



Adam Balcer and Veton Surroi

In search of a new paradigm: the Western Balkans and the EU integration

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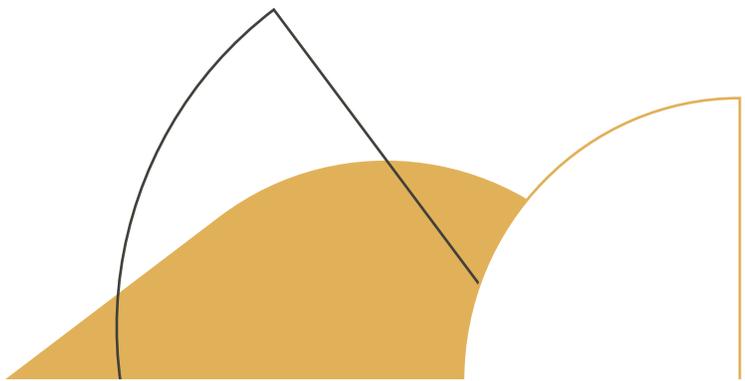
In search of a new paradigm: the Western Balkans and the EU integration

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Introduction

This report has been prepared within the framework of a project on “In search of a new paradigm: the Western Balkans and the EU integration” carried out by demosEUROPA – Centre for European Strategy with the support of the Embassy of Austria in Poland, the Austrian Cultural Forum and the European Commission Representation in Poland.

Authors of this report – Adam Balcer, Director of the Programme “The EU and the new global contract” at demosEUROPA – Centre for European Strategy and Veton Surroi, President of the Foreign Policy Club in Kosovo – argue that further integration with the European Union is the key to democratisation and development of the Western Balkans.

In the first part of this report, entitled “Putting European house in order: the EU and the Western Balkans” Adam Balcer analyses situation in the Western Balkans region. He stresses the weaknesses and strengths of different Western Balkan countries. The author argues that a substantial progress in democratisation and modernisation has been achieved in the Western Balkans since the 1990s. However, the region still finds itself in the middle of the transition process. It suffers from insufficient management capabilities and democratic credentials of the political elite. This is why, the Balkans need the EU’s continuous engagement and support.

The second part of this report “100 years of yearning: Albanians and the EU on the verge of the 21st century” written by Veton Surroi, a prominent Albanian intellectual from Kosovo, provides a voice from the region. The Albanians have been chosen as a case study because they are the most dispersed nation in the Western Balkans – they live in four different states (Albania, Kosovo, Macedonia, Serbia). They also constitute the largest Western Balkan diaspora in the EU. Veton Surroi argues that the continuous state-building process has kept the Albanians in a limbo between the East and the West (despotism vs. liberal democracy). Moreover, the fact that the Albanians live in an “incomplete state” zone in the Western Balkans torpedoes greater integration with the EU. And, according to Surroi, integration with the EU is essential for the development of Albania.

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Putting European house in order: the EU and the Western Balkans

Adam Balcer¹

Main Thesis

1. The Western Balkans need EU's continuous engagement and support. A substantial progress in democratisation and modernisation has been achieved in the Western Balkans² since the 1990s. However, the region still finds itself in the middle of a transition process. It suffers from insufficient management capabilities and democratic credentials of its political elite.
2. The enlargement process provides the EU with the best toolbox for its engagement with the Western Balkans and also with the most attractive incentive for the reforms in the Western Balkan states. This process, despite a certain slowdown, is still ongoing, but several serious problems remain to be solved. Bosnia's internal political system, Kosovo's status, Macedonia's name dispute and interethnic relations in all three countries constitute the most important challenges for the regional stability. Unfortunately, in each of the above cases, the EU is part of the problem.
3. European Union's engagement in the region is still mostly focused on ensuring the so-called "small stability". What is

more, Brussels too often makes compromises with politicians in the Western Balkans. The Western Balkan politics is still characterized by weak European vocation and feeble democratic and ethic credentials (i. e. high level of corruption). Sustainability of the EU's strategy towards the Western Balkans seems dubious, taking into account that the long-term genuine stability in the region depends on democratic values and the rule of law.

4. At first glance, small size of economies and population of the Western Balkans cannot make this region the top priority for the EU. However, their importance should not be underestimated. The region is one of the most important areas of the EU's CFSP and CSDP and a significant field of interaction with other international political actors. During the present decade, the EU's international position will depend, to some extent, on its ability to cope with the region's problems.
5. The influence of Turkey, China and Russia in the Western Balkans has raised substantially in the recent years. At the same time, the EU's leverage in the region is blurry. There is no stakeholder (such as Germany in case of the big bang enlargement – Central Europe) that would push the integration with the region forward. As a consequence, the EU's magnetism in the short and medium term perspective can be contested by other players. In the long term perspective, the EU accession does not have a credible alternative for the Western Balkans.

I. The glass half empty or half full? Situation in the region

An eagle's eye view on the Western Balkans provides us with a mixed picture. Since the 1990s, the region has achieved a radical improvement. The region can no longer be perceived only as a burden for the EU, as it also possesses certain assets, which can strengthen the EU's soft power. On the other hand, the region still faces serious challenges and its road towards the EU

will be bumpy and full of flip-flops. In the worst-case scenario, significant setbacks cannot be excluded. The glass is therefore rather half full, but it will be quite challenging to make it completely full.

Over the hump

Between 1991 and 2001, the Western Balkans saw the most bloody armed conflicts in Europe since the World War II. However, since the beginning of the 21st century, the risk of large-scale military conflicts in the Western Balkans has been practically reduced to zero. Ordinary crime has decreased to EU levels. Despite serious shortcomings, the Western Balkans are an example of the most successful post-conflict reconstruction in the world in the post-cold war period. A substantial increase of internal stability in the Western Balkans has been confirmed by the Index of Failed States published every year by the Foreign Policy and the Foundation for Peace, which measures internal stability of countries. Moreover, according to the opinion polls, great majority of local population is against the use of violence to achieve their national goals. The level of interethnic social interactions, political and economic cooperation between different nations, the integration of minorities into the social and political life have increased dramatically since the war period.³

The Index of Failed States 2012

Country	Place
Albania	118
Bosnia	79
Serbia/ Kosovo	89
Macedonia	109
Montenegro	133

Source: Foreign Policy

Greater military stability was accompanied by the democratisation process. In 2000, none of the Western Balkan countries was recognised by the Freedom House as a free country. In 2012, two countries (Montenegro and Serbia) were given a status of a free country, all the other countries in the region were categorized as partly free countries (see Appendix).

Before the crisis, the Western Balkans had been experiencing one of the highest economic growths in Europe. They actually started catching-up with Central Europe. The progress of building the rule of law has certainly been the most modest, though it should not be underestimated. For instance, Macedonia improved its score in “the Corruption Perception Index” in the years 2003-2010 from 2.3 to 4.1. It also advanced from the 81st to the 22nd position in the years 2006-2012 in the “Easy of Doing Business” ranking issued by the World Bank. A particularly positive and promising development in the region is the renaissance of the regional economic cooperation, particularly among the former Yugoslavian countries. The economic ties within the Western Balkans are much stronger than within the Maghreb and the Eastern Partnership area. Although, the EU’s attraction in the Western Balkans has been weakened by the recent crisis, the EU remains the key point of reference for all the Western Balkan countries and the only game in town in the long term perspective.

Flawed democracies and economies

Despite the undeniable progress, there are still serious challenges in the Western Balkan countries concerning democracy, economy and the rule of law. In 1997, when the EU accession process started in Central Europe, all countries from this region (excluding Slovakia) were described by the Freedom House as free countries and all of them has been given better scores than the current best performing countries in the Western Balkans (Montenegro and Serbia). Back in the late 90s, all Central European countries – excluding Slovakia – were recognised by the Freedom House as having fully free media. At the moment,

no single country from the Western Balkans is recognised to have fully free media. In recent years, certain retreats on the democratisation and state-building processes, can be observed in the region. For instance, with regards to the freedom of media in Macedonia or to the independence of the central bank in Serbia.⁴ The most recent elections in Kosovo in 2010 were marred with frauds on the local level. Since the fall of communism none of the elections in Albania have been recognized by the international monitors as free and fair. Despite certain improvement of cross-party cooperation under the EU's pressure, Albania remains deeply politically polarized. On the other hand, it should be noted, that the quality of Romania's and Bulgaria's democracies (which joined the EU in 2007) is very similar to the Serbian one and to a large extent to the Montenegrin one.

The Western Balkan states are also substantially poorer than any EU member state. Romania, the poorest member state of the EU is richer than Montenegro – the most developed country in the Western Balkans. Pre-crisis high growth rates in the Western Balkans were fuelled by domestic demand financed through capital inflows from abroad. However, this growth was coupled with a low level of domestic savings. In a consequence, the vulnerability of the Western Balkans to the external shocks increased. The global economic crisis had a negative impact on the region through four main factors: sharp decline in FDI, decrease of foreign bank lending, global-scale exports collapse and reduction in remittances.⁵ According to the IMF projections, Serbia, Montenegro and, to a smaller extent, Albania will experience a slow-down of growth (around 2%) in next five years. In this period, Albania and Serbia will also have to cope with a substantial increase of already relatively high public debt. Macedonia has the most stable economic indicators in the region (low current account deficit, low inflation and low general government gross debt) and, besides Kosovo, the most promising perspectives of the economic growth. The Achilles heel of the Western Balkan economies, excluding Macedonia, is also a very high current account deficit (up to 20% of GDP). The region's economic problems are to a large extent of structural nature. Since the fall of communism, the region has been

coping with the highest level of registered unemployment in Europe and with corruption.⁶ Conditions for doing business in the Balkan region are unfavourable. Productivity rates are one of the lowest in Europe. Innovativeness is also lagging behind the EU average. An inefficient agriculture sector employs a lot of people. Education system in the region is in a very bad shape. However, these figures should be treated with caution. The Western Balkan states perform better in certain domains than Bulgaria and Romania. For instance, labour productivity rate per employee is substantially higher in Macedonia than in Bulgaria or Romania. According to the EU Innovation Scoreboard 2013 (assessing the level of innovativeness of the European economies), Serbia performs better than Bulgaria, Croatia, Greece, Hungary, Latvia, Lithuania, Macedonia, Malta, Poland, Romania, Slovakia and Turkey.⁷

Burden of hyper-ethnicity

The scale of ethnic and political differences in the region needs to be noted. Despite ethnic cleansing and migration, several Western Balkan countries (Bosnia, Macedonia, Montenegro) remain the most ethnically diverse in Europe and other (Serbia, Albania, Kosovo) are home to large minorities. Montenegro is a genuine civic state in the region, but at the same time the smallest state in the Western Balkans and therefore its positive impact on the region is very limited. Due to internal deep ethnic cleavages, Bosnia (which since 1995 remains under an international protectorate) is the biggest challenge in the Western Balkans. It is a dysfunctional state, a very loose and complex federation composed of *Republika Srpska* and the Federation of Bosnia and Herzegovina consisting of ten cantons. *Republika Srpska* undermines state level institutions, openly advocating for its secession. The Federation of Bosnia and Herzegovina is a bureaucratic Leviathan (10 cantonal governments) ruled by political elite – Croat and Bosniak parties. The country is not able to ensure equality of all citizens before the law. Several international agreements concerning human rights, though ratified, remain a dead letter there. The most indicative example of Bosnia's conundrum is the fact that after the parliamentary

elections in 2010 it took fourteen months to form a government and that this government failed after six months in office.

Several serious unresolved bilateral problems are still hampering the development of bilateral and multilateral cooperation in the region. The most difficult issue is Serbia's relations with its neighbours. Belgrade does not recognize Kosovo's independence. Despite successful negotiations on technical issues with Prishtina, Serbia continues an international campaign against the recognition of Kosovo's independence. The status of Kosovo's Serbs constitutes another challenge. In April 2013, Kosovo and Serbia reached an agreement on this issue, however its implementation can meet serious problems.

Serbia is very supportive of the *Republika Srpska* in Bosnia. This undermines Serbia's official support for Bosnia's integrity and sovereignty.⁸ A border demarcation between Serbia and Bosnia remains unresolved.⁹ Legal status of Orthodox religious institutions in Macedonia and Montenegro is also an issue for the relations of those states with Serbia.¹⁰ A great majority of Serbs and many Serbian politicians think that a recognition of the Montenegrin language as the official language in Montenegro undermines the position of Serbian language in this country.¹¹

Ethnic and religious reconciliation is still a pending issue in the Western Balkans. According to the opinion polls all Western Balkan nations admit that during the wars their co-nationals committed certain crimes but they underestimate their own responsibility and they overestimate crimes of their former enemies. Certain politicians, play an ethnic card and deny responsibility for war crimes committed by their own nation. Far-right and Islamic radicals have never succeeded in carrying out large-scale terrorist attacks in the region. They were, however, responsible for murders, assaults and riots. Northern Kosovo remains the most important flashing point in the region. Prishtina, the KFOR and the EUFOR lack full control over this part of the country, inhabited predominantly by Serbs who get support from Belgrade. In effect, in recent years Northern Kosovo has become, on many occasions, an arena of armed inci-

dents and unrest between Serbs and Albanians or international forces. On the other hand, Kosovo's Serbs in some parts of Kosovo, are exposed to discrimination and encounter problems with free movement, and sometimes are victims of Albanian assaults. In Spring 2012, an ethnically motivated violence between ethnic Macedonians and Albanians erupted in Macedonia. Several people were killed and many wounded.

Ethnically and culturally the Western Balkans are a unique part of Europe. Muslims constitute of around 40% of the region's population. They are a majority in three countries (Albania, Bosnia, Kosovo) and they represent large minorities in Montenegro and Macedonia (20–35%). Because of a higher natural growth rate, Muslims share in the region's population will increase substantially in the future. Most probably, it will have a serious impact on inter-ethnic relations and increase a pressure on reshuffles of political systems. The Albanians will become the most populous Western Balkan nation (surpassing the Serbs) in the coming decades. It seems that due to higher fertility and migrations, Bosniak share in Bosnia's population will rise considerably while Serbs' and Croats' population in Bosnia will fall. Macedonia is definitely heading towards bi-national state of the Albanians and the Macedonians.

The integration of the Gypsy communities will constitute another social and political challenge for the region. The fertility rate in the Western Balkans is the highest among the Gypsy communities, which constitute large minorities in Serbia, Macedonia, Kosovo and Albania. Part of them identify themselves as Roma, but the majority declares other ethnic affiliations. Their share in the entire population of the region will increase in the coming decades. And this will have implications for social cohesion and, to a smaller degree, for political landscape. The Gypsy people are definitely poorer and less educated than the rest of the society. The economic and social gap between highly internally diverse Gypsy communities and other Western Balkan societies is substantially more profound than the discrepancy existing between Muslim diasporas and "native" societies in Western Europe. Moreover, integration of the Gypsy people poses a larger challenge for the

Western Balkan states due to their weaker economic and institutional capacities and serious social and economic problems occurring in the Roma communities. The immigration of Western Balkan Gypsies to the EU can be another source of friction between the EU member states and the Western Balkan countries.

Different geopolitical sympathies

Western Balkans, besides Eastern Europe, remain the most pluralistic part of Europe from the geopolitical point of view due to Russia's and Turkey's influence, increasing Chinese involvement and large regional differences concerning attitudes to the USA. The Albanians – though the majority of them identifies with the Islam and more conservative world-view in comparison to the Western mainstream system of values – are definitely the most pro-American nation in Europe and enthusiastic supporters of the EU accession. Bosniaks support the EU and treat the USA as their main protector, but simultaneously they have a great sympathy towards the Muslim world and a relatively critical approach towards the West. The Serbs locate themselves on completely opposite side. The Serbian political elite and the Serbian society – in Serbia and *Republika Srpska* in Bosnia – in great majority are against the accession to NATO. In this respect, Serbia is a unique case among the post-communist states in Central Europe. According to the opinion polls, the Serbs are the most pro-Russian society in Europe, besides the post-Soviet space.¹² Serbian political elite, to a certain degree, follows the social mood (i.e. pro-Russian feelings). For instance, the president of Serbia Tomislav Nikolić, has declared recently that the only country he loves more than Russia, is Serbia.¹³ A level of sympathy towards China is also of a high level in Serbia. Serbs distinguish themselves also as definitely the most euro-sceptic nation in the region. In Serbia, the support for the accession to the EU has fallen down recently to around 40-45% and opposition towards it currently exceeds 35%. This stance is strongly correlated with Serbia's least positive approach towards Germany in the region. Serbian support for the accession can decrease further.¹⁴

Serbia has the largest economy (GDP and GDP per capita), population and military potential in the region. The Serbs are the largest nation inhabiting neighbouring states (in Bosnia around 30% of population, in Montenegro almost 30% of population, in Kosovo around 7% of population). In effect Serbia is the main regional stakeholder (trade partner and investor in abovementioned states). At the same time, it has the largest number of bilateral problems with other Western Balkan states.¹⁵ This situation poses a certain challenge to the Euro-Atlantic perspective of the region due to Serbia's most ambivalent attitude towards the West.

The Balkan Connection

The region continues to cope with threats related to the soft security. The most important threats to the Western Balkans are organized crime and religious and nationalist extremists prone to violence. Organised crime is based on close cooperation between regional mafia structures — contrary to ethnic divides. The Western Balkans do not generally constitute a very favourable environment for crime and political radicalism. The region is relatively well-developed in this respect in comparison with many other parts of the world. For instance, only a small minority of South East Europeans face life-threatening poverty. The level of education in the region is generally high. The Western Balkan societies are more egalitarian than many EU countries. Demographic pressure does not have a decisive leverage on levels of crime and political extremism in the region. In fact, the natural growth rates in the Western Balkans are diminishing. To sum up, the soft security challenges are not of an endemic nature, but rather artefacts of the post-communist transition process and ethnic conflicts that arose after the collapse of Yugoslavia. However, there are economic, social and political factors existing in the region, that are fostering organized crime and radicalism. The first factor is the inequality in a continental dimension (the EU's prosperity vs. Western Balkan poverty). The second factor are the geographical characteristics of the region. The shortest heroin route from Afghanistan to Europe traverses the Balkans and fuels the great majority of Europe's heroin market.

Simultaneously, large diasporas of the people from the Western Balkans live in the EU. Specific social structures existing in the region are sometimes exploited by the regional mafias. In some rural parts of the Western Balkans, especially among the Albanians, a typical social feature is a strong and closed family network (extended families) based on the elements of customary law (a principle of family loyalty, honour killings). Ethnic Albanian heroin trafficking is arguably the single most prominent Western Balkan criminal problem in Europe. However, it should not be overestimated. The Albanian mafia is decisively weaker to the Italian, Russian or Turkish/Kurdish one. Both the number of Albanian criminals arrested and the amount of heroin confiscated have declined substantially in the last few years due to the decrease of their prominence.

The crucial factor, which contributed to the development of organized crime is the weak structure of the state as the legacy of communism and war. High levels of corruption emerged as the key symptom of state structure weakness. Kosovo is the most serious challenge in the Western Balkans in terms of the fight against organized crime. Kosovo's belated stabilisation, due to the political reasons, took place later than in other Western Balkan countries.¹⁶ Bosnia holds the second position in the region (after Kosovo) with regard to the challenge posed by organized crime.

Lights in the tunnel

The integration with the Western Balkans is perceived in the EU mostly as an obligation, as a sort of a burden and not as a potential asset. Meanwhile, the previous waves of enlargement had a positive narrative and geostrategic vision. For instance, the "big bang" enlargement (2004-2007) was presented as a historic reunification of Europe after the Cold War. It was also seen as a substantial increase of the EU's leverage on the global scene due to the accession of 12 new states with dynamic economies and more than 100 million inhabitants.

The Western Balkans can also be perceived as a significant asset for the EU. Unfortunately, awareness of this fact is very

limited in Europe. The assets of the Western Balkans are the following:

- the most secular and pro-Western Muslim communities in the Islamic World
- multi-religious nations composed of Muslims and Christians
- two relatively efficient multiethnic states
- high level of the Gypsies' integration in some Western Balkan states
- know-how of political and economic transition

The future of the EU's leverage on the global stage will depend to a large degree on its ability to facilitate democratisation and modernisation of the Arab world and integrate Muslim diasporas living in Europe. The fact that the Western Balkans are a homeland of large native Muslim communities – a unique phenomenon in Europe – has an extremely high relevance in this context. The accession of the Western Balkans to the EU would bring a strong symbolic geopolitical message.

The Arabs and the Europeans (partly due to the Arab spring) are in the strong need of positive examples of the Muslim-Christian coexistence. There is no better place to find evidence of these phenomena than the Western Balkans. Currently, three nations, which are multi-religious, are located in the Balkans: the Albanians, the Montenegrins and the Gypsy people. The existence of three multi-religious nations in one region is a unique situation in the world. Indeed, the Balkan Muslims are the best proof that being a Muslim does not necessarily imply anti-Western feelings. It can mean an ability to coexist with people of other religions, to coexist with the Christians and to identify with the Western system of values (democracy). The Muslims from the Western Balkans seem to be naturally predestined to play a role of ambassadors of

Europe in the Muslim world, particularly the Albanians and the Slavic Muslims from Montenegro. Albania, due to its internal religious diversity, can become a source of inspiration for Lebanon, Syria or Egypt. The crucial precondition for the success of modernisation and democratisation of the Muslim world lies in its ability to accommodate people of different outlooks and mindsets. Indeed, people of Muslim cultural background living in the Balkans, thanks to the secular political model, are characterized by a huge diversity as far as their worldview, system of values or level of religious practice are concerned. In consequence, they could attract the interest of other Muslim communities. In attempt to find appropriate models of integration for their Muslim immigrants, EU countries should pay much more attention to the legacy of Islam in the Western Balkans. It is very indicative that the Muslims from the Balkans who settled down in Western Europe constitute the best integrated Muslim communities in the EU. In this regard, particularly Montenegrin experience can be useful for the EU. The Slavic Muslims identify very strongly with the statehood of Montenegro founded on the civic definition of political nation and many of them gradually accept Montenegrin ethnic identity.

Currently, in the Balkans we can find two relatively efficient (on the political and administrative level) and very multi-ethnic states: Montenegro and to a lesser degree Macedonia. In case of the latter, the main serious shortcoming is the already described lack of sufficient ethnic cohesion on the social level. Both states have been built on different political models. Macedonia is a consensual democracy where ethnic communities enjoy extensive wide competences. On the other hand, Montenegrin political elite created a strong civic state identity. From the point of view of the efficient interethnic cooperation, on the political level, Macedonia and Montenegro can play a role as a source of inspiration, not only for many non-European multiethnic countries but also for some of the mature European democracies.

For the majority of Central European members of the EU, the integration of large Gypsy communities living in miserable con-

ditions on the margins of society is a very serious challenge. The expulsion of Gypsy immigrants to France and Italy in 2011 confirmed that also Western European states cannot successfully deal with this problem. In this aspect, again the Western Balkans can be treated as a potential point of reference for the EU states. In fact, the huge Gypsy communities living in the Western Balkans are the best integrated Gypsy people in Europe, particularly in Serbia and Macedonia.

After the Arab Spring, the EU re-launched its Neighbourhood Policy putting emphasis on political conditionality and on the assumption that the EU should support democratisation and modernisation of its neighbours. A transfer of the European know-how related to political and economic transition of Central Europe in the 1990s, to the European Neighbourhood has been one of the important instruments of the EU soft power. In this context, it would be useful to add the experience of the Western Balkans' transition into a "manual of transition" prepared by the EU for the ENP countries. Certainly, the Western Balkans' transition is an ongoing process which still cannot be called a success story. Nevertheless, its main advantage stems from its recent and unfinished character that provides an opportunity to draw lessons simultaneously from failures and successes. Moreover, NGOs from the Western Balkans have already established networks of cooperation with Arab and East European partners seeking inspirations for transition of their countries.

II. An Audit of Power: The EU's leverage in the Western Balkans

Why do the Western Balkans matter?

The Western Balkans, due to geographic proximity and strong economic and social links with the EU, remain the EU's backyard with the largest potential for immediate negative spillover to the EU. The Western Balkans are the most vulnerable

part of Europe after the Eastern Neighbourhood countries. With regard to soft security, the Western Balkans are the main transit route for heroin smuggling to the EU. Relatively strong mafias from the region are active in the EU. The recent global financial crisis and the present difficulties in the eurozone have highlighted the interdependence of national economies both within and beyond the EU. In effect, economic problems of the Western Balkans could cause the domino effect and contagion and could have negative spillovers into some EU countries (Slovenia, Croatia¹⁷, Greece, Bulgaria, Hungary and then Austria, Romania) and by default having destabilizing impact on the entire Union.

The European Union has taken the responsibility for democratisation, modernisation and stability of the Western Balkans through the enlargement process and the Common Security and Defence Policy. From the point of view of the EU's strategic vision, an accession of the Western Balkans should be recognized as a fulfilment of the EU's long term goal – unification of Europe. The CSDP has been launched in the region and the Western Balkans maintain a status of the largest deployment area within the EU missions. In April 2013 almost 50% of the staff active in the EU's missions were engaged in the Balkans. The EULEX mission in Kosovo is the largest and the most important EU mission with a unique and unprecedented mandate (responsibility for an actual state-building). The EU's role in the region will increase in the coming years because, most probably, NATO will transfer the authority over its mission in Kosovo to the EU. Bosnia is an exceptional example of an international protectorate. The EU institutions and its member states constitute the majority in the Steering Board of the Peace Implementation Council, an international body tasked with supervising political situation in the country. Next, the Western Balkans are an area of the most intensive military cooperation between the EU, NATO and the US. In that respect, the Western Balkans can be called the testing ground for CSDP, because its development seems highly improbable without assistance from NATO and the US. Despite certain

problems and tensions between Brussels and Ankara, the region represents also a unique case of Turkey's regular and extensive engagement in the EU missions. Indeed, Turkey is the largest non-EU contributor to the EU missions. Close cooperation in the Western Balkans could become the paradigm for the cooperation between Turkey and the EU, within the CFSP especially with respect to the CSDP. However, the future of the cooperation between Turkey and the EU, both in general and in the Western Balkan region, seems to depend, to a large extent, on Turkey's EU accession process and the unresolved Cyprus problem.

To sum up, the global dimension of the EU's engagement in the Western Balkans can be defined as a test case for the EU's aspirations to exercise wider international influence. If the problems of the Western Balkans remain unsolved, the relevance of the EU as international actor can be severely undermined. Setbacks in the Western Balkans' Stabilisation would also have negative repercussions for the EU's aspirations to play a role of the main provider of security in Europe.

The stalemate of transition in the Western Balkans can also hit the most efficient instrument of the EU foreign policy – the enlargement process. It is worth reminding that the maintenance of the EU's credibility on the international arena is very much needed in the current difficult times, when the EU finds itself in the serious crisis. As the European Commission rightly stated, "The dramatic events in the Southern Mediterranean and the Middle East, as well as the fragility of the ensuing situations, underline the importance of a pole of stability and democracy in South-East Europe, solidly anchored in the EU's enlargement process."¹⁸

The importance of the Western Balkans for the EU derives also from the uniqueness of the region as a home of the largest native Muslim communities in Europe. Their fate brings a relatively strong attention of the Muslim world. At the same time, the EU's relations with the Muslim countries – particularly with Turkey and the Arab neighbours – represent one of the key top-

ics of the EU foreign policy. The Western Balkans have become for the EU an important field of interactions with Turkey, Russia and to a lesser degree China.

The Western Balkans are important for the EU also because of the process of building the Southern Gas Corridor. The South Stream gas pipeline project, promoted assertively by Russia and supported by several European states, will go through Serbia. The Trans Adriatic Pipeline (the TAP) consortium, one of the rival projects to the South Stream, assumes that the pipeline will be built from Greece, across Albania and the Adriatic Sea to Italy. The project also envisages the construction of storage facilities in Albania. The TAP is supposed to be unified with the Ionian-Adriatic Pipeline, designed to run from Albania, through Montenegro, along the coast to Croatia.

Integration with the pluralistic EU

The Western Balkans are a region where the EU has the strongest leverage in the world in all dimensions: economic, political, security and social. By default, the Western Balkans have already become very strongly integrated with the EU. The EU is definitely the most important source of FDI, remittances and ODA in the Western Balkans. It is also the main trade partner and top destination for the students from the region.¹⁹ A huge diaspora from the region lives in the EU and sends large amount of remittances to the region.²⁰

Immigrants from the Western Balkans live mostly in Italy, Greece, Germany, Sweden and Slovenia. Two countries (Kosovo, Montenegro) use euro as their national currencies and Bosnia has the national currency fixed to the euro. Bosnia and Herzegovina's currency operates under a board regime, effectively delegating monetary policy to the European Central Bank. The Macedonian denar is also, in fact, fixed to the euro. However, the region's practical integration with the EU has also negative ramifications because the Western Balkans are very strongly exposed to possible negative spillover from the EU. This vulnerability derives from the

particularly strong economic ties with EU member states, which were hit by the crisis (Greece, and to a smaller degree Italy, Slovenia, Hungary, Romania, Croatia and Bulgaria).²¹ The EU's relations with the region will substantially increase together with Croatia's accession. Croats constitute one of constitutional nations in Bosnia (around 12–15% of the population) as well as locally relevant minorities in Serbia (Vojvodina) and Montenegro. Croatia is a very important investor and trade partner for the Federation of Bosnia and Herzegovina and to a smaller degree for *Republika Srpska*, Serbia and Montenegro.²² Croatia is also home to large communities of Croats originating from Bosnia and Serbia, as well as Serbs, Bosnians and other Western Balkan nations.

Within the Big Six, namely the six largest countries of the EU (Germany, France, the UK, Italy, Spain, Poland) only Germany and Italy perceive the region as an important in their foreign policy agenda and play a role of stakeholder in the region. Germany's crucial importance was confirmed by its decisive role in the impressive progress of Kosovo-Serbia talks on technical issues. Germany is the most important trade partner for the region, having relatively large share in trade balances of all Western Balkan states (from 5% in Albania to 17% in Macedonia). After EU institutions and the US, Germany allocates the largest amount of development aid in the region.²³ Germany also plays a role of the most significant host country for labour immigrants from the Western Balkans, sending huge amounts of remittances to the region. Germany is also the main contributor to the EULEX and the KFOR missions in Kosovo.²⁴ Italy is the second most important trade partner for the Western Balkans and even more significant investor than Germany.²⁵ Italy possesses a particularly strong leverage in Albania.²⁶

EU's engagement in the Western Balkans is very multipolar. No EU member state has dominating economic leverage in the region as Germany had in Central Europe. For instance, Germany's share in Serbia's trade balance – the largest economy in the region – slightly exceeds 10%. With regard to the investment, Germany's position is behind several EU member states or at least at the similar level.²⁷ There are many middle and small EU states (Austria, Slovenia, Hungary, Greece, Croatia – future member) with a considerable economic leverage in the region and contributing significantly to its stability.²⁸ Currently, almost all of them – especially Greece – cope with serious economic problems. Austria has the largest investments in the Western Balkans, occupying a strong position in all Western Balkan countries' FDI stocks.²⁹ Austria contributes substantially to the regional stability, by providing the EUFOR mission in Bosnia with the second largest contingent, and one of the largest in case of the KFOR.³⁰ Austria is also one of the most popular destinations for the Western Balkan students.³¹ Although, Slovenia and Greece are behind Austria in the FDI stocks of the region, they significantly surpass Austrian share in the region's trade turnover.³²

The enlargement still alive, but....

Until 2007, the enlargement used to be the most effective instrument of the EU foreign policy in its neighbourhood. Nowadays, a greater Western Balkans' integration with the UE is facing substantial challenges due to the enlargement fatigue of the EU member states and the lack of sufficient progress or even setback in reforms in the region. These two trends are mutually interdependent. In fact, the enlargement process has slowed down in the recent years. On the other hand, the vision of the EU loss of relevance and credibility is a huge exaggeration. In recent years, the EU has achieved several successes in the Western Balkan states.

The enlargement fatigue emerged in the EU after the accession of 12 new countries and after the launch of Turkey's accession

Between 2009 and 2010, the EU granted a visa-free travel to Albania, Bosnia, Macedonia, Montenegro and Serbia. These countries managed to fulfil all of the EU's requirements. In December 2010, the EU approved the candidate status to Montenegro. The arrests and transfers of the main war criminals to the International Criminal Tribunal from the former Yugoslavia (ICTY) in 2011, removed a major stumbling block from the European path of Serbia. The dialogue between Belgrade and Prishtina on practical issues, which had been established in 2010, substantially accelerated in 2011 and resulted in tangible results in 2012 and 2013. In consequence, in January 2012, Kosovo launched a dialogue on visa-free regime with the EU and in March 2012 Serbia received the EU candidate status. In February 2012, Bosnia adopted the State Aid Law, the Census Law and the Law concerning military property, responding partly to the EU's requirements. In March 2012, the EU, recognizing the progress of reforms in Montenegro, started the accession negotiations with Podgorica. In Autumn 2012, in view of Albania's substantial progress towards fulfilling the political criteria for membership³⁵, the European Commission recommended that the Council should grant Albania the status of the candidate country, "subject to completion of key measures in the areas of judicial and public administration reform and revision of the parliamentary rules of procedure". At the same time, the Commission has adopted a Communication on a Feasibility Study for a Stabilisation and Association Agreement with Kosovo. The EU assessed that the SAA can be concluded between the EU and Kosovo despite the lack of recognition of its independence by five EU member states. The negotiations on the SAA will be launched once Kosovo makes progress in meeting a number of short term priorities. In April 2013 the European Commission recommended a commencement of accession negotiations with Serbia and talks on the Association Agreement with Kosovo.

negotiations. The main disappointment was Romania's and Bulgaria's failure to substantially decrease widespread corruption. Obviously, the economic crisis additionally strengthens the enlargement fatigue. Many Europeans believe that the pace of enlargement was too fast and they rightly point to the fact that the accession of Bulgaria and Romania took place even though they had not fulfilled the required criteria. Unfortunately, European citizens of "the old 15" are rather uniformed about the benefits brought by the last wave of enlargement. One of the misunderstandings with regards to the Western Balkans is a tendency to assume that the Western Balkan candidates are supposed to become EU members tomorrow, and not within a couple, or even a dozen of years. Situation in the Western Balkan countries is often portrayed in the EU media in gloomy

colours. Negative developments are sometimes exaggerated while the positive ones are neglected.

The EU perceives the enlargement mostly as a tool to fight against this pathology. For instance, the accession negotiations with Montenegro will focus particularly on the chapters on judiciary and fundamental rights and justice, freedom and security, which will remain open until Montenegro's accession to the EU.

In difference to Turkey's accession, a general consensus in the EU regarding the membership of the Western Balkans exists. However, the devil is in the detail. There is no agreement within the framework of the EU on one fundamental question: what are the most appropriate tools to achieve the Europeanization of the Western Balkans. It seems that the substantial part of the EU political elite prefers to prolong the process, arguing that the region needs considerably more time to fulfil all necessary criteria and implement reforms. Many European politicians assume that the region's instability can be kept under the control because its potential of destabilisation has substantially decreased. On the other hand, Western Balkans' problems are challenging enough to discourage the EU from undertaking more decisive actions.

However, EU's approach sometimes creates an impression that it plays for time and avoids to cope with problems. The failure of this approach is particularly evident in Bosnia. In the region, this approach is perceived as hiding the intention to keep the Western Balkans countries in the EU's waiting room for ages. Certainly, the genuine implementation of the necessary reforms in order to avoid Bulgaria's or Romania's scenario is very important. However, the artificial prolongation of enlargement can weaken the social and political support for the membership in some of the Western Balkan countries. It can also partly undermine partly the credibility of the European perspective. These tendencies have already had a negative impact on the determination for internal reforms in some of the countries aspiring to the EU, for instance in

Macedonia. In the end, the state of perpetuated internal stagnation may provoke instability (social unrest, political turmoil or even armed incidents in some countries), because the perspective of accession is the indirect major stability anchor for the Western Balkan states. Indeed, more and more virtual character of the enlargement process, in case of some countries (Bosnia, Kosovo), brought an impression that, in fact, their situation does not differ significantly from the Eastern Partnership countries. The possible deterioration of internal situation in some of the Western Balkan countries that are lagging behind the peloton (e.g. Bosnia), may also have a negative impact on the more advanced countries aspiring to the EU. The links between the EU on the one hand, and Western Balkans on the other, are so strong that decoupling the EU from their problems (through the establishment of “sanitary cordon” supposed to bring a small stability) would create a superficial and artificial stability. The postponement of a pro-active and problem-solution approach can lead to an accumulation of problems.

The EU treats the enlargement process as an integral element of its stability mission. Stabilisation is perceived as a basic prerequisite to democratisation, however the latter seems to be hijacked by the security concerns. What is more, an ethnic principle dominates in the state institutions in almost all Western Balkan countries. This principle prioritizes collective national rights and identities over individual civic rights. It hampers the development of liberal democracy in the region.

Hitting the wall

Despite certain undeniable successes in the region, the EU has not managed to solve three fundamental problems: Macedonia’s name dispute, the Kosovo status and its European perspective and the reform of political system in Bosnia. The EU’s engagement has a key importance for finding solutions to these problems, but at the same time the EU and its members are, to a certain degree, part of the problem.

For example, the EU officially declares that Kosovo is on its way towards European Union. However, Kosovo's European perspective (particularly its accession to the EU) is under a great question mark, because its independence has not been recognized by five EU member states (Cyprus, Greece, Spain, Romania, Slovakia). In theory, the general framework of requirements is the same for all candidates. However, "while, the Western Balkan countries were generally required to adopt and/or implement legislative acts of a variety of kinds depending on the current state of affairs in each of them, Kosovo is confronted with a list of much more concrete and specific criteria. In this vein, listing a number of 'new' benchmarks for Kosovo means the application of a new set of evaluation standards. This, as a result, makes the process more difficult, open-ended, and discretionary."³⁶ Moreover, in difference to other Western Balkan states, the Kosovo roadmap for visa liberalization with the EU envisages "full involvement of the Council and member states in developing and, if necessary, amending this roadmap."³⁷ The possibility of amendments introduces uncertainty into the process.

Although, in 2009 the European Commission assessed that Macedonia sufficiently met the political criteria and recommended the opening of negotiations, Macedonia has not started the accession negotiations yet. The main obstacle is a dispute with Greece on the name of a country, the language and finally the "copyright" to the heritage of the ancient Macedonia. Athens are subsequently blocking the entire accession process of Macedonia. Although in 1995, Greece agreed not to block the membership of Macedonia in international organizations, including the EU. Macedonia's right to launch negotiations with the EU was indirectly confirmed by the International Court of Justice in December 2011 – the case of objections to Macedonia's accession to NATO.³⁸ Since 1995, negotiations over the name issue under the UN auspices has been taking place, unfortunately without positive outcome. However, Macedonia has been recognized under its constitutional name „Republic of Macedonia" by more than 130 states, including the US, the UK, Brazil, Russia, China and India. Still, more than 15 states

still use the name of “Former Yugoslav Republic of Macedonia”. Within the EU, 9 states (including inter alia Germany, France and Spain) belong to the above-mentioned group. In effect, neither the EU nor any of the EU member states, has not engaged in the mediation between Skopje and Athens. It seems that a very serious recession in Greece makes the EU even more reluctant to make pressure on Athens because of so-called Golden Dawn factor, namely the fear of nationalistic backlash under the Acropolis.

To make matters worse, in Autumn 2012 Bulgaria joined Greece in vetoing the opening of EU accession talks with Macedonia. The great majority of Bulgarian politicians as well as regular citizens insist that Macedonians are actually Bulgarians and that their language is a Bulgarian dialect. Bulgaria urged Skopje to stop what it called an “anti-Bulgarian campaign”, citing an “ever more nationalistic rhetoric, discriminatory attitude towards the citizens who define themselves as Bulgarian and obstacles to Bulgarian businessmen.”³⁹ In fact both countries, violate rights of Macedonian and Bulgarian national minorities respectively, by denying their existence and creating serious obstacles for cultivation of their cultures.

Bosnia is the only Western Balkan country (except from Kosovo which has been independent for only four years and it is not recognized by five EU member states), which has not submitted an application for the candidate status yet. Bosnia’s application for the candidate status is conditioned by Brussels by reforms aiming at the establishment of a functional state. Currently, one of the main obstacles on Bosnia’s path towards the EU is the delay in harmonizing the Bosnian constitution with the European Court of Human Rights ruling on ethnic discrimination against the principle of equality before the law.

Since the end of the war, the progress in building a functional state in Bosnia has been pushed forward by an external pressure (mainly by the EU and the US). Unfortunately in recent

years, the EU engagement in Bosnia has been more an *ad hoc* political interventionism and inconsistent conditionality. There has been a lack of long-term strategy.

Although, the internal situation in Bosnia is the most challenging in the region and is deteriorating, in 2012 the EU ended its police mission and radically decreased its military mission in this country. The Peace Implementation Council Steering Board is increasingly divided between those members who believe the EU's enlargement toolbox will be sufficient (Germany, France, Italy, Russia and the EU institutions themselves), and those who are increasingly sceptical and frustrated by this approach (the US, the UK, Turkey, Japan, Canada). The latter group's commitment is, to a certain degree, diluted by its reluctance to engage decisively in Bosnia, due to preoccupation with many other more serious problems occurring in other parts of the world.

The EU's involvement in Bosnia's conundrum can increase after Croatia's accession to the EU, but not necessarily. Although relations between Croatia and Bosnia are considerably better than between Bosnia and Serbia, important unresolved problems such as demarcation of borderlines or transit through the Bosnian city of Neum, could severely undermine the Croatian-Bosnian cooperation. On the other hand, the recent agreement between Zagreb and Sarajevo (February 2013) on Bosnia's access to Ploče seaport and border management gives a hope that the bilateral problems can be solved.

Croatia's accession can open a new front of tensions between Zagreb and Belgrade. Croatia and Serbia face the court lawsuits before the International Court of Justice concerning the Application of the Convention on the Prevention and Punishment of the Crime of Genocide. Croatia filed the suit against Serbia in 1999 and Serbia did the same against Croatia in 2010. There are also border disputes with regard to islands on the Danube river. Last but not least, status of minorities and refugees also causes friction in the Croatian-Serbian relations.

III. We are not alone: The third players in the region

The EU often presents the region as its domestic affair. However the region became an arena of intensive interaction with several third players: Turkey, Russia, China and the US. Their engagement takes a wide variety of different forms to which the EU must adapt its policy. From the perspective of the EU interests in the region, the most challenging is Russia's engagement. On the other hand, the largest overlapping occurs between the EU's Turkish and American agendas.

Turkey: soft security and the Ottoman legacy

Turkey constitutes a unique case among the third players because, as a partly Balkan state and former regional power, it is to a large degree the "native" stakeholder. In difference to Russia and China, Turkey is a very important contributor to the security of the region and plays an important role in soft power dimension (education, development aid, etc). The Western Balkans are one of the priorities of the Turkish foreign policy. Despite insufficient coordination and an increasingly independent course of the Turkish foreign policy, in general Turkey acts in the region in cooperation with the EU (particularly the UK) and the US. Possible permanent crisis in Turkey's accession to the EU would definitely have a negative impact on cooperation between Brussels and Ankara in the Western Balkans. On the other hand, strong bonds and common interests between the West and Turkey should prevent a long term "cold war" scenario between Ankara and Brussels in the region. In fact, the Western Balkans could become the most likely place where a reconciliation process between Turkey and the EU would be launched. Turkey does not have sufficient potential to torpedo the EU's agenda in the Western Balkan region. Its leverage in the region is decisively smaller than the EU's. However Turkey may significantly hamper the EU interests in the region, particularly in case of substantial slowdown of the enlargement process in certain Western Balkan countries (Albania, Bosnia,

Kosovo, Macedonia) resulting in an increase of euro-scepticism among the Balkan Muslims and ethnic Macedonians. Therefore, the prospect of EU membership is a vital issue, which links Turkey and the Western Balkan countries.

Turkey's leverage in the Western Balkans derives mostly from the legacy of the Ottoman Empire, namely a heritage of around 450 years of the Turkish Ottoman rule over almost the entire Western Balkans. What is more, Turkey hosts several million people who, at least partly, have roots in the Western Balkans. It is worth reminding that due to demographic trends the share of Muslims in the religious structure of the Western Balkans will substantially increase in the coming decades. Inevitably, close historic links between Muslim communities from the Western Balkans and Turkey contribute to a very strong identification of Albanians and Bosnians with Turkey.⁴⁰

Turkey is one of the important economic stakeholders in the Western Balkans, but its economic ties with the region are certainly below their potential. Turkey is an important trading partner for Kosovo and Albania.⁴¹ It has also held an important share in foreign direct investment (FDI) inflows into several Western Balkan states in recent years (Albania, the Federation of Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro). Turkish investments and projects are often located in the key areas in the Western Balkans, such as the construction of airports and strategic highways. Turkey is also an important donor of the ODA in the region, especially in the above-mentioned states. The largest recipient of the Turkish ODA is Kosovo. The special bond between Turkey and the Muslims of the Western Balkans is being reinforced by a relatively large number of Muslim students from the Western Balkans in Turkey (around 2000). Turkey is also a popular touristic destination for Western Balkan people. According to the statistics, in 2012 there were more than half a million visits to Turkey from the Western Balkans. In difference to Russia and China, Turkey as a member of the Southeast European Cooperative Initiative (SECI) and the Regional Cooperation Council (RCC) can be called a local stakeholder. In the case of Bosnia (Federation), Kosovo and

Macedonia, Turkey plays the role of their main protector in the international arena (e.g. lobbying for their international recognition or accession to the international organizations). In 2010, Turkish lobbying helped Bosnia being granted the status of NATO candidate. Turkey is also the main advocate of Macedonia's bid to NATO. On a number of occasions, Turkey has acted as a supporter of Western Balkan countries in their relations with the EU. For instance, Turkey took a very critical approach to the EU over its tolerance of Greece blocking the Macedonia's accession process.

Despite the evident special relationship with Balkan Muslims, Turkey is also successful in reaching out to the non-Muslim actors. Turkey's ability to build good relations with almost all the political actors in the region earned it favourable opinions, and an image of at least neutral country among most of Christian nations of the Western Balkans.⁴² The remarkable improvement in Turkish-Serbian relations took place in 2009. This paved the way for Turkey's contribution to a rapprochement between Bosnia and Serbia. *Republika Srpska* in Bosnia is the only regional actor, which has bad relations with Turkey. Its negative approach to Turkey results from Ankara's assertive support for the Bosnian national interests.

Turkey is also an important contributor to the region's security and stabilisation. Since the early 1990s, the Turkish Armed Forces and the police have been present in almost all EU, NATO and UN military and civilian missions in the Balkans. And this continues today, through such missions as EUFOR/ALTHEA, as well as EULEX and KFOR in Kosovo.⁴³ Another aspect of Turkey's contribution to the stability of the region are its efforts in training and equipping Western Balkan military and police forces. After the war in Bosnia, all the Croatian and Bosnian soldiers of the Army of the Federation of Bosnia and Herzegovina, and a huge part of the officers of the Albanian and Macedonian forces, were trained in Turkey. In this respect, Turkish armed forces have become one of the most significant "caretakers" of Kosovo's security forces.

Turkey's interest in regional stability also involves fight against organized crime and religious extremism. Turkey plays a very effective role in the fight against heroin smuggling through the Region, constituting 16% of global heroin interceptions.⁴⁴ According to the World Drug Report 2010, "Once heroin leaves Turkish territory, interception efficiency drops significantly. In the Balkans, relatively little heroin is seized, suggesting that the route is exceedingly well organized and riddled with corruption. In 2008, the countries and territories that comprised South-East Europe (a total of eleven countries, including Greece and Cyprus) seized 2.8 metric tons (mt) of heroin. This is in sharp contrast to what is seized upstream in Turkey (15.5 mt in 2008). In other words, for every kg seized in the South-East Europe, nearly 6 kg are seized in Turkey."⁴⁵ Turkey provides training to the police forces of some Western Balkan countries (Albania, Bosnia, Kosovo, and Macedonia) and supports an increase of the regional cooperation in combat against the organized crime.⁴⁶ Turkey restrains an extremist Islamist influence of the Middle East on Balkan Muslims.⁴⁷ The Presidency of Religious Affairs of the Republic of Turkey (*Diyanet İşleri Başkanlığı*) acts as a key patron for the mainstream Muslim religious structures in the Balkans through financial aid and training. In 1995, the *Diyanet* established the Eurasian Islamic Council, which gathered Muslim communities from the Western Balkans, other parts of Europe and the former Soviet Union.

Russia: pipelines and Slavia Orthodoxa

The Western Balkans occupy the secondary place of the list of Russian foreign policy priorities. Nevertheless, its importance should not be underestimated. Its location in Europe, the most important area of Russia's economic and political activity in the world and an unfinished character of its integration with the EU and NATO make the Western Balkans an attractive destination for Russian diplomats and businessman. The importance of Western Balkans in the Russian foreign policy agenda also derives from its role as a transit route for the South Stream, the key gas pipeline between Russia and the EU. The region's European perspective makes the Western Balkans even more at-

tractive to Russia, because Russia's engagement can be treated as an investment in the future (new friends in the EU). The Western Balkans are treated by Moscow as a proxy playground in a wider geopolitical competition with the EU and the US. The Kremlin expects to swap part of its assets in the Western Balkans for the Western concessions in other regions that are more important for Russia, particularly the post-Soviet space.

Russia has undoubtedly the strongest economic leverage in *Republika Srpska*, in Bosnia and in Serbia. Moscow's investment in the economies of both countries is located predominantly in the energy sector. In 2012 Russia was the second most important trade partner of Serbia. Its share in the Serbian total trade turnover is 10%. Moscow is also a relatively important source of financial support for Serbia (loans on favourable conditions), but it does not constitute a serious alternative to the EU in this dimension.⁴⁸ Russia's share in Serbia's FDI net inflows between 2005 and 2012 accounted for no more than 5%.

In 2009, Gazprom bought controlling stakes in NIS, Serbia's oil company. According to the agreement with the Serbian government, Gazprom also modernised NIS's businesses by 2012. NIS is the main source of revenue for the Serbian budget (around 25%). Gazprom also financed building of the gas storage in Banatski Dvor, the largest storage in the Balkans and the first facility of South Stream gas pipeline project. At the end of October 2012, Gazprom and Serbia signed the final investment decision on South Stream. In effect, Russia's investment in Serbia can increase substantially in the coming years. The value of this investment is estimated at 1.5 billion euro.

Russia is definitely the most important trade partner of *Republika Srpska* (almost 20% share in its trade turnover). In the recent years Russia has also become the main investor in *Republika Srpska* of Bosnia. Russia's share in the total volume of FDI in *Republika Srpska* approaches 25% of the FDI stocks. The main investor is Zarubezhneft, a Russian state company which owns the Bosanski Brod oil refinery, an oil producing plant, and many filling stations. In 2012 the Russian company announced that it

will invest in the refinery 760 million euro until 2016. Last but not least, in September 2012, Banja Luka signed an agreement with Gazprom concerning construction of the South Stream pipeline branch from Serbia to Republika Sprska. Russia has also a relatively strong position in Montenegro's economy, particularly in tourism and real estate market.⁴⁹ However its leverage has recently weakened, due to an ongoing dispute between Oleg Deripaska, a Russian oligarch and the Montenegrin government concerning ownership of the KAP, an aluminium processing plant which is the biggest single contributor to Montenegrin GDP and the largest exporter.⁵⁰

Russia's alliance with Serbia and *Republika Srpska* is based on its strong support to Serbian policy related to the status of Kosovo and the constitutional setup of Bosnia. In reciprocity Serbia has never joined the European Union in its position on Georgia's problem at the meetings of the OSCE Permanent Council. Serbia also voted against the UN General Assembly Resolution recognizing the right of internally displaced persons to return to Abkhazia. Thanks to that, in April 2013 Serbia received an observer status at the Collective Security Treaty Organization, a military alliance led by Russia.

Moscow's asset in the region is a widespread sympathy towards Russia among the Orthodox Christian, particularly among Serbs. Indeed, the Russian Orthodox Church is the key partner for the Serbian Orthodox Church. Russia's significance for Western Balkans is completely negligible as far as development aid, remittances and scholarships are concerned.

China: power plants and highways

China's interest in the Western Balkans is based mostly on the economic measures. Beijing perceives the region as a gateway to the EU. Certainly, China is not the key player in the region, nevertheless its engagement has increased considerably in the recent years and, most probably, this trend will continue. China's attractiveness for the regional states stems from its enormous market, lack of political conditionality and the largest

foreign exchange reserves in the world (source of investments and loans). The Chinese economic engagement in the Western Balkans should be placed in a wider regional context, namely Beijing's relations with South and Central Europe. Generally, China sees both regions as easy gates to the EU.

At the summit in Warsaw in April 2012, which gathered China and Central European states (including inter alia Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia) Beijing decided to establish a 10 billion USD special credit line for the Chinese and the local businessman that want to do business in Western Balkans. China is particularly engaged, or is intending to engage in energy sector (coal power plants, solar energy, hydropower) and infrastructure (highways, bridges) in Serbia and *Republika Srpska*.⁵¹ Taking into consideration the agreements already signed between Chinese companies and local governments or bids submitted by the Chinese side, a very substantial rise of China's investment in energy sector in Macedonia and Montenegro can be expected in the coming years.⁵² China is already a relatively important player in the energy sector in Macedonia.⁵³

The Chinese-Serbian relations are not limited to economic issues only. Serbia's official foreign policy strategy is based on four pillars: relations with the EU, Russia, the US and China. Belgrade declares that all four directions are of equal importance in the Serbian foreign policy. In practice, relations with the US are definitely the weakest pillar. China established a strategic partnership with Serbia in September 2009. In consequence, Serbia supports Beijing on such issues as the EU's declarations condemning human rights violations in China, particularly concerning Tibet and Xinjiang. In response, China supports Serbia in its fight against Kosovo's independence.

The US: NATO and development aid

The US is a very important player in the Western Balkans region. Without its engagement it would have been impossible to end the wars and to assure the stabilisation of post-conflict environment.

Washington's contribution was manifested through its military engagement (interventions, NATO missions⁵⁴), decisive support for NATO enlargement, key assistance to reforms of security sector in the Western Balkan countries, conducted within the framework of NATO accession process. Albania joined the Alliance, Montenegro gained the candidate status in 2009, Macedonia's entrance has been blocked by Greece since 2008, Bosnia which received the Membership Action Plan (MAP) in 2010, got stuck in the internal gridlock and Serbia is not interested in the accession. What is important though, NATO accession in the Western Balkans, cannot play the same role as the road to the EU.

Certainly, the Western Balkans are not the top priority for the US foreign policy agenda. What is more, the US is not an important investor or trade partner for the Western Balkan states. Nevertheless, its economic leverage should not be neglected. For instance, the US is the second most important donor of the ODA to the region (after the EU institutions). The US involvement plays particularly prominent role in the case of Kosovo.⁵⁵ The most important assets of the US in the region, are its images of hard player which cannot be challenged without consequences. Definitely, the US have large respect among the regional political elites. No matter if it is based either on fear or admiration, it certainly is bigger than the respect that the EU has.

IV. To-do list for the EU

Soft Bulldozer Style

The Europeanization of the EU candidate countries from the Western Balkans will not come through an artificial prolongation of the enlargement process, but through a genuine determination of local elites to implement the necessary reforms and through a stronger EU involvement. The sooner the Western Balkans will be modernised and democratised the better for the EU. A new assertive 'bulldozer style' approach is needed in the EU's policy towards the region. The motto of the EU's new strategy should be: "we are participants, not observers"

in the reform processes. The Western Balkan countries need more assistance and attention of the EU than the previous candidates. Brussels should finally accept that some problems (i.e. Bosnia) will remain unresolved without the EU's direct involvement, whether we like it or not. The European bulldozer should be more assertive in using soft "sticks" towards the elites of Western Balkan countries who are not eager to obey the rules of the European game or are not showing enough determination in the implementation of reforms (sanctions, arrests and dismissals in Bosnia or Kosovo, freezing the enlargement process and financial funds).

Democracy first

The EU should focus mostly on democracy building process in the Western Balkans. Without a genuine democratisation there will never be a long-term stability in the region. The EU should enhance its cooperation with a pro-democratic civil society in the Western Balkans, and through this mechanism contribute to creating pressure on politicians. The EU should decisively increase its support for the Civil Society Facility, placing a greater emphasis on smaller grants directed to grass-root civil society organizations. The focus on local communities can be the first stage towards an increase of the civil awareness on accountability of local political elites.

Economy, stupid!

The EU should promote a revision of economic agendas in the Western Balkans. Their priorities should include: fiscal consolidation, improvements of productivity through capital deepening, amelioration of investment climate (rule of law), attracting foreign investments, boosting domestic savings, focus on the supply side of economy, increase of efficiency of public administration and investments in infrastructure. The EU should oblige the Western Balkan states to produce national convergence strategies (with *acquis communautaire*) concerning issues like reform of education, liberalization of the labour market, investment in research and development and energy efficiency.

Clearly, the EU should financially support an implementation of these priorities. The European Investment Bank (EIB) and other international financial institutions should also commit funds to large cross-border regional infrastructure projects.

Investigation journalism and zero tolerance to corruption

The fight against corruption in the Western Balkans requires new instruments. Besides emphasis on judiciary and police reform, the EU should substantially increase support for investigative journalism by providing media with larger financial aid, organizational assistance and protection against government pressure. Brussels should launch a dialogue on media with the Western Balkan states such as the already established dialogue on justice and home affairs. As for the fight against corruption, the EU should reconsider support for radical measures e.g. dissolution of entire institutions (police, judiciary) and establishment of completely new structures. Georgia's experience has proved that the radical break with the past can bring the breakthrough in fight against corruption even in the allegedly hopeless cases.⁵⁶

The PR exercise

The EU must also start promoting itself better in the Western Balkans. The EU is perceived by Western Balkan societies mostly as an economic project (finding itself in crisis) and as a very soft player. Brussels can gain attraction of local population by putting emphasis on the EU as a source of democratic values (individual rights), transparency (fight against corruption) and accountability of the government. The emphasis on civilization/political framework of EU integration is important also in geopolitical context because the third players in the region – Russia, China and to a much lesser degree Turkey – avoid the political conditionality. An amelioration of the enlargement's image in the eyes of European public opinion is also of key importance. The EU institutions must launch a comprehensive information campaign focusing on the benefits of further enlargement and an acceleration of its pace addressing fears and lack of knowledge existing among the EU citizens.

The assertive EU under the German leadership

An impressive progress in Kosovo-Serbia dialogue has been achieved thanks to Germany's assertive engagement. It confirmed that a decisive leadership of the main EU players can bring the substantial progress. The EU and Germany should keep pressure on both sides to achieve the implementation of the final agreement on the most sensitive issue, namely the status of Kosovo Serbs, particularly in the North. Taking into account Germany's strong position in the EU, Berlin's firm stance would be more than welcome with regards to Macedonia's and Bosnia's stalemate. In the case of Macedonia, Germany should convince Greece to an idea of conditional accession negotiations with Skopje. They should be based on assumption that no accession will take place without finding solution to the name dispute. This issue should be treated as an internal European affair, therefore the EU should also take over the responsibility for talks on this issue between Greece and Macedonia, which are currently conducted under the UN umbrella. In the case of Bosnia, Germany should finally accept that the fundamental issue of constitutional reforms must be solved first, before the conditionality rule can be efficiently implemented. The Bosnian Gordian knot can only be cut through the imposition of key reforms by the EU or under its immense pressure. Readjustment of Germany's position in the Peace Implementation Council would be a game changer. Probably it would bring a domino effect within the EU. The shift of power will enable the EU together with the US and Turkey to prepare a new road map for Bosnia which will foresee placing the so-called European provision in the Bosnian constitution (no ethnic veto in case of legislation related to *acquis*), the replacement of the Office of High Representative by the EUSR with the Bonn prerogatives (this post requires appointing a European former politician of the highest rank) and Serbia's accession process conditioned on Belgrade's support for internal reforms in Bosnia. The EU must persuade Belgrade to pursue the same policy towards Sarajevo as Zagreb does (support for integration of Bosnian Croats into Bosnia's state structures). In Bosnia, the EU also has to launch a rule of law mission, similar to the EULEX in Kosovo but with a smaller contingent. In case of staunch resistance of the *Republika Srpska* towards the reforms, the EU in

cooperation with the US must be ready for a surge, namely an immediate increase of its military presence in the country.

A special track for Kosovo and... the EU in Kosovo

A very important issue is to prepare and introduce a 'special track accession' for Kosovo, which cannot differ significantly from the model applied towards the other candidates. Too many deviations from the path of other candidate states will undermine the European perspective of Kosovo. Its purpose ought to be, in fact, Kosovo's membership in the EU. Most probably Serbia will not be willing to recognize Kosovo's independence before its accession. In order to avoid internal divisions in the EU on the issue of Kosovo, the EU must endorse the principle that, excluding the recognition of Kosovo, all other issues concerning the EU policy towards Prishtina can be vetoed only by the substantial majority in the European Council. In fact it can be a first step towards the reform of the CFSP.

Piran Bay, never again

Croatia's accession to the EU can strengthen the EU's influence in the region. However, it might be the case that once Croatia becomes an EU member state, it will use its membership as a leverage against aspiring Western Balkan countries in cases such as: internal affairs in Bosnia (Bosnian Croats' status) or border disputes with Bosnia and Serbia. The EU cannot afford to repeat the scenario of Croatia-Slovenia dispute on the delimitation of territorial waters (Piran Bay). The EU should demand from Zagreb to ratify the Croatia-Bosnia 1999 border agreement. Particularly Germany should make it clear, that any sabotage of the EU policy in the region will bring a serious deterioration of bilateral relations.

(Neo)Ottomans as bobbies and lords of bazaar

The EU should link the Turkish accession process and these of the Western Balkan countries to the issue of the region's stabilisation. A part of this process could be an establish-

ment of a special mechanism, such as trilateral summits between the EU, the Western Balkan countries and Turkey. The main topics of each summit should be cooperation between all the actors in coping with the security challenges of the Western Balkans, common implementation of *acquis* and economic cooperation.

K.u.K Monarchy and the Western Balkans

A closer cooperation between Slovenia-Croatia-Austria-Hungary could also be beneficial to the region. The “quartet” should focus particularly on promoting the regional economic cooperation in the Western Balkans. They should closely cooperate with the Visegrad Group countries.

B&B: the Baltic and the Balkans

The EU should try to find among its member states new attractive interlocutors for the Western Balkan partners. The Baltic republics due to similar size of population and economies and several similar challenges (the post-communist social legacy, large ethnic minorities, relatively high unemployment rate, relatively high level of corruption in Lithuania and Latvia, huge labour immigration) as well as their recent accession to the EU (know-how of transition, implementation of *acquis*) can be the most emphatic partners in the EU for the Western Balkans. Moreover, they can be a source of inspiration for the Western Balkan states. Their strengths are the following: very fast pace of growth before the crisis, robust and tangible recovery, very open and liberal economies, very efficient use of EU’s funds, and last but not least, high level of innovation and rule of law in case of Estonia.

FBI as a model: the new role for the US

The EU must strengthen its partnership with the US in the region. The US and the EU law enforcement agencies should support and assist reforms of their counterparts in the region and should increase a scope of cooperation with the Western Bal-

kan institutions fighting against the organized crime (common operations). In fact, the US possesses the most comprehensive know-how in this dimension, larger than the EU member states. 🍌

¹ Adam Balcer, Director of the Programme "The EU and the new global contract" at demosEUROPA – Centre for European Strategy.

² Croatia because of its accession to the UE in July of 2013 is not covered by the term Western Balkans in this report.

³ When Kosovo declared independence in 2008, only a few considered it likely that Kosovo Serbs living in enclaves South of Ibar River would smoothly agree to cooperate with Prishtina and forswear loyalty to Belgrade. However, they voted in Kosovo's local elections in 2009 and parliamentary elections in 2010 (with a very similar turnout to the Albanian elections) and a huge part of them participated also in the 2011 census. As a consequence, Serb parties sit in the Kosovo parliament; the governing coalition depends on them for its majority; and Kosovo municipal governments took over smoothly from the Serbian parallel structures. During the elections in Bosnia, non-Bosniak candidates competing against Bosniak ethnic politicians regularly win the seats in Bosniak constituencies in large cities.

⁴ In July 2012, the Constitutional Court of Serbia revoked all the decisions taken by the judicial institutions concerning the re-appointment procedure for judges and prosecutors carried out in the years 2009-2010. This decision uncovered serious shortcomings of judiciary reforms conducted in Serbia in recent years. Moreover, In August 2012 the independence of the Serbian central bank has been seriously challenged by the adoption of amendments substantially increasing the control of the government over that institution.

⁵ Western Balkans administration and political elite predominantly failed to provide a proper response to the crisis. Most of the Western Balkan countries due to the absence of consolidation reforms failed to adapt smoothly to a sharp revenue decline, resulting in deterioration of fiscal positions. Moreover, they did not possess the capacity for fiscal stimulus packages comparable to those of developed countries. In consequence, most of these countries reverted to extensive borrowing which was wasted mostly on consumption and expenditures. The failure to consolidate expenditures crowded-out already insufficient private sector investments. Renzo Daviddi, Naida Čaršimamović Vukotić, Irina Smirnov, How to Improve Economic Policy-Making in Western Balkans? PECOB's Paper Series no 21, March 2012, 2012, <http://www.pecob.eu/flex/cm/pages/ServeBLOB.php/L/EN/IDPagina/3523/UT/systemPrint>

⁶ The EU promotes fight against corruption but taking into account press and legal investigations, it could be assessed that certain EU companies investing

in the region adapted to the regional way of doing business and are themselves generators of this pathology. Their responsibility comprise classic tender rigging bribes ("percentages"), but also entire projects initiated solely for the purpose of "tunneling" public funds without ever beginning or producing any tangible results.

⁷ Innovation Union Scoreboard 2013, http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013_en.pdf

⁸ The most striking expression of Serbia's special treatment of *Republika Srpska* is the fact that Milorad Dodik the president of Republika Srpska and Boris Tadić the former president of Serbia met 23 times between 2009 and 2011, compared to one official visit to Sarajevo by Tadić. Kurt Bassuener and Bodo Weber, Croatian and Serbian policy in Bosnia-Herzegovina: help or hindrance? Democratisation Policy Council, October 2012, p.7. <http://ceas-serbia.org/root/prilozi/Croatian-and-Serbian-Policy-in-Bosnia-Herzegovina.pdf>

⁹ There is also a dispute over the use of hydropower potential of the riparian border as well as over international rail line, which traverses Bosnia territory for a short distance. Resolution on bilateral property issues also remains frozen. While Bosnia has implemented the agreement on the former Yugoslav property, Serbia has not.

¹⁰ Montenegro hosts both the Serbian Orthodox Church and the Montenegrin Orthodox Church, the latter has not been recognized by any other Orthodox churches. Montenegrin ruling elite promotes an idea of unification of the Orthodox churches in Montenegro into a single organizational unit. On the other hand, Serbia supports an independence of the Serbian Orthodox Church in Montenegro and provides it with assistance in legal disputes with the Montenegrin government taking place before the European Court of Human Rights. Serbia and Macedonia are still burdened by the non-recognition of the Macedonian Orthodox Church by the Serbian Orthodox Church and in consequence by other Orthodox Churches. The Macedonian Orthodox Church was established by Tito's regime in 1967 through separation from the Serbian Orthodox Church. The latter established in 2004 in Macedonia the Orthodox Ohrid Archbishopric which has not been recognized by the Macedonian state. Its leaders were arrested and are currently facing court processes.

¹¹ Tomislav Nikolić, the president of Serbia has declared recently: "I recognize Montenegro as a state, but not any difference between Serbs and Montenegrins, because there is none." Nikolić za TVCG, Priznajem Crnu Goru, ali ne razlike između Crnogoraca i Srba, Pobjeda 29.05.2012, <http://www.pobjeda.me/2012/05/29/tomislav-nikolic-za-tvcg-priznajem-crnu-goru-ali-ne-i-razlike-između-crnogoraca-i-srba/>

¹² Gallup Balkan Monitor, *Insights and Perceptions: Voices of the Balkans*, 2010. <http://www.balkan-monitor.eu/index.php/dashboard>.

¹³ Blic, Nikolić za rusku televiziju: Jedino Srbiju volim više od Rusije, 10.09.2012. <http://www.blic.rs/Vesti/Politika/342072/Nikolic-za-rusku-televiziju-Jedino-Srbiju-volim-vise-od-Rusije>

¹⁴ It should be recalled, that The Tribunal also acquitted or dropped accusation against a former president of Serbia, a Serbian admiral and a chief of the general staff. During the wars in former Yugoslavia the Serbian side committed the largest number of war crimes. However, the Serbs are to a certain degree overrepresented among officials and officers convicted as war criminals by the Tribunal.

¹⁵ Serbia is the most important trade partner of Montenegro (25% share in Montenegrin trade volume) and very significant trade partner for Kosovo, Bosnia and Macedonia (7-10% share in their trade turnovers). Serbian investments have a very huge share in FDI stocks of Montenegro and *Republika Srpska* in Bosnia. Serbian capital almost completely dominates the investment balance in Serbian regions in Kosovo. A huge number of Montenegrin students studies abroad (more than 15% of all students). 90% of them study in Serbia. 45% of students from Bosnia are studying abroad and – what is a widespread phenomena in the country – attend Serbian universities.

¹⁶ Due to the political dispute concerning the final status of Kosovo, cooperation between Belgrade and Prishtina in fighting organized crime remains very limited. On the other hand, according to the UNODC report *Crime and Its Impact on the Balkans and Affected Countries*, "Kosovo provides a good example of the way that strengthening the rule of law can retard the growth of crime(...) It was the chaos accompanying the war and economic collapse that led to the growth of ethnic Albanian organized crime groups, and growing order appears to be undermining their competitiveness(...) The more social and political conditions normalize, the weaker gets the grip of criminal groups on Kosovo." UNODOC, *Crime and Its Impact, the Balkans and Affected Countries*, March 2008, p.20. http://www.unodc.org/documents/Balkan_study.pdf

¹⁷ Croatia is going to join the European Union on 1 July 2013.

¹⁸ EU Commission, *Enlargement Strategy and Main Challenges 2011-2012*, 12.10.2011 http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/strategy_paper_2011_en.pdf

¹⁹ After the accession of Croatia to the EU, its share in the trade volume of the Western Balkan states will oscillate between 45% to 75%. The smallest one is in case of Kosovo and Montenegro and the largest one in case of Albania.

²⁰ Remittances from labor immigrants working in the EU and Switzerland (Kosovo) equal to almost 15% of Kosovo's and Bosnia's GDP and around 10% of Serbia's and Albania's GDP, around 7% of Montenegrin one and 4% of Macedonia's GDP.

- ²¹ For instance, Greek banks account for as much as around 25 % of the assets, deposits and loans in Macedonia and in Albania, and between 15 and 20 % in Serbia. Together with Italian banks they control little under half of the sector in the Western Balkans.
- ²² Croatia's share in the trade volume of Bosnia approaches 15% and in case of Montenegro exceeds 5%. Croatia is also the main investor in Federation of Bosnia and Herzegovina. In the entire Bosnia, Croatia's share in the FDI stocks approaches 15%.
- ²³ Germany's share in the whole ODA accounts for 25% of the received aid in case of Montenegro, more than 20% in case of Serbia, 15% in case of Albania and almost 10% in case of Macedonia.
- ²⁴ The German contingent in Kosovo is the second one constituting almost 15% of its troop strength.
- ²⁵ Italy's share in the trade balance of the Western Balkan countries apart of Albania varies from 5 to 10%.
- ²⁶ Italy is Albania's main trade partner (around 35% share in the Albanian trade balance) and an important source of FDI (more than 10% of FDI balance). Italy is a host country for more than 500 thousand of Albanian labor immigrants from Albania and Macedonia. Albanian students study very often abroad. Around 60% of them attend Italian universities.
- ²⁷ Germany occupies a position of key foreign investor in Serbia and Kosovo. Its share in net inflows in Serbia after 2005 and in Kosovo after 2007 respectively approaches 10% and 20%. Source: Statistical offices and central banks of the Western Balkan states
- ²⁸ Hungary is a key investor in Macedonia (10% of share in the FDI stock) and a very important in Montenegro. Hungary's share in the Serbian trade volume approaches 5%. Hungarians are also the largest minority in Serbia making up almost 15% of inhabitants of Autonomous Province of Vojvodina. Hungary contributes significantly to the EUFOR mission in Bosnia (around 15%). Ibid.
- ²⁹ Austria is the most important investor in Serbia and Bosnia (in both countries its share exceeds 20% in FDI stocks or net inflows) and a key one in Kosovo, Albania and Macedonia (around 10% in their FDI stocks or net inflows after 2007 in case of Kosovo). Ibid.
- ³⁰ Austrians make up almost 30% of EUFOR contingent and more than 10% of soldiers serving in the KFOR.
- ³¹ According to the UNESCO statistics, around 25% of Bosnian students and almost 20% of Serbian students studying abroad got scholarships from the Austrian universities. Many students from Kosovo study at Austrian universities. Austria is also a relatively important donor of the ODA for the Western Balkan states.

³² Greece is an important trade partner for Albania, Montenegro and Macedonia (share in their trade balances 7-10%). Greece occupies also a dominant position in the Albanian FDI balance (probably around 30%) and a significant with regard to Macedonia, Serbia and Montenegro. In case of Macedonia Greek share in its FDI stock approaches 15% and in case of net inflows to Serbia (2005-2012) decreased recently slightly below 10%. Around 400 hundred thousands of Albanians live and work in Greece. More than 20% of Albanian students studying abroad attend Greek universities. Slovenia is one of important investors in Bosnia and Macedonia (more than 10% share in their FDI stock). The Slovenian share in net inflows of the FDI to Serbia between 2005 and 2012 exceeded 5%. Meanwhile, Slovenia's position in net inflows to Kosovo after 2007 exceeds 10%. Slovenia is also one of the most important foreign investor in Montenegro. Slovenia is a relatively important trade partner for Bosnia and Montenegro (around 5%).

³³ In 2009 Albania and Montenegro had to wait seven and nearly four and a half months respectively for the European Council to convey their application to the European Commission for conferring a candidate status. In comparison, Macedonia in 2004 was much less prepared for the start of negotiations than Montenegro is today and a little bit less than Albania, but it waited for the Council's decision only about two months. Although, the European Commission recommended in October 2011 the European Council to launch the negotiation accessions with Montenegro and admit a candidate status to Serbia, it happened respectively in March and in June 2012.

³⁴ Until now the dialogue achieved an establishment of freedom of movement across major part of the Kosovo-Serbian border, both for persons and cars based on the integrated border management. Belgrade agreed to provide Prishtina with copies of land registries and personal documents. Both sides accepted mutual recognition of each other's university diplomas. Prishtina and Belgrade ended the trade embargo..Belgrade agreed to provide Prishtina with copies of land registries and personal documents. Serbia recognized Kosovo Custom stamps which use formula "Customs of Kosovo". Belgrade accepted Prishtina's participation in regional organizations. Finally, Kosovo and Serbia reached a compromise on the status of Kosovo Serbs, although the talks on the implementation are going on. Negotiations are continuing also on energy cooperation issues – electricity transmission, implementation of the Energy Community treaty and telecommunications issues – landline and mobile phone services in North Kosovo and roaming.

³⁵ In July 2012 Albania's ruling coalition and opposition under intense pressure from the European Union voted finally electoral reforms after three years of political wrangling. In September 2012 the Albanian parliament voted through under pressure from the EU constitutional changes that curbed immunity for lawmakers and government officials.

³⁶ Group for Legal and Political Studies, Kosovo and Visa-free travel regime: a policy report by the group for legal and political studies — The increasing EU Member States' scepticism and regional experiences, November 2012, p. 18. <http://legalpoliticalstudies.org/download/Policy%20Report%2005%202012%20eng.pdf>

- ³⁷ Visa liberalization with Kosovo. Roadmap, p.3 http://eeas.europa.eu/delegations/kosovo/documents/eu_travel/visa_liberalisation_with_kosovo_roadmap.pdf
- ³⁸ In December 2011 the Court ruled fifteen to one – the Greek judge was the sole dissenter – that Greece has breached the 1995 by blocking Macedonian application for NATO membership at the Bucharest NATO Summit in 2008.
- ³⁹ Bulgaria to block start of Macedonia-EU talks, <http://www.eubusiness.com/news-eu/bulgaria-macedonia.lch>
- ⁴⁰ According to the Gallup Balkan Poll, around 75 % of them have declared that they feel similar to Turks in terms of mentality and culture. Gallup Balkan Monitor, *Insights and Perceptions: Voices of the Balkans*, 2010. <http://www.balkan-monitor.eu/index.php/dashboard>.
- ⁴¹ Its share in Kosovo's trade turnover is around 8 %, of that of Albania around 6 %. The world economic crisis caused a significant drop of Turkey's share in Bosnia's trade volume from 4% to more than 2,5%. In Bosnia, Bosniak cantons are the most important trade partners for Turkey. By default Turkey has a larger share in their trade volume. In case of Macedonia Turkey's share in its trade turnover is around 3,5%. On the other hand, Turkey still has a strong position in terms of its export capacity to the region. A remarkable example of this is that Turkey's export to Bosnia increased by 250 % in 2007.
- ⁴² According to the Gallup poll, Macedonians, among non-Muslim inhabitants of Western Balkans, have a particularly positive attitude towards Turkey. Around 80 % of them perceive Turkey as a friendly country. Gallup Balkan Monitor, *Insights and Perceptions* (accessed May 4, 2011).
- ⁴³ The Turkish police and officials in EULEX in Kosovo form around 4% of the international contingent. In the EUFOR/ALTHEA military mission, the Turks formed around 35% of the contingent. In KFOR, Turkish contingent constitutes 7,5 % of the force.
- ⁴⁴ UNODC, *World Drug Report 2010* (New York: United Nations Publication, Sales No. E.10.XI.13, 2010), p. 46. http://www.unodc.org/documents/wdr/WDR_2010/World_Drug_Report_2010_lo-res.pdf
- ⁴⁵ UNODC, *World Drug Report 2010*, p. 57.
- ⁴⁶ In November 2009, the SECI and the RCC signed a "memorandum of understanding" to develop cooperation in preventing and combating cross border organized crime and promoting the principles of the rule of law and strengthening regional cooperation.
- ⁴⁷ Turkey, as the leader of the Organization of the Islamic Conference, is a member of the Steering Board of the Peace Implementation Council, an organization responsible for the implementation of Dayton Peace Accords in Bosnia

and Herzegovina.

⁴⁸ In 2010 Russia granted a 200 million USD loan for Serbia used for budget support. At the beginning of 2013 Russia approved a loan of 800 million USD for modernisation of Serbian railway network. In April 2013 Moscow granted a budget loan of 500 million USD.

⁴⁹ Around 30000 Russians have bought real estates in Montenegro. Russian tourists account for 10% of all foreign tourists visiting Montenegro.

⁵⁰ In February 2012 the Montenegrin government took over from Oleg Deripaska, without his consent, controlling stakes in the KAP.

⁵¹ In December 2010 Serbia and China signed an almost 345 million USD contract for an overhaul of coal-fired Kostolac B power plant which will be conducted by a Chinese company. In Autumn 2012 Serbia applied for a Chinese government loan to add a new unit to Kostolac power plants and expand a coal mine that feeds it. The project is worth 700 million USD. The new bloc, when completed, will be the first newly-built electric power system in the country in the past 30 years. In September 2011 Serbian municipality of Vranje signed an agreement with a Chinese company that envisages a 300 million euro investment in solar energy sources in the region. This is the largest investment ever in the region of south Serbia. In June 2012 the China Development Bank approved a 350 million euro loan for a company from *Republika Srpska* which will build a power plant in Stanari. A Chinese company is constructing a key bridge over the river Danube worth 170 million euro to connect Belgrade's municipalities of Zemun and Borca. At the end of 2012 the Serbian government asked China for a long-term 1.10 billion USD loan to finance two highways. Both are supposed to be built by Chinese companies in cooperation with local partners.

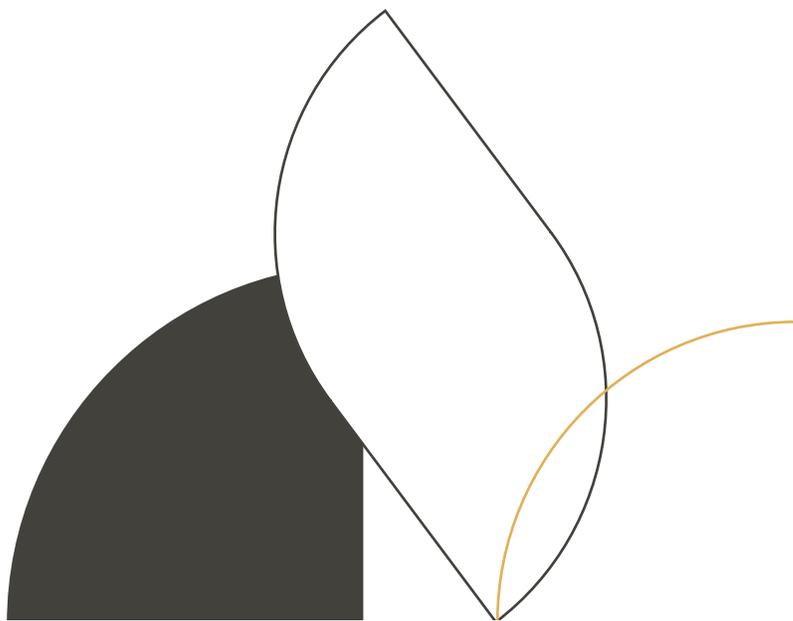
⁵² In April 2011 Macedonia signed Memorandum with the People's Republic of China Development Bank and the Chinese company CWE concerning the Vardar Valley Project. The Vardar Valley project envisages the construction of 12 hydro-electric power plants, generating a total of 325 Megawatts, along Macedonia's biggest river. It is the largest energy project in the country, estimated at 1.5 billion euro. China is also negotiating with Macedonia on conditions of its participation in Cebren-Galiste Hydropower Station Project. In October 2012 a Chinese company submitted an offer to invest 300 million euro in the construction of a new thermo central in Montenegro (second unit within Pljevlja Steam Power Plant).

⁵³ In 2009 the Chinese company finalized the construction of Kozjak hydropower plant. It is the Macedonian largest hydropower project. Chinese government provided Macedonia with around 90 million U.S. dollars (almost 60% of the investment) in financial support in the form of loans for this project.

⁵⁴ The US contribution to the KFOR mission in Kosovo despite its substantial decrease has not lost relevance (1st contingent, 15% of servicemen).

⁵⁵ The US' share in the ODA received by the Western Balkan countries has been averagely on the level of 6-9% of the entire aid in recent years. In case of Kosovo it has been approaching 25%.

⁵⁶ Georgia was perceived as a failed state before the Rose Revolution. The level of corruption at that time was much higher than in the Western Balkans.



2

Case study A hundred years of yearning: the Albanians and the EU in the 21st century

Veton Surroi¹

Main thesis

1. One hundred years ago, the lack of a unified Albanian nation state has engaged the Albanians in the Balkans in continuous and dispersed state-building process, delaying their capacity to establish functioning institutions.
2. A dispersed energy in the state-building has kept the Albanians in a limbo between the East and the West (despotism vs. liberal democracy).
3. The Albanians live in an “incomplete state” zone in the Western Balkans. This continuously torpedoes their greater integration with the EU.
4. Integration with the EU is essential to the development of Albania.

Celebration of incompleteness

In November 2012, the Republic of Albania celebrated the 100th anniversary of the declaration of independence from the Ottoman Empire (28th of November 1912). One hundred years ago, Albanian leaders fulfilled their dream to become a European nation state by declaring independence in Vlorë. And, by doing so, they chose a new path for the country – away from the multinational Ottoman Empire and towards the Western family of European nation states. Hundred years later this celebration can be characterized as a celebration of incompleteness.

The nation state declared one hundred years ago failed to unite the majority of the Albanians living in the Balkans. Today, there are almost as many Albanians living in neighbouring states as there are living in Albania. The nation state declared a hundred years ago has spent more time experimenting with “Eastern” models (despotism, communism) than with the “Western” ones (liberal democracy). At one point, Albania was even drawing an inspiration from Mao’s China.

Albania celebrated its hundredth anniversary without reaching a symbolic stage of relationship with the EU – the status of a candidate country. Albania is incompletely Albanian, incompletely Western and incompletely European.

Minorities are closer to Europe

There are two categories of Albanians close to the European Union. The first category are people who are now spread from Tallinn to Lisbon, and from Rhodes to Dublin – the emigrants (probably about one fourth of the Albanian nation). The second category are the indigenous Albanians of Montenegro and Serbia, countries that have acquired candidate status and that will become member states of the EU one day. Both categories are minorities. The first category are the new minorities – people who emigrated to post-war Europe and decided to stay there. These people require spe-

cial cultural rights in the new states of residence (and in many cases, of citizenship). The second category constitutes traditional minorities, people who have found themselves in that position when the former Yugoslav republics became independent states.

In between, there are the Albanians from Macedonia, caught in the midst of their own demographics. They are prolific enough not to be a traditional minority, but not numerous enough to get a status of fully-fledged nation equal to ethnic Macedonians. The hard lesson for the Albanians in the 21st century is that the closer to the European Union they are, the smaller their influence (political power) is.

Building many states at the same time

One of the basic problems that the Albanians faced in their history has been a 100-years long process of parallel state-building exercises. Almost half of the Albanian nation has been kept out of those state-building exercises (excluding a short period of the Greater Albania between 1941 and 1944, which was a satellite state of Axis powers encompassing most of Kosovo and Western Macedonia). For the Albanians in Kosovo, this meant a painful process of state-building in the Kingdom of Serbia and Montenegro (1912-1918) and then in the royal Yugoslavia (1918-1941). In the communist Yugoslavian Federation, the Kosovo Albanians were recognized as a national minority until 1968, although with a tendency to be treated as a nation different from their co-nationals living in Albania. After that, the Kosovo Albanians enjoyed national autonomy as “genuine” Albanians. But in 1989 they were stripped of it and forced to remain within the framework of the collapsing Yugoslavia dominated by Serbia until 1999. In 1999 Kosovo became an international protectorate. And finally in 2008, almost a century after the independence of Albania, Kosovo achieved its own independence.

The fate of the Albanians of Montenegro, Serbia and Macedonia was similar to the fate of those of Kosovo, but after 1968 their

paths began to diverge significantly. The former became minorities in the socialistic republics that gained independence in 1991 and the latter became minorities in 2006, when Kosovo proclaimed its independence. During this hundred years, the Albanians participated (as subjects and objects) in many state-building and ideological processes. The process of state-building is still ongoing in case of Kosovo and, to a certain degree in Macedonia. In the Balkans, there is no comparable historical experience of this sort, and the nearest comparison in Europe would be the German nation.

Unfinished business, incomplete states

The dispersed state-building has not only left Albania incomplete. Two other states remained incomplete, with their clear respective differences. The Republic of Macedonia had to go through a difficult period of state-building as an independent state, only to find that it has still a fundamental problem with one of its neighbours, Greece, and in consequence, with the identity of the nation state. Greece has successfully obstructed the membership of Macedonia in NATO as well as the accession talks between Skopje and the EU. The Greeks has not recognized the constitutional name of Macedonia neither has it accepted the identity of the majority of the population as ethnic Macedonians.

This incompleteness of the identity of the country had a double negative impact. It has further nurtured a populist movement within the country (identified with the ruling party – VMRO-DPMNE). This movement focused its attention on building the European identity through an almost “theme park” effort of adoption of Alexander the Great and the ancient Macedonia. It has created a stagnation in the country’s integration aspirations with the West.

In Kosovo however, the degree of state incompleteness is much more extensive and drastic in nature. Almost 20% of its territory is not under control of the state institutions. Incompleteness of territorial identity is accompanied by a problem

with its international legitimacy. Even though Kosovo has been recognized by almost 100 states (among them the most powerful Western states), some countries (such as Russia and China) block the UN membership of Kosovo. Finally, the country's European legitimacy is being blocked by five EU member states, which have not recognized the independence of Kosovo.

The zone of the “incompletes”

The Albanians are not alone in their problem of incomplete statehood. They are quite interlinked with two open projects of the Serbian nation state building. Bosnia and Herzegovina is a dysfunctional state without a constitutional legitimacy of its own, still running an armistice deal achieved in Dayton, Ohio in 1995. The deal legitimized the creation of the *Republika Srpska*, responsible for ethnic-cleansing in the region.

Republika Srpska, functioning as a separate entity of a dysfunctional state keeps the Serbian state-building process open. Serbia can also be characterised as an incomplete state. Furthermore, by keeping open partition policies in Bosnia and in Kosovo the Serbian state-building process is not discarding irredentism, a precedence that would drive Albanians towards the Preševo valley and Macedonia.

The ramifications of this policy are twofold. On the one hand, they serve to paralyze the growth of institutions of the state, as in the case of Bosnia and Herzegovina as well as in the case of Kosovo, or to continuously pressure countries such as Macedonia with an impending partition scenario. On the other hand, they serve to create a bigger discrepancy between Serbia and the rest of the “incomplete states”.

The EU as a nationalist objective

A hundred years ago, the goal of the Albanian leaders was to build a state that would be Albanian, Western, and therefore European. Since then none of these objectives has been

achieved. What is more, the first objective has changed and others are being reformulated. The failure to create an Albanian state that would encompass the vast majority of the Albanians has already created a dispersed state-building process for the Albanian nation.

Pursuing the objective of correcting all the mistakes made during last hundred years in forming Albania (with the majority of the Albanian population in the Balkans) would be an enormous endeavour for the Albanian nation. It would entail creating an administrative and an economic capacity to make the new country more functional than the present one. This process cannot be conducted within the present political demographics. Albania is still in the process of consolidating its own institutions after the collapse of the state in 1997, and more recently it is repeatedly failing to fulfil the basic Copenhagen criteria of a functioning democracy.

In the last two decades, the basis for the state-building policy was the assumption that the Albanians will be united in a united Europe. A question of the European integration, for Albanians, has therefore become the question of overcoming the initial deficit of the Albanian state.

What the Albanians are discovering nowadays is that the way to inter-Albanian communication through a unified Europe project is much more complicated than they thought. The way to such a reality is long, involves reforms, and requires the state-building process to be finalized. There must emerge a state that is at peace with itself and its neighbours, institutionally sufficient to be part of the EU. Furthermore, that way leads to the objective of becoming part of the EU, an ever-changing organism, one that has an uncertain future, and is defined as “work in progress”.

How to get out of the hybrid zone?

Albanians are engaged in a dual challenge: (1) state-building, i.e. still unanswered questions of sovereignty and territoriality (Kos-

ovo), (2) networking, i.e. making structural transformations of the countries so that they can become part of the European Union.

To describe the situation, which the Albanians found themselves in, one would need a dual definition of their borders. Firstly, the borders of their ethnicity (Kosovo with its northern territories inhabited by the Serb minority) and secondly, the border of their identity – crossing the bridge towards their Western identity.

The fact that the Albanians are committed to their unification within the EU, as well as that they are the most pro-American and pro-European society in Europe today, does not mean that the road of Albania towards its European/Western identity is a given. During the current decade, the Albanians are going to be a part of the Western Balkans, that is left behind in the European integration. This is due to the fact that they live in an “incomplete state” neighbourhood, next to Serbia which is in a privileged position towards the UE. Coincidentally or not, the Albanians in their majority in Albania and Kosovo will be in the same stagnating club with Bosnia and Herzegovina, and probably with Macedonia too – a Muslim majority country with either dysfunctional state or identity problems, or both at the same time.

The Albanians will be under three forms of influence from the East. Firstly, under the influence of Turkish economy, which perceives markets of the Western Balkans as a natural habitat. Secondly, under the influence of a neo-Ottoman Turkish foreign policy, that perceives the space of the former Empire as its natural habitat. And thirdly, under the influence of the political Islam, that is already making inroads, especially in Macedonia, trying to undermine the Albanian ethnic identity in favour of the religious one.

One could argue that such an Eastern push could have little influence on the Western strategic orientation of the Albanians, but cautious analysis will show that a combination of a distant European membership perspective, incomplete statehood and a close Eastern political, economic and religious pressure, can serve as a diversion.

For Albania, which has a hybrid system of not entirely functioning democratic institutions combined with authoritarian tendencies, such a diversion could cause a pause in reforms, and self-justification for such a pause (“we want economic growth, like Turkey, not reforms, like the EU member states”).

For those in the EU that want to have a longer pause in the enlargement process, such a diversion would be good. For the Albanians, it could mean a change of the historic targets and an involvement in a geopolitical scheme to which they do not belong.

Last time the Albanians were in the process of doctrinarian debates that influenced their nation was one thousand years ago, during the Great Schism that divided the Christian church in two. They were not very well aware of what was happening at that times. They only found out that their own church was divided in two, and that they would need to suffer the consequences of somebody else’s decision. The debate of whether Turkey is or is not a European country is not the Albanians’ business. They may however feel the consequences of falling out of this debate, if they are not firmly in the driving seat of their own European integration process.

The vicious circle of stagnation

In the new context, it is strategically important for the Albanians to go back to the basics of their decision from before 100 hundred years. A deep historic decision to be Albanian, Western and European, needs to be readdressed today. And as we have seen, Albanianism, for the last 20 years has been strategically described as a unification within a united Europe.

The closer integration of Albania, Kosovo and Macedonia with the EU becomes both a national goal for the Albanians, as well as a project for the unification of Europe. But is this really true for the EU and the Albanian elites? Judging from the actions, there seems to be a mutually unspoken consent that the Western Balkans are not yet ready to be European.

There is a consensus within the EU that Albania is a hybrid state, not ready for a candidate status, being a combination of electoral democracy and autocracy with undemocratic institutions. There is a consensus within the EU that there is no agreement whether Kosovo is independent or not. This in turn leads to a consensus that things will remain as they are until they somehow change. Finally, there is a consensus within the EU that the Republic of Macedonia is not a worthy issue for the EU to unify its stance and help the country move forward towards integration. In short, there is a consensus throughout Europe that the situation in the Western Balkans is characterized by a status quo, which is considered as a positive development after the disintegration of Albania in 1997, the war in Kosovo 1998-1999 and the war in Macedonia in 2001.

Albania may be described as a democracy in which there is freedom but not all the votes are counted and the courts are to a large degree controlled by political powers or under the pressure of criminals and petty oligarchs. The government is not focused genuinely on reforms, but rather on outwitting the Europeans who ask for them.

Kosovo is governed by a fraudulent elite who disperses all of the public money in dubious and corrupt-ridden projects. This happens under the silent consent of an international community that asks for basic stability, only to justify its presence in the country. In Macedonia, the society is driven deeper and deeper into its own stagnation, creating a self-supporting mechanism for the government, which is the main provider of jobs, in order to stagnate more. The Albanians are caught in a vicious circle of stagnation: in Albania, Macedonia and Kosovo, the elites are not making decisive movements towards EU integration, because it helps them to perpetuate power.

The EU spins this vicious circle by not creating sufficient pressure and/or incentives for change in those countries. And it does not, because it is caught more and more in an introspection, the accession process is not anywhere near to be a priority.

Lessons for the future

A hundred years after Albania's declaration of independence, the Albanians are again about to discuss their statehood. Today, not so much about borders or the flag, but rather its functionality and its democratic composure – in short, the quality of the state. Or rather states, since clearly, during these 100 years of yearning, they have understood that there will be more than one state in which they will live indigenously. However, having the EU's future as a national priority, the Albanians themselves should become the initial transformers, the agents of change, who will provide the ideas for the new policies.

In Macedonia, the stagnation with the name issue has seriously paralyzed the country's Western aspirations. By and large, the country has much higher capability for transforming its institutions to the EU standards, than the rest of the region. But on the other hand, it is also caught in identity politics, which move it to regression. The Albanians in Macedonia need to develop a joint position among themselves. Such a position would consist of three points:

- a)** The condition for Albanian participation in the integration process with NATO and the EU.
- b)** Consensual participation of the Albanians and the Macedonians in resolving the name dispute, within a self-imposed limit of time.
- c)** Review of the Ohrid Agreement, with support from the guarantors of the Agreement, to fulfil all the unresolved issues.

The EU could be helpful with these initiatives, by devising a policy that would, on one hand, incentivise Macedonia, and on the other, raise the issue of Macedonia to a high priority in the debate of EU member states with Greece.

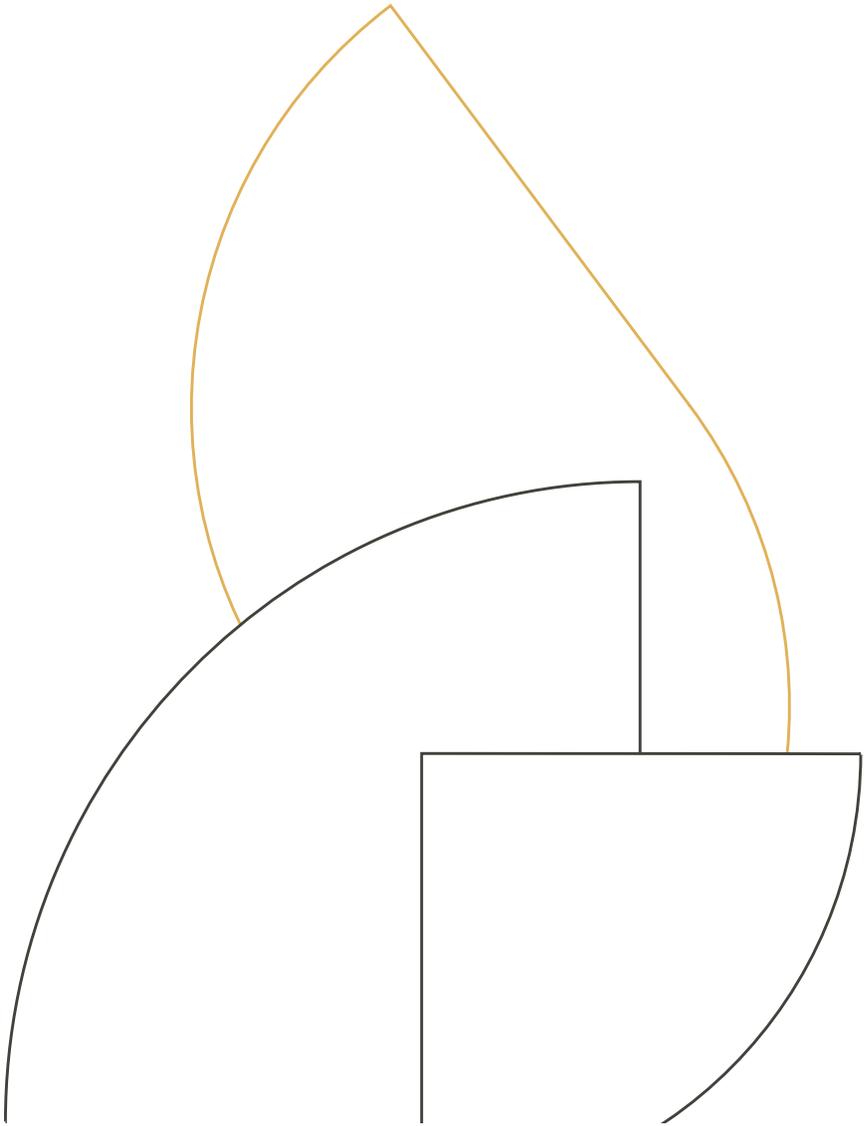
The European Commission in October 2012 recommended that Albania should be granted EU candidate status, but subjected

to the completion of key measures in certain areas. According to the Commission, "Continuing political dialogue on reform remains necessary in view of ensuring the smooth functioning and further strengthening of the country's democratic institutions. Parliamentary elections in Summer 2013 will be an important test of the new electoral law and of continued cross-party commitment to reform".² If Albania fails to conduct the first ever, free and fair elections in 2013 and to fulfil all the 12 requests of the EU, it will have to develop a new policy, that will be inspired by the movements to change the elites, similar to the ones of Meciar's Slovakia or Tudjman's Croatia.

And however difficult this looks for Albania, an even more difficult it is for Kosovo, where a dual track is needed from the EU. On the one side, Kosovo, in its European aspirations, is kept hostage by Serbia, and on the other, it is being kept hostage by its own heavily criminalized elites in power. The first track for Kosovo is similar to the Albanian one. The government in Kosovo is based on electoral fraud and state capture. The first track needs to identify ways of electoral change to set basic democratic standards. The second track should be focused on bringing the conflict between Kosovo and Serbia to an end. A negotiation process between Prishtina and Belgrade has to end up, with the full normalization of the relations without the precondition of mutual recognition. The policy in Kosovo may be even more difficult, as the two tracks are hardly complementary – a good negotiation with Serbia needs a clear, democratically mandated authority in Prishtina. At the same time, sorting things out with Serbia is essential for the development of democracy in Kosovo, and indeed a precondition for a more dynamic, and deeper relationship with the EU. 🟡

¹ Veton Surroi, President of the Foreign Policy Club in Kosovo.

² European Commission, Enlargement Strategy and Main Challenges 2012-2013, 10.10.2012, p. 15. http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/strategy_paper_2012_en.pdf



Appendix:

Level of registered unemployment in 2012

Country	Unemployment rates (%)
Albania	13
Bosnia	43
Kosovo	41
Macedonia	30
Montenegro	19
Serbia	25

Source: Statistical offices

Quality of Economy

Country	Position
Albania	85
Bosnia	126
Kosovo	98
Macedonia	23
Montenegro	51
Serbia	86

Source: The World Bank, Doing Business 2013

Level of Corruption

Country	Level of corruption
Albania	31
Bosnia ¹	42
Kosovo	33
Macedonia	43
Montenegro	41
Serbia	39

Source: Transparency International, Corruption Perception Index 2013

Quality of democracies

Country	Level of Freedom
Albania	3
Bosnia	3
Kosovo	4,5
Macedonia	3
Montenegro	2,5
Romania	2
Serbia	2

1-2,5 – free country, 3-5 – partly free, 5,5-7 – non free
Source: Freedom House, Freedom in the World in 2013

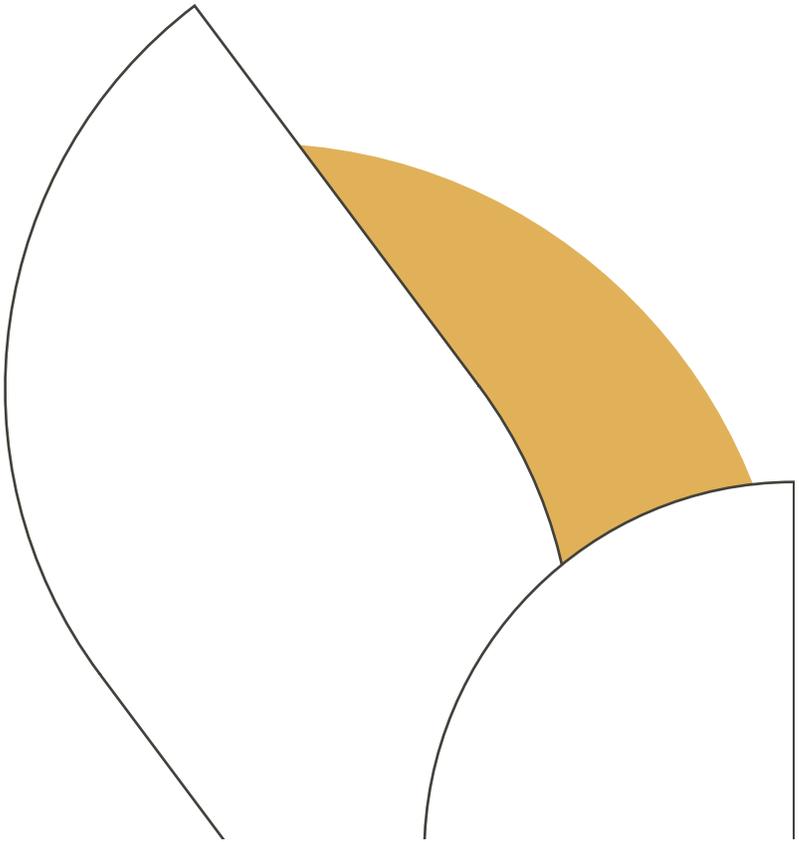
Media Freedom

Country	Level of Freedom
Albania	49
Bosnia	49
Kosovo ²	49
Macedonia	56
Montenegro	36
Romania	42
Serbia	36

0-30 – free, 31-60 – partly free, 61-100 – non free
Source: Freedom House, Freedom of the Press 2013

¹ Bosnia's score in the recent Corruption Perception Index seems to be too optimistic taking into consideration its previous very weak performance.

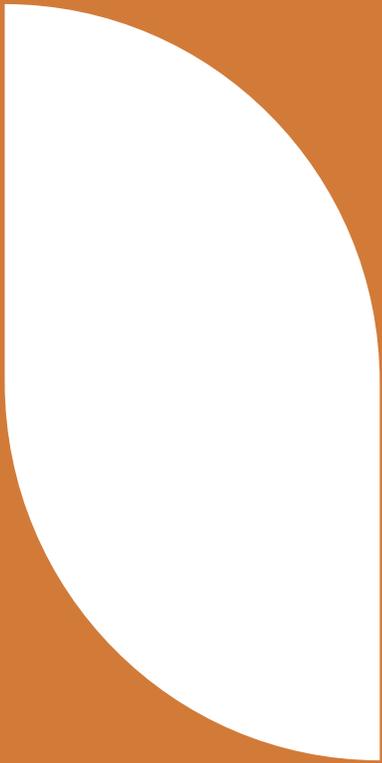
² Kosovo's score is too severe. Taking into account situation in other countries 4 points will be a more appropriated note. It seems also that Bosnia or Macedonia were treated in too lenient way.



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