

**Committee:** Economic and Financial Committee (GA2)

**Issue:** Examining the Involvement of States in National Balkan Economies as External Actors

**Student Officer:** Vassiliki Kalogeropoulou

**Position:** Co-Chair

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## PERSONAL INTRODUCTION

Dear delegates,

My name is Celia Kalogeropoulou, I am a student at Pierce - The American College of Greece in 11th grade and it is my utmost honor to be serving as one of the Co-Chairs of the Economic and Financial Committee (GA2) in the 5th annual DSTMUN.

Having been an active member in MUN conferences, I can undoubtedly say that they provide an amazing opportunity for all participants to become familiar with ongoing issues of the modern world, as well as meet new people and form long-lasting relationships.

This year's agenda includes two important and heated topics that the world has to tackle that concern the promotion of stability and cohesion in the Balkan region, which is this conference's theme. The topic that this study guide will be covering is "Examining the Involvement of States in National Balkan Economies as External Actors", which is a rather important one and affects policies worldwide.

The purpose of this study guide is to facilitate your research, by making you aware of the key terms, background information and foundations of this topic. Nevertheless, you should not only rely on this guide but also do your own research, in order to be able to defend your country's policy sufficiently and participate actively in the process. I genuinely anticipate hearing your views and further discussions upon the matter!

Should you have any questions, concerns or need any kind of further clarification, do not hesitate to contact me at: [Vasiliki.Kalogeropoulou@acg.edu](mailto:Vasiliki.Kalogeropoulou@acg.edu)

I am truly looking forward to meeting you all!

Kind regards,

Celia Kalogeropoulou.

## TOPIC INTRODUCTION

The Balkan region has been for centuries, and is once again, in danger of becoming a geostrategic battlefield for other entities that act like external economic actors. Russia, China, Turkey, the European Union and the Gulf States are increasing their political, economic, and cultural influence in this European Union enclave — with a diversity of resources, intentions, and interests. In many aspects, they are filling a void created by the United States' continuous change in geostrategic priority, which the European community has so far failed to fully address.

Due to its geographical position, complicated ethnic backdrop, religious beliefs, and economy, the Balkan peninsula has witnessed a series of crises and disputes in modern times. One key point is that all Balkan countries could be classified as small nations, although several of them are seen as rather substantial and powerful within the area. This happens since the Balkans can play a crucial role in today's multipolar world; if a big power fails to engage with them, these countries are ready to move on to other contending powers. Thus, several countries have decided to intervene as external economic actors in the Balkans in order to profit from what the area has to offer.

As a result, the area's states have become highly dependent on the agendas of larger powers, as well as vulnerable to the policies of international organizations engaged in the region. Thus, the potential for the formation and execution of foreign policy in all of these governments is quite limited in terms of economic activity. More specifically, Western Balkan governments, to differing degrees, associate their foreign policy with the strategies of various external actors, something that is not always compliant with their nation's interest.

Since, over the last few decades, several external actors have attempted to enhance their economic influence in the Balkans, there is a lurking danger of regional political, economic, and security destabilization, as well as a promising ground for other entities to expand their activities, without necessarily considering each Balkan nation's best profit.

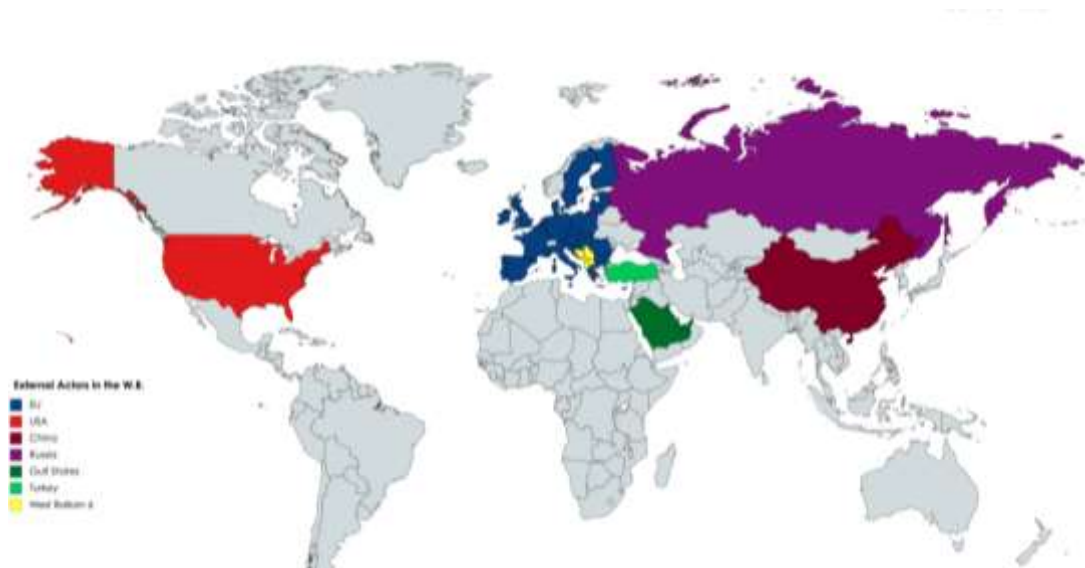


Figure 1: Countries that play a key role as external actors in Balkans' economy <sup>1</sup>

## DEFINITION OF KEY TERMS

### Balkans

“Balkans, also called Balkan Peninsula, easternmost of Europe’s three great southern peninsulas. There is no universal agreement on the region’s components. The Balkans are usually characterized as comprising Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Montenegro, North Macedonia, Romania, Serbia, and Slovenia—with all or part of each of those countries located within the peninsula. Portions of Greece and Turkey are also located within the geographic region generally defined as the Balkan Peninsula, and many descriptions of the Balkans include those countries too.”<sup>2</sup>



<sup>1</sup> “OENB\_Geopolitics\_Western\_Balkans.pdf”, [https://www.oenb.at/dam/jcr:e56c2804-135b-416f-a510-43d70eefd5ac/OENB\\_Geopolitics\\_Western\\_Balkans.pdf](https://www.oenb.at/dam/jcr:e56c2804-135b-416f-a510-43d70eefd5ac/OENB_Geopolitics_Western_Balkans.pdf)

<sup>2</sup> "Balkans." *Encyclopedia Britannica*, [www.britannica.com/place/Balkans](http://www.britannica.com/place/Balkans).

**Figure 2: The Balkan region on the map**<sup>3</sup>

**17+1 initiative**<sup>4</sup>

The 17+1 (China and Central and Eastern Europe Countries) initiative was launched in 2012 in Budapest with the goal of expanding collaboration between Beijing and CEE (Central and Eastern Europe) member countries through investments and commerce for the region's development. The project has reached a tipping point due to the convergence of two causes. First, the majority of nations that are EU members believe that there is no financial advantage to participating in this collaboration platform. Second, there are shifts in individual nations' policies toward China, which are tied to the perception of dangers as a result of tensions in China-US ties and the EU's "systemic rivalry" strategy against China. These processes increased further in 2020, as China's policy against the EU became more confrontational during the COVID-19 outbreak.

**The Belt and Road Initiative**<sup>5</sup>

The Belt and Road Initiative, formerly known as One Belt, One Road, is a worldwide infrastructure development project, mainly focused on improving transportation connections, established by the Chinese government in 2013 with the goal of investing in roughly 70 nations and international organizations.

**Transitional Countries**<sup>6</sup>

A nation in the process of transitioning to more liberal structures and related aspects of liberal democracy

**Liberal Democracy**

"Liberal democracy is a liberal political ideology and a form of government in which representative democracy operates under the principles of classical liberalism. It is characterized by elections between multiple distinct political parties, a separation of powers into different branches of government, the rule of law in everyday life as part of an open society, a market economy with private property and the equal

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<sup>3</sup> Model, Slide. "Balkans Peninsula PowerPoint Maps." *SlideModel*, 24 Sept. 2018, [slidemodel.com/templates/balkans-peninsula-powerpoint-maps/](https://www.slidemodel.com/templates/balkans-peninsula-powerpoint-maps/).

<sup>4</sup> The Polish Institute of International Affairs, "China and the Crisis in the "17+1" Initiative." *PISM*, Sept. [pism.pl/publications/China\\_and\\_the\\_Crisis\\_in\\_the\\_171\\_Initiative](https://pism.pl/publications/China_and_the_Crisis_in_the_171_Initiative).

<sup>5</sup> "Belt and Road Initiative." *Belt and Road Initiative*, 29 Apr. 2018, [www.beltroad-initiative.com/belt-and-road/](http://www.beltroad-initiative.com/belt-and-road/).

<sup>6</sup> "What is Transitional Countries." *IGI Global: International Academic Publisher*, [www.igi-global.com/dictionary/issues-learning-third-world-countries/36245](http://www.igi-global.com/dictionary/issues-learning-third-world-countries/36245).

protection of human rights, civil rights, civil liberties and political freedoms for all people.”<sup>7</sup>

### European Union (EU) <sup>8</sup>

The European Union is a political and economic union consisting of 27 member countries mainly situated in Europe. The union has a total size of 4,233,255.3 km<sup>2</sup> and a population of around 447 million citizens.

### North Atlantic Treaty Organization (NATO) <sup>9</sup>

The North Atlantic Treaty Organization, often known as the North Atlantic Alliance, is a multilateral military alliance of 30 participating nations, 28 of which are European and two of which are North American. It was established in 1949 to guarantee collective protection against the Soviet Union's threat.

### Gross domestic product (GDP)

“Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.”<sup>10</sup>

### Foreign direct investment (FDI)

“A foreign direct investment (FDI) is a purchase of an interest in a company by a company or an investor located outside its borders.”<sup>11</sup>

## BACKGROUND INFORMATION

The Balkan's economic foreign policy in the status quo does not represent the region's strategic national interests. Small territory and populations, weak economies and unfinished democracy-building efforts are all characteristics of transitional countries. The region has long been the location of international competition, and this rivalry has only gotten more fierce since the end of the Cold War and the fall of Communist regimes in Eastern Europe.

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<sup>7</sup> "Liberal Democracy." *ECPS*, [www.populismstudies.org/Vocabulary/liberal-democracy/](http://www.populismstudies.org/Vocabulary/liberal-democracy/).

<sup>8</sup> "European Union" *FAS Project on Government Secrecy (1991-2021)*, [sgp.fas.org/crs/row/RS21372.pdf](http://sgp.fas.org/crs/row/RS21372.pdf).

<sup>9</sup> "What Does NATO Do?" U.S. Department of Defense, 2 Oct. 2018, [www.defense.gov/News/Feature-Stories/story/Article/1650880/what-does-nato-do/](http://www.defense.gov/News/Feature-Stories/story/Article/1650880/what-does-nato-do/).

<sup>10</sup> "GDP and Spending - Gross Domestic Product (GDP) - OECD Data." *The OECD*, [data.oecd.org/gdp/grossdomesticproductgdp.htm#:~:text=Gross%20domestic%20product%20\(GDP\)%20is,and%20services%20\(less%20imports\)](http://data.oecd.org/gdp/grossdomesticproductgdp.htm#:~:text=Gross%20domestic%20product%20(GDP)%20is,and%20services%20(less%20imports)).

<sup>11</sup> "Foreign Direct Investment (FDI)." *Investopedia*, 20 Nov. 2003, [www.investopedia.com/terms/f/fdi.asp#:~:text=A%20foreign%20direct%20investment%20\(FDI\)%20is%20a%20purchase%20of%20an,operations%20to%20a%20new%20region](http://www.investopedia.com/terms/f/fdi.asp#:~:text=A%20foreign%20direct%20investment%20(FDI)%20is%20a%20purchase%20of%20an,operations%20to%20a%20new%20region)

The disintegration of Yugoslavia and the fall of communism 30 years ago allowed numerous external actors to step in based on their interests and goals in the nations. The European Union's (EU) inconsistency in its enlargement strategy toward Western Balkan (WB) countries has been a silent invitation for other non-Western entities to enhance their influence in several domains (economy, trade, culture, education, media). The more its accession process persisted, the more its democratic levels worsened.

One thing that all of the nations under consideration have in common is that, since the 1990s and the change in the ideological system in the Balkan Peninsula (as in the entire European continent), their top strategic aim has been to become full members of the European Union (EU) and North Atlantic Treaty Organization (NATO). The longstanding presence of the United States as a strategic partner has strengthened the determination to adopt Western norms and principles of a representative democratic society. However, only Slovenia and Croatia were able to achieve this aim, and for the rest of the area, it became a never-ending struggle.

As a result, the situation is rather distinct: there are intimate connections and dependencies between all Balkan republics, Euro-Atlantic, and European organizations. Those dependencies are primarily economic due to the Balkans' failure to benefit from economic integration with the EU, that is made evident through their limited total exports, notably of manufactured products. Consequently, EU member states dominate regional commerce and investment, while also imposing legislation and trade regulations. In the meantime, outsider parties are increasing influence in this European Union enclave through their economic action in the area. Of course, not all of their acts should be regarded as a threat to the countries' resilience.

### **The need for external economic actors in the Balkan region**

From Alexander the Great's conquests in 335 BC through Ottoman conquests in the 14th Century and Soviet domination in the 20th Century, the Balkan area has served as a critical battleground for those focused on 'projecting power' throughout history. Historically regarded as a highway or barrier of empires the region retains enormous geostrategic importance today.

While EU integration and enlargement in the region were once considered inevitable, such expectations are no longer viable. At the present, the realistic view is that Western Balkan nations are becoming "less and less qualified" for EU entry. With international organizations struggling to keep commitments, the area appears to be in a geopolitical and economic recession. This form of recession has come to reflect a bleak forecast for the future of multilateral collaboration between the Balkan countries and has rendered them dependent on external forces.

### Process and criteria to enter the EU

Becoming an EU member is a lengthy process that does not occur immediately. Once an applicant nation passes the criteria for membership, it must comply with all EU laws and regulations.

According to the Treaty on European Union<sup>12</sup>, any European nation may submit an application if it is dedicated to furthering the EU's democratic ideals and meets the membership requirements. These were primarily developed during the European Council in Copenhagen in 1993, and are so known as the 'Copenhagen criteria.' More specifically, all countries who want to join the EU must have stable institutions that ensure democracy, the rule of law and respect for human rights. Moreover, a functioning market economy is essential, along with the ability to deal with competitors and market forces in the EU, as well as the capacity to accept and successfully carry out the duties of affiliation, including adherence to the goals of political, economic, and monetary union.

A nation that wishes to join the EU files an accession to the Council, which further requests that the Commission evaluate the applicant's capacity to satisfy the Copenhagen criteria. The Council then agrees on a negotiation mandate based on the Commission's recommendation. Negotiations are then formally launched subject by subject.

In the case of the Western Balkan nations, additional membership prerequisites, largely pertaining to regional cooperation and good neighborly relations, were outlined in the so-called "Stabilisation and Association process."

### Historical overview of the Balkan economy

The Socialist Federal Republic of Yugoslavia (SFRY) which was disintegrated in mid-1991, was accompanied by tremendous political and economic turmoil. Aside from armed wars in Slovenia (1991), Croatia (1991-1992), and Bosnia and Herzegovina (1992-1995), the successor republics of the SFRY as well as most Balkan nations saw a dramatic decline in Gross Domestic Product (GDP), foreign trade implosion, and hyperinflationary world records in the early 1990s.<sup>13</sup>

In reaction to these events, the European Commission declared in 1996 its Regional Approach for the Balkans, with the goal of promoting economic rebuilding, democracy, and regional collaboration. Consequently, regional cooperation and adherence to international responsibilities were added to the list of prerequisites

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<sup>12</sup> *EUR-Lex — Access to European Union Law* —, [eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF).

<sup>13</sup> "Western Balkans Regular Economic Report Spring 2022." *World Bank*, 4 May 2022, [www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report](https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report).

that Balkan nations must meet in order to strengthen ties with the European Union in 1997. However, the political environment at the time prohibited any substantial regional collaboration, making the area more prone to accepting external economic aid. At the same time, the area saw more wars, including the North Atlantic Treaty Organization's (NATO) intervention in Serbia/Kosovo in 1999 and the civil conflict in Macedonia in 2001.

Nevertheless, despite the financial upheaval that began to disrupt worldwide capital markets in late 2007, the growth trend that had just spark in the Balkan region continued in 2008, and prosperity in the Western Balkans was preserved until mid-2008. More specifically, Croatia was the first country to be hit by the global financial and economic crisis in the third quarter of 2008, followed by Serbia and Montenegro. With mounting evidence that no nation would be immune to the crisis, domestic administrations were progressively realizing that the abrupt change in their economic trajectory will call into question existing planning assumptions and policies, necessitating a new policy mix. However, most authorities, particularly in the nations that continued to experience steady development until the end of 2008, had not properly considered the magnitude of the adjustment required. This caused action to be delayed, particularly in the fiscal realm, and external economic aid was an inevitable future step.

Despite starting from low levels relative to GDP, economic growth in the Balkan economies has been consistently in double digits over the last five years mainly due to external intervention. As a result of this fast financial development, the domestic credit-to-GDP ratio in Montenegro, Croatia, and Bosnia and Herzegovina <sup>14</sup>has reached quite high levels.

### **Economic state of Balkans in the status quo**

In the status quo, Balkan countries are experiencing a series of economic crises at the same time. The region's economy was just starting to recover from the COVID-19-induced recession when it was hit by the consequences of the Ukraine war, a revival in inflation, declining trade and investment and an urgent energy transition.

Before the Russia-Ukraine war, income growth in the Western Balkans was dropping to pre-crisis levels, and inflation was growing as supply restrictions drove commodity prices higher. The crisis in Ukraine is worsening these two tendencies and driving prices upward. It also undermines corporate and consumer trust, has an impact on commerce and tourism, and causes major disruptions in food and energy

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<sup>14</sup> "Western Balkans Face New Economic Headwinds Despite Strong Post-Pandemic Recovery." World Bank, 4 May 2022, [www.worldbank.org/en/news/press-release/2022/05/04/western-balkans-face-new-economic-headwinds-despite-strong-post-pandemic-recovery](https://www.worldbank.org/en/news/press-release/2022/05/04/western-balkans-face-new-economic-headwinds-despite-strong-post-pandemic-recovery)



supply networks. This is especially true for Serbia and Montenegro, the Western Balkan economies most dependent on trade with Russia and Ukraine.

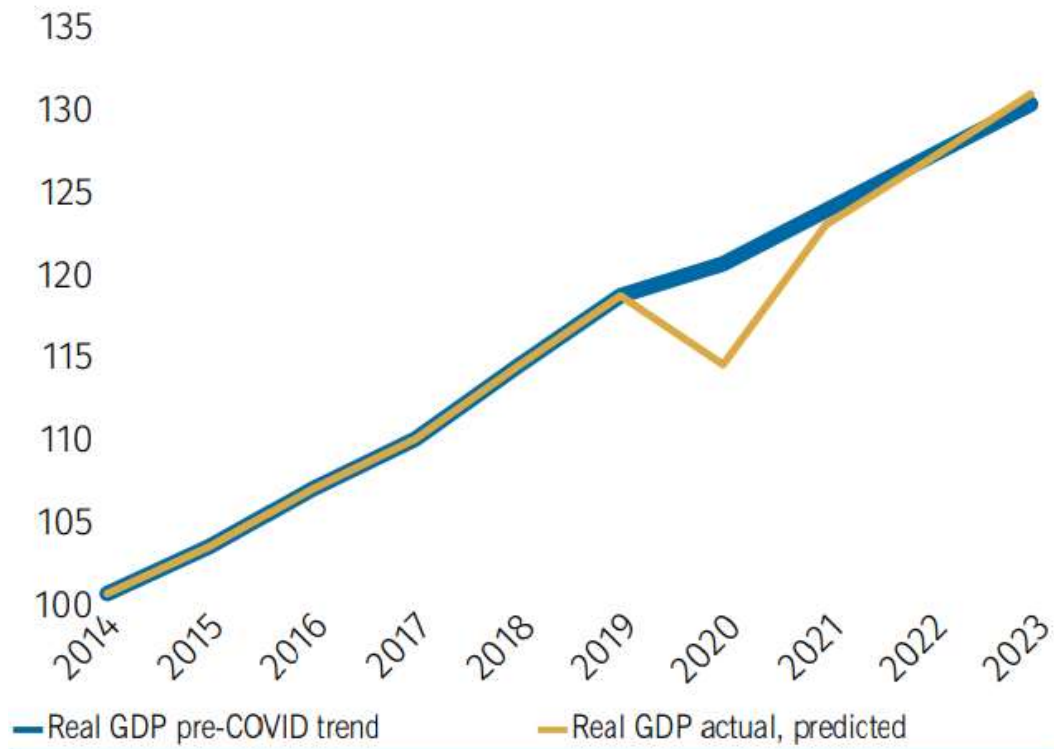


Source: National statistical offices; Eurostat; World Bank staff estimates.

**Figure 3: Western Balkan nations' economies rapid recovery rates<sup>15</sup>**

Financial stability appears solid as a result of support measures and external aid, but monitoring will be required given the extreme uncertainty and the fact that external forces do not work for Balkan nations' best interest, but rather value more their economic profit and personal agendas. The Western Balkan economies' financial systems have been robust during the pandemic, with appropriate capital, means of coping and asset quality maintained. Policy support and external economic activity, along with a recovery in economic development have helped to minimize banking sector risks and even enhance commercial bank profits.

<sup>15</sup> *Open Knowledge Repository*,  
[openknowledge.worldbank.org/bitstream/handle/10986/37368/P17720607706c30e90841607b7d53ee8106.pdf?sequence=1&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/37368/P17720607706c30e90841607b7d53ee8106.pdf?sequence=1&isAllowed=y).



Source: National statistical offices; World Bank staff estimates.

**Figure 4: The Western Balkans' GDP level is expected to return to pre-COVID levels in 2022<sup>16</sup>**

### Reasons why economic integration in the Balkans is not facilitated

There are a number of impediments to greater economic integration in the Balkans, that further promotes the action of external economic actors. First things first, physical trade barriers result from long wait times for trucks at border crossings due to burdensome bureaucratic procedures. Fiscal obstacles stem from several economic norms: in order to attract Foreign Direct Investment (FDI), governments have competed by decreasing taxes and providing various incentives to foreign investors. Technical impediments include various sanitary and phytosanitary regulations, pharmaceutical standards, food origin labeling rules, and labor legislation.

### Effects of external economic activity on the Balkans

The external economic actors offer a critical push for regional economic modernization, competitiveness, economic growth, and connection since they aim at

<sup>16</sup> *Open Knowledge Repository*, [openknowledge.worldbank.org/bitstream/handle/10986/37368/P17720607706c30e90841607b7d53ee8106.pdf?sequence=1&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/37368/P17720607706c30e90841607b7d53ee8106.pdf?sequence=1&isAllowed=y).

the betterment of local facilities, expansion of trade and amelioration of infrastructure.

At the same time, the external economic operations in the Balkans generate fears of regional instability. For example, China's tight relationships with Serbia, as well as significant human rights violations against the Uighur Muslim minority, may exacerbate regional instability between Serbia and Bosnia and Herzegovina due to Bosnia's ethnic Serb majority. However, because Serbia and Bosnian Serbs have extensive political ties with China, which are a result of their economic relations, Beijing might potentially legitimize serious human rights crimes. Although the repression of over one million Uighur ethnic minorities has had no direct effects on Serbia, China's impunity for major human rights violations against an ethnic minority group may indirectly encourage other human rights abuses, coming from Serbia in this case. At the same time, while China's increasing influence in the EU may not immediately alleviate regional tensions, it may prepare the way for the next Balkan crisis.

Thus, there is a general risk that the intervention of economic external powers in the region will work as a neo-imperialist power that would translate into political dominance.

### A map of geopolitical players



**Figure 5: The Balkan peninsula and countries that have immediate geopolitical power over it due to their economic involvement in the area**<sup>17</sup>

## MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

### China

China's growing interest in the area is primarily economic, with the goal of gaining more access to the European market through the Belt and Road and 17+1 programs. More specifically, Belt and Road's main goal is to build a united market and fully utilize both international and local markets via cultural exchange and cooperation, in an effort to improve mutual understanding and trust among member states, resulting in an innovative structure of direct investment, and technological databases. This way, the Belt and Road Initiative solves an infrastructure deficit that exists, and hence has the potential to stimulate economic growth across Asia Pacific, Africa, and Central and Eastern Europe. On the same note, the 17+1 program's objective is to promote the Chinese Belt and Road Initiative and to strengthen cooperation in infrastructure, transportation and logistics, commerce, and capital investment.

China has made significant investments in the Balkans in recent years and is one of the region's main economic partners. China's influence in the Western Balkans has grown, with projects ranging from bridge construction in Croatia to direct investment in Bosnia's energy infrastructure. Furthermore, China intends to expand 5G networks in Serbia.

The Western Balkans play an important geostrategic role in this context, as the Chinese see the region as a gateway to the European Union market and a land bridge between the Chinese-owned port of Piraeus and Central Europe. As a result, there are not many misgivings about China in the Western Balkan republics, which are among Europe's economically vulnerable and hence reliant on China for what appears to be favorable funding and direct investment opportunities.

Moreover, in comparison to other actors such as the EU, the volume of transactions is relatively minimal, but there is one notable trend: China's exports to

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<sup>17</sup> "The influence of external actors in the Western Balkans", Konrad-Adenauer-Stiftung e. V. 2018, Sankt Augustin/Berlin, [https://www.kas.de/c/document\\_library/get\\_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038](https://www.kas.de/c/document_library/get_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038)

Albania and Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia between 2004 and 2010 were more than doubled<sup>18</sup>.

On the other side, there are concerns that China's economic participation may not be as benign as it looks, and that it may one day lead to the People's Republic wielding more political power.

### European Union

The European Union's investment in the Balkans and the area's future demonstrates the importance of the region to the Union. The EU intends to invest €9 billion in the area between 2021 and 2027 under the Instrument for Pre-Accession (IPA III). Furthermore, the EU intends to guarantee €20 billion in investments through the new Western Balkans Guarantee Facility and has already contributed €3.3 billion to the Balkans' response to the worldwide COVID-19 pandemic.<sup>19</sup>

Historically, the Balkans operated as a buffer zone, posing major problems and threats to the rest of Europe. The Balkans were driven into civil conflict following the end of the Cold War and the fall of Communist governments. Nonetheless, despite its contentious and tumultuous past, the Balkans have remained of particular importance to the EU. The geographical proximity of this region, historical and cultural commonalities, and shared boundaries have provided the foundation for growing links between the two. However, inequalities between the peninsula's governments, as well as a lack of a defined timeframe for entering the EU (together with divergent opinions among EU members on enlargement policy), have placed the possibility of full inclusion in the bloc on hold. Until lately, that is.

One of the reasons the EU is economically involved in the Balkans is to counter the geopolitical influence of Russia and China in the region. Russia and China have made significant investments in the Western Balkans in recent years, strengthening their standing as important commercial partners. The second reason the EU is opening its borders is that the Balkans are a rather unstable region plagued by ethnic wars and organized crime, and the EU has long attempted to promote regional stability. There is also a risk that the Balkan region's issues may endure and eventually expand to the EU. Third, because the Balkans are a transit zone, it is believed that they must be integrated with the EU's energy supply structures.

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<sup>18</sup> "The influence of external actors in the Western Balkans", Konrad-Adenauer-Stiftung e. V. 2018, Sankt Augustin/Berlin, [https://www.kas.de/c/document\\_library/get\\_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038](https://www.kas.de/c/document_library/get_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038)

<sup>19</sup> *Austria Institut Für Europa- Und Sicherheitspolitik | AIES Wien*, [www.aies.at/download/2021/Role\\_of\\_External\\_Actors\\_in\\_WBDeutscherExecutiveSummary\\_1.pdf](http://www.aies.at/download/2021/Role_of_External_Actors_in_WBDeutscherExecutiveSummary_1.pdf).

## Russia

Moscow is a classic external actor that has been active in the Western Balkans since the nineteenth century and has historical links with the region's republics. However, Russia is now unable to provide credible alternatives to European and Euro-Atlantic integration to the Western Balkan republics. The material circumstances are also out of proportion to public perception and political influence.

Russia does not play a big economic role in the Western Balkans: it accounts for just 6.6 percent of the region's foreign direct investment, and its share of regional foreign commerce is 3.9 percent for exports and 5.3 percent for imports. However, the area is still reliant on Russia for energy, albeit this reliance is lessening.<sup>20</sup>

Russia sees the Western Balkans as a battlefield where it can accomplish big results with very few resources, mostly using "soft" means and intelligence, with the goal of diverting, undermining, and splitting the Western community of nations.

## Turkey

In addition to economic activities, Ankara's resources are primarily directed toward trade, banking, construction, telecommunications, and critical infrastructure<sup>21</sup>, including building airports in Prishtina, Skopje, Ohrid, and Zagreb, with a primary emphasis on soft power and the religious ties that are now being systematically expanded.

Turkey has also strengthened its diplomatic and economic efforts in non-Muslim Balkan nations, as seen by the recent signing of a free trade deal with Serbia. For many years, the Balkans saw Turkey as a stabilizing power; nevertheless, it is now, in many ways, the West's rival in the Balkans, and its objectives are not always apparent.

## The Gulf States

The Gulf States, particularly Saudi Arabia, the United Arab Emirates, Qatar, and Kuwait, are a newcomer to the Balkans. Their involvement may be traced back to their support for Muslims (Bosnians and Albanians) during the 1990s Yugoslav conflicts, when they assisted their Muslim brethren by smuggling weaponry, sending volunteers to fight, and providing humanitarian relief. Following the conclusion of the wars, various religious institutions got actively involved in the construction of

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<sup>20</sup> *Austria Institut Für Europa- Und Sicherheitspolitik | AIES Wien*, [www.aies.at/download/2021/Role\\_of\\_External\\_Actors\\_in\\_WBDeutscherExecutiveSummary\\_1.pdf](http://www.aies.at/download/2021/Role_of_External_Actors_in_WBDeutscherExecutiveSummary_1.pdf).

<sup>21</sup> "The influence of external actors in the Western Balkans", Konrad-Adenauer-Stiftung e. V. 2018, Sankt Augustin/Berlin, [https://www.kas.de/c/document\\_library/get\\_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038](https://www.kas.de/c/document_library/get_file?uuid=194afc48-b3be-e3bc-d1da-02771a223f73&groupId=252038)

mosques, schools, and the dissemination of a Wahabi interpretation of Islam that was not part of the Balkan heritage. This included linkages to global Islamic terrorism, including Al Qaeda and, more recently, the so-called Islamic State (IS).

The Gulf States' impact is no longer restricted to the religious and cultural realms. Arab nations are increasing their economic investments, notably in tourism, building (for example, the Belgrade Waterfront), agriculture, aviation (Air Serbia), and military technologies, as well as offering loans and considerable development grants.

### **Albania**

The EU, the US, and the region's nations - Italy, Greece, and Turkey – are the principal countries with power in Albania. Other interested parties include Russia, China, and the Arab states on a wider scale. Albania's major strategic partners, according to the National Security Strategy Paper (2014-2019)<sup>22</sup>, are the EU and the US; Russia is considered a danger, while Italy, Greece, and Turkey are viewed as regional strategic partners.

### **United States of America**

The U.S.A seems to be committed to assisting Western Balkan nations in deepening their regional economic ties, achieving climate goals, countering Russia's energy pressure through clean energy development, and fighting corruption and crime. Additionally, the nation aims to assist the region in growing and prospering while safeguarding vital infrastructure and industries from China's "harmful tactics".

### **Bosnia and Herzegovina**

The aim and influence of the European Union and the United States of America are clear—they both want Bosnia and Herzegovina to join the European Union and NATO alliance, and in order to do so, they utilize their mechanisms, mostly through intruding in the economic sector. However, the impact of particular nations on Bosnia and Herzegovina is multifaceted and not always obvious. Despite its economic focus, China wants to place itself in an area of Europe that is still not totally aligned with Brussels, and thus sees Bosnia and Herzegovina as a missing piece in a broader geopolitical game. Russia, on the other hand, wields considerable power over Serb political and economic systems in Bosnia and Herzegovina, whereas Turkey wields power over Bosnians.

### **North Macedonia**

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<sup>22</sup> *European Commission Wählen Sie Eine Sprache*, ec.europa.eu/neighbourhood-enlargement/system/files/2018-12/20180817-revised-indicative-strategy-paper-2014-2020-for-albania.pdf.

North Macedonia's ties with hostile countries are intertwined as a NATO member state awaiting the commencement of admission discussions with the EU. This means that bilateral ties with each external actor are highly dependent on and change as a result of bilateral economic interactions with other external powers.

### International Labour Organization and the Regional Cooperation Council<sup>23</sup>

The International Labour Organization and the Regional Cooperation Council have created a new initiative called "Economic and Social Affairs Platform." The project aims at strengthening sub-regional collaboration and institutional mechanisms of Western Balkan governments, employers' and workers' organizations, and intergovernmental institutions, allowing them to collectively adopt and implement effective labor market and social policy reforms, and thereby progressing their EU pre-accession plan.

### TIMELINE OF EVENTS

Date	Description of event
April 28, 1992	The collapse of Yugoslavia and the end of the Cold War permitted several external entities to intervene in the Balkans depending on their interests and aims.
1993	The Copenhagen criteria for EU entry were formulated during the European Council meeting in Copenhagen.
1996	The European Commission established its Regional Approach for the Balkans, with the purpose of fostering economic reconstruction, democracy, and regional cooperation.
March 1996	Croatia was the first country to be impacted by the global recession, followed by Serbia and Montenegro.
January 2008	The EU starts the Stabilization and Association Process (SAP) in an effort to enhance regional economic collaboration among Balkan states
2008-2021	China COSCO Shipping, a state-owned enterprise, originally obtained permission to run portions of Piraeus in 2008. It purchased 51% of the

<sup>23</sup> "Economic and Social Affairs Platform Project in the Western Balkans." *International Labour Organization*, 1 Mar. 2016, [www.ilo.org/budapest/what-we-do/projects/WCMS\\_456936/lang--en/index.htm](http://www.ilo.org/budapest/what-we-do/projects/WCMS_456936/lang-en/index.htm).



	port's state-owned administrator in 2016, then raised its holding to 67% in 2021, gaining access to trade in the Balkan region. <sup>24</sup>
2019	The International Labour Organization and the Regional Cooperation Council launched the "Economic and Social Affairs Platform."
February 24, 2022	The region's economy was just beginning to recover from the COVID-19-induced crisis when it was hit by the impacts of the Ukraine war, including a rise in inflation, decreased trade and investment, and an urgent energy shift.

## RELEVANT RESOLUTIONS, TREATIES AND EVENTS

### Free Trade Agreement and the Investment Protection Agreement <sup>25</sup>

The aforementioned agreements concern ties between Vietnam and the EU. Aside from economic gains, the agreements seek to encourage long-term development in both Vietnam and the EU. In this regard, both parties agree on the significance of ensuring the implementation of the trade agreement's commitments under the Trade and Sustainable Development chapter. The purpose is to lower or remove major trade and investment obstacles, as well as to enhance existing trade and commercial connections among member nations, something that can be encouraged and implemented in the Balkans as well.

### Treaty Establishing a Common Market between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay <sup>26</sup>

The treaty aims at the free movement of products, services, and means of production between the involved nations, including the abolition of import fees and non-tariff barriers to trade. In addition, it encourages the adoption of a single external tariff and a common trade strategy in reference to external economic

<sup>24</sup> Staff Writer. "'Sold to China': Greece's Piraeus Port Town Cools on Belt and Road." *Nikkei Asia*, 10 Dec. 2021, [asia.nikkei.com/Spotlight/Belt-and-Road/Sold-to-China-Greece-s-Piraeus-port-town-cools-on-Belt-and-Road](https://asia.nikkei.com/Spotlight/Belt-and-Road/Sold-to-China-Greece-s-Piraeus-port-town-cools-on-Belt-and-Road).

<sup>25</sup> "Press Corner." *European Commission - European Commission*, [ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_19\\_3489](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_19_3489).

<sup>26</sup> "SICE: Trade Agreements: Treaty of Asuncion." *SICE - OAS*, [www.sice.oas.org/trade/mrcsr/treatyasun\\_e.asp](http://www.sice.oas.org/trade/mrcsr/treatyasun_e.asp).

actors, as well as the coordination of stances in international and regional commercial and financial forums. Coordination of macroeconomic and sectoral policies among the States Parties in international trade, agricultural production, manufacturers, monetary and fiscal policy matters, foreign exchange and capital, services, customs, transportation, and communications, are also encouraged, in order to achieve adequate competition among the States Parties.

## PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

### The Stabilization and Association Process (SAP)<sup>27</sup>

A long-term EU plan for the Western Balkans initiated following the end of the Kosovo conflict in 1999, relies on regional collaboration among Balkan nations as a crucial requirement for attaining stability and economic recovery. To benefit from the various components of the SAP, Western Balkan countries must demonstrate a willingness to cooperate with neighboring countries: federal aid, open trade, technical support, contractual arrangements through the signing of Stabilization and Association Agreements, and prospects of EU membership.

### EU-led Stability Pact for South-Eastern Europe 2001<sup>28</sup>

In June 2001, the foreign trade ministers of eight South-Eastern European countries signed a Memorandum of Understanding on trade liberalization in Brussels, paving the way for the negotiation of bilateral free trade agreements aimed at gradually eliminating all trade obstacles. In order to unify trade laws, several bilateral free trade agreements were combined in 2006 to establish the Central European Free Trade Agreement 2006 (CEFTA 2006). These accords facilitated complete trade liberalization in both industrial and agricultural products.

## POSSIBLE SOLUTIONS

### Build resilience and undertake structural reforms

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<sup>27</sup> "Stabilisation and Association Process." *European Neighbourhood Policy and Enlargement Negotiations*, ec.europa.eu/neighbourhood-enlargement/enlargement-policy/glossary/stabilisation-and-association-process\_en.

<sup>28</sup> "ResearchGate" | Find and Share Research, [https://www.researchgate.net/publication/292501056\\_Involved\\_by\\_default\\_External\\_actors\\_and\\_foreign\\_policy\\_of\\_the\\_Western\\_Balkan\\_states](https://www.researchgate.net/publication/292501056_Involved_by_default_External_actors_and_foreign_policy_of_the_Western_Balkan_states)

Sustainable growth requires structural reforms to raise productivity, promote competition, invest in human resources, and strengthen governance. Reduced corporate regulatory costs, more market competitiveness, increased labor market participation, and strengthened public institution independence would all be beneficial to growth, without solely depending on external actors. More, specifically, while competitive market law enforcement has been severely restricted, regulatory agencies may play a large role in labor input markets and help achieve the aforementioned aims, particularly in addressing anticompetitive contracts that artificially create control over the market and merger money transfers that lead to increased monopsony power. In addition, policy responses to the present, pressing demands should be time-bound, so that governments may return to rebuilding when pressures ease. On the same note, communication with Russia to alleviate security concerns should be promoted and the present dynamic should be taken advantage of in order to address previous regional problems that derive from external economic activity. Furthermore, in a time of constrained resources, governments must speed up efforts to enhance tax compliance, expand social assistance programs, reallocate resources toward efficiency measures, and permit private investments.

### **Increase access to EU finances**

Increasing access to EU finances will facilitate local private corporation development, as a significant engine of economic growth, income creation, and partner nations' international competitiveness, which is a high-level goal. At the same time, since funding can be a primary engine of poverty reduction, it will allow transitional nations to enhance living standards and reduce dependence on external actors.

### **Ensure compliance with EU laws**

Ensuring compliance with EU laws, especially in Chinese and other projects, is a top priority in order to counter external geopolitical influence in the region. What we need to take into consideration is the magnitude of the system of legislation to be regulated and the complexity of various legal mechanisms such as policy area characteristics.

In addition, concerning some aspects of legislative and oversight structures in Member States, we need to consider the legislative procedural complexity, transposition preferences, and administrative competence of each state.

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