the United States, the United Kingdom, and by Turkey. The number of Jihadi fighters originating from the Western Balkans remains modest. There is concern, however, that high unemployment and continued ethnic and religious strife, combined with the growing (political and financial) presence of the Gulf States in the region, may change matters for the worse.²⁰

But the main danger is not the divisive effects of radical Salafist Islamic propaganda and the growing role of al-Qaeda in the region. The nexus linking organized crime (especially drugs and human trafficking, arms smuggling, and money-laundering), Islamic terrorism, and state-capture in the Western Balkans is what constitutes the main challenge. Traditionally, crime rings and terrorists are natural allies, thriving in weak and failing regions. A recent report from the European Parliament therefore concludes that '[i]n addition to the geographical attraction of the Balkans to OC [organized crime] and terrorist groups – thus creating natural synergies for cooperation – the region raises concern in relation to the crime-terror nexus'.²¹

These three factors explain why crime and corruption are not only endemic in the Western Balkans, but also hard to tackle. In 2006, Dejan Anastasijevic argued that 'although organized crime in the Western Balkans is by now widely recognized as the main threat to stability in the region and in Europe, there is no comprehensive strategy to address the problem, neither locally, nor in the EU'.²² At the time, that was a distressing but not fully foregone conclusion. However, in 2013 a similar conclusion was drawn by the United Nations Office on Drugs and Crime: '[T]here is an increasing body of evidence that corruption is still widespread and pervasive in the [Western Balkans] and affects large segments of society and public adminis-

18 Ioannis Michaletos, 'Southeastern European Organized Crime and Extremism Review', *Defencegreece.com* (8 January 2013). See also: Xavier Raufer, 'Albanian Organized Crime', in Michel Korinman and John Laughland (eds), *Long March to the West: Twenty-first Century Migration in Europe and the Greater Mediterranean Area* (Portland, OR: Vallentine Mitchell Academic, 2007).

19 Wolfgang Benedek, Christopher Daase, Vojin Dimitrijevic, and Petrus van Duyne (eds), *Transnational Terrorism, Organized Crime and Peace-Building: Human Security in the Western Balkans* (London and New York, NY: Palgrave Macmillan, 2010).

20 Milos Teodorovic and Ron Synovitz, 'Balkan Militants Join Syria's Rebel Cause', *RFE/RL* (8 June 2013); and Timothy Holman, 'Foreign Fighters from the Western Balkans in Syria', *CTC Sentinel* (June 2014).

21 European Parliament, *Europe's Crime-Terror Nexus: Links Between Terrorist and Organised Crime Groups in the European Union* (Strasbourg: European Parliament, DG For Internal Policies, October 2012), p. 25.

22 Dejan Anastasijevic, 'Organized Crime in the Western Balkans', *HUMSEC Paper* (2006), p. 13.

tration'.²³ As may be expected, the EU makes further steps towards accession conditional on effectively tackling both crime and corruption (see below). It is therefore rather surprising that 'there is not yet an EU-wide anti-corruption strategy that the Commission could enforce in the context of enlargement'; at the same time, 'the EU has no plans to build a comprehensive system [to combat organized crime] of its own'.²⁴ This poses serious problems for the EU, since it puts into question the legitimacy of the governments with which it is dealing in the region. As Emil Giatzidis argues: 'We are no longer facing societies penetrated by hosting the parasitical 'black economy': we are facing societies dominated by it in every aspect. We are facing entities that, by virtue of this pervasive system, are financially and otherwise more powerful than nation-states in the region'.²⁵

This depiction of the reality of the Western Balkans goes a long way in explaining why there is no positive correlation between the level of international tutelage, aid, and loans on the one hand, and successful economic and political reform on the other. As Table 2 indicates, countries like Albania, Bosnia and Herzegovina, and Kosovo, which are often labelled as the 'donor darlings' of both the EU and the United States, have been underperforming during the past five years, despite significant political, financial, and institutional support. Regardless of its spotty democratic record, Albania was even allowed to join the North Atlantic Treaty Organization (NATO), in the hope that such a new strategic anchor in the region would boost the political will to drive through the required democratic reforms. Yet membership of the Alliance has done little to strengthen Albanian democracy. It certainly has not impacted positively on its direct vicinity. The Human Rights Watch *2014 World Report* stated that '[p]olitical deadlock in Bosnia and Herzegovina (BiH) continued to impede necessary human rights reform in 2013', and '[h]uman rights protection remains weak in Kosovo' – the rest of the region hardly fares better.²⁶

This obviously begs the question of what role the EU can play in consolidating the region's socio-economic transformation, and supporting the RoL.

23 UNODC, 'Assessment of Corruption and Crime Affecting the Business Sector in the Western Balkans (2012–2013)', *UNODC.org* (2014).

24 Rosa Balfour and Corina Stratulat, 'The Democratic Transformation of the Balkans', *EPC Issue Paper*, no. 6 (November 2011), pp. 23 and 32.

25 Emil Giatzidis, 'The Challenges of Organized Crime in the Balkans and the Political and Economic Implications', *Journal of Communist Studies and Transition Politics*, vol. 23, no. 3 (2007), p. 340.

26 Human Rights Watch, *World Report 2014* (January 2014), online.

3. The EU's Problematic Track Record in the Western Balkans

Until now, only Croatia has joined the EU (in July 2013). Several other countries have candidate status (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia), which implies that they are committed to bringing their laws in line with the EU's *acquis communautaire*. High levels of corruption, organized crime, and dysfunctional institutions (as outlined above) continue to present forbidding obstacles on their road towards full EU membership. For countries like Montenegro and Serbia, which started accession negotiations in 2012 and 2014 (respectively), this means that they will not join the EU before 2020 – for laggards like Bosnia and Herzegovina, and Kosovo, it means they may 'join Europe' some 40 years after the collapse of Yugoslavia and the fall of communism.

EU negotiators are actively involved in the region, and the conditional decision to open membership talks with Serbia (in January 2014), and the completion of a so-called Stabilization and Association Agreement (SAA) with Kosovo (in May 2014), are considered 'success stories'. The EU (and its High Representative for Foreign Affairs and Security Catherine Ashton, in particular), lauds itself as the broker of a landmark deal (in April 2014) between Serb-majority municipalities in northern Kosovo, and the Kosovar government in Pristina. Although this is certainly a good development, the EU's track record in the rest of the region is modest. Given that EU membership remains beyond the political horizon of many Western Balkans states, the leverage of EU conditionality is dwindling, and has become almost insignificant. As Stefan Lehne argues: 'Enlargement is getting more difficult all the time. The EU legislation that must be adopted by a new member states has increased to 140,000 pages [...] [T]here will be no further enlargement before 2020. [...] For governments that naturally think in terms of electoral mandates, such a distant objective has limited pull'.²⁷

The decline of the EU's soft power in the Western Balkans can be brought back to three (closely related) factors.²⁸

First, the EU has gradually, and somewhat stealthily, adopted a 'new approach' towards EU enlargement to the Western Balkans. The EU has learned that its leverage over candidate countries was most evident *before* accession; once the Central European countries had joined (in 2004 and 2007), the EU's conditionality dropped markedly. For the Western Balkans, this means that the region is faced with stricter EU conditionality based upon 'opening, intermediary, equilibrium, and closing benchmarks; safeguard clauses to extend monitoring; more routing procedures to suspend negotiations; early screening processes and the strict requirement for the Balkan countries to demonstrate that they are able to implement the policies

27 Stefan Lehne, 'Serbia-Kosovo Deal Should Boost the EU's Western Balkans Policy', *CarnegieEurope.eu* (23 April 2013).

28 As the ECFR's *European Foreign Policy Scorecard 2014* puts it: 'Though the Serbia-Kosovo deal suggests that the EU still has some power of attraction in the Western Balkans, its soft power elsewhere in the neighbourhood is increasingly contested'; European Council on Foreign Relations, *European Foreign Policy Scorecard 2014* (London: ECFR, 2014), pp. 12-13.

adopted'.²⁹ As a result, the RoL chapters in the EU negotiation process (chapter 23 on the judiciary and fundamental rights, and chapter 24 on justice, freedom, and security), are now 'front-loaded' in the EU's enlargement strategy towards the Western Balkans. In 2007, the EU established a Cooperation Verification Mechanism (CVM) for its own Balkan members: Bulgaria and Romania. The annual CVM Reports do, however, indicate that reforms are not irreversible, and that a significant level of backsliding is taking place, especially regarding corruption and organized crime.³⁰

Front-loading the RoL implies that the EU's conditionality has become more political, and less economic and technocratic. Strengthening the RoL has major, often sensitive, and painful ramifications for existing political power structures. In countries where clientelism and patronage make corruption and organized crime integral parts of government (at all levels), the RoL will find only a few supporters. It has become clear that the EU's definition of RoL may not be compatible with the political tradition of the region. Understanding of the relationship between state and citizen has been shaped by different historical experiences in the Western Balkans. The gradual consolidation of clientelist governments in Albania, Bosnia and Herzegovina, Kosovo, and Macedonia indicates that it will be hard to front-load EU-style RoL, especially since accession remains as unlikely as ever, and the spoils of full membership less assured.

Second, the EU's leverage – front-loaded or otherwise – has suffered from the on-going euro crisis, the EU's institutional crisis, the resurgence of EU scepticism, and the strategic imbroglio over Ukraine. Because of these urgent and important problems, the future of the Western Balkans has been marginalized on the policy agendas of the EU and (most of) its member states. The seemingly never-ending euro crisis has been a rude awakening to the Western Balkans that the EU's model of integration is fraught with risk, especially for southern European states whose economic model is *not* based on high-value-added exports (like Germany). Looking at Greece, with its 57 per cent youth unemployment (in March 2014), it seems obvious that EU membership does not guarantee prosperity and stability. Indeed, on the contrary, EU integration increases the vulnerability of weak and unreformed economies to external shocks.³¹ Balkan countries that *did* reform hardly fared better. As a recent London School of Economics (LSE) study concludes: '[T]heir progress in adopting market-friendly institutions, which provided a base for the development of a capitalist economy, has simultaneously increased their vulnerability to external shocks'.³² This raises the question of why and whether painful reforms should be introduced (including the RoL), if the evanescent end-stage of full EU membership loses its attraction. For many Western Balkans states, it has become clear that there is (or at least there should and better be) an economic and political life outside the EU.

The uncertainty of the EU's institutional establishment and the rise of EU-sceptical parties have further changed the mood music that accompanies the debate on EU enlargement.

29 Balkans in Europe Policy Advisory Group, 'The Unfulfilled Promise: Completing the Balkan Enlargement', *Centre for Southeast European Studies Policy Paper* (May 2014), p. 8.

30 European Commission, *Report from the Commission to the European Parliament and the Council on Progress in Romania and Bulgaria under the Cooperation and Verification Mechanism*, COM(2013) 47 (Brussels: European Commission, 30 January 2013).

31 Will Bartlett and Ivana Prica, 'The Variable Impact of the Global Economic Crisis in South-East Europe', *LSEE Papers Series*, no. 4 (2012).

32 Bartlett and Prica, 'The Variable Impact of the Global Economic Crisis in South-East Europe', p. 31.

Apart from Austria, Croatia, Greece, and Italy, few EU member states are making a case for the admission of the Western Balkans. The Ukraine crisis confronts the EU with a dilemma that may have major implications for the Western Balkans. Ukraine's long catalogue of problems and challenges are congruent with those of the Western Balkans. In a bizarre spell of gung-ho boldness, the EU has committed itself to keeping Ukraine out of Russia's sphere of influence. This will not only sap the EU's already limited capacity for strategic thinking, but will also take a serious bite out of the financial resources earmarked for strengthening the RoL in the EU's 'near abroad'.³³ This is all bad news for the Western Balkans. It will mean less EU financial generosity, and less political attention.

Third, the EU's dwindling attractiveness and its front-loaded set of tough political conditions have opened up opportunities for other actors to engage with the Western Balkans, not just economically, but also politically and even strategically. Russia and Turkey are more than keen to strengthen old ties and friendships; China and several Gulf States are relative newcomers to the region.

Russia's ties with Serbia go beyond a shared (Russian-Orthodox) religion, and now centre on the region's key role as a transit route of the South Stream pipeline, connecting Russia's eastern gas fields to Central and Western Europe.³⁴ Since South Stream will circumvent Ukraine, and link Russia closer to several key (Balkan) states (most notably Bulgaria, Serbia, Hungary, Greece, Slovenia, Austria, and Croatia), the project carries major geostrategic significance. Serbia is keeping its options open *vis-à-vis* Russia, among other things by becoming a permanent observer in the Russian-led Collective Security Treaty Organization (CSTO), and by signing (in November 2013) a bilateral agreement on military cooperation with Moscow. Russia is also raising its profile as a regional trading partner, particularly in Serbia and the *Republika Srpska* (in Bosnia and Herzegovina). Although Russia's ambitions in the region remain unclear, recent experiences in Ukraine indicate that the 'Western Balkans are treated by Moscow as a proxy playground in a wider geopolitical competition with the EU and the US'.³⁵ Adam Balcer even suggests that the 'Kremlin expects to swap part of its assets in the Western Balkans for Western concessions in other regions that are more important for Russia, particularly the post-Soviet space'.³⁶

Turkey initially offered itself as a model of successful economic reform outside the EU, and today brands itself as a budding Islamic state with a semi-autocratic government and ambitious regional aspirations.³⁷ Although the EU sees Turkey as a partner in stabilizing and modernizing the region, Ankara's presence and influence meet with very different reactions

33 Olivier de France and Nick Whitney, 'Europe's Strategic Cacophony', *ECFR Policy Brief* (April 2013). The EU's Instrument for Pre-accession Assistance (IPA) for 2014–2020 is € 11.7 billion (in total), and will focus on democracy and governance, RoL, and growth and competitiveness in the Western Balkans. The EU's financial support for Ukraine totals € 1 billion in 2014, but will surely increase steadily under pressure of continued Russian intimidation.

34 Enza Roberta Petrillo, 'Russian Foreign Policy Towards the Balkans: Which Perspective?', *ISPI Analysis*, no. 169 (April 2013).

35 Adam Balcer and Veton Surroi, 'In Search of a New Paradigm: The Western Balkans and the EU Integration', report (Warsaw: *Demos Europa/Centre For European Strategy*, 2013), p. 36.

36 Balcer and Surroi, 'In Search of a New Paradigm', p. 36.

37 Erhan Türbedar, 'Turkey's New Activism in the Western Balkans: Ambitions and Obstacles', *Insight Turkey*, vol. 13, no. 3 (2011). See also Zarko N. Petrovic and Dusan Reljic, 'Turkey's New Approach to the Western Balkans', *ISAC Working Paper* (2011); and Michael Birnbaum, 'In Bosnia, Turkey Brings Back a Gentle Version of the Empire', *The Washington Post* (24 March 2013).

across the Western Balkans. Over the past decade, Turkey has been building schools and universities in countries and regions with a predominantly Muslim population (mostly in Albania, Bosnia and Herzegovina, and Kosovo). In other parts of the Western Balkans, Turkey is seen as the successor of the Ottoman enslavers of the past, based on vivid memories of the so-called 'blood tax' and collective punishment that was imposed upon disbelievers. Turkey is therefore not an outsider to the region; quite the contrary. Much depends on how Turkey decides to use its ample influence. If a 'neo-Ottoman' approach to the Western Balkans is adopted (based on an amalgam of Islam, Turkishness, and Ottoman imperialism), Turkey's role will be disrupting the region's route towards 'Europe'. If Ankara uses the Customs Union it has with the EU as a way to intensify trade with the Western Balkans (which is still at a modest € 1.6 billion, or a mere 0.5 per cent of Turkey's total external trade, in 2012), Turkey's role will obviously be more constructive and encouraged by the EU and its member states.

The role of the *Gulf States* in the region has generally remained under the EU's strategic radar. One of the first Gulf initiatives to raise eyebrows in the West was the launch by the Qatar-based television station Al Jazeera of a Balkans network (in November 2011). Headquartered in Sarajevo, Al Jazeera now broadcasts in all the languages of former Yugoslavia. At the May 2014 Sarajevo Business Forum, the prominent presence of Qatar, the United Arab Emirates (UAE), and Kuwait could also not be overlooked. Qatar and the UAE have shown particular interest in Kosovo and Bosnia and Herzegovina, a relationship that goes back to the Balkan wars of the late 1990s. The Gulf States have always criticized the EU (and NATO) for ignoring the plight of Muslim states and communities in the region. Several Gulf States now see an opportunity to use their economic power and religious affinity to increase their influence in the Western Balkans. Yet the closer ties clearly go beyond the obvious motivation of religious solidarity, as the growing economic links between the UAE and Serbia testify. Serbia signed a US\$ 1 billion loan with the UAE in March 2014. In order to finance its debts till 2016, Serbia plans additional borrowing from the UAE as well as China. Before this major deal was made, the UAE's national airline, Etihad Airways, had already purchased a large (49 per cent) stake in JAT Airways, Serbia's national carrier, in August 2013. This is the usual approach of the Gulf States: buy up a large state-owned business (such as an airline or bank), in order to gain a foothold in the local and regional market. The political and strategic motives of the Gulf States in the region are uncertain. Arguably, however, they offer the Gulf States 'a new set of potential allies in the corridors of power in Brussels'.³⁸

Ever since *China* bought a shipping terminal in the Greek port of Piraeus (a 2010 deal that put €500 million into Greek coffers), the EU has woken up to China's assertive and highly successful entry into the Western Balkans. While this does not yet make China a key player in the region, China's attraction is on the rise, for the same reasons that the 'Beijing Model' has appeal in Africa and other developing regions: China's immense market, its lack of political conditionality, and its willingness to invest in energy and infrastructure projects. China is increasing its economic and trade ties with Serbia, as well as with Macedonia and Montenegro. As Loïc Poulain argues: 'Because money and influence are closely intertwined, Beijing's sizeable investments in South-Eastern Europe are as much about financial returns as they are about leverage'.³⁹ It is therefore of little surprise that the Chinese People's Liberation Army (PLA) has stepped up military cooperation in the region, and has deepened its ties with all countries of the Western Balkans, apart from Kosovo (which China does not recog-

38 Dominic Dudley, 'Peripheral Vision', *TheGulfOnline.com* (October 2013).

39 Loïc Poulain, 'China's New Balkan Strategy', *CSIS Central Europe Watch*, vol. 1, no. 2 (August 2011), p. 6.

nize). Politically, it means that Serbia is usually not willing to join EU declarations condemning China's human rights record, and in return China supports Serbia in its stand on Kosovo.

Given these new regional dynamics, the EU has to rethink its strategy towards the Western Balkans. The silent pact between 'enlargement-fatigued EU member states and rent-seeking elites in the Western Balkans' (see above) is based on 'business as usual', in the understanding that neither Brussels nor the region's elites should rock the boat. This assumes that the status quo is tenable, which is not the case. The EU's strategy leaves a gap of a decade (or more) between today and the earliest possible entry date of (some) Western Balkans candidates. During this strategic interlude, the EU has little to offer to these countries apart from promises, good intentions, and its Instruments for Pre-Accession Assistance (IPA). Although not insignificant, these IPAs remain modest (for example, € 47.2 million for Bosnia and Herzegovina, and € 208.3 million for Serbia, compared to a whopping € 902.9 million for Turkey – all figures are for 2013). It is little surprise, therefore, that most governments in the region are actively courting assistance and investment from the Gulf States, China, Russia, and Turkey, often with surprising success, as the growing ties between Serbia and the UAE testify.⁴⁰

A recalibrated EU strategy is in order, based on the reality that the EU no longer has the political will and the deep (financial) pockets to accommodate up to six new member states whose prosperity and stability remain highly questionable for decades to come.

40 Theodore Karasik, 'Gate to the Balkans: UAE and Serbia Strengthen Ties', *Al Arabiya News* (18 December 2013).

4. Conclusions: The EU Must Acknowledge its Limits

The main challenge in the Western Balkans is overcoming inertia. The region itself remains bogged down in the traditional problems of crime and corruption, and seems unable and unwilling to strengthen the RoL. The inertia in Brussels is of a different nature: the EU is set in its ways, not because it sees (or even believes in) concrete improvements in the Western Balkans, but because it has already invested so much financial and political capital in the region that acknowledging failure seriously undermines the credibility of its self-proclaimed soft power.⁴¹ As a recent Democratization Policy Council Report (on Bosnia and Herzegovina) concludes: 'The EU's bureaucratic autism created an ideal environment for short-term and ultimately self-destructive politics' in the region.⁴² It usually takes a crisis for politicians and technocrats to change tack. Perhaps unfortunately, the Western Balkans is not in any *visible* and *acute* crisis. But the status quo is steadily becoming crisis-worthy, since the region is slipping out of the EU's reach, and – most likely – into the hands of strategic competitors.

The EU therefore faces a serious dilemma, which knows no easy solution. Continuing its current strategy *vis-à-vis* the region will make it even more complicit in legitimizing disreputable regimes, squandering aid money that can be better spent elsewhere, and offering a prospect of accession that has become unrealistic. On the other hand, making a retreat from the Western Balkans would open a strategic vacuum that competing powers are bound to fill.

Despite the obvious drawbacks and risks, the EU should nevertheless adopt a more straightforward approach to the region, adjusting its strategic objectives to a markedly changed political and economic reality. The EU's policy of conditionality can no longer work, given that the chance of full membership has disappeared beyond the political horizon of every government in the region. EU aid aside, accession has lost its lustre because of Greece's continued economic malaise. The EU should therefore consider the following five changes in its approach towards the region, arranged from minor, tactical tweaks, to more profound strategic modifications.

First, the EU should shed its reluctance to call a spade a spade. Most of the EU reports on the Western Balkans refer to the 'limited progress' that is made on most economic and governance indicators. As a result, the EU is often 'concerned', as it should be. Most likely, the EU is reluctant to acknowledge that the region is stagnating, since this would reflect badly on itself and its capacity to foster economic and political transformation and stability. It is therefore about time for someone to make a truly objective assessment of the EU's overall influence in the Western Balkans. Such a review should take into account the growing influence of competing strategic actors, and evaluate the declining 'pull' that the prospect of EU entry has in the region. That would be a first step towards a more realistic vision of the Balkans' reality

41 Peter van Ham, 'The European Union's Social Power in International Politics', in Mai'a K. Davis Cross and Jan Melissen (eds), *European Public Diplomacy: Soft Power at Work* (London and New York, NY: Palgrave Macmillan, 2013).

42 Weber and Bassuener, 'EU Policies Boomerang', p. 3.

and present an opportunity to upgrade the EU's currently dysfunctional strategic toolkit. Such a strategic reconsideration should be part of a general overhaul of the EU's approach towards its neighbourhoods, both in the east and south (that is, the EU's Eastern Partnership with post-Soviet states, and the European Neighbourhood Policy, which also covers relations with countries of the southern Mediterranean). It is now clear that despite all the diplomatic efforts and financial resources that have been invested in these regions, the EU's influence remains marginal, and may even be dwindling.⁴³ This indicates that the EU's ineptitude as a foreign policy actor is not unique to the Western Balkans. This gives all the more reason to rethink what the EU's real strategic interests are in its direct geographic vicinity, and which policy instruments and initiatives could reap concrete and direct results.

Second, the EU should make better use of putting pressure on the governments of the Western Balkans on issues that matter – and therefore hurt – most: visas. In December 2009, Macedonia, Montenegro, and Serbia saw their visa requirements to enter the EU lifted; Albania and Bosnia followed a year later in December 2010. Since then, the Malta-based European Asylum Support Office (EASO) reported a 49 per cent increase in Western Balkans applicants in 2012. A 2012 European Commission Report acknowledged the widespread abuse of the EU's visa liberalization and asylum system.⁴⁴ In December 2012, the European Council urged 'the authorities of the Western Balkans countries concerned to take all the necessary measures against the abuse of the visa-free travel regime in order to ensure its unrestricted continuation'.⁴⁵ Since January 2014, the EU has been able to suspend this visa-free regime for the Western Balkans, but the governments of the region have successfully called the EU's bluff. The visa-free regime seems here to stay, despite the 'limited progress' of fighting crime and corruption. This undermines the EU's credibility in the region. The best way for the EU to tighten the screws on the Western Balkans elites is to re-impose a strict visa regime for as long as the region remains the key transit route for narcotics and illegal immigrants, as well as a sanctuary for (foreign) radicals with terrorist aspirations.

Third, the EU should more actively push the Regional Cooperation Council (RCC), which succeeded the Stability Pact for South-Eastern Europe in 2008. The RCC (which is headquartered in Sarajevo), comprises all of the countries of the Western Balkans, and a wide variety of Western countries and international organizations (including the Council of Europe, the Organization for Economic Cooperation and Development (OECD), and the World Bank). The RCC considers itself 'a focal point for regional cooperation in SEE [South-Eastern Europe] and its key role is to generate and coordinate developmental projects of a wider, regional character, to the benefit of each individual participant, and create an appropriate political climate susceptible to their implementation'.⁴⁶ The EU is already the main driving force behind the RCC, and should make more active use of this budding organization to stimulate regional cooperation (from the Central European Initiative to the Danube Cooperation Process),

43 Stefan Lehne, 'Time to Reset the European Neighborhood Policy', *Carnegie Europe Paper* (4 February 2014); and Haizam Amirah-Fernandez and Timo Behr, 'The Missing Spring in the EU's Mediterranean Policies', *TGAE-Elcano Paper*, no. 1 (22 March 2013).

44 European Commission, *Third Report on the Post-Visa Liberalisation Monitoring for the Western Balkans in Accordance With the Commission Statement of 8 November 2010*, COM(2012) 472 (Brussels: European Commission, 28 August 2012).

45 *Council Conclusions On Enlargement and Stabilisation and Association Process* (Brussels: European Council, 11 December 2012).

46 See the Overview section under the About Us tab of the RCC's website at <http://www.rcc.int/pages/2/overview>.

as well as the many, narrower thematic initiatives and long-term cooperation projects in a variety of fields, from trade to the power industry, to education and science and culture. The EU should facilitate regional cooperation, and coax the region towards the official goal of creating market-based liberal democracies. Urging regional cooperation will signal that the EU gives the region ownership of its own future, a future that may (or may not) include EU membership. Given the specificity of the Western Balkans, regional cooperation will be the most appropriate testing ground for its compatibility with the EU.

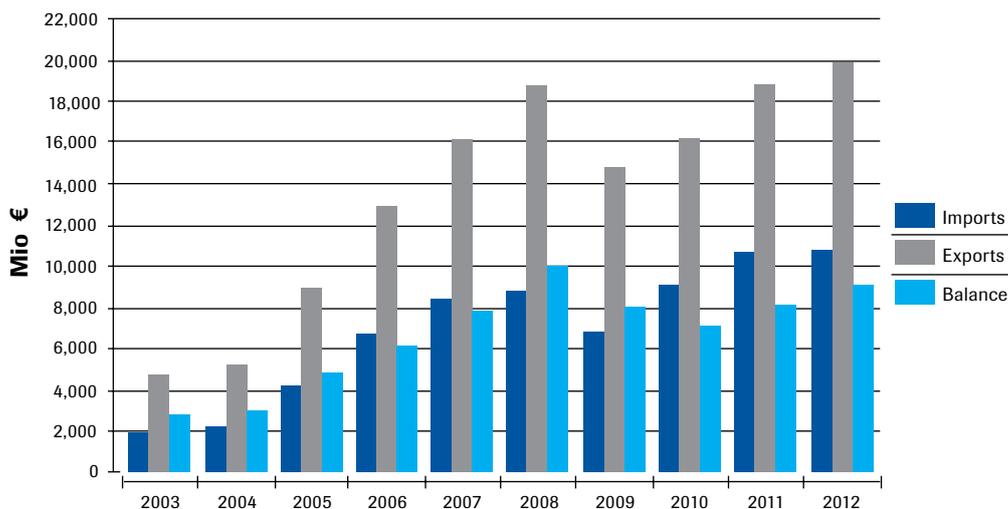
Fourth, the EU should envisage forming a full-fledged free-trade agreement with the Western Balkans. Today, the Central European Free-Trade Agreement (CEFTA) links the Western Balkans and Moldova economically. In 2011, the EU granted the Western Balkans duty-free access to the EU market for almost all products until the end of 2015. Since then, the EU has become the Western Balkans' largest trading partner, accounting for over two-thirds of the region's total trade. At the moment, the EU is negotiating a comprehensive Transatlantic Trade and Investment Partnership (TTIP) with the United States that (if and when the TTIP comes to fruition) will also have a major impact on third countries, including the Western Balkans. Turkey is already calling for a so-called 'docking agreement', which would make it possible to hook up to the TTIP as a (more or less) equal partner.⁴⁷ In order to avoid negative trade diversion effects for the Western Balkans, the EU should prepare a similar arrangement for the region, assuring that trade flows are not disrupted. Free trade remains the most effective way for the EU to show its value. Participating in a new, vibrant transatlantic free-trade zone will offer opportunities for economic growth. It will also provide the region with a transatlantic strategic anchor, linking it inexorably to 'the West'. Whether it is willing and capable to accept this extended hand of Western friendship is up to each individual country of the Western Balkans.

Table 3: EU–Western Balkans Trade, 2003–2012 (Eurostat, 2013)

European Union, Trade with Western Balkans (6)

Total goods: EU Trade flows and balance, annual data 2003 - 2012

Source Eurostat Comext
Statistical regime 4



⁴⁷ Peter van Ham, 'TTIP and the Renaissance of Transatlanticism: Regulatory Power in the Age of Rising Regions', *Clingendael Report* (July 2014), pp. 18–19.

Fifth (and finally), the institutional structure of the EU is in a state of flux. Whereas some member states are keen on constructing a federal Europe, others (most notably the United Kingdom) prefer to stick to a somewhat glorified European Common Market. Most likely, this will imply that the Eurozone will become the political core of the EU, whereas other member states will remain (or become) part of the EU's free-trade zone. For the Western Balkans, this means that accession to the EU's outer tier of free trade becomes feasible. A 'privileged partnership' (along the lines already offered to Turkey by German Chancellor Angela Merkel)⁴⁸ would be a realistic prospect. More flexibility in the EU's institutional arrangements would offer advantages for everyone involved. Most notably, it would relieve the EU from the shackles of political conditionality, so that it can focus on what it does best: trade and economics.

The conclusion after almost two decades of muddling through in the Western Balkans is that external pressure and EU conditionality do not work, at least not efficiently and not within a time-frame that is politically relevant.⁴⁹ The drawback of the current strategy is that Brussels has become complicit with deceitful government elites, alienating ordinary people in the region and undermining the EU's soft power. The EU should acknowledge its limits, both politically and financially. Particularly in the Western Balkans (and in Ukraine as well), it should heed the adage that 'fools go where angels fear to tread'. Without solid support for further enlargement, keeping up appearances in the Western Balkans will no longer suffice for the EU. As this Clingendael Report argues, this does not imply that the EU should simply cut its losses and leave the region to competing powers. The EU should use the levers it has (that is, the visa suspension mechanism), encourage regional cooperation at all levels, and invigorate (free-)trade ties that are beneficial to all involved. Such a fair EU strategy will not be applauded in the capitals of the Western Balkans, but it will open an avenue towards 'joining Europe' that is realistic for this generation.

48 'Merkel Offers Insight into "Privileged Partnership"', *Today's Zaman* (25 March 2010).

49 Solveig Richter, 'Two at One Blow? The EU and its Quest for Security and Democracy by Political Conditionality in the Western Balkans', *Democratization*, vol. 19, no. 3 (June 2012).