

Preparing for Enlargement: Contributions of the EU and the Western Balkans

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ABSTRACT

Enhancing EU-Western Balkans cooperation and the role of the Western Balkans in the EU's future were the focus of the conference held in Rome on 29 May 2024, organised by the Istituto Affari Internazionali and the Osservatorio Balcani Caucaso Transeuropa. Stemming from the European Council's call for EU reforms to accommodate new members, the discussions centred on three main areas. Firstly, the conference examined how Western Balkan countries can benefit from greater participation in the European Single Market through the New Growth Plan, emphasising economic reforms and financial support. Secondly, it explored the Western Balkans' contributions to the EU's strategic autonomy, particularly in security and economic sectors. Lastly, the need for concurrent reforms within the EU and candidate countries was highlighted, promoting early involvement of candidate states in EU governance to foster a sense of ownership and mutual recognition. The conference underscored the strategic importance of the Western Balkans for EU stability and security.

European Union | EU enlargement | Western Balkans

keywords

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Introduction

During the 2023 Bled Strategic Forum in Slovenia, the European Council President Charles Michel asked the EU to prepare for enlargement by 2030.¹ Thereafter, the December 2023 European Council conclusions, which green-lighted the opening of accession negotiations with Ukraine, Moldova and, pending some verifications, with Bosnia and Herzegovina, called for the EU to start working on internal reforms.² The European Council stressed the need for the EU to adopt a roadmap on future adjustments by summer 2024, to make its policies fit for an enlarged Union, its future budget sustainable and its institutions capable of continuing to function even with additional members. At first sight, this call seemed to be directed primarily to EU citizens, leaders and institutions. Yet enlargement countries cannot, and indeed should not, feel excluded. As potential member states, EU enlargement countries ought to be part of the discussion on the future of the Union. In addition, enlargement countries are already (selectively) participating in a significant number of EU policies. Rather than being passive receivers of hierarchical transfers of EU norms and standards – as many depict them – they have developed a wide range of cooperative interactions with the EU. As such, these countries have both rights and responsibilities to contribute to the unfolding of European integration.

¹ European Council, *Speech by President Charles Michel at the Bled Strategic Forum, 28 August 2023*, <https://europa.eu/!6GKvvp>.

² European Council, *European Council Conclusions, 14 and 15 December 2023*, <https://europa.eu/!VTprkk>.

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Report of the conference "Preparing for Enlargement: The EU and Western Balkans' Contributions", organised in Rome on 29 May 2024 by the Istituto Affari Internazionali (IAI) and the Osservatorio Balcani e Caucaso Transeuropa, with the organisational and financial support of the Italian Ministry of Foreign Affairs and International Cooperation and the financial support of Compagnia di San Paolo Foundation. The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Italian Ministry of Foreign Affairs and International Cooperation or the Compagnia di San Paolo Foundation.

In this context, the Istituto Affari Internazionali (IAI) and the Osservatorio Balcani Caucaso Transeuropa, with the support of the Italian Ministry of Foreign Affairs and International Cooperation and of the Compagnia di San Paolo Foundation, organised a conference in Rome on 29 May 2024.³ The conference served as an opportunity to discuss several aspects of current EU-Western Balkans cooperation. It aimed at increasing the understanding of the role and contributions of the Western Balkans to the EU's wider regional integration system, and finding ways to increase EU support for their full integration into the Union. In particular, the conference focused on three main sets of issues. Firstly, it looked at how the Western Balkan countries could benefit more from increased participation in the European Single Market, in light of the measures foreseen in the New Growth Plan for the Western Balkans proposed by the European Commission and adopted by the European Parliament and Council (under the official name "Reform and Growth Facility for the Western Balkans").⁴ Secondly, it examined the Western Balkans' contribution to EU economic and geopolitical security, taking into account the ongoing discussion on "open strategic autonomy".⁵ Finally, the conference provided an opportunity for discussion among participants from both the EU and the Western Balkans about their visions for the EU's future, its institutions and policies.

The recent momentum for enlargement, driven by the opening of accession negotiations with Ukraine and Moldova and the candidate status of Georgia, reflects the EU's new security concern. Overall, the conference emphasised the strategic importance of the Western Balkans for both Italy and the EU. It stressed the key role of the region's stability for EU security and the fundamental importance of EU engagement for preventing foreign influences. Key components of EU integration of the Western Balkans are regional integration and economic development, with increased early access to the European Single Market serving as a crucial tangible benefit for the countries involved. However, success hinges not only on the Western Balkans' progress (as is true for other candidate countries), but also on the EU's internal reforms, including achieving greater institutional efficiency, effective rule of law mechanisms, and adjustments to policies and budgets to meet new challenges.

1. The role of the European Single Market in accelerating Western Balkans integration

The first section of the conference aimed to assess the current level of involvement of the Western Balkan countries in the European Single Market and explored

³ For more details, see IAI website: <https://www.iai.it/en/node/18480>.

⁴ Council of the EU, *Reform and Growth Facility for the Western Balkans Adopted*, 7 May 2024, <https://europa.eu/!HK3Pff>.

⁵ Council of the EU Spanish Presidency website: *Open Strategic Autonomy for a Competitive and Resilient EU*, <https://spanish-presidency.consilium.europa.eu/en/programme/open-strategic-autonomy-spanish-presidency-eu-council-resilient-eu2030>.

ways to enhance their participation even before full membership. In particular, it examined the measures included in the New Growth Plan for the Western Balkans recently adopted by the EU, and the potential benefits it could bring to these countries by increasing their integration into the European Single Market, accelerating related reforms and sustaining their path to EU membership. The discussion focused on economic convergence, regional integration, early market integration and financial support mechanisms.

The EU has historically played a fundamental role in sustaining economic convergence of its members as well as of candidate countries.⁶ Through its enlargement policy framework, in particular, the EU has opened its economy to third states, facilitating these states to achieve economic convergence with the rest of the EU. For instance, through market opening and integration, this model has been successful in fostering economic development in former socialist countries in Central and Eastern Europe, now EU members, helping them to reduce the gaps in their living standards with respect to the rest of the EU. Yet the EU has not been able to replicate this success story in the Western Balkans so far. Although the EU has since the early 2000s promoted market opening, liberalisation and the establishment of a free-trade area with the countries of the region through the EU Stabilisation and Association Process, the results in terms of economic growth and development have been highly unsatisfactory.

Indeed, the long-lasting consequences of the wars in the 1990s, along with the absence of a clear accession perspective, remaining obstacles in trade with the EU and limited access to the EU's financial resources, are significant factors contributing to these divergent outcomes, resulting in relatively slow economic development. Over the last 25 years, the average GDP per capita in the Western Balkans has increased from 30 to only 40 per cent of the EU-27 average. It is true that initially, between 2001 and 2008, economic growth accelerated in the Western Balkans. Yet, the strong growth in the region over that period (close to 6 per cent on average) proved to be unsustainable, as it was to a large extent driven by domestic consumption and fuelled by substantial inflows of foreign capital. Modernisation of the real economy has been limited, resulting in insufficient job creation, limited economic restructuring, continued de-industrialisation and widening trade deficits.

The severe limits of such a growth model for the Western Balkans became evident especially after the 2008 global financial and economic crisis, which severely affected the region. The sharp fall in foreign capital inflows and reduced demand for exports in the aftermath of the crisis led to several recessions between 2009 and 2014. Despite decades of EU support facilitating EU-Balkans interdependence and fostering capital and trade integration (almost 80 per cent of the region's trade

⁶ Indermit S. Gill and Martin Raiser, *Golden Growth. Restoring the Lustre of the European Economic Model. Overview*, Washington, World Bank, 2012, <https://documents.worldbank.org/curated/en/723961468032339818/overview>.

is with the EU, while 75–95 per cent of its banking system is foreign-owned), the countries in the region have shown limited competitiveness on international and European markets. Overall, in the post-2008 period, the region has experienced a modest 3 per cent annual GDP growth rate on average, displaying extremely slow convergence towards EU living standards. As shown by recent World Bank projections, at this pace, it would take over 70 years for the region to converge and close the gap with the EU.⁷

Against this backdrop, the first section of the conference highlighted how the EU's Growth Plan represents both a significant opportunity and a challenge for the Western Balkan countries. Indeed, the Growth Plan reflects the renewed impetus surrounding the EU's enlargement policy, but it also increases mutual expectations. At least four key takeaways from this section can be highlighted.

First, the EU's Reform and Growth Plan could be a game-changer, but only if it motivates the Western Balkans to undertake second-generation economic reforms that go beyond the "simple" trade liberalisation measures already present in their Stabilisation and Association Agreements. Thus, the Plan raises the bar for the Western Balkans in particular, as they are expected to adopt national reform agendas to increase the pace and ambition of internal economic reforms and accelerate their integration into the EU Single Market. To do so, a number of factors seem to be crucial. It is important that all Western Balkan countries stimulate the development of institutional and analytical capacities by strengthening their domestic economic governance framework, improving public administration efficiency and reducing the presence of state-owned enterprises. At the same time, the national reform agendas, required by the Plan, should also include measures for strengthening human capital, boosting connectivity and fostering the green and digital transitions. These latter measures are key to unlocking productivity, which is where the region lags behind, and thus in order to enhance Western Balkans integration into EU value chains. Overall, only if the countries in the region can get closer to the institutional quality, investment rates, trade volumes and human capital levels of the EU member states, will they be able to foster competitiveness, correct structural imbalances and stimulate sustainable long-term growth and economic convergence.

Second, the Growth Plan recognises the need to increase financial support to the region. Yet more could be done, especially in view of the preparation of the next EU Multiannual Financial Framework (EU MFF) and ongoing revision of key policies within the EU in light of future enlargements. The EU has proposed 6 billion euros as part of the Plan (2 billion euros in grants and 4 billion in concessional loans) for the period 2024–2027. The disbursement of funds will be based on a conditionality regime similar to that of the Recovery and Resilience Facility as well as on rule of

⁷ Natasha Rovo et al., "Invigorating Growth", in *Western Balkans Regular Economic Reports*, No. 25 (Spring 2024), <https://documents.worldbank.org/curated/en/099040524061582128/P5006481fb98fb0db1a9401e200293e761d>.

law conditionality and progress in regional cooperation. Western Balkan states will access EU funds upon presenting agendas to the European Commission, which will evaluate them and regularly assess each country's progress.

These recent EU funds will complement the Instrument for Pre-accession Assistance, which is already providing 9 billion euros to the region through the Economic and Investment Plan within the current EU MFF 2021–2027. Thus, the New Growth Plan for the Western Balkans presented in 2023 aligns with these objectives, acknowledging that the EU must sustain the region particularly in boosting connectivity, transport, the green transition and digital infrastructure. However, current financial instruments are deemed insufficient to support convergence, prompting strong calls for earlier access to cohesion funds. More partnerships and greater involvement of Western Balkan countries in cohesion policy discussions were recommended. Additionally, the EU's support for regional connectivity is primarily based on loans and there is little ownership by civil society due to the top-down approach. Overall, the Enlargement Solidarity Facility proposed by Enrico Letta in his report on the internal market was welcomed.⁸

A third takeaway from the first section of the conference referred to the important discussion on reviewing the Common Regional Market (CRM), also constituting a component of the Growth Plan. The CRM is not the first integration project for the region, as it was preceded by the South East Europe 2030 Strategy and other initiatives, but it is the first to formally include the European integration perspective. Regional integration, seen as a milestone for joining the EU, requires a realistic approach. Key elements for successful integration include setting quantifiable targets and implementing a scoreboard to monitor progress. The speakers called for a stronger linkage between different agendas for the region, involving civil society, academia and businesses in the integration process.

Finally, the Plan represents an opportunity to grasp a number of low-hanging fruits of integration into the EU Single Market. Reducing average border processing times by only three hours could add as much as 3 per cent to the real income of each country over the medium term.⁹ Additionally, joining the Single Euro Payments Area – as proposed by the Growth Plan – could save up to half a billion euros, as the Western Balkans currently pay up to six times more than their EU counterparts to settle national payments, with a 7 per cent fee on each payment, according to the World Bank. Finally, ensuring mutual recognition of diplomas and qualifications across the region's states was also discussed as an essential step.

⁸ Enrico Letta, *Much More Than a Market*, April 2024, <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

⁹ María Del Mar Gómez, Román D. Zárate and Daria Taglioni, "The Economic Effects of Market Integration in the Western Balkans", in *World Bank Policy Research Working Papers*, No. 10491 (June 2023), <https://openknowledge.worldbank.org/handle/10986/39982>.

2. How the Western Balkans can contribute to the EU's strategic autonomy

The second section of the conference addressed the need to shift the narrative around the region's economic and geostrategic potential. The prevailing narrative around the Western Balkans has often been a negative one, focusing on the need to stabilise the region and failing to fully recognise the potential positive contributions of the Western Balkans to the EU. Therefore, the EU should consider the reciprocal benefits and the potential spill-overs of closer ties with the Western Balkans, especially in terms of Open Strategic Autonomy (OSA). Regrettably, at present there are very few references to the Western Balkans in European documents on OSA.¹⁰ At the same time, the Western Balkans must proactively show that they can be crucial for the EU's geo-economic and geopolitical security, turning from "consumers" of European security to "net contributors".

Speakers highlighted that the Western Balkans are already contributing to EU's hard security in several ways. Firstly, three Balkan states (Albania, Montenegro and North Macedonia) are NATO members. Secondly, all countries of the region, it was stressed, are already cooperating with the EU in the management of migratory flows as well as in supplying weapons to Ukraine. They could also contribute to the EU's strategic autonomy in sectors such as weapons production, raw materials, agriculture and technology. Finally, they could play a crucial role in ensuring the resilience of connectivity routes to Adriatic ports, including the Pan-European Corridor VIII.

The EU's "friend-shoring" in the Western Balkans – understood as the practice of relocating supply chains to countries that are considered political allies or friendly nations – was also identified as a possible contribution of the region to Europe's resilience. The Western Balkans are well-positioned to receive critical industries from the EU, particularly in sectors like food security, agriculture and technology. However, the region still struggles to attract sufficient investment. Implementing a screening mechanism as part of the conditionality for enlargement could enhance competitiveness and make the region more attractive to investors.

There are several challenges to an increased role of the Western Balkans in ensuring the EU's OSA. Firstly, there are still intraregional tensions, as well as difficult relations between the Western Balkans countries and some EU member states. Secondly, there is a growing presence of non-Atlantic players, such as China, Russia, Turkey and Gulf countries, which are leveraging soft power and economic interests in the region due to its increasing strategic importance also as a crucial energy corridor. Any space left by Europe will be filled by other actors, which might drive the Western Balkans in an opposite direction and undo EU-sponsored reforms.

¹⁰ Spain's National Office of Foresight and Strategy, *Resilient EU2030*, 2023, <https://futuros.gob.es/sites/default/files/2023-09/RESILIENTEU2030.pdf>.

The Western Balkans have the potential to impact the EU both positively and negatively, and vice versa. Yet the perception of the EU in public opinion in the Western Balkans has been declining, with countries like North Macedonia showing low support for EU integration. The European Commission faces the challenge of demonstrating a serious commitment to enlargement through concrete political actions, beyond financial investments.

Finally, aligning EU and United States priorities for the region was deemed crucial. The ongoing Western Balkans Democracy and Prosperity Act in the US Senate testifies to a high level of attention to the region.¹¹ While the US can support the economy and help strengthen rule of law in this region, it is for the EU to take bold steps towards enlargement. The outcome of the next US elections could impact transatlantic relations, either with a more hostile administration coming into power or due to the necessity for the current administration to focus on different scenarios. This underscores the importance of a stronger and more capable European partner in the transatlantic alliance. As the US and NATO will continue to play a substantial role in EU security, the expression “strategic responsibility” rather than “strategic autonomy” was also evoked.

3. Shared visions on the EU's future

The third section of the conference focused on two parallel processes needed for enlargement to take place: the reform of the candidate countries and that of the EU. While it is very clear what kind of transformation the candidate countries are expected to carry out to become eligible as member states, the EU capacity to make space for new countries is a less defined process. The reform agenda for the EU, as established by the European Council in its December 2023 conclusions, revolves on the adaptation of its governance as well as its budget to achieve the new enlargement and to enhance its ability to act on the global stage. The EU needs to regain competitiveness and equip itself with adequate resources. The idea being that when negotiating the next EU MFF, it would be crucial to ensure that policies such as the Common Agricultural Policy and cohesion funds foresee the enlargement process – but also that as an alternative, the possibility of creating new financial instruments outside the MFF, as has been the case for Next Generation EU or the Ukraine facility, should remain open.

Beyond the EU internal reform agenda, however, the panellists highlighted how the lingering democratic backsliding in some member states in the last few years has undermined the EU's functioning and as a consequence has blocked its capacity to integrate new members. The failure of the EU to confront those member states openly violating its core values and fundamental rules has fuelled disillusion,

¹¹ “US Senate Committee Approved a Bill on the WB, Concern over the Elections in Serbia”, in *European Western Balkans*, 17 April 2024, <https://europeanwesternbalkans.com/?p=49854>.

eroding citizen trust in what the EU stands for and spreading cynicism on the rule of law discourse.

Without resorting to treaty changes, the EU already has a number of tools to confront such democratic backsliding, enforce obligations and strengthen the compliance of its member states. The current rules include mechanisms – such as article 7, conditionality mechanisms, or the traditional infringement procedures – that the EU can invoke to demonstrate its willingness to act to secure its fundamental values, if these rules are applied coherently and systematically.

Similarly, looking at the candidate countries the panellists underlined how the conditionality in the enlargement process has not been functioning as the EU is not applying it properly, failing to adequately reward or punish its interlocutors: there are no significant incentives for those candidate countries making progress, nor effective sanctions for those regressing.

Moreover, the panellists stressed how the core problem is that the EU internal reform process and the transformation of the candidate countries are conceived as two parallel processes. One of the solutions identified for the current impasse is to include candidate countries in the EU governance and reform process from the beginning. There is the possibility of exploring new avenues within the current treaties that allow early participation of candidate states in the EU decision-making process in given policies, with observer status. When for instance candidate countries meet specific conditions in relevant policy areas, they could be provided early access to them and such rewards should be seen as reversible in case of misconduct.

Offering candidate countries access to EU governance prior to accession creates important rewards, fostering a sense of ownership in the EU's internal reforms, fully acknowledging their role and contribution to the EU process and entrenching it by developing mutual recognition from the start. Moreover, by aligning enlargement with internal reforms, utilising existing tools creatively and reinterpreting the concept of membership to allow early integration, the EU can better manage geopolitical challenges and promote a stable and prosperous future for the region.

Public support for enlargement within existing member states is clearly crucial, particularly in countries where referenda are required to ratify accession treaties. There is an evident need to convey the benefits of enlargement to EU citizens. While enlargement in the 1990s was driven by the political project of reuniting Europe, today enlargement has become part of the security agenda of the EU following the Russian invasion of Ukraine.

As the European Council has put it, enlargement is "a geo-strategic investment in peace, security, stability and prosperity".¹² The emergence of other global powers

¹² European Council, *The Granada Declaration*, 6 October 2023, point 13, <https://europa.eu/!3c9B84>.

seeking to exercise their influence in the EU neighbourhood, notably Russia's imperialistic ambitions, confirm the importance of committing to enlargement. However, despite the geopolitical urgency, with member states violating the EU's fundamental values the enlargement process will remain sucked in the shadow of member state veto powers. Such abuse of discretionary power by member states could be circumscribed to instances where it is justified by the enlargement itself, while it should be circumvented when based on other interests.

Finally, institutional changes at the level of the EU treaties alone – such as the proposed extension of the application of qualified majority voting to more policy areas including foreign policy – will prove insufficient to achieve the enlargement if not accompanied by the ensuring of compliance with core EU values by both member states and candidate countries. The panel concluded that including Western Balkan and other candidate states in discussions about the EU's future is important but their adherence to the Copenhagen criteria, and particularly to the rule of law, remains non-negotiable for full membership.

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- 24 | 09 Matteo Bonomi, Luisa Chiodi, Luca Cinciripini and Pietro Sala, *Preparing for Enlargement: Contributions of the EU and the Western Balkans*
- 24 | 08 Elio Calcagno e Alessandro Marrone, *Stato dell'arte dei velivoli da combattimento senza pilota e prospettive future*
- 24 | 07 Elio Calcagno, Alessandro Marrone, Maria Vittoria Massarin, Michele Nones e Gaia Ravazzolo, *Le minacce cyber ed elettromagnetiche alle infrastrutture spaziali*
- 24 | 06 Alessandro Marrone and Gaia Ravazzolo, *NATO and Italy in the 75th Anniversary of the Alliance: Perspectives beyond the Washington Summit*
- 24 | 05 Federico Castiglioni, *The Italian German Action Plan and Its Consequences over Industry and Defence*
- 24 | 04 Karolina Muti e Michele Nones, *La governance spaziale europea e le implicazioni per l'Italia*
- 24 | 03 Ettore Greco, Federica Marconi and Francesca Maremonti, *The Transformative Potential of AI and the Role of G7*
- 24 | 02 Andrea Gilli, Mauro Gilli e Alessandro Marrone, *Oltre un secolo di potere aereo: teoria e pratica*
- 24 | 01 Leo Goretti and Filippo Simonelli, *Italy's Foreign Policy in 2023: Challenges and Perspectives*
- 23 | 24 Elio Calcagno and Alessandro Marrone (eds), *Above and Beyond: State of the Art of Uncrewed Combat Aerial Systems and Future Perspectives*