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BALKANS: BOOSTING CONNECTIONS ON THE ROAD TO THE EU

REPORT



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BALKAN GOVERNMENT IMPROVED BY EU INTEGRATION REFORMS

Reforms in Balkan countries bring important improvements to the region's governments and economies, whether or not they result in rapid EU membership, the EU enlargement commissioner said on 7 December.

"I prefer not to talk about enlargement negotiations but about a process," said **Johannes Hahn**, European Commissioner for European Neighbourhood policy and Enlargement Negotiations. "They are not only taking over the acquis, but they are implementing the spirit of the acquis. This is definitely something which takes time."

Hahn was talking at a Friends of Europe Policy Summit on the Balkans and their integration into the EU. While movement towards EU membership is the headline topic for the six Western Balkan countries, they are also trying to modernise their economies. That means improving transport and information communications inside each country, within the region and with the rest of Europe. Such moves are essential given the high unemployment in the region, especially among young people.

Integration has long been a goal, both for the Western Balkan states and the EU, but the past few years have seen a number of setbacks. The refugee crisis that started in 2015 led to public fears of too many outsiders entering the EU, and was accompanied by talk that some of the migrants might have links to terrorist groups. In April 2016, Dutch voters rejected the EU's Association Agreement with Ukraine in an advisory referendum – a signal that EU public opinion is turning against enlargement. And in June, British voters chose to leave the EU by a small majority, triggering uncertainty over the future of the European project.

These events followed the 2014 announcement by European Commission President Jean-Claude Juncker of a five-year halt to EU enlargement. This distancing of the membership prospects, coupled with the realisation that long-term stability could best be secured through economic growth and regional cooperation, led to the "Berlin process" of annual high-level meetings between the six Western Balkan governments and several EU Member States. "Is the process becoming stuck in transition?" asked **Giles Merritt**, Founder and Chairman of Friends of Europe – "a never-ending process that is going to finally going to wear itself out?"

Still, the prospect of eventual EU membership should be used to motivate Balkan countries into improving their government, infrastructure and economic systems. "We need to find a middle ground between providing the countries with hope, which cannot be linked to a concrete day, and at the same time having a process and progress on the basis of merit in each and every country," said **Stefan Füle**, Special Envoy for the OSCE and Western Balkans at the Czech Ministry of Foreign Affairs, and a former European Commissioner for Enlargement and Neighbourhood Policy. "That's why we focus on the track record. We want to see the institutions delivering on citizens' expectations."

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Angeline Eichhorst

European External Action Service Director for Western Europe, Western Balkans and Turkey

EU MEMBERSHIP GETS HARDER

Joining the EU is harder and more-complex than it was in the past, said Füle. “We have taken very seriously the lessons learned,” he said. “Current aspirant countries have much bigger tasks ahead of them. That’s why it is so important to intensify the engagement.”

The Member States too have a role in encouraging the Western Balkan countries, he said. “The enlargement process is not compatible with unpredictability. So we need to inject a bit of political steering. Enlargement is not on autopilot. There is more responsibility given to Member States, which is not being fully appreciated by those Member States. I think the Member States basically are delivering on commitments to progress – but the reluctance is growing. You can touch it physically.”

Previously, whenever there was a problem between a Member State and a candidate country, the Member State would be a target of constructive criticism from the other EU members for not allowing the process to go ahead, Füle said. “That has changed. You don’t have just one single Member State to influence or block the process. We have seen solidarity among the member states that we did not see before.”

As these challenges grow, it has become more important than ever to pull the Western Balkans closer to the EU. “Geography is a fact,” said **Angeline Eichhorst**, European External Action Service Director for Western Europe, Western Balkans and Turkey. “The Western Balkans are in Europe. There is no doubt about it. We have six leaders in the region and people around them who clearly tell us on a daily basis: ‘Hey guys, we are part of you.’ That is quite unique. There is also a majority of citizens who keep on telling us, ‘we are part of you guys.’”

That points the way to eventual accession, even if this takes longer than expected. “We cannot give a predicted timetable, but when the work is done we are ready,” she said. “Many don’t realise what it really means to go into the nitty-gritty of acquis. But there is a vast amount of work that needs to happen. Maybe this Commission will not have a new member from the region coming into the EU, but at least we will be able to say: ‘Look we have done the work together.’”

While some Member States have been difficult, that is not the case with the European Commission, said **Ditmir Bushati**, Albania’s Minister of Foreign Affairs. “We have seen some Member States being more active and bringing their own issues into the enlargement agenda, which had not been the case in the past,” he said. “In recent years we have also discovered the creativity of the European Commission as a feature of the enlargement process. It was due to this creativity that some countries in the Balkans achieved progress in the past.”

A big challenge for Albania is judicial reform, which will be subject to a vetting process. “The fact that the European Commission singled out the vetting law in the case of Albania shows the importance of justice reform, and the unprecedented engagement of the Commission services and the U.S. government,” Bushati said. “We expect to complete the vetting process within two or three years, starting with various judges in various courts – but also the prosecutors.” He said Albanians should not shy away from the perception of the country’s justice institutions as corrupt. “There is a credibility gap that we need to bridge in this reform,” he said.

In Serbia, People see the EU as more an instrument of change rather than a goal, said **Tanja Mišćević**, Chief Negotiator for Serbia’s Accession to the European Union. She said that is what the EU had long wanted for its enlargement policy. “The beauty is actually in the process,” she said. “We should not wait till the very end to see the results, because the real results like visa liberalisation for the countries of the Western Balkans will not be provided in the near future and that is apparent.” Some areas, such as environmental protection, are highly technical and not at all political. “Citizens will see the results and advantages of negotiating and going deep into discussion of clean water and fresh air,” she said. “Then, the question is: How do you communicate all that to the public?”

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COULD DELAYS CAUSE FATIGUE?

One danger is that too little movement towards EU membership could lead to disenchantment. Events of the past year or two have damped EU citizens’ enthusiasm for enlargement, said **Goran Svilanović**, Secretary General of the Regional Cooperation Council (RCC). “Business as usual is the only policy that surely will not work,” he said. “The Dutch ‘No’ to Ukraine is a huge bell ringing in my head. It completely reveals what might be coming.” In three of the accession countries, many people no longer believe their country will ever join the EU. “Scepticism is not a problem,” he said. “But what is worrisome is a self-fulfilling prophecy. We are already witnessing a stop-and-go process and tensions among the countries.”

He had a few concrete suggestions. First, accession negotiations could be started to maintain the momentum. “When results are scarce in areas people care about – such as GDP, employment and corruption – they fear that there is no change.” Also, use the available resources, and use the process to reform the country. “You may not like the idea of joining the EU, but you have to like the idea that we use the resources to reform the judiciary.”

At the same time, the Western Balkans need to make their own efforts, Svilanović said. “If citizens of the EU do not see us as like them, that is not their problem but our problem,” he said. “We need to prove that we are culturally European, that we are economically there, that we are socially there. We need to use the funds to show that we are there in order to win the hearts of the citizens of the EU who will then vote for the politicians in the EU who will support accession.”

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SECURITY BENEFITS

A big reason to integrate the Western Balkans into the EU is the potential contribution to security. “The Western Balkans have proved to be security providers for the whole European security architecture,” Bushati said. “The way Serbia and Macedonia handled the refugee crisis was a good European lesson. They stuck to European values. Also, we have been working with religious leaders, and improving and tightening up our institutional setup in the fight against terrorism and violent extremism. This has been a positive development for the whole security architecture of Europe, which tells me that the closer we get, the safer the European Union is. The narrative should be a win-win process – not something where only we are expecting something from the European Union.”

Another shock from 2016 was the victory of Donald Trump in the U.S. presidential election. “We live in very unpredictable times,” said moderator **Shada Islam**, Director of Policy at Friends of Europe. “We don’t know how the new president of the United States is going to deal with the EU and deal with the Balkans.”

Gordon Duguid, Senior Adviser for South Central Europe in the U.S. State Department, said that U.S. policy would not change. “U.S. foreign policy globally has been very consistent for decades,” he said – “for a Europe that is whole, free and at peace. This has been the policy at least since 1941, under democrat and republican administrations. I see no change coming to that policy.”

Specifically, he said that the President-Elect’s transition team was already in place in the State Department. “There are four individuals, of which I am acquainted with three. All three are long-term professionals who have served in previous administrations. They have the right credentials and experience and are asking the right questions.”

Moreover, U.S. foreign policy is complicated by the involvement of different branches of the country’s government – the congressional foreign relations committees, for example – as well as non-government links. “So there is consistency already built into the system,” Duguid said. “Our ties are much more than just government. There are ties between businesses, ties between people, ties between institutions. I don’t see us reversing all those myriad ties during the coming administration.”

Duguid welcomed the Western Balkans’ movement towards the EU as a contribution to European security. “We do see security as an issue,” he said. “Terrorism is one concern but not the greatest. The good news that all of the Western Balkan countries wish to become members of the EU. And they will become members. It just a question of standards. That is a process. The decision has already been made.”

Balkan contributions to NATO are rising too, he said. “All Western Balkan countries that wish to be in NATO are either there or on the way there. They have done 120 different exercises with NATO and the U.S. in these past 12 months. Serbia does not want to join NATO, but it is involved in the exercises.”

Progress in cooperation with the West and towards EU membership is all premised on better government, Hahn said – notably the rule of law and the fight against corruption. “Investors will not risk their money if they cannot rely on the independence of the judiciary.” A key factor in the success of the Western Balkan economies could be the degree to which they form a common market. “Economic development is extremely important to stabilise the region and the countries,” said Hahn. “With the exception of Albania, all the other countries were members of the former Yugoslavia, and the first thing they did was to create as many distinctions as possible between each other. But none of these countries is a big market – though together they could form a medium-sized market.”

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CONNECTIONS A PRIORITY

One way to boost economic growth and to foster better relations between the Balkans and the EU – and between the Balkan nations themselves – is through better connectivity. The EU has set aside up to €1 billion for connectivity investment projects and technical assistance for the 2014-2020 period, with special attention given to transport networks, energy efficiency and green growth. The Berlin process, aiming to boost economic growth and regional cooperation, has placed great importance on connectivity. It sees investment in infrastructure as a means for creating jobs and business opportunities.

Energy and transportation are priorities for the region, as they are vital to attract foreign investment, said **Marta Arsovska Tomovska**, Minister of Information Society and Administration in the Former Yugoslav Republic of Macedonia. “Digital connectivity can be a catalyst for economic growth, job creation, cross-border trade and the movement of people and goods. Regional connectivity provides many opportunities, and internal connectivity is very important for the six Western Balkan countries.”

Each country has a solid internal information and communications infrastructure, she said – they are between 60 and 80 percent connected, compared with 80 percent for the EU. Macedonia is rolling out a universal broadband service, so by end of next year households even in remote areas will have access to commercial Internet. “The region needs to prioritise broadband on a regional level,” she said. “Also, four out of the six countries – Macedonia, Serbia, Montenegro and Bosnia Herzegovina – have signed roaming agreements, in the same way that the EU has done for its citizens. Everyone is very happy. It is good for business, for the movement of people and for tourism. Next we want Western Balkan countries to be part of the EU roaming agreement, so its people will have lower prices when travelling to the EU.”

Connectivity featured in the final declaration of the Vienna Summit in August 2015, and Bushati suggested this be followed by further regional ambitions. “Ten or 15 years ago in the Balkans, we had a stability pact, which ended the wars,” he said. “In Vienna we agreed on a connectivity pact, so we know how this region will look by 2020 or 2030. Now it’s time for a democracy and development pact. We can do this through the Berlin process, which can help us to streamline cooperation at regional level. Two years ago it was impossible to have the same spirit of cooperating in the region. So we need to use this momentum.”

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Chief Executive Officer of Appdec

Connectivity is particularly important for creating jobs, as more than half of young people are jobless in some Balkan countries. Macedonia has undertaken a national effort to promote the ICT sector, boosting the IT skills of its workforce. The effort is essential because the country needs to create more jobs, said Tomovska. The EU average jobless rate is 8.5 percent, while in Macedonia it is 24 percent, because one third of the country’s workforce lost their jobs as industries were privatised. “This is why we need to join forces and use ICT connectivity to boost economic growth in the region,” she said. “Macedonia has built a solid reputation in the last few years in terms of ICT and ICT experts. Its ICT market is worth 500 million euros and is growing at 15 percent a year. Of Macedonia’s service exports, 22 percent are in ICT.”

Macedonia’s advantages in ICT include a high level of English knowledge among young people, proximity to the EU market, and a solid information and communications infrastructure, she said. “If we use the opportunity of a skilled and cost-effective workforce, and the low cost of living in those countries and regions, we can become one of biggest ICT expert hubs in the world.”

First, much preparation was done. The country introduced IT-oriented education, with computers in schools, and ICT faculties in secondary schools and universities. And the government supports IT-related contests such as hackathons. “So we have a huge plan for promoting ICT as a profession of the future,” she said. “We have an objective of doubling the number of ICT engineers by 2020.”

Kosovo is trying to catch up in vocational skills, but is moving more slowly. It has the region’s highest unemployment rate, over 30 percent, and youngest population. “So this population is looking for jobs,” said **Zana Tabaku**, Chief Executive Officer of Appdec, an application development centre. “We have to work on reforms in education. These should be linked to the labour market so we can produce more employment. We have a shortage of technical skills in this country. As a company, we train our staff in technical skills.”

Big infrastructure projects have been slow to get going in Bosnia and Herzegovina. When **Ismir Jusko** started as Minister of Communication and Transport at the country’s Council of Ministers, the ministry was new. “They told me that it would be very difficult to change anything,” he said. “The Prime Minister told me on the first day that if you want to talk about investment and new funds, you need a transportation strategy.”

In the first two months, his team came up with the country’s first transportation strategy, after which they applied for EU projects and talked to investors. Tourism in Bosnia and Herzegovina has grown 45 percent in the last two years. In the same period, more investors have wanted to invest in the country than over the previous 10 years. “If we want to move faster than in the last 10 years, we must attract investors,” he said. “They must want to come and to invest.”

Bosnia and Herzegovina now needs to work on a digital network, he said. “People in Bosnia asked which is more important, transportation or communication? I say, if you ask a father or mother who have two kids: Which is more important to you?”

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REFORM MUST COME FROM WITHIN

Though rising nationalism has attracted attention this year in both Europe and the United States, in the Balkans it does not extend into the economic sphere. “We hear and read about the rise of nationalism in the EU,” said **Bruno Lopandic**, Deputy Director of the Croatian Chamber of Economy. “On the political level, perhaps yes. But on the economic level, we only see boosts to the single market. We are in the middle of the process of digitisation.”

When Croatia joined the EU, some people feared the country would lose money, he said. But after three years, none of the fears came about, and a growing part of the population now supports the EU. In particular, economic relations have grown with central Europe. “Croatia didn’t think about central European countries in the past,” he said. “But most of the growth has come from our relationships with central European countries.”

Though it helps to work with Brussels through the EU enlargement process, domestic reforms are essential. “Much of the work needs to be done in the country,” said Lopandic. “It takes good politicians and successful policies. This is the only way to manage things. Everyone wants investment, but all the prior requisites for sound investment have to do with politics: a functional judiciary, a stable tax system and getting rid of bureaucratic hurdles. Business is a coward. It won’t grow where the situation is unstable politically.”

At beginning of negotiations between Croatia and the EU, the Zagreb county court – the biggest in Croatia – had a backlog of 1.4 million cases, he said. At the end of the process the number had shrunk to 200,000. “So in my opinion, the road to membership is more important than the goal itself.”

However, Croatia might be an exception, Lopandic said. “Perhaps it was easier for Croatia because at the beginning of the 1990s we said we wanted to be members of the EU and the transatlantic community, so we did not have to think about which direction to go in. But membership is not the goal. It’s the means – how to make your country successful, efficient and business-like. It is not easy; it is hard. It takes time and effort – but it’s worth it.”

Perhaps the biggest challenge is to support the private sector, he said. The economies of the former Yugoslav countries were centred on the state. “If the state provides 45 percent of the jobs, something is wrong with the market economy – and it is not a market economy. To bring added value, you need the private sector. So boosting the private sector has to be a priority.”

Business needs to push government to carry out the reforms needed to let the economy thrive. “It is very important to press the government on all these actions that make business easier for the private sector,” Lopandic said. “The regulatory guillotine is very important – getting rid of all the obstacles, parafiscal duties for private companies. That’s crucial. A stable tax environment is also important. In Croatia, we are on the verge of a tax reform that will bring some economic peace and good rule on tax. Our job is to press the government to be as friendly as possible to small businesses.”

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Manager of the Istanbul Regional Hub for Europe and the CSI of the United Nations Development Programme (UNDP).

OPPORTUNITIES FOR THE YOUNG

A major aim of connectivity and job creation is the wellbeing of young people. “Whenever we talk of Kosovo, we should keep in mind we talking about a country where 60 percent of the population is under 30 years old,” said **Valon Murtezaj**, Deputy Minister of Foreign Affairs, Kosovo. “Everyone describes this young population as a strength, but it means that every year around 20,000 young people enter the jobs market, and with the current economic development rate it is impossible to absorb all of them. So, our government is focusing its efforts on improving the environment for foreign investors. This is the only way to tackle the high unemployment rate.”

But Kosovo needs progress in other areas, he said. “Kosovo is the single place in Europe with a visa regime,” he said. “We have a population of 1.8 million. Let’s say a majority will not be able to travel because they don’t have funds. This is another psychological barrier to students and young people. I see many students and young kids coming to visit the institutions in Brussels, and that helps a lot to transform their thoughts, hopes and dreams. Europe is a place and a family of values, though in recent times it is becoming more oriented towards technical or instrumental values. I would like to see European leadership going back to the values of fairness, justice, human rights and democracy.”

When talking about the attraction to some young people of terrorist groups, terms should be chosen carefully, said **Rastislav Vrbensky**, Manager of the Istanbul Regional Hub for Europe and the CSI of the United Nations Development Programme (UNDP). “Very often radicalisation and violent extremism are mixed together,” he said. “Radicalisation is actually a normal phenomenon. We need new ideas. Business as usual is not going to work. And if it’s within a legitimate political space, there is no problem with it. It becomes a problem when it goes out of a legitimate political space and uses violence to convince others that their world view is the right one. We cannot start just labelling it without thinking.”

While violent extremism is often linked to religious radicalisation, the issue is much more complicated in most countries in the Western Balkans. “Sometimes radicalisation and violent extremism are the result of the political exclusion of certain groups or of economic exclusion,” he said. “That leads to hopelessness and frustration, and people can just be radicalised. We really need to know what the drivers are. For instance, in Kosovo we are speaking to former foreign fighters to try to understand.”

It’s also important to consider carefully how best to react to violent extremism. “The initial response is the security response, which can just further aggravate the differences,” Vrbensky said. “Increasingly in the Western Balkans, we are looking at political inclusion and economic empowerment. There has to be a mix of approaches, involving religious leaders and taking into account issues such as citizen security and tolerance. We believe that regional cooperation in the Western Balkans is extremely important. I would warn against the simplification of an extremely complex issue. We really need to keep an open mind.”

Part of the motivation of young people who leave to fight in the Middle East is economic. “We know that the religious motivation is not as important as the economic motivation,” he said. “We know that foreign fighters are being paid quite generously as compared to how much they can make in their home communities.”

Statistics and some reports put the Balkans below Western European countries – such as Belgium and Germany – in terms of radicalisation, said **Alida Vračić**, Executive Director of the Think tank Popolari in Bosnia and Herzegovina. “We should not exaggerate radicalism in the Balkans,” she said. “We have to go back all the way to economic issues. Entire families from Bosnia were intending to move to Syria, because they thought economically, it would make sense for them to move there. There are of course religious interlinkages, but the main point is the economic situation.” She said the county’s standard of living was still way below what it was in 1989.

Complications include the role of religious schools. Bosnia has a number of Gülen schools – a type of Islamic school – which are popular with parents because they often provide a better education than local schools. At the same time, Catholic schools are popular, even among non-Catholic parents. “Bosniaks want to enrol their kids in Catholic schools because it is the highest quality school you can get in Sarajevo,” she said. “Low-quality education combined with a bleak economic situation leads to radicalisation.”

EDUCATION SYSTEMS IN FOCUS

One trouble in the region is politicians’ lack of interest in education, said **Doris Pack**, President of the Robert Schuman Institute in Budapest and former Chair of the European Parliament Committee for Culture and Education (2009-2014). She called on Western Balkan countries to improve their education systems, through better teacher training and greater spending on education. “I have seen very few politicians elected by people in the Balkans who are really interested in education,” she said. “I don’t know how to make them understand that the future of their kids and grandkids is really in their hands. They are looking mostly at their pockets. This is something that has made me furious for a long time.”

She said that higher education is notable for corruption. “OK, corruption is a cancer all over the world,” she said. “But normally those who are doing it go to court. In these countries, they are in politics. You could at least make people understand that the elected political leaders are not the ones who really care for the future of the kids. That is the big problem of all the Balkans.”

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Lack of focus on education harms the region’s economies, she said. “I don’t think that the people here have an idea of the social market economy, which is something that would help employers and employees work together, and help people to create start-ups,” she said. “If you create a start-up in one of these countries, you have to have money so that you can bribe somebody so that you can do it. Your spirit, intelligence and capacity do not count. No, it is about what relationships you have, and you don’t have any, then you cannot start a start-up. But without the possibility of getting involved in the social market economy, these countries can never change.”

One way to bring the nations of the region together is to start with young people. The six Western Balkan countries agreed earlier in 2016 to set up a Regional Youth Cooperation Office (RYCO) to promote reconciliation and cooperation between the youth in the region through exchange programmes. “The Regional Youth Cooperation Office is an immense success, and is also an example of the collaboration of the state institutions and civil society organisations,” said **Đorđe Bojović**, Head of Programme Department at European Grassroots Antiracist Movement. “After the Dayton peace agreement and the Central European Free Trade Agreement, this is the third paper signed by all the Western Balkan prime ministers or presidents.”

The idea came from the exchange office set up 50 years ago by France and Germany, but RYCO has the context of the Balkans’ recent past. “If you bring together young Serbs and Albanians to play a football match and you take a hypothesis that the result of the match is not a problem at the end, they will leave and they won’t open up topics from the past,” he said. “It is the very first regional, institutionalised, reconciliation mechanism in the Balkans. There are huge obstacles in terms of mobility, such as the visa regime between Bosnia and Herzegovina and Kosovo. We have the burden of the wars of the 1990s. So RYCO’s aim is to enhance and support exchange programmes, and be a platform for young people from the Balkans to reconcile.”

CONCLUSION

Joining the EU is harder than it used to be, so it will take longer for the six Western Balkan states than it did for other recent new members. That could create frustration in the Balkans. However, the process is designed to have positive effects even before membership, and it should help the states to modernise their economies, governments and societies. Therefore it is important for them to work steadily on reform in order to show their citizens the benefits of engagement with the EU.

- One important aspect is reform of judicial and government institutions: Without confidence in the rule of law, foreign businesses will be reluctant to invest.
- Business also needs better transport links and an improved IT infrastructure – something that could help boost the IT industry in the Western Balkans. That could provide jobs for the region’s relatively young populations, which currently suffer from high levels of unemployment.
- Education should be another priority, to ensure that young people have the skills to take up jobs in increasingly internationalised economies.



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Jean Monnet Chair ad personam
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