7. The EU's quest for strategic autonomy in the Western Balkans: Why it flopped

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One could cut a long story short and simply note that the EU failed in its dealings with the Western Balkans because it did not put its money where its mouth is. However, this assertion contradicts the accepted narrative in Brussels and most EU capitals and requires proof.

The quest for EU strategic autonomy apparently started in June 1991, when Luxembourg's Foreign Minister Jacques Poos, heading a European Community mission to meditate in the Yugoslav crises, declared: "This is the hour of Europe. It is not the hour of the Americans".[33] Three decades later, the EU is still struggling to provide evidence in the post-Yugoslav area that it has acquired strategic autonomy, which essentially means that it can "set, modify and enforce international rules as opposed to […] obeying rules set by others".[34]

Already the EU's first Security Strategy in 2003 was a response to the EU's difficulties to enact its self-definition as the driving force for ending war and transforming conflict in Yugoslavia.[35] Since then, the Union leaders keep reiterating that "full EU membership for the Western Balkans" is "a geostrategic investment in a stable, strong and united Europe".[36] Presently, the Union still sees a "key role" for the countries of the region to play in the global value chains that supply the EU: "In the long term, this will also contribute to the

33 Alan Riding, "Conflict in Yugoslavia; Europeans Send High--Level Team", cit.
34 Barbara Lippert, Nicolai von Ondarza and Volker Perthes (eds), "European Strategic Autonomy. Actors, Issues, Conflicts of Interests", in *SWP Research Papers*, No. 4 (March 2019), p. 5, https://doi.org/10.18449/2019RP04.
35 Council of the European Union, *A Secure Europe in a Better World. European Security Strategy*, Brussels, 13 December 2003, https://op.europa.eu/s/peJY.
36 European Commission, *Enhancing the Accession Process – A Credible EU Perspective for the Western Balkans*, cit., p. 1.

EU's strategic autonomy".[37] Nevertheless, more than a few EU member states concede their fear that "other actors are ready to step in the regional affairs, often at our expense".[38] Moreover, some pundits worry that prospects for the EU's strategic autonomy are not going to improve after the UK's departure and considering "the conceivable future accession of small Balkan states with little potential but full voting rights".[39]

This change of heart is not a revelation; the loss of the EU's credibility regarding its vows to enlarge in the Western Balkans and the exploration of some actors in the region for additional if not alternative international partners, has been habitually debated for many years now. Yet, Brussels institutions continue to churn out wildly optimistic policy documents about "a credible EU membership perspective" for the Western Balkans. Similarly, EU member state leaders routinely praise the future of the region as part of the Union. This proliferation of words misleads the public to assume that there is progress in the EU accession process, and more importantly, in the socio-economic convergence of this politically exasperating part of the continent. In truth, as the rest of this essay will show, the EU did not support its quest for strategic autonomy in the Western Balkans with adequate financial resources, essentially manifested through a finalisation of its enlargement policy, so it was doomed to flop.

7.1 Strongest trump cards

The material, institutional and political "wherewithal" is essential for the EU's ability to make its own strategic decisions in matters of foreign policy and security and to set and enforce international rules autonomously. Consequently, the negotiations on the Multiannual Financial Framework (the EU's budget) offer a possibility to match spending priorities and funding criteria to the requirements of strategic autonomy.[40] In the case of its primary

37 European Commission, *An Economic and Investment Plan for the Western Balkans* (COM/2020/641), 6 October 2020, p. 1, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0641.

38 Foreign Ministers of Austria, Croatia, Czechia, Germany, Greece, Ireland, Romania, Slovakia and Slovenia, *Joint Letter to HRVP Borrell on the Western Balkans*, 5 March 2021, https://www.euractiv.com/?p=1578926.

39 Barbara Lippert, Nicolai von Ondarza and Volker Perthes (eds), *European Strategic Autonomy*, cit., p. 10.

40 Ibid., p. 37 f.

tool of enlargement policy in the Western Balkans and Turkey, the Instrument for Pre-Accession Assistance (IPA), the EU chose to decrease its funding from one seven-year budget cycle to the next. The 2021–2027 financial envelope for the IPA III is set at 12.6 billion euro (in 2018 prices), which in purchasing power is one per cent less than the IPA II volume.[41] For the 2007–2013 period, IPA I had a budget of some 11.5 billion euro; its successor, IPA II, for the 2014–2020 period, amounted to 11.7 billion euro – which in purchasing power, however, meant a decrease. About half of IPA I and IPA II monies went to Turkey, while the rest was spread among the Western Balkan states, which also included Croatia until 2013 (when the country entered the EU).[42]

EU officials tout that the Western Balkan countries will receive from IPA III up to 9 billion euro in EU grants through the Economic and Investment Plan.[43] The generosity of this support and its possible effect as an instrument for achieving the EU's strategic goals in the region can be gauged by taking into account that in the past decade and longer, the *annual* trade deficit of the Western Balkans with the EU was between 7.5 and 9.7 billion euro.[44] About three quarters of the region's trade is with the EU, mostly with Germany and Italy. Most foreign direct investments come from the Union and the greater part of the banking capital belongs to banks from the EU.[45] However, additional financial outlays must also

41 C.f. Alessandro D'Alfonso, "Multiannual Financial Framework for the Years 2021 to 2027. The Future of EU Finances", in *EPRS Briefings*, January 2021, p. 18, https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2019)637979. The EU's Directorate General for European Neighbourhood Policy and Enlargement Negotiations (DG Near) had proposed a slightly bigger amount, but in July 2020 the European Council reduced the allocation. In April 2021, when this article was finished, the adoption of the new IPA III regulation was still pending.

42 Bosnia and Herzegovina, Montenegro, Albania, Northern Macedonia, Serbia and Kosovo. This group has access to some additional handouts through the Western Balkans Investment Framework (WBIF) which describes itself (https://wbif.eu/about/about-wbif) as "a coordinated blending platform financing the preparation and implementation of priority infrastructure projects through: grants from the European Commission's Instrument for Pre-Accession Assistance (IPA) and 20 Bilateral Donors; with loans from the participating financial institutions; and national finance". The European commission plant to deliver the IPA III grants largely through WBIF.

43 For instance: European Commission, *Speech by Commissioner Olivér Várhelyi on Enlargement and Neighbourhood Policy at the Committee of Regions' Plenary*, 9 December 2020, https://ec.europa.eu/commission/commissioners/2019-2024/varhelyi/announcements/speech-commissioner-varhelyi-enlargement-and-neighbourhood-policy-committee-regions-plenary_en.

44 C.f. European Commission DG for Trade, *European Union, Trade in Goods with Western Balkans 6*, 20 May 2021, p. 3, https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_western-balkans-6_en.pdf.

45 Furthermore, according to an analysis by UniCredit Research, the EU provides some 60 per cent of the funding granted to the Western Balkans to fight the pandemic through a mix of loans, grant, guarantees and other financial instruments. However, another finding in this paper is that the Western be considered, such as the repayment of loans from banks and governments in the EU, the repatriation of profits derived from foreign direct investments of EU companies, the immense cost of government subsidies to attract foreign investors, and – particularly important – the massive loss of human capital through migration from the region to the Union.[46] In truth, each year the Western Balkans transfer much more resources to the EU than they receive from the Union. This relentless depletion, combined with poor governance, corruption and reckless authoritarian rule at home, is one of the most relevant causes preventing the income convergence of the Western Balkans with the EU average.

7.2 The Wall is rising again

Things would be different if the EU would treat the Western Balkans with the same solidarity as the economic laggards among the EU members, most of them at the south-eastern edge of the Union. Their convergence has decisively accelerated through zero-priced capital which they continue receiving from the Union. Just like these countries, the Western Balkans have opened their markets to the EU. Their national economies are deeply integrated into the EU superstructure on the continent, more so than in the case of several EU members. Despite the mantra-like corroborated "EU perspective" and their candidate status (with the exception of Bosnia and Herzegovina and Kosovo which are "potential candidates"), they do not qualify for access to EU structural funds that serve development. However, substantially increased investments in the Western Balkan region to improve transport and other infrastructure, or to benefit the environment and other sectors, would immediately benefit the

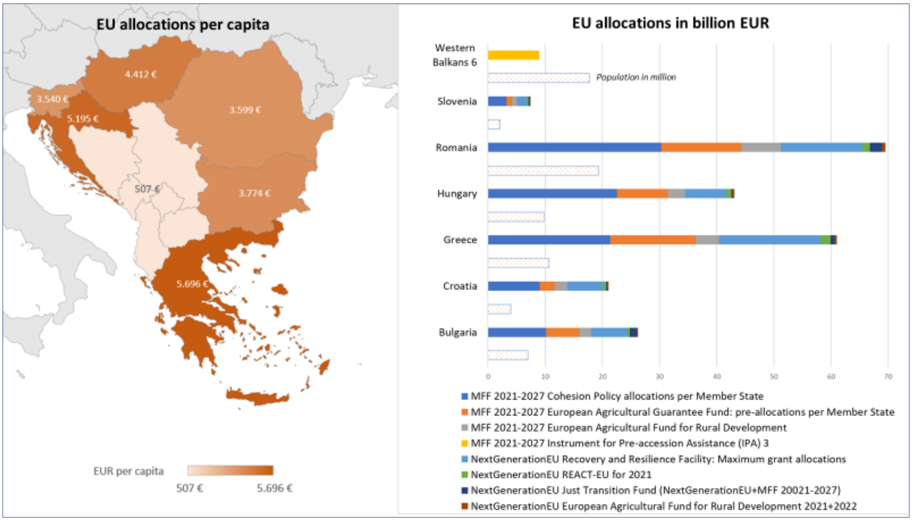
Balkans will have less funding available for the medium-term recovery compared with most EU members from Central and Eastern Europe. The Figure in this text explains why this is certain. See UniCredit Research, "Not Alone: Financial Support of the Western Balkans", in *EEMEA Country Notes*, 20 January 2021, p. 3-4, https://www.research.unicredit.eu/DocsKey/emergingmarkets_docs_2021_178994.ashx?M=D&R=85877731.

46 In 2019 over 253,000 Western Balkan citizens received their first residence permit of longer than three months in the EU, in 2018, the figure was 231,000. The pandemic most probably decreased outward migration in the Western Balkans in 2020 and 2021, but there is no reason not to expect another surge in the future. There are estimates that about a quarter of the Western Balkan population has migrated to the EU in the last twenty years or so. See Eurostat, *Residence Permits - Statistics on First Permits Issued During the Year*, Data extracted in November 2020, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Residence_permits_-_statistics_on_first_permits_issued_during_the_year.

surrounding EU members.[47]

The "density" of EU allocations of grants to member states in south-east Europe (Bulgaria, Croatia, Greece, Hungary, Romania and Slovenia) in comparison with the Western Balkans, will be up to 11 times higher in the next seven years (see Figure 1). In addition to the disbursement of capital from structural and other EU funds, the Union members will receive substantial allotments from the post-pandemic recovery fund. In per capita terms, the Western Balkans will be given just 500 euro over 2021–2027. During the same period, Greece will receive 5,700 euro and Croatia almost 5,200 euro per capita. As a result, the socio-economic wall between the EU territories around the Western Balkans will rise even higher and will remain insurmountable in the foreseeable future.

Figure 1 | EU allocations to south-east European countries, 2021–2027



Source: Elaborated by Matteo Bonomi on the basis of EU MFF 2021–2027 and Next Generation EU allocations by country (current prices): https://ec.europa.eu/info/strategy/recovery-plan-europe_en#figures; and Eurostat: DEMO_PJAN.

47 This example is telling: the contamination stemming from the Western Balkans affects the whole continent. According to a report by the Europe Beyond Coal campaign, in 2016, the region's 16 coal plants emitted more sulphur dioxide pollution than the entire 250 coal plants in the EU, combined with equally worrying levels of particulate matter and nitrogen oxides. There has been little improvement since the report was prepared. See Vlatka Matkovic Puljic et al., *Chronic Coal Pollution. EU Action on the Western Balkans Will Improve Health and Economies across Europe*, Brussels, HEAL, CAN Europe, Sandbag, CEE Bankwatch Network and Europe Beyond Coal, February 2019, https://www.env-health.org/wp-content/uploads/2019/02/Chronic-Coal-Pollution-report.pdf.

People across Europe's post-socialist provinces expected economic convergence with the rest of the continent, accepted a moderate rise in inequality and hoped for consolidated democracies at home.[48] Support for democracy in societies undergoing "transition" is tied to economic success and the individual's income.[49] The faith that democratic regimes will deliver such transformation has plummeted. This is one of the most relevant explanations for democratic backsliding and the rise of populism. The dip is much stronger in the Western Balkans where the consequences of the post-Yugoslav wars still persist, and where the overall progress has been limited. People have less and less faith that the EU will deliver to the region what it has been preaching for decades.[50]

Reversing the political tide is most probably feasible, as there is still a majority support for EU membership among the Western Balkan population. Through human interaction, the Western Balkans are firmly interwoven with societies of EU members. Economic integration with the EU is profound and cannot be easily replaced by China and other economic partners. That being so, to put its strategic autonomy on track in the Western Balkans, the Union would have to launch an adequately funded programme of socio-economic and environmental convergence of the region with the EU. If the Union were to choose to treat the Western Balkans as if they were already onside, the estimated financial burden (without tapping recovery funds) for EU members could reach between 0.014 per cent and 0.026 per cent of their respective gross national income, which would amount annually to a sum between 1.6 and 10.8 euro per capita.[51] This would be an insignificant onus for the Union, but a game-

48 Branko Milanović, "After the Wall Fell: The Poor Balance Sheet of the Transition to Capitalism", in *Challenge*, Vol. 58, No. 2 (March 2015), p.135-138.

49 Fabian Reutzel, "Inequality of Opportunity and Support for Democracy, Evidence from Transition Countries, European Bank for Reconstruction and Development", in *EBRD Working Papers*, No. 248 (November 2020), p. 6, https://www.ebrd.com/publications/working-papers/inequality-of-opportunity-and-support-for-democracy.

50 Matteo Bonomi and Dušan Reljić, "The EU and the Western Balkans: So Near and Yet So Far. Why the Region Needs Fast-Track Socio-Economic Convergence with the EU", in *SWP Comments*, No. 2017/53 (December 2017), https://www.swp-berlin.org/en/publication/the-eu-and-the-western-balkans-so-near-and-yet-so-far.

51 Vasja Rant, Mojmir Mrak and Matej Marinč, "The Western Balkans and the EU Budget: The Effects of Enlargement", in *Southeast European and Black Sea Studies*, Vol. 20, No. 3 (2020), p. 431-453 at p. 442, https://doi.org/10.1080/14683857.2020.1793061.

changing geostrategic investment. Its dividend would be the realistic prospect to finally expand the EU's sovereignty over the whole of south-eastern Europe.