

**PRESS RELEASE****4 October 2021**

## **Western Balkans Summit: EU needs new strategy**

- *New EU economic package for Western Balkans 'more of the same' instead of paradigm shift*
- *Regional integration of national economies has brought little gains in prosperity*
- *Close EU ties and access to EU budget necessary for catch-up process*

On 6 October the third EU-Western Balkans Summit will take place. The EU top brass will travel to the Slovenian capital, Ljubljana. In their luggage, they have a EUR 9bn economic and investment plan that is supposed to attract billions of euros in private investment. *'This is expedient optimism. The promised economic package will do little to change the deplorable economic situation in the Western Balkans, but will bring 'more of the same' instead'*, says Richard Grieveson, co-author of a [study with the Bertelsmann Stiftung on the subject](#) and deputy director of the Vienna Institute for International Economic Studies (wiiw). As much as additional funds and the greening and digitalisation of the economies envisaged in the plan are to be welcomed, they have not worked in the past, he warns.

*'The EU's previous strategy of using regional economic integration to push the economic catching-up process of the Western Balkan states and resolve political conflicts has not been successful'*, says Stefani Weiss, EU expert at the Bertelsmann Stiftung in Brussels. As [the study by wiiw and the Bertelsmann Stiftung](#) shows, Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia are lagging far behind the Eastern and South-Eastern European EU members in economic terms. At the same time, the legacy of the Yugoslav disintegration wars continues to weigh heavily on their relations. *'Serbia, as an economic and political heavyweight in the region, plays a key role in every respect'*, Grieveson says.

### **Hardly any change through trade**

The bilateral trade agreements concluded between the countries of the Western Balkans in the 2000s had a slight positive effect; exports to the region increased by about 14%. Subsequent participation in the Central European Free Trade Agreement (CEFTA), which replaced the bilateral agreements from 2007, increased intra-regional exports by 38%. Excluding Serbia, which conducts most of its foreign trade with the EU, the figure was as high as around 70% in both cases. Nevertheless, although regional integration has increased, it has not had much impact on economic development. *'The region's GDP is still very low – about the same as Slovakia's overall. So the potential gains from increased regional trade have hardly materialised'*, explains Grieveson.

This leads to a large economic gap. *'The gap with the new EU members in Eastern Europe has widened, which is worrying. After all, poor countries should grow faster than rich ones'*, Grieveson adds. For example, GDP per capita in the Western Balkans is only 20-40% of the German level and thus far below that of most Eastern European EU members. Even the stabilisation and association agreements with the EU could do little to change this. In about 20 years, exports to the EU increased

by less than a quarter. Foreign direct investment (FDI) from the EU increased by about 46% in the same period – *‘a very modest value, compared to the leap in FDI from the EU in Poland, Czechia, Slovakia or Hungary before they joined the EU. So we can hardly speak of a catching-up process so far, even if there are signs of near-shoring in the direction of the Western Balkans’*, Grievesson says.

### **Infrastructure: China's playground**

Successes in infrastructure have also been modest. The Western Balkan states have been successfully connected to the trans-European transport and energy networks. Nevertheless, there are still large gaps, not least in the area of high-speed internet. China's entry on to the scene is increasingly causing headaches for the Europeans. After all, the infrastructure investments announced by the People's Republic in the region amount to around EUR 7bn. *‘Very often they create economic dependencies – see Montenegro – and weaken the influence of the EU. That should give food for thought’*, explains Weiss.

### **Economic integration with the EU and access to the EU budget**

In order to promote the economic development of the Western Balkans, the study therefore recommends the deepest possible economic integration with the EU. *‘Precisely because full accession is becoming increasingly distant for most of them for political reasons, Brussels must offer them an alternative’*, says Weiss. Opening the cohesion and structural funds, as well as other EU financial instruments, to the Western Balkan states would be one possibility. Given their low economic output of less than 1% of the EU's gross domestic product, this would hardly make a difference for the net contributors. Integration into the EU Customs Union and an expansion of the existing stabilisation and association agreements also seem sensible to the study authors.

### **Serbia as the key**

*‘But if the EU really wants to integrate the Western Balkans more, it needs to think much harder about how to change the calculus of Serbia, the main player in the region. Support for EU accession is much lower there than in the other countries’*, Weiss says, adding: *‘Ultimately, the EU has to make a very simple geopolitical choice: does it really want to integrate the Western Balkans or continue to have it as a contested zone on its doorstep where Russia and China also exert their influence?’*

The study [‘Pushing on a string? An evaluation of regional economic cooperation in the Western Balkans’](#) was prepared by the Vienna Institute for International Economic Studies (wiiw) and the Bertelsmann Stiftung.

**About the Vienna Institute for International Economic Studies (wiiw)**

wiiw is an economic think tank that has been producing economic analyses and forecasts for countries in Central, East and South-East Europe for almost 50 years. In addition, wiiw investigates topics of international economic relations and 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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