

## **The Open Balkans Initiative: Southeast Europe uprising against its own paradigms**

### **Resume.**

Economic openness and regionalism are legitimate ambitions even though that globalism has been witnessing challenges since the outbreak of Covid-19 and, the war in Ukraine. Amid commodities crises and geopolitical inquietudes, the western's biggest economy is evaluating a revision of globalism in both pillars of economy and security<sup>1</sup>. However, both variables are still relevant to attracting areas to liberal democracies and common economic markets, making liberalism still an option. In this regard, the Open Balkans Initiative is perceived as the "peak" of the economic and political project that pretends to turn the Western Balkans into an area to strengthen peace and deliver socio-economic opportunities for a market of 18 million consumers. To date, Serbia, Albania, and North Macedonia and lastly Montenegro, have established a consensus over the frame of what assumes to be an area of free movement of persons, goods, capitals, and services that are like the four freedoms of the EU. The rest of the countries that comprise of the area part of the EU Enlargement Policy continue to embrace the difficulties of joining this project, bearing skepticism over the initiative's purpose due to reminiscences of the recent past concerning political and diplomatic disputes.

### ***Key words***

***Open Balkans, Mini Schengen, European Integration,***

### **Introduction.**

The initiative is a challenge for the area, considering that part of it is still undergoing legal and political structural processes related to state functionality, national cohesion, cross border management. Nevertheless, the circumstances that strengthen regional

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<sup>1</sup> <https://www.bruegel.org/2021/07/the-end-of-globalization-as-we-know-it/>  
<https://www.euractiv.com/section/economy-jobs/news/ukraine-war-spells-end-of-globalisation-as-we-know-it-says-eus-gentiloni/>

cooperation, including economic and social cohesion, are not in conditions that provide solid bases, this initiative can build a new frame to strengthen peace and create chain benefits. While in Europe, the war in Ukraine is currently eroding the peace and security established after the Cold War. There are more reasons to back this initiative not only as part of the European Integration process but also as a peace project, deepening regional inter-dependence.

The Balkans frequently is viewed as the antithesis of regionalism and state-building rationalism. During the last century, the area was considered a subject that triggered the destabilization of Europe and was stigmatized as a space of disintegration. Usually, balkanization has been used as a sociological and geopolitical term to describe the process of fragmentation. Other facets of this terminology are related to religion, considering balkanization an integral part of religious control in the political sphere.

According to Maria Todorova<sup>2</sup>, the Balkans represents a mixture of civilization, cultural, and religious nuances sharing Oriental, Eastern, or Western European traits. Todorova argues that the term Balkanization was created in Western Europe. The opposite of this phenomenon is Europeanization which entails the loss of identity, secularization, rationalization, increased commercial activity, and industrialization and strengthening the state bureaucratic apparatus. These elements lead to the emulation of the European effects in constructing the state as a normative and social organization form. All these elements are part of the Europeanization of the Balkans, which is the synthesis of European Integration.

Balkanization has given rise to the culture of balkanization, which for Bennett (1998), is the erosion of national self-understanding and ethnic fragmentation. Tomlinson (1991) considers that balkanization is the opposite trend of pluralism which chases the national identity through nationalism. For other authors, such as Huntington<sup>3</sup> (1993), this process is related to the emergence of radical groups with the religious, ethnic, and nationalist facets.

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<sup>2</sup>Todorova, M, *Introduction Balkanism and Orientalism; Are they different categories*. New York. Oxford University Press. (1977)

<sup>3</sup> This author mentions balkanization in his masterpiece "The Clash of Civilizations" as a motive for conflicts in the future.

Although Southeastern Europe and the Balkans refer to the same geographical region, the trend is to change their meaning artificially. The term Balkans sometimes has a pejorative connotation based on the historical background. At the same time, Southeastern Europe sounds more like a region, part of Europe's values, used in a regional, political, or economic context. A reason is that it has been the EU's task at the WB to "cure" and eradicate the remnants of balkanization that are still present in political, social spheres, and state conceptualization. Eliminating this element is a complex and almost generational process that entails using all political and economic capacities to put the region on the "path" of Europeanization. However, the rise of the populism and political radicalism in West Europe, since the economic crisis in 2007, has given to the Eurosceptics the chance to slow down the wave of European integration, and implement aspect of the balkanization to European politics.<sup>4</sup>

All these elements make the Open Balkans Initiative<sup>5</sup> (hereafter OBI) a challenge that tries to spur throughout gravitational economic and social effects a "sublevation" against its paradigms. European Integration has created the conditions that this initiative can progress and presumably stifle political conditionality based on regional disputes. Despite the debates and obstacles that open economic areas can generate, this initiative is unique in its purpose because it pretends to establish an economic area even though the regional circumstances represent a conjectural obstacle to creating an optimal economic area. The message and the goal are that OBI can accelerate political dialog by putting on the first sight economic outlook and deepening regional interdependence.

This paper is organized as follows - the second section discuss the conceptualization of Open Economic areas and the impact that can generate in the case of the WB. The third and fourth section analyzes the OBI's impact on the EU enlargement policy, including the effects of the war in Ukraine and the political inquietudes that incites this initiative. The fifth and sixth sections evaluate the region's economic performance and how the OBI can create a regional market with the perspective of a common market. The last section concludes and opens the debate with a few recommendations linked with this initiative.

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<sup>4</sup> <https://www.theguardian.com/world/ng-interactive/2018/nov/20/how-populism-emerged-as-electoral-force-in-europe>

<sup>5</sup> The promoters of this initiative have presented this Project also as a the Mini-Schengen Initiative

## 2 Open Economic Area theoretical conceptualization

Economic-financial crises primarily characterized the past decade in Europe. At the same time, it seems that this decade is going worse, including security and public health crises affecting the economic pillars of the EU. However, the EU is still clinging to its model of governance to be an attractive model to follow. This article pays close attention to the Schengen Agreements because the so-called Open-Balkan Initiative speculates to create the same frame of cooperation in Southeast Europe and is the first stone toward a Common Regional Market, a significant project for the area. Despite, the economic and social benefits, Schengen model provides substantial outcomes for peace and stability. The Schengen agreement is one of the most significant achievements of the EU on social impact and one of the core values for EU citizens. This triggers interdependence variables strengthening ties between governmental and non-governmental actors. This dynamic minimizes obstacles in the mercantile sphere and extends the inputs at a social scale, building a trans-border conceptualization of society (McGahey 2016). This scheme is based on neo-functionalism theory pretending to spur spillover effects, considering crisis as an endogenous opportunity on the integration dynamic.

The Single Market, Schengen Agreement, Euro, and Custom Unions, are sectoral parts of the architecture of the EU Integration. According to Felbermayr (2018), these mechanisms generate a gravitational model that has boosted European trade and income benefits. The single market has increased trade by almost 36% by drastically reducing non-tariff costs and trade creation by 82%. While the single market directly impacts, the Schengen agreement has reduced trade costs by 2.6% for goods and 5.2% for services. According to the Leibniz Institute for Economy Research, the magnitude of Schengen agreements on the trade flow is unclear but undoubtedly has a considerable impact on the social dimension. In the supposed case of the dismantling of the EU, the incomes per capita as a result of the elimination of Schengen might suffer between 0.2% to 2.44%.<sup>6</sup> By comparison, the single market's loss can affect the economy up to 20% for small countries and around 5% for the biggest European economies. This calculation shows that

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<sup>6</sup> The economic impact of suspending Schengen, European Parliament, 2016, [https://www.europarl.europa.eu/RegData/etudes/ATAG/2016/579074/EPRS\\_ATA\(2016\)579074\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2016/579074/EPRS_ATA(2016)579074_EN.pdf)

among other gravitational effects of sectoral indicators, Schengen agreements hold the smallest share.<sup>7</sup>

The countries already part of OBI have been committed based on the Berlin Agreements to build a Common Regional Market (hereafter CRM), which is the primary goal of the economic and political initiative of the region. The vast literature on common markets approves of the multidimensional benefits. The importance of regional markets relies on a qualitative output on social-economic benefits and strengthens peace and security. It is not the aim of this article to argue the benefits of common regional markets but to explore the economic outlook of this initiative.

However, despite the enthusiasm that generates regional markets, the impact might be adverse in less developed areas. According to Paul Krugman (1996), regional markets in less integrated areas can have negative consequences, including the divergence of economic performance agglomeration in particular industries, national competition, and dislocation of the job market. For Krugman, one of the handicaps of the regional markets relies on the core-periphery gaps which are generated due to development scales<sup>8</sup>. According to the former president of the European Communities, Jacques Delors, one of the architects of the EU, after the treaty of Maastricht, the single market had to absorb the shock that might create in the underdeveloped peripheral areas. In this context, single or integrated markets tend to accumulate or centralize trade and production in regions with similar economic and infrastructure indicators.

According to Lord Cockfield, coordinator of the White Paper<sup>9</sup> on the interior market in 1985, the single market program was an act of confidence in the present and faith in the future. This statement undoubtedly fits with what the actors OBI can pretend from a regional market and how the faith and dedication to achieve can differ from the political volatility and the distortion that may affect its implementation. In this regard, the situation in Ukraine and the aftermath of it are a question point of the faith of the CRM. Considering the volume of trade flows in need of almost 18 million people, the impact in both facets can be questionable. Due to its limited size and capability<sup>10</sup>, CRM might not

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<sup>7</sup> Look the graphic page 26, <https://www.ifo.de/DocDL/wp-2018-250-felbermayr-et-al-tarde-model.pdf>

<sup>8</sup> Krugman, P, 1991. "Increasing Returns and Economic Geography," Journal of Political Economy, University of Chicago Press, vol. 99(3), pages 483-499, June

<sup>9</sup> Commission of the European Communities (Com 85/ Final 310), Brussels June 1985

<sup>10</sup> The GDP for the WB6 is around 100 billion euro, which can be compared to the metropolitan area of Lyon, France, while and GDP per capita around 5400 euro. For more info look OCDE Review of the

provide the conditions to create a significant economic boost or worsen what the countries part of the initiative have achieved as associated countries with the EU. The effect of this initiative must focus on the social perspective in the short term and as the basis for the regional economic market on a large scale in the long term.

According to Hettne<sup>11</sup>, the new processes that culminate in European integration have the same actors as the old regionalism but with new patterns. According to him, the ideas of regionalism had their origin at the beginning of the 20th century. Still, they lacked institutional goals, and consequently, they did not materialize into a solid regionalism. One of the facets of regional cooperation is that democracy is a critical factor in strengthening common economic markets<sup>12</sup>. In this regard, the countries part of this process, due to the EU Integration process, is in condition to back their ambitions on RCM. What is evident in the OBI is that former Yugoslav republics, except Albania, want to shape a new European version of regionalism. Consequently, we have the same actors but with a different democracy perception. Undoubtedly, it is a unique process in terms of uniformity of space and its political goal, which includes the same actors but with different patterns.

### **3. Open Balkan as a crutch of the EU enlargement policy.**

The US Department of State and the EU, key players in this area who backed the initiative, consider the Mini Schengen a valuable mechanism to strengthen reforms and gear up European integration. As co-promoters of the OBI have applauded the initiative, inviting other countries of the region to be part of it. The countries already part of OBI reflects on the initiative as a critical mechanism to gear up the enlargement policy. On the other hand, it acts to deliver socialization mechanisms that can bring closer societies that have seen the neighbor and regional policy in recent history through the lenses of belligerent inquietudes. In this regard, OBI is a valuable policy that will go beyond the nationalist ideological schemes that persist among political parties, in some cases, state institutions, and social perceptions.

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Western Balkans, [https://www.oecd-ilibrary.org/development/multi-dimensional-review-of-the-western-balkans\\_4d5cbc2a-en](https://www.oecd-ilibrary.org/development/multi-dimensional-review-of-the-western-balkans_4d5cbc2a-en)

<sup>11</sup>Hettne, B. (2003) *Theories of new regionalism*: Palgrave Reader; New York, pp. 22-27.

<sup>12</sup> Mansfield, E. D., Milner, H. V., & Rosendorff, B. P. (2002). Why Democracies Cooperate More: Electoral Control and International Trade Agreements. *International Organization*, 56(3), 477–513. <http://www.jstor.org/stable/3078586>

Except for Serbia, state leaders who have already agreed on OBI face opposition from their respective political and state actors. In the case of Albania, the former president Ilir Meta and now one of the leaders of the political opposition, considered the initiative a useless mechanism for his purpose since other agreements already in place can provide a fluid but non-free movement of persons. In North Macedonia, the VRMO-DPMNE, the main party of the opposition, is against the free movement under the Mini-Schengen project, considering it an extension of an updated version of Serbian nationalism that pretends to be more influential in the region. Additionally, the rhetoric of the opposition in both countries retracts the Mini-Schengen as a project to regenerate the witch of former Yugoslavia<sup>13</sup>.

To keep away the purpose of the OBI from the amalgam of the skepticism and confusion that can generate a visional step in this region, the countries already part of it consider the initiative as a mechanism able to reduce the normative barrier on the path of the EU accession. On the other side, the EU commission as usual for initiatives that strengthen the regional cooperation, has backed the Mini-Schengen and has urged other countries to join it. Despite the enthusiasm that intra-region free movement of person can accelerate the accession into the EU, it is not very lucid how this approach can reduce the normative gap or clear up political confusion among EU member countries on enlargement policy.

Mini Schengen and RCM can encompass several chapters of the EU accession. Almost 10 out of 35 chapters of EU accession have a transversal significance on the clusters of the negotiations with the EU<sup>14</sup>. Four freedoms (goods, persons, services, and capital) are one of the core economic and social pillars of the EU. Both significant projects for the region could directly impact to train southeast Europe with the effects of free access to regional markets. In this regard, OBI and RCM can measure the capability of the region to cope with the implementation burden. In a hypothetical case of accession, the WB6 later or soon will be involved in free movements of goods, persons, and other branches of economy and social openness. Nevertheless, rejecting to be part of these initiatives can be considered a public policy claim to engage the area in more structural cooperation, which guarantees that the area has left behind the disputes and is prepared to face state

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<sup>13</sup> <https://europeanwesternbalkans.com/2021/07/30/parts-of-the-region-remain-sceptical-to-the-open-balkan-initiative/>

<sup>14</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/conditions-membership/chapters-acquis\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/conditions-membership/chapters-acquis_en)

agreements and challenges that the European Integration requires. The WB will need to conclude the state-building process and recognize the progress that 20 years of European integration have provided for the region.

Moreover, OBI can deliver a message that the region has reached a European maturity to go further and promote values without being Member State. The enlargement process, despite that, tackles normative capability to bring closer candidate countries relies on political volatility. The clearest message of this methodology was shown by the president of the EU commission on her first visit to Kyiv when delivering a statement that the process of European integration for Ukraine will be reconsidered by cutting the “administrative” procedure that implies the fatigable process of being a member state. This statement contradicted the French president's position on this question, underlining that a country in war cannot be a member of the EU.

Since the start of the war in Ukraine, the EU Commission and European leaders have re-engaged their political motivation to spread optimism on the enlargement policy. Among European state actors, there is a perception that the integration process can engage belligerent parts into a peace process. Still, the war in Ukraine has a different dimension and geostrategic paradigms. War and European integration seem to be very sensitive to creating a compromise on this policy. In the case of the Western Balkans, the launch of the enlargement process entailed a peace process. In the case of Ukraine, it is not clear how the enlargement process will promote peace and stabilization with Russia and an integration process with the EU.

#### **4. The “heel” of Mini Schengen Initiative**

While all the WB countries back the RCM, the Mini Schengen Initiative is considered by Kosovo, and BiH as a project that intends to revive the ex-Yugoslavia. This consideration beyond the emotive political message does not bear the technical and political burden to be considered an intention of interest to reshape the region under a new federal project. Beyond the dogmatic statement, targeting Open Balkan as a new Yugoslavian project lacks the form and the purpose to be considered as it. Open Balkans technically will provide free movement of persons, which goes in the same direction as the RCM considering the four freedoms of the EU as the path that the region must follow to strengthen accession perceptiveness in the EU. However, for the three countries opposed to



the Mini-Schengen Initiative, the RCM can regulate the free movements of persons without considering an additional agreement.

Nevertheless, some aspects of the OBI can be considered a new social dimension that pretends to reassemble the debris of the ex-federation, at least in the case of Serbia. Throughout Mini-Schengen, Albania and Serbia can establish free transit and trans-border connection with the respective ethnical population that lives beyond the borders. Serbia, likewise Albania, shares borders with the ethnic population in BiH, Kosovo, and Montenegro. Mini-Schengen can tear down the borders creating areas of social compactness and consolidating ethnical sensitiveness in the case of Serbia and Albania. Despite the confusion that might generate this hypothesis in the light of the social impact of Mini-Schengen, Albania possesses a normative tool able to strengthen the ties with the Albanian ethnic population that lives in North Macedonia, Montenegro, and Kosovo. This can be considered the most successful mechanism that the government of Albania has used to consolidate its position and public policy in the area.

Under this mechanism, the social dimension of national identity is quietly consolidated. Albania creates a space of access and free movement for almost the same population that lives in Albania; nearly 1.7 million ethnic Albanians in Kosovo, approximately 500 thousand in North Macedonia, and around 40 thousand in Montenegro. The case of Serbia has less impact because it extends the ties among ethnical Serbian to a reduced number of ethnical populations. The most significant effect is in BiH, (Srpska Republic) and Montenegro with 1/3 of the people of Serbian ethnicity, and with less impact in Kosovo.

The countries that have launched the initiative consider their public policy enough consolidated that removing border controls does not threaten homeland and national security. Nevertheless, this area of Europe is prone to the transit of illegal emigration and drug trafficking routes starting in Asia<sup>15</sup>. North Macedonia, Montenegro and Albania are NATO members, while Serbia considers its position as a protagonist for the region's security and in condition to expand into the region its economic influence. On the other hand, Kosovo, despite that under the Trump administration,<sup>16</sup> signed an agreement to join

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<sup>15</sup> [https://www.europarl.europa.eu/doceo/document/A-9-2021-0298\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2021-0298_EN.html)

<sup>16</sup> In this agreement Serbia committed to move its embassy in Israel from Telaviv to Jerusalem, while Kosovo would establish diplomatic relation with Israel.  
<https://edition.cnn.com/2020/09/04/politics/serbia-kosovo-agreement/index.html>

Open Balkan<sup>17</sup>, the new government that took place in March 2021 diverged from the project, considering that Kosovo and Serbia should be recognized mutually to progress in this state of bilateral or regional agreements. Moreover, the north of Kosovo is regarded as a lawless area, where traffic and contrabands are very active, and parallel structures<sup>18</sup> are out of the control of the Kosovo government. This is a constructive argument to consider that the country is not in the position to join the initiative. At the same time, the northern border is an informal area prone to contraband and a wide variety of illegal traffic.

BiH considers the initiative parallel to the slim prospect of EU enlargement. On the other hand, BiH lacks the public policy compactness to address the free movements of persons. This border openness can prejudice even more the weak performance of national identity that the country has been experiencing since the end of the war in 1995. The country holds legitimate arguments to reject the OBI, which is still in progress to achieve a consolidated version of the Dayton Agreements and reaffirm its state identity<sup>19</sup>. The Srpska Republic acts as a divergent factor to update the constitutional frame, which is an imperative obstacle to unlocking the path toward EU accession. In this context, BiH does not calibrate this process as a valuable mechanism to strengthen regional cooperation, while this process has different paradigms that question its national identity and stability. Officially the BiH government has stated that Open Balkans can be developed under the RCM or CEFTA. In this regard, consider needlessly an additional initiative that encloses the same policies already programmed for the region.

These arguments have solid bases for considering conditions that impede persons' free movement. Political barriers and regional disputes are still structural arguments to perceive the initiative through the dynamic of national identity that includes a revision of ethnical balances. However, if the WB pretends to join the EU, this state of cooperation is part of the EU policy and essential criteria for joining the EU. In this regard, all arguments against OBI will be absolved by the integration process and might be part of the negotiations process in those cases when this process is already in place and a

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<sup>17</sup> Text of the Agreements, <https://www.new-perspektiva.com/wp-content/uploads/2020/09/Washington-Agreement-Kosova-Serbia.pdf>

<sup>18</sup> <https://balkaninsight.com/2021/12/07/serbia-strengthening-parallel-structures-kosovo-deputy-pm-says/>

<sup>19</sup> Since 2005, the EU has firstly recommended and later urged BiH to constitutional change as one of the criteria to continue with the EU accession process. For more info, the last report of the 2021 EU's report on BiH [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_5277](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_5277)

requirement to progress on the path of European integration for those countries on hold to start this stage of accession.

### **5. Economic Outlook of WB6.**

According to the OCDE, the COVID-19 crisis contracted the WB6 (6 countries Western Balkans) economy by 3.3%, principally the services sector representing almost 52% of the total GDP, mainly in Albania and Montenegro, due to the high share of the touristic industry on the economy. Montenegro lost nearly 15% of its GDP in 2020 due to its considerable independency of the tourist sector<sup>20</sup>. Despite being highly dependent on tourism, the Albanian economy could mitigate the effects of COVID-19 and the lack of tourists, through public expenditures and European aid, as a response to the devastator earthquake in 2019. Generally, the economic growth in 2021 was driven mainly by consumption and investment. According to the World Bank<sup>21</sup>, only North Macedonia and Serbia have the most considerable share of GDP compared to exports, being the leading countries in the region, representing almost 58% and 48%, respectively. At the same time, they share the highest inflows of imported goods and services by 70 % and 56%, while the regional average is 53.9%. Unemployment in the region is relatively high, from 9% in Serbia to 25% in Kosovo, while the regional average is 14%.

Public revenues remain low at an average of 36%, compared to GDP, while the EU area is above 41%, which is not linked to the fiscal pressure but generally to the black economy, the rule of law deficiency, tax evasion, etc. Public expenditures remain low at an average of 37% of GDP, compared to the EU, up to 50%.<sup>22</sup> In light of OBI, one of the region's problems is weak interconnectivity, including transport and energy<sup>23</sup>. Rail transport is limited, while the sector in Albania is bankrupt and obsolete. According to the World Bank Enterprise Survey in 2019, almost 30% of firms doing business in the region consider the lack of energy supply a significant constraint. Energy loss compared

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<sup>20</sup>Montenegro has the highest public debt of the region, around 85% of the GDP, while in 2020 reached 100%. Part of this debt is due to the loan that the Chinese Government has lent to Montenegro to build the first motorway in the country, long 70 km, connecting the port of Bar with Serbia.  
<https://www.euronews.com/my-europe/2021/05/07/the-billion-dollar-motorway-leading-montenegro-to-nowhere>

<sup>21</sup> <https://databank.worldbank.org/source/world-development-indicators/Type/TABLE/preview/on>

<sup>22</sup>For more data see OECD [https://stats.oecd.org/Index.aspx?DataSetCode=GOV\\_WB](https://stats.oecd.org/Index.aspx?DataSetCode=GOV_WB)

<sup>23</sup> For more info see World Economic Forum report, [http://reports.weforum.org/pdf/gci-2017-2018-scorecard/WEF\\_GCI\\_2017\\_2018\\_Scorecard\\_GCI.A.02.01.pdf](http://reports.weforum.org/pdf/gci-2017-2018-scorecard/WEF_GCI_2017_2018_Scorecard_GCI.A.02.01.pdf)

to the EU, around 7%, is very high, reaching almost 20% of capability, while Albania and Kosovo are above 34% and 28%, respectively.

Despite being an associate region within the EU, the GDP per capita between both blocks has a considerable gap. WB6 represents less than 40% of the EU average. The economic and investment ties that the region has with the EU have not reduced income disparities between the two blocks. This is one of the failures of the European Integration and an exogenous effect of the enlargement fatigue, which is not in conditions to deliver and target European aid and assistance to the social sphere. The average GDP per capita when the Association and Stabilization agreements took place in WB by 2005 was around 36% compared to the EU zone, while 17 years after, have been reduced only by 4 points.

One of the biggest challenges that the region is experiencing is the high unemployment rate among youths. The lack of human resources generally in economic structure and public administration clerks affects direct development. Youth unemployment on average is around 32%, while in Kosovo is around half of the youth population. The region has one of the highest youth unemployment rates globally<sup>24</sup>. Brain drained and forced labor are structural problems affecting the economy and growth. According to the Friedrich Ebert Stiftung Youth Studies<sup>25</sup>, on average, 1/3 of the youth in the region would prefer to emigrate. Albania and Kosovo share the highest rates, 44% and 35%, respectively. According to the OECD, the case of Albania is one of the direst. The country is fourth in the world in the emigration of the highly educated and skilled labor force, where most of the youth want to live and work abroad. The WIIW studies consider this a plague and significant development problem<sup>26</sup>.

Although the emigration flows are generally high among low and medium-educated people, almost 40% of the people who emigrated from Albania from 2010 to 2019 were recent university graduates or had some experience after graduating. Kosovo and Bosnia and Herzegovina also experienced a brain drain “plague” during the same period but at a lower percentage than Albania. Only 6% of the people emigrating from BiH have high education. By contrast, Serbia, Montenegro, and North Macedonia since 2010 have

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<sup>24</sup> [https://data.worldbank.org/indicator/SL.UEM.1524.ZS?end=2020&name\\_desc=false&start=1991](https://data.worldbank.org/indicator/SL.UEM.1524.ZS?end=2020&name_desc=false&start=1991)

<sup>25</sup> <https://www.fes.de/en/youth-studies/>

<sup>26</sup> The Vienna Institute for International Economic Studies, <https://wiiw.ac.at/net-migration-and-its-skill-composition-in-the-western-balkan-countries-between-2010-and-2019-results-from-a-cohort-approach-analysis-dlp-5695.pdf>

experienced brain gain. Studies of WIIW show that students in these countries tend to return to their country of origin after completing tertiary education. However, one of the problems is that the education strategy and labor market have different progressions. This evidence is also seen in the education strategy. The countries will have to face a significant transformation of the education system and labor to make it more matchable with the labor market.

## **6. Economic Impact of the Common Regional Market**

Before launching the OBI, at the summit of Sofia EU-WB<sup>27</sup> in November of 2020, was launched the CRM, displaying a “single market” vision for the area, but without an institutional structure, which seems to rely on the CEFTA (Center European Free Trade Agreements) and RCC (Regional Cooperation Council). The WB goal is to build a functional common market able to cope with the EU economic pressure in the light of possible accession. Hence, the economic perspective since the launch of the Berlin Initiative<sup>28</sup> has changed. RCM and Mini-Schengen initiatives are railing the countries towards a shared policy vision relying on economic gravity scheme (Anderson & Wincoop. 2003) instead of approaching the same policy with the EU. On the other hand, WB countries, after assuming the syndrome of fatigue of the enlargement policy, do not have the same euphoria as in the past decade. The use different methodologies to put more pressure on the political volatility that characterizes the enlargement policy.

The CRM pretends to generate an additional GDP growth for the area up to 6.7%. Furthermore, EU funds have allocated almost 9 billion euro for the region to support not only the initiative but also helps WB to recover their economies after the Covid-19 crisis<sup>29</sup>. In this manner, WB has high economic growth expectations and a fast recovery from the Covid-19.

However, the war in Ukraine is already affecting the region as elsewhere in Europe, where the inflation and the energy crisis can stagger the economic foresee. Furthermore, Albania

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<sup>27</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_2051](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2051)

<sup>28</sup> The Berlin Process was launched by German Chancellor Angela Merkel in 2014. The purpose is to strengthen regional cooperation between the Western Balkans Six (WB6) with a view to help them to fulfill criteria to join the EU. For more info see, <https://www.berlinprocess.de/en/about-berlin-process>

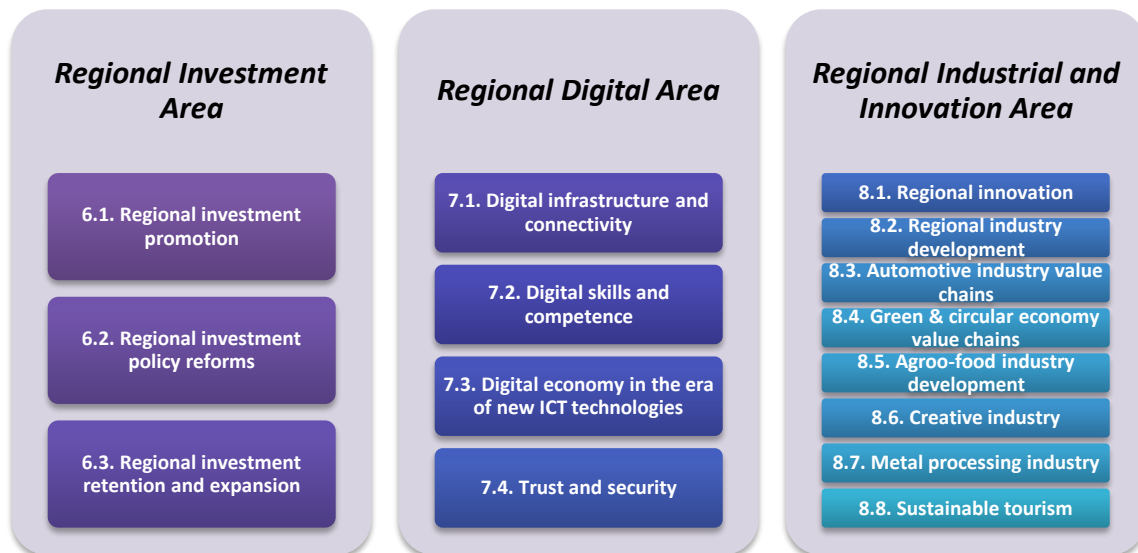
<sup>29</sup> <https://www.consilium.europa.eu/en/meetings/international-summit/2021/10/06/>

and Montenegro are top destinations for tourists from Russia, Ukraine, and Belorussia, providing almost 1/4<sup>th</sup> of visits. This considerably reduces the estimation of economic growth for this year, which national banks have already revised. According to OCDE, the war will cut almost 1% of the worldwide economic growth. Additionally, this is the exact estimation for WB economies, as well.



Source European Commission 2020<sup>30</sup>

<sup>30</sup>[https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/common-regional-market\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/common-regional-market_en)



Source European Commission 2020

The countries of the region that have shown reluctance to strengthen further the ties of free movement of people have demonstrated their willingness to cooperate and suggested an update of the CEFTA agreements. However, even though the agreement has been in operation since 2007, among the countries of the region, there are still trade barriers based on:

- 1) Lack of coordination and increased waiting time at customs.
- 2) Lack of implementation of some of the CEFTA agreements
- 3) Recognition of the SPS system (health parameters) and increased costs due to double testing of the products.
- 4) Volatility of the costs of licenses and, in some cases, the costs of the certificates are high in relation to the costs of the products.

Despite significant economic cooperation, the Mini Schengen Initiative, the CRM still lacks substantial economic impact, providing a regulatory and harmonization of rules and collaboration between the WB6. The first part of the Action Plan 2021-2024 is to build the pillars of the WB “single market,” which is based on more than 1000 benchmarks that act to create a reliable mechanism able to build a regional economic market and update the CEFTA agreements in place since 2007<sup>31</sup>. The document signed in Sofia includes the period of 2021-2024. The WB has to strengthen the regulation and

<sup>31</sup> <https://cefta.int/legal-documents/cefta-agreement/>

implementation in four areas: free movement of goods, persons, services, and capital. Additionally, it provides a common digital market and a harmonization of investments, innovation, and industry policy.<sup>32</sup>

## 7. Conclusions

OBI is a pioneering project able to go against the odds of Balkan pragmatism and bear the burden of state compromises. Despite the economic outcomes that this initiative can deliver, we should focus on and target the social impact. WB6 has a small economic progression to create massive benefits for the actors implicated. However, the theoretical progression of European Integration has shown that social impact and peace are important values for Europe. Europe currently shares approximately 15% of the world economy and is projected to be less than 10% by 2030. Nevertheless, is considered to have the highest standards regarding human and fundamental rights and core values of the worldwide depiction of democracy. With this frame of reference, the benefits of this initiative are seen through the optic of a social approach.

Despite the opposite of Kosova and BiH joining the OBI, we can deduce that nationalist rhetoric, which is still persistent in the political debate, is an endogenous factor that intimidates some regional governments to strengthen regional cooperation. In this context, a project that combines nationalism and economic openness that acts to socialize the actors cannot be in tune with a liberal project, which OBI assumes to be. Moreover, the region still lacks a state unification of its actors, which impedes additional mechanisms to regionalize the area under standard policies fully. The protagonists of this initiative still endure a combination of nationalism with public policy that can mislead and distort the purposes of the OBI.

In contrast, if all the regional countries were a part of it, it might be a very efficient mechanism to alleviate the enlargement fatigue and reengage the EU with a new dynamic, replacing the dilemma of the political cohesion of the Member States. Even though the EU and USA have urged these countries to be part of OBI, this is a tough decision. In both cases, BiH and Kosovo, considering the war in Ukraine, can demand more regional

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<sup>32</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/common-regional-market\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/policy-highlights/common-regional-market_en)



security to change their perspective to a more comprehensive decision as countries part of the enlargement process. Moreover, from the EU institutions, the war in Ukraine has acted as an exogenous factor to spur the process further. Still, more than an act of intention might be interpreted as an ad-hoc message to keep the region away from any intent of destabilization, trying to replace the normative burden of the process with less political pragmatism.

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