

PRESS RELEASE

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Study: EU should start taking the Western Balkans seriously

EU needs new strategy; higher incomes as key, more EU transfers best lever; access to EU budget as game-changer; Russia could destabilise region

Today's EU-Western Balkans summit in Brussels is overshadowed by the Ukraine war. While it would be right to grant the status of an EU candidate country to Ukraine, the EU must not forget about the Western Balkans. If that were to happen, it would foster frustration and feed Euroscepticism in Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

'Things cannot go on as they are for the Western Balkans,' states Branimir Jovanovic, lead author of a new study on the subject. 'Previous EU policies have failed to advance regional economic integration, led to little progress towards EU accession, failed to speed up economic convergence and caused great disappointment in the region,' he says.

A study by the Vienna Institute for International Economic Studies (wiiw) and the Bertelsmann Foundation has therefore looked at what a new EU strategy for the Western Balkans should look like and what lessons can be learned from the previous enlargement rounds with the EU member states from Central and Eastern Europe (EU-CEE).

Income growth essential for regional integration

Conclusion: EU accession of the EU-CEE countries has increased trade in goods and services between these countries by 50%. The main reason for this was the steep increase in incomes in the years following EU accession. For example, GDP per capita measured in purchasing power parities rose massively in the four Visegrád countries – the Czech Republic (29%), Hungary (19%), Poland (32%) and Slovakia (44%) – between 2004 and 2007, as well as in the other countries in Central and Eastern Europe that joined the EU. These higher incomes led to rising demand for products from the region and thus also to a rise in supplies, intensifying these countries' economic integration.

Transfers from the EU budget to the new members proved to be the main factor driving the rise in incomes in these countries. A doubling of annual EU funds from 1% of GDP to 2% led to an average increase in GDP of no less than 14% in the EU-CEE countries. In addition, higher government spending, higher foreign direct investment, greater political stability and better institutions also boosted economic performance and are likely to be in good part attributable to the EU accession of these countries.

Access to the EU budget as a game-changer

'The implications of these findings for the Western Balkan states are obvious,' says Jovanovic: 'The best way to improve regional cooperation in the region is to have policies aimed at raising incomes.'

The most effective way for the EU to achieve this would be higher transfers from the EU budget to these states.'

The study therefore argues for full and direct access to the EU budget for the Western Balkan states even before EU membership. Higher transfers should be linked to strict conditions for institutional reforms, because additional funds can only be absorbed with better institutions and governance. *'The costs for existing EU members would be negligible, below 0.05% of GDP for all the countries, but the benefits for the Western Balkans would be huge,'* Jovanovic calculates.

Compared with the influx of funds from the Corona reconstruction fund NextGenerationEU into the member states from Central and Eastern Europe, the EU's economic and investment plan for the Western Balkans presented last autumn looks rather tiny. The sum of EUR 9bn earmarked in the plan, in annual terms, equals only 1% of the region's GDP. In contrast, the EU members from the CEE region will receive money amounting to 3-5% of their GDP annually from the Corona reconstruction fund. *'This means that there is a danger that the countries in the Western Balkans will fall even further behind economically compared with the EU-CEE region,'* fears Jovanovic. All the more reason for him and the co-authors of the study to plead for full access to the EU budget for the Western Balkan states, albeit under strict reform conditions.

Destabilisation by Russia likely if the EU doesn't change its approach to the region

Such an integration step ahead of full membership should in no way replace or undermine the EU accession outlook for the Western Balkans. On the contrary, membership of Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia in the European Union must be a top priority, the study warns. *'Otherwise, there is a danger that frustration in these countries will grow even greater and that the door will be opened to Russia's attempts to influence them,'* Jovanovic argues. *'The Ukraine war has shown us where this leads. There is a danger that Vladimir Putin's great power fantasies will once again turn the Western Balkans into a powder keg if we don't finally anchor them firmly in Europe.'*

[The study ,The long way round: Lessons from EU-CEE for improving integration and development in the Western Balkans'](#) was prepared by the Vienna Institute for International Economic Studies (wiiw) and the Bertelsmann Foundation.

About the Vienna Institute for International Economic Studies (wiiw)

wiiw is an economic think tank that has been producing economic analyses and forecasts for currently 23 countries in Central, Eastern and Southeastern Europe for almost 50 years. In addition, wiiw conducts research in the areas of macroeconomics, trade, competitiveness, investment, the European integration process, regional development, labour markets, migration and income distribution.

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