TRANSITION TO WHAT?
Western Balkans democracies in a state of illiberal equilibrium

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EXECUTIVE SUMMARY

RATIONALE
(Pages 7 - 9)

The global crisis of democracy is manifested through various regional chapters. Decades after the start of political transition towards democracy, the main storyline in the Western Balkans region is not necessarily democratic backsliding (although true for some countries). Rather, it is a state of what seems like an illiberal equilibrium. Regardless of momentary negative or positive trends in particular countries, none of the countries in the region have ever been liberal democracies or seem able to escape illiberal forms of governance. Now they face a paradigmatic shift as question marks over the regions’ EU perspective (or at least its speed) have weakened the ability of EU accession to serve as an external anchor for democratic reforms. As such, the Western Balkans need a new democratization narrative and strategy not centered around EU accession. A precondition for this is a more structural understanding of the anatomy of illiberal equilibrium and its key dynamics. This paper attempts to understand the problem in a multidimensional fashion and to suggest potential avenues for future engagement by local and global advocates of democracy.

STATE OF AFFAIRS
(Pages 10 - 23)

A less democratic world found many Balkan friends. The worsening external environment and assertiveness of malign authoritarian actors continues to play a key role in creating the context conducive for authoritarian rule in the Western Balkans. Yet the Western Balkans are often wrongly framed as a peripheral battleground where foreign powers subject local actors to their geopolitical projects, thereby ignoring the critical role of the latter's agency in instrumentalizing foreign powers for authoritarian ends. Throughout the region, Russia continues to be the natural ally of reactionary forces favoring the status-quo, actively enticing and amplifying grassroots illiberal forces, or being instrumentalized by them because of its projected power. China’s role has been largely underemphasized until recently. Nevertheless, through a significant increase in its economic foothold, China poses the greatest long-term threat to democratic development in the Western Balkans, especially in the context of an escalating “systemic rivalry” with the West. Turkey supports the region’s transatlantic aspirations, but Erdogan’s personal ties with regional leaders are observed to have corrosive effects. Regional countries have also established themselves as “exporters” of autocratic practices, acting either as proxies of Russia or pursuing their own hegemonic agenda as “protectors” of ethnic minorities in neighboring countries.
There's more dirty money than institutions can handle. The political economy of Western Balkans continues to be marked by severe reliance of vested interests on public sector extraction and flows of corrosive forms of capital. The nature of the political economy has entrenched institutional weakness, reduced political competition and created a context conducive to the erosion of civil liberties. The regions' need for inancing and investments has created fertile ground for the deployment of "strategic corruption" by malign authoritarian actors. These actors differ in their approach, but the common feature is that they are creating new and dangerous strategic dependencies. Organized crime continues to be an important and possibly critical component of the political economy because of the amount of resources generated, its strong regional nature, the vested interest in the status-quo and in some cases its important role in electoral outcomes.

Media pluralism is not necessarily translating into pluralism of narratives. The media ownership landscape in each of the countries is an extension of the extractive and clientelist model of governance. Various types of media actors have similar motives and display similar behaviors throughout the region. Concentration of media power varies considerably between countries, yet whether pluralism (in terms of number of platforms with reach) actually translates into competitive narratives, that seems to depend on the degree and duration of political monopoly over institutions and resources. Using their political influence over media and resources from extractive governance, regional leaders are employing increasingly sophisticated communications methods to control the mainstream narrative, as well as legal maneuvers to suppress critical content. Disinformation efforts by foreign authoritarian actors are widely present in the region – they are mostly used to amplify divisions and sow discord for strategic ends. Yet disinformation is increasingly a tool used by domestic actors.

Civil society is growing increasingly disillusioned and ineffective as an agent of democratization. Traditional advocacy CSOs continue to play an important role as agents of democratization, but they are increasingly being undermined, not necessarily through direct forms of repression as much as by irrelevant forms of inclusion in which EU integration is used as a smokescreen. Most of the challenges facing advocacy CSOs are nonetheless the result of their own long-time structural weaknesses, which politics has amplified and used to its end to reduce the space and legitimacy of civil society. What seems to have given a knockout punch to advocacy type CSOs is the collapse in the credibility of EU conditionality, which currently provides the operating and funding framework for democratization reforms – it has become detached from results. While in most countries there is extreme disenchantment with civic activism, civic space is being rejuvenated by new forms of issue-based and informal grassroots groups that show considerable potential in disrupting the status-quo – yet they too face considerable limitations.
THE ANATOMY OF ILLIBERAL EQUILIBRIUM
(Pages 24-29)

Why is there so much legitimation of the current situation and what is preventing any significant breakthrough in democratic governance in the region? The first key dynamic is the increased social prioritization of security concerns over freedoms. In this regard, the key bottleneck in the region are lingering territorial and political disputes which create fertile ground for authoritarian leadership and entry points for external authoritarian powers. At the same time, public resources and institutional power are used to suppress criticism and help generate majority consent. The second key dynamic is the fact that there is less and less real political competition and more of its simulation. There is political pluralism (and hence) democratic legitimacy, yet oppositions tend to be useful and non-threatening to those who govern, while the EU accession provides a convenient reformist smokescreen. A key node enabling the simulated nature of political competition is the increasingly heavy political control over media narratives. The third key dynamic is the disillusionment and disempowerment of civil society. Civil society organizations are unable to produce the kind of disruption needed to generate a critical demand for systemic change due to disillusionment, delegitimization and overreliance on EU accession.

WHAT CAN BE DONE?
(Pages 30-33)

While the path towards building liberal democracies in the region might be long and not a historical certainty, the following approaches may help move things in the right direction. First, the remaining pieces of the puzzle in the region’s security architecture need to be urgently resolved – the illiberal equilibrium can’t be broken without a breakthrough on that front. Secondly, western partners need to urgently prevent the growth of new strategic dependencies to authoritarian regimes and various forms corrosive capital, by changing the incentive structure for governance reforms. Thirdly, significant democratic progress will not be possible with the current rate of political control over media narratives – positive sources of disruption need to be empowered. Fourth, support to civil society needs to adopt a more “venture capital approach” – there needs to be more synergy between traditional advocacy NGOs and new disruptors reviving civic space.
Transition To What?

Rationale & Methodology

Western Balkans democracies in a state of illiberal equilibrium
Remember democratization? For the past 30+ years, this has been the story of transforming former centrally commanded economies and communist regimes of Eastern Europe into more than just electoral democracies with free markets, but liberal democracies where independent institutions, civil rights and the rule of law constrain arbitrary power. It was the story of countries and societies burdened by legacies of authoritarianism and/or conflict, most of which still unresolved, trying to replicate the institutional models of the West – thought to represent “the end of history”. This story is now in crisis pretty much everywhere as authoritarianism staged a comeback over the past decade. Many researchers now point out that the path towards liberal democracy is neither linear, nor it is directed to a natural end, but perhaps even a historical exception requiring a unique set of social and political conditions. Yet despite the crisis in confidence, the yearning for freedom remains vibrant and democracy promotion continues to be a normatively noble goal, worthy of pursuit by both democracy activists in Eastern Europe and its supporters in the West.

The democratization narrative faces a peculiar challenge in the Western Balkans which seems to be stuck in a state of “illiberal equilibrium”. The six Balkan countries which have remained out of the European Union have for many years been middle performers in terms of democratic standards. They were better than the autocracies to their east, like Russia, or competitive authoritarian systems like Turkey, but worse than EU members in Eastern Europe like Estonia or Slovakia. Now things have started going from bad to worse or simply stagnating. Strongmen in most cases keep winning elections by delivering at least something important, but run captured states that limit choice. Much like elsewhere, Covid-19 has amplified and entrenched authoritarianism. Yet despite momentary or medium-term trends, the key story in the Western Balkans is not so much backsliding (eg. in Serbia) – rather, it is the structural inability to move past illiberal models of governance even in cases where positive changes occur (eg. North Macedonia). To be sure, Western Balkan countries continue to be democracies, yet none of them ever passed the threshold of being considered a liberal one. They do not seem to be on the verge of it either.

A key challenge now is that the region is going through a paradigmatic shift in which democratization has started to split paths with “Europeanization”. In the past few decades, democratization in the Western Balkans has almost been synonymous with “Europeanization”. It heavily relied on the EU accession process – a top down diffusion of democratic norms and practices. The EU accession agenda offered both a symbolic narrative for reformers and a practical agenda for reforms through the accession stages marked by the EU's conditionality policy. But now that anchor has been severely weakened or is even no longer there. Despite the rhetoric from Brussels, EU accession has effectively been put on hold, mostly because of resistance by several core member states and internal EU challenges. In turn the effectiveness and credibility of EU conditionality has weakened. The EU has in many critical moments failed to deliver and reward reformist forces. There is also increasingly low correlation between a country's advancement towards the EU and its democracy indicators. The external pull that drove much of Eastern Europe towards democratic reforms is no longer there.
The Western Balkans need a new democratization narrative and strategy, a precondition of which is a more structural and realistic understanding of the anatomy of the state of illiberal equilibrium. Most of the analytical work produced on democracy in the region, while being very useful, is ultimately descriptive in identifying democratic outcomes – things such as indexes, progress reports on EU benchmarks, etc. Analysis on the region also suffers from normatively and ideologically-burdened narratives, which fall into two main categories. The first is the strongly EU-centric liberal narrative that assumes linearity in societal aspirations towards Western style liberal democracy, treating challenges as mere bumps. This idealistic perspective overemphasizes the weight of authoritarian leaders in explaining lack of progress and overlooks structural obstacles such as foreign influence, the political economy, path dependencies, societal values or security dilemmas that ensure public legitimation of authoritarian rule. The second narrative is a more geopolitical and realist one which looks primarily at security dynamics as central preconditions to democratization in the long-run. A proper understanding of the potential for democratization in the Balkans requires much more complex and nuanced explanations that looks at the broad range of relevant dimensions and is not ideologically dismissive. It is essential to strip narrative and analytical focus of democratization from “single variable analysis” and understand the broader anatomy of the problem.

Coercion by strongmen is not the only issue – that’s a story as old as time – the bigger question is: what is there in the Western Balkans specifically that generates societal compliance and legitimation of strongman rule, and what can be done about it?

This white paper attempts to understand the problem in such a multidimensional fashion and to suggest potential avenues for future engagement by decision-makers and activists. The paper builds on six country working papers produced for the project by six country experts with the support of four thematic experts. These papers were produced through standardized methodology with similar set of questions. The country working papers were validated by expert focus group discussions with around 10-12 experts in each Western Balkan country. The country working papers looked at each country through four dimensions shaping democratic space: the external environment; corrosive capital; information ecosystem and; civic space. The analysis in this regional paper tries to dissect the commonalities and connect the key dynamics at the regional level. As such, the cross-country analysis presents the authors’ interpretation of grassroots regional expert opinion. The aim of this analysis is to bring a regional perspective to both local actors and global actors seeking to support democratization in the Western Balkans.
State of Affairs

Western Balkans democracies in a state of illiberal equilibrium
A LESS DEMOCRATIC WORLD HAS FOUND MANY BALKAN FRIENDS

1. The worsening external environment and assertiveness of malign authoritarian actors continues to play a key role in creating the context conducive for authoritarian rule in the Western Balkans. Malign authoritarian actors, primarily China and Russia, have been more strategic and assertive in their approach towards the Western Balkans over the past few years, to an extent that they present a serious obstacle to the materialization of a regional preference for democratic governance. Their sway has become particularly amplified due to the weakening of the West’s leverage in the region. It has also been aided by fragile institutions and elite corruption that prefers corrosive capital from authoritarian regimes over the kind of investments that require transparency and rule of law. Yet the strongest fuel empowering malign actor influence is the region’s web of unresolved bilateral disputes (e.g., Kosovo-Serbia) or deep societal polarizations in other countries. These feed identity cleavages and security concerns and serve as entry points for authoritarian actors to step in as international patrons, or to feed divisions through financial resources and tools like disinformation. The key malign effect of authoritarian powers in this regard is not just their active and documented efforts to entice or even coerce Balkan societies towards their geopolitical projects. Increasingly it is also their instrumentalisation by local authoritarian leaders, who use the geopolitical presence or power projection of malign actors as leverage against Western demands, especially those related to democratization. These have in any case have been weakened due to the stalemate in EU accession and the return of the U.S to a more realist and less liberal interventionist posture in foreign affairs since 2017. The argument overheard increasingly throughout the region is that the presence of malign actors is the result of domestic demand by transactional leaders who adopted pro-Western security stances but, feeling threatened by increased local demands for accountability, find authoritarian actors as useful for leverage. Nevertheless, while authoritarian actors might serve as useful boogieman for local leaders, it is ultimately their foreign policy posture, power projecting and assets on the ground that produce the erosive effect on democratic norms and institutions. As such external actors play a key role in abetting institutional capture and promoting alternative models of governance to liberal democracy.

2. External powers subject local actors to their geopolitical projects but are also increasingly instrumentalized by them. Observers, inside and outside the region, usually frame local actors in simplistic terms as pro-Western, pro-Russian, pro-Turkish etc. While such categories are sometimes useful to explain dynamics, especially from a foreign policy and security perspective, they also lead to: a) an overemphasis of the importance of foreign actors and their agendas; b) the projection of the values and agendas of the external actors as the key driver shaping local actors’ preferences. This analytical framework continues to blur what these local
actors in the Western Balkans signify in terms of actual democratic values and practices, as well as undermines their sense of agency and the way they too instrumentalize foreign powers. As such, it generally ignores the transactional nature of the relationship between the Western Balkan leaders and world powers. In other words, Balkan leaders are generally much more flexible to align and cooperate with foreign powers if that cooperation suits their personal or national interests. Analysis of the region thus needs to be “decolonized” in such a way that local voices are heard and local actors are seen as the decisive power players. Only by viewing the nature of the relationship as mostly transactional (rather than ideological), does one understand the nature of the Balkan chapter of democratic decline. The latter was welcomed by local elites, because it came at a critical moment when they felt threatened by Western-promoted democratic reforms, and it was also cherished by reactionary forces reviving old ideological projects. Many also saw in the growing role and sway of authoritarian regimes a sense of opportunity for personal enrichment and consolidation of power. Yet the “they-are-in-it-for-themselves” narrative is also reductionist. Great power competition offers the leaders of small nations a chance to engage in their own power plays and conveniently prioritize security concerns over democratic ones, but sometimes these concerns may be legitimate.

3. Throughout the region, Russia continues to be the natural ally of reactionary forces favoring the status-quo, actively enticing and amplifying grassroots illiberal forces, or being instrumentalized by them because of its projected power. Russia does not offer a geopolitical alternative in the Western Balkans as it does in the former Soviet countries, but rather seeks to prevent further NATO expansion, freeze political disputes and cause headaches to the West. It does not need to do much to achieve these aims. It can rely on a low-cost strategy of simply amplifying the region’s own vulnerabilities, such as the many internal cleavages or bilateral disputes, or to simply capitalize on the West’s many missteps. To this end, having no military presence in the region, Russia mostly deploys soft power tools. But in critical moments it has also been observed to use active measures to prevent or instigate regime change, and does seek to establish some kind of longer-term military/intelligence presence (the case of the Humanitarian Center in Niš, Serbia, to which Serbia has resisted giving diplomatic status). From a security and foreign policy perspective, it continues to seek to preserve its influence over Serbia to use it as a base for regional disruptive operations. Economically, it uses soft coercion to preserve monopolistic positions in certain strategic sectors like energy and has also been found cooperating with local oligarchs and even organized crime figures in order to allow it to have sway over the countries’ policies. Culturally, it uses its standard tools of disinformation to either feed affinities and use soft power (especially in Serbia, through some elements in the Serbian Orthodox Church), or simply sow discord and shift narratives in whatever directions are useful to Russian goals. In Serbia, Montenegro and Bosnia and Herzegovina it also uses local political parties as proxies. Yet in many cases Russia’s very presence, posture and projected power is enough by itself to have a corrosive impact. In Serbia, experts and analysts observe that pro-Russian propaganda is fueled by Serbian government-controlled media more than by Russia itself. There is an increasing perception among democratic forces in the country that authoritarian leaders conveniently use Russia as a “boogieman” to brush aside democratic concerns by focusing on security. While sometimes this raises the chicken and egg question as to which holds the primary responsibility for undemocratic outcomes, it remains
indisputable that Russia’s very presence, projection of power and geopolitical ambitions are a structural obstacle hampering democratization in the Balkans.

4. Both western and domestic analysts have until recently underestimated China’s role and weight – through an increase in its economic foothold, it poses the greatest long-term threat to democracy in the region, especially in the context of an escalating “systemic rivalry” with the West. Much of the talk in the region has focused on Russia’s malign influence because it presented an obstacle to key and immediate strategic goals like NATO and EU expansion; and because it engaged in more direct and aggressive disruptive actions like in Montenegro and North Macedonia, or by preventing Kosovo’s membership in international organisations. However, while Russia was the more visible hostile power to the region’s transatlantic aspirations, China is building a presence that risks to become even more corrosive for the region’s democratic future, especially in Serbia where its approach is both more strategic and its footprint is greater. As a former EU official admitted: “the EU has overestimated Russia and underestimated China” in the Balkans. Through its Belt and Road Initiative (BRI) projects and the 17+1 initiative with CSEE states, China has developed strategic partnerships with elites (viewed as more personal rather than institutional); built a network of strategic economic assets (focused on infrastructure and natural resources); made some of the countries vulnerable to its loans and use of non-transparent contracts with hidden conditionality and; exported its surveillance technology. The effectiveness of this engagement are increasingly viewed with doubts by regional experts, as other research also confirms that only a quarter of projects started since 2012 have been completed. In several countries, including for example Albania, China has expanded its strategic communications efforts to win hearts and minds. China might not seek to stop NATO and EU expansion, but by increasing its foothold and increasing dependency, it does make Western Balkan countries less able to meet democratic and other criteria needed to be part of transatlantic institutions – by, for example, fostering corruption, degrading environmental or workers’ rights standards, or developing dependencies to unsafe technology. The most problematic aspect of China’s presence is that in most countries its presence is not viewed as a threat but as an economic opportunity.

5. Turkey supports the region’s transatlantic aspirations, but Erdogan’s personal ties with regional leaders and his nurturing of support among Muslim populations are observed as having corrosive effects. A member of NATO, Turkey does not offer alternative geopolitical projects and is seen as not playing spoiler in the region’s transatlantic aspirations. Turkey is a security partner primarily interested in the Balkans as an export market and investment destination, especially for businesses connected to the Turkish regime. However, there are corrosive effects to its engagement due to the authoritarian nature of Erdogan’s regime; its active engagement to maintain influence over Muslim populations in the region through humanitarian and cultural investments (including in crisis like Covid-19 or Albania’s earthquake); its occasional use of disinformation that feeds the Erdogan cult and promotes Turkey’s power status and aspiration to be a global leader of Islamic countries (thus feeding anti-Western narratives); as well Erdogan’s efforts to build strong personal ties with regional leaders. The influence over Muslim populations and personal ties with leaders are frequently harnessed for transactional purposes of cooperating on issues of importance for Erdogan, such as extra
judicial measures to purge of institutions connected to the Gulen network (with a notable success in Kosovo, and to a much lower extent in Albania); investments by businesses friendly to the Turkish regime (present throughout the region) or driving a wedge between countries in the region and Greece (eg. in Albania). But these ties and engagements seem hardly coercive and more reflective of the domestic vulnerabilities and the willing engagement of Western Balkan leaders who find use and leverage in Turkey’s geopolitical support, or the opportunities it provides for crony capitalism.

6. Regional countries have also established themselves as “exporters” of autocratic practices, acting either as proxies of Russia or pursuing their own hegemonic agenda as “protectors” of ethnic minorities in neighboring countries. The complex web of ethnic minorities living next to what they consider “mother states”, as well ethnically-determined voting patterns, continue to create a path for regional countries themselves to also export authoritarian practices in the Western Balkans, even by EU member states. This is particularly problematic with the active (often disruptive) role of actors from Croatia in the internal politics of Bosnia and Herzegovina, mostly through the HDZ’s offshoot party and through Croatian media, or Serbia’s control over the Serbian List in Kosovo and intimidation of critical voices in Kosovo Serb society. Serbia and Hungary (an EU member state classified by Freedom House as a hybrid regime) were also observed to be playing the role of authoritarianism exporters through corrosive capital or disinformation. For example, Serbian portals have been actively engaging in a campaign against Montenegro, while Hungarian investment in Macedonian media are observed to be taking a nationalist conservative line, including against the Prespa Agreement. In Montenegro (2016 and 2020) and North Macedonia (a few years ago), it was often difficult to differentiate between the role of Serbia and Russia, as both are accused of engaging and meddling in regional countries for similar strategic ends, mostly through proxy actors and disinformation.

7. Western Balkan economies continue to be characterized by rent seeking, institutional capture and the prevalence of corrosive capital – all of which limits political competition and erodes liberties. Throughout the region, with some variation in terms of the scope and impact, clientelist models of governance centered on powerful leaders have consolidated even deeper as the main modus operandi for mainstream parties. Political parties by and large employ and appoint in key nodes public officials that are not accountable and guided by the law, but by personal and party loyalties. This paves the way for political control not just over public
sector employment (important to sustain party base), but also opens the way forms of corrosive capital. Namely, that includes investments from authoritarian regimes or shady off-shore companies with no beneficial ownership (hiding local actors); resources generated through organized crime and; resources distributed through public procurement or regulatory decisions. In all of the countries from the region – with some degree of variation in terms of which sector contributes more to capture – these resources are used not just for personal enrichment. Most importantly, they are used to consolidate political control by distributing favors to client networks, influencing media or elections processes, etc - thus heavily skewing political competition in the government party’s favor. Secondly, the perception is that in almost all countries the amount of resources generated through this governance model (and what all that money can buy) is large enough and feeds such powerful interests that it disincentivizes good governance practices and accountability from security and justice institutions. Third, this type of dominant political economy manages to coopt the oppositions by either discrediting them in the eyes of voters (since they are seen as using the same model), or by making them controllable by governing forces. Breaking the cycle of this culture of impunity in this political economy is one area where the framework of EU conditionality and its heavy focus on rule of law – through, for example public sector reform or justice sector reform – used to play a very important role. But with that external impetus now weakened, the region has to rely on domestic demands for accountability. To this end, it is observed that there are many cases in which at least “the dirt” comes out because of political competition, media pluralism and civil society voice, but it mostly ends up with no follow-up by rule of law institutions (with convictions being extremely rare). As one interlocutor in our research said: “There’s enough money to get away with murder”. It was also noted that even in the cases when there was positive political change in terms of democratic rule (like in North Macedonia), the extractive model remains (the extractors usually the same), just the degree of extraction might change 19.

8. The regions’ need for financing and investments has created fertile ground for the deployment of “strategic corruption” by malign authoritarian actors, which differ in their approach, but are creating strategic dependencies. Governments andcrony groups from China and Russia are increasingly exporting the corruption that is a key feature of their political systems into a power tool in the global stage, in what some authors have called “strategic corruption.” 20 In the Western Balkans they find already fertile ground in a context of weak institutions, preference for transactional authoritarian leadership and matching geopolitical interests. While for all of the countries of the region the EU is the main trading partner and generally the biggest source of FDI 21, there is a feeling that the share of new FDI (particularly in strategic sectors) and loan portfolio coming from authoritarian regimes is also growing. The sentence overheard throughout the region is that there are “less and less good investments”. Since the region is starving for investments and jobs, most of the investments from authoritarian regimes are welcomed are presented by political elites and friendly media as an opportunity. 22 The latter investments follow different approaches and models. The Chinese model seems to be less focused on political preferences and is more transactional (with the exception of their absence in Kosovo). Chinese businesses seem to be able to work with everyone as the aim so to increase market reach rather than achieve immediate political goals. Other investors like Russia and UAE target closer relations with particular political interests or leaders. But the commonality in all of the investments is the creation of new strategic dependencies.
China has turned Serbia into a regional hub, not just through brownfield and greenfield investments, but also through loans for infrastructure projects which, same as in Montenegro, have created the potential of a debt trap and leverage over Serbia. Russia has for a while now monopolized Serbia’s gas sector and prevented the diversification of supplies. Russia also continues to be heavily present in a few sectors in Montenegro, despite political strains. In Albania, Turkey controls a sizeable share of strategic assets (telecom, banking), investments from EU countries are decreasing while those from Gulf States are increasing, and China has taken over the airport and an oil refinery. In Kosovo, a Turkish-led consortium has a concession in Pristina airport and another owns the electricity distribution grid. In Serbia, UAE investments are not huge in terms of volume but important in terms of their type and the nature of the connection to ruling elite. The later feature is a key component, as these types of investments usually are seen as demand driven and serving the clientelistic system of governance. In many of the countries, the actual share of some of the investments arriving from authoritarian regimes or even their local ownership becomes hard to track, simply because many investments come from third countries where it is possible to hide beneficial ownership. The increasing sense is that investments from these types of companies are used to hide local elite interests. In other cases, some of these investments (e.g. highway projects) are connected to elites or local businesses through subcontractors.

9. Organized crime continues to play an important and possibly critical role in the political economy because of the amount of resources generated, its strong regional nature, the vested interest in the status-quo and (in some cases) important role in determining electoral outcomes. A precise assessment of the political role and weight of organized crime in the region is difficult due to the obvious non-transparent nature of activities and the difficulty of obtaining hard empirical data proving connections. Yet there are strong indications that organized crime proceeds are considerable and a perception among experts of connections to political elites. Of particular concern in terms of volumes and resources generated are the proceeds from the global drug trade. According to Global Initiative against Transnational Organized Crime (GITOC), the Western Balkans – acting as a ‘bridge’ between the Middle East and Western Europe – are becoming an increasingly important route for transit of cocaine and a hotbed for money laundering. The UNODC estimated that the total gross profit made by drug traffickers from the Balkan Route (flowing from the East) was as follows: Montenegro (9-14 million USD), Kosovo (20-31 million), North Macedonia (31-47 million USD), Serbia (27-41 million), and Bosnia and Herzegovina (32-49 million), all significantly lower than Albania, which tops this list with an estimated gross profit of between 255 and 392 millions USD. In total, the estimated gross profit made in the entire South Eastern Europe region is approximately 1.7 billion USD per year. Albania continues to be large provider of marijuana and a transit for heroin and cocaine as well as the only Balkan country in the “grey zone” in terms of money laundering. Balkan cocaine cartels operating between Montenegro ports and Serbia have also been observed to have political connections. In terms of geographical hotspots for smuggling, the most important area is the triangle between Serbia, North Macedonia and Kosovo; Albanian and Montenegrin ports and the northern part of Kosovo. In most countries the perception is that the resources from organized crime reach political elites which either secure protection in return for financial rewards, or use criminal groups for more strategic ends, such as in election processes (for example in Albania).
In addition, organized crime groups are seen as important actors in the political economy by channeling and laundering their proceeds into the formal sector, especially in sectors such as gambling, betting and construction or real estate. Yet arguably the most important element in the political relevance of organized crime is its regional nature and reach. Organized crime benefits from the status-quo of weak institutions and unresolved bilateral disputes which create a fertile ground for crime to flourish. For example, some of the smuggling hotspots like northern part of Kosovo are controlled by local strongmen with powerful ties to political elites in both Serbia and Kosovo.

**MEDIA PLURALISM DOESN’T NECESSARILY TRANSLATE INTO PLURALISM OF NARRATIVES.**

10. The media ownership landscape in each of the countries is an extension of the extractive and clientelist model of governance, with the various types of media actors displaying similar motives and behaviors throughout the region. The media ecosystem is largely determined by three types of players which have different weights in each country but display similar patterns in terms of wielding influence: a) big private media platforms (TV, online, etc); b) public broadcasters and; c) online-only platforms (which in Serbia overlap with print tabloids). It should be noted that the financial sustainability of big private media platforms is seen as very problematic considering market scales and the political economy in which major business interests (i.e advertising revenues) rely on governments for favors and protection. Several such media are believed to have been built by tycoons precisely as an extension of other businesses. This is why our assessment is that in most regional countries, most big media owners are an extension of the transactional political economy, following a pure rent-seeking business model. This means adjusting editorial lines (knowing their limits), or simply using their outlets to serve their other business interests– a phenomenon noted particularly in Albania, North Macedonia but also other countries. While political influence or ideological bias in media is a phenomenon that occurs also in consolidated democracies, the phenomenon described here is much more corrosive because the business model of media relies heavily on revenues from clientelist system rather than from commercial advertising or media consumers – ensuring a direct political link and suppressing critical content. In some countries political elites are seen as actively playing a role to change the ownership structure as friendly businesses take over critical media (eg, in Serbia) and narrow concentration into a few hands. With regard to public broadcasters, across the board political control through appointment of boards is the norm – yet what differs is the scale of reach and influence that the public broadcasters in every individual country (it varies) – namely their utility to the political agenda.
In Bosnia and Herzegovina’s Republika Srpska entity, for example, the reach of the politically-controlled public broadcaster (RTRS) extends beyond its own audience and into the online ecosystem through the redistribution of disinformation. The online media ecosystem is observed to have a much higher degree of pluralism in terms of the number of platforms due to lower costs and increasingly higher reach, including here informal yet information-producing social-media only pages. Yet here too – particularly in tabloid-style platforms – resources coming from public institutions are channeled regularly to assault rivals, shield incumbents from criticism or push narratives which are of use to power holders. In Kosovo, for example, public funds from ministries or the state telecom are observed to be used extensively to finance friendly media. In Serbia, where online and print tabloids overlap, government-sponsored tabloids are regularly used to inflame nationalist sentiments, disparage the opposition or even signal geopolitical orientations.

11. Concentration of media power varies considerably between countries, yet whether pluralism (in terms of number of platforms with reach) actually translates into competing narratives, that seems to be strongly correlated to the degree and duration of political monopoly over institutions and resources. There is growing pluralism in the Western Balkans terms of the number of informative media platforms that reach people – especially in the online sphere, that also includes informal social media channels. Yet that numerical plurality does not necessarily translate into a plurality of narratives. As noted, due to the clientelist economy, pluralism of narratives seems to depend on the presence of competing political centers with access to power and resources sustaining rival media operations. A comparative overview of the region suggests that the higher the concentration of power in one or two power centers and the longer the duration of monopoly over institutions, the higher the ability of these power centers to control the media narrative, no matter the number or plurality of platforms (for example, in Serbia or Albania). This is because at some point in the duration of this monopoly over institutions, the media have to adjust editorial lines if they are to economically survive, as funding from government or friendly businesses will go to competitors. This is a story of economic coercion and distorted competition in which media owners are the other half of the problem. On the other hand, the wider the spectrum of political power centers and the more that various political factions have access to power, the greater the space for diverse narratives (however biased). This has been the case in Kosovo’s and Bosnia and Herzegovina’s rather plural landscape, where coalitions and power-sharing is the norm. In Kosovo for example governments have hanged more often and oppositions frequently controls municipalities with considerable power and resources. The very same reason why Kosovo and Bosnia and Herzegovina have less stable governments could partially explain why they have the best regional rankings in media freedoms in the most recent index by Reporters without Borders.

12. Using their political influence over media and resources from extractive governance, regional leaders are employing increasingly sophisticated methods to control the mainstream narrative and legal maneuvers to suppress critical content. Some of these practices - turning journalism effectively into a PR-mechanism in order to circumvent any undesired scrutiny or spin – are not necessarily illegal but certainly ethnically questionable. In Albania, this includes...
powerful figures using their own social media channels to communicate decisions to audienc-
es (to circumvent media) or not inviting media to events but submitting ready-made materials
to them. Other practices, visible especially in Serbia, include paying party youth and bots
to drive engagement towards desirable content. An additional component of this common
technology is the use of media networks, observed in Kosovo, in which a large number of
online media with similar editorial lines operate like a network distributing each other’s con-
tent. That creates the impression of numerical pluralism but in effect is one media opera-
tion aiming to not just distribute news, but also crowd out critical coverage and competing
narratives. A key component of narrative control is certainly suppression. The key tool here
self-censorship, as journalists are aware of the platform’s editorial line and do not cover certain
events. In Albania, a company specialized in copyright law was reported to have brought
down politically critical content from social media if materials are used from channels owning
the rights. Legal tools are increasingly being used to intimidate journalists through strate-
gic lawsuits (SLAPP) and libel laws. Powerful interests (businessmen and politicians) with
disproportionately greater resources use the legal system to consume time, energy and financial costs from journalists and media who need to deal with the judicial processes. In the last 10 years, there have been about 150 cases against journalists before the Montenegrin courts. These campaigns are usually associated with intimidations, usually centered on accusations of betrayal, and/or physical attacks.

13. Disinformation efforts by foreign authoritarian actors are common and widespread, and they are mostly used to amplify divisions and sow discord for strategic ends, yet increasingly disinformation is deployed by domestic players. Russia is the primary authoritarian actor in the region with wide disinformation operations, targeting Serbia and Serbian-speaking audiences through platforms like Sputnik Serbia. Russian narratives primarily seek to play on symbolisms of Russian-Serbian historical ties, feed anti-Western (esp. anti-NATO) sentiments, feed the Putin cult and strategically communicate Russian positions. Russian disinformation may be sourced in Sputnik and RT but it also serves as a hub producing content that travels through a wide web of other media. Turkish disinformation efforts are also marginally present in Albanian-speaking parts of the Balkans in social media, mostly targeting pious segments of society, promoting the Erdogan cult, Turkey’s role in the world as a leader of Islamic countries, occasionally also feeding anti-Western sentiments in the context of Turkey’s global challenges. Yet the largest share of disinformation in the region is present in the online sphere through anonymous Facebook pages or fake news websites, a domain in which it is hard to identify owners of platforms or distinguish between commercial and political motives. One important observation is that disinformation is increasingly a domestically-driven phenomenon focusing on divisive topics aiming to drive engagement and interest on agendas relevant to political elites or to just confuse the discourse – for example in Serbia, to raise nationalist hysteria, anti-LGBT sentiments, etc. As one commentator in the Belgrade focus group noted: “It’s Putin’s model, implemented locally”. The anonymity of the online sphere is seen as useful to political and business interest to slander competitors, muddy the waters and derail political reforms (eg. Albania or North Macedonia), or sustain images of domestic or foreign enemies useful to regimes (eg. Serbia).
DISILLUSIONMENT AND INEFFECTIVENESS OF CIVIL SOCIETY AS AN AGENT OF DEMOCRATIZATION

14. Traditional advocacy CSOs continue to play an important role as agents of democratization, but they are increasingly being undermined, not necessarily through direct forms of repression as much as by irrelevant forms of inclusion in which EU integration is used as a smokescreen. Advocacy-type CSOs played a key role in promoting democratic reforms during the transition era in Eastern Europe. That is why democratic backsliding around the world has over the past decade been associated with a lot of formal and legal restrictions on the work of advocacy CSOs, as they continue to be seen by authoritarian actors as a threat, or at minimum as “unwanted”. These CSOs continue to do very valuable and courageous work in raising awareness on sensitive issues, including for example in Serbia on Chinese surveillance technology and deterioration of standards in intelligence sector. CSOs continue to generally be seen as an “undesired actor” and in some cases there are still classical attempts to intimidate and delegitimize them (by both government and oppositions) due to foreign funding (especially in Bosnia’s Republika Srpska and in Serbia). Yet formal types of restrictions and intimidations do not seem to be the key problem in the Western Balkans as they are in other more authoritarian corners of the world. Our research suggests that the bigger problem is that CSOs are undermined more subtly through irrelevant forms of inclusion and cooption that create the perception of meaningful influence and use the increasingly weightless EU integrations process as a smokescreen. Government openness to CSOs varies across countries and most Western Balkan countries have developed frameworks for CSO participation in various decision-making processes and councils. But the participation remains symbolic and non-influential, or does not include critical voices or it effectively fakes debates to tick the boxes of conditionality (for example in Montenegro and in Serbia).

15. Most of the challenges facing advocacy CSOs are nonetheless the result of their own long-time structural weaknesses, which politics has amplified and used to its end to reduce the space and legitimacy of civil society. Much of the sectors' problems are old - financial sustainability, absorption capacity, fragmentation, low level of institutionalization, etc. The “business model” of the transition-era in which policy advocacy CSO (as opposed to service-providing ones) by and large have turned into donor-driven private companies with weak connections to either grassroots or to relevant stakeholders from public and private sector, has provided leverage to the governments, which filled the financing gaps through public funding. On most issues and in many of the researched countries, governments have created or have coopted CSOs to become government-controlled NGO-s (GONGO-s) that stimulate civic role in public discourse or for foreign audiences.
In Serbia, for example, new organisations regularly appear that have similar names to established organisations and produce counter statements to critical CSOs to drown them out. That space is also indirectly limited in media, as there seems to be strong correlation between media freedoms and CSO presence in media. In Serbia and North Macedonia for example media are open to CSOs depending on the topic, whereas in Kosovo and Bosnia and Herzegovina (but not Republika Srpska) the media seem to be more open to CSOs. Another phenomenon observed to have weakened the effectiveness of CSOs in many countries – for example Albania, North Macedonia, Kosovo and Serbia – is that political parties regularly recruit civil society representatives for political roles, with the ultimate impact being increased delegitimization and perception of CSOs as a stepping-stone for politics; the depletion of CSO from capacities and; a less critical voice by those who remain in the sector towards governments with former CSO representatives.

16. **What seems to have given a knockout punch to advocacy type CSOs is the collapse in the credibility of EU conditionality, which currently provides the operating and funding framework for democratization reforms – it has become detached from results.** Perhaps the key challenge undermining the effectiveness of traditional advocacy CSOs is that the remaining source of democratization funding is attached to the EU accession framework at a time when EU conditionally policy is failing and has lost credibility. Traditional CSOs increasingly work on technocratic issues or promote a symbolic pro-EU discourse that fails to produce tangible results to citizens and even increasingly get delegitimized when the bene its do not arrive and the EU does not deliver on its end. For example, the EU accession framework has failed to produce better democratic outcomes in Serbia or in Montenegro; it faced considerable challenges in opening accession talks for Albania and North Macedonia, while in Kosovo the EU has failed to deliver on visa liberalization despite conditions being fulfilled. The end result is that there is now considerable backlash, demoralization and a sense of frustration (even betrayal) towards Western countries by some of the most pro-democracy segments of society. This has occurred either because of failure to deliver on EU conditionality promises (eg North Macedonia, Kosovo), or because of the continued prioritization of security concerns over democratization (eg. Serbia and Montenegro) that gave a free pass to leaders for lagging democratic reforms. While the EU is the biggest donor to civil society it is also the culprit of much of its current ineffectiveness due to the way the funding is managed – namely, by disregarding smaller organizations, deciding without meaningful consultations with the civil sector and in many cases obliging CSOs to engage with government, thus limiting their critical potential.

17. While in most countries there is extreme disenchantment with civic activism, civic space is being rejuvenated by new forms of issue-based and informal grassroots groups that show considerable potential in disrupting the status-quo – yet they too face considerable limitations. Throughout the region we noted the emergence in the Balkans as well of the new model of civil society centered around narrow or broad social movements with on and off voluntary and sporadic engagements that often start through social media or direct people-to-people appeals. The new actors are citizens who want to dedicate some of their time to civic initiatives but do not operate in structured organizations, which are most often not registered, and do not engage in traditional fundraising with donors.
In fact, it seems like the new civil society actors have grown not only as a response to failures by political elites, but also in reaction towards traditional CSOs, which in many societies are seen as representing more elite and donor interests. In fact, some civil society experts see extensive donor focus on traditional CSOs as having squeezed out the new organizations, mainly because of higher fundraising capacities. The current funding framework is too rigid to accommodate such loose groups or individuals, although we heard about donors growing more flexible. In the case of EU funding, the grassroots funding is mostly for individual one-off projects without any capacity-building component enabling growth. Subgrants on the other hand are seen as almost always too small for significant impact. These new actors and movements are particularly effective as informal campaigners for local issues or specific themes like environmental pollution, infrastructure projects, corruption scandals, gender issues, etc. Due to dissatisfaction with opposition parties, some of the grassroot initiatives in the region grew to larger protest movements that created problems for the government, for example in Albania the Movement for the National Theatre, or the Student Protests in Tirana n 2018, the “Ne Davimo Beograd” movement in Serbia, or in Montenegro the “Odupri se 97000”. Yet the problem with these movements is that they are usually horizontal and non-institutionalized and as a result can wither away quickly and can’t outsmart elites in the political game. Some of them, like “1 in 5 million” in Serbia, often face legitimacy and authenticity questions because they act as auxiliary movements to opposition parties. We also noted that in some cases some of these movements are in fact reactionary groups promoting illiberal ideas, often funded by malign actors. Or they may be a bit of both, as anti-corruption and pro-transparency bring together people with diverse views – eg. in Serbia, where pro-Western liberals march with nationalists and Russian sympathizers. Still, the grassroots movements have shown a potential to build pro-democracy narratives outside of the EU accession narrative.

18. Civil society platforms engaged as investigative media outlets have become key disruptors providing the much-needed base of evidence for critical and competing political narratives. They offer important leverage against the mushrooming fake news portals in the online ecosystem (the ones combatting disinformation and fake news) and in disclosing state capture, as well as "civil society capture" (through GONGOs and authoritarian power proxies in the civil sector). Although their current outreach may be limited due to the mainstream media closeness to critical voices, they do carry an impact due to social media and they represent the vibrant part of the civil sector, same as the grassroot civic groups mentioned earlier. However, these types of platforms have limited access to mainstream outlets and limited cooperation with policy advocacy CSOs. This is most probably because the majority of the EU funding schemes require the advocacy CSOs to cooperate with government institutions, which could in practice be precluded by their potential cooperation with the civil society investigative portals. Also, the policy advocacy CSOs, operating as private companies prefer to moderate narratives out of conformity.
Anatomy of Illiberal Equilibrium

Transition To What?

Western Balkans democracies in a state of illiberal equilibrium
19. Majorities in the Western Balkans say they are in favor of democratic rule and most don't think they live in a full democracy, so why is there so much legitimation of the current situation and what is preventing any major breakthrough? Over the past decade, all of the countries of the Western Balkans have witnessed the emergence of various protest movements and even competitive anti-system political parties that sought to expand democratic space and counter elements of state capture. Yet despite the existence of many critical voices and agents of democratization, they have been unable to overcome the hurdles presented in this paper. While in varying degrees they did have some impact in shaping public opinion, in increasing pressure on ruling elites and tilting election results in some cases (eg. North Macedonia), they have tended to exhaust their potential and dissipate without managing to generate wider support and produce any systemic change that could produce major breakthrough from the illiberal equilibrium. Identifying and understanding the separate factors contributing to the illiberal equilibrium separately (as done in the previous section) is one thing – making sense of them together and the key dynamics is an entirely different thing. How does the causality work? Which problem or dynamic carries more weight? These are very difficult, and often subjective, answers to get at, and in most cases the answers are different from country to country. Yet it is clear that there are regional commonalities and an inter-connectedness. This is why in this chapter we attempt to: a) map and draw out the key nodes and relationships and; b) identify the three key dynamics.
Increased Malign Actor Assertiveness

Political Control Over Resources to Distribute To Client Network

Organized Crime

Local Business Elites

Concentrated Media Ownership Tied to Extraction

“Strategic Corruption”

Public Sector Extraction

Clientelism Public Sector

Transaction Leadership / Strongmen

Increased Simulation of Democratic Rule & Legitimacy

Crooked / Discredited Oppositions

High Political Control Over Narrative

Bilateral / Internal Disputes

Unresolved Regional Security Architecture

Increased Malign Actor Assertiveness

Posture of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Increased Malign Actor Assertiveness

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Unresolved Regional Security Architecture

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

Prioritization Of Security And Identity Issues Over Freedoms

High Political Control Over Narrative

Disinformation

Sophisticated Suppression Techniques

Decreased Number Of Narratives

Decreased Pluralism Of Narratives

Sophisticated Suppression Techniques

Sophisticated Suppression Techniques

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Sophisticated Suppression Techniques
20. The key bottleneck in the region are the lingering territorial and political disputes which create fertile ground for authoritarian leadership and entry points for external authoritarian powers. All of the countries in region (save for Albania) have an ethnic or bilateral dispute of some sort that has gained prominence as a topic in the current geopolitical context. The unresolved bilateral disputes and the incomplete security architecture are a central node in the nexus of problems because they leave lingering insecurities and keep identity politics at center stage. At the same time, they provide opportunities for malign actors like the Kremlin to sustain its influence and disrupt regional politics. The authoritarian success in preventing the rise of successful liberal movements or democratic parties in recent years is partially the result of authoritarian rulers instrumentalizing these security fears and identity cleavages to their advantage in strategic moments. The modus operandi is that of using (or even engineering) moments of escalated tensions (real or simulated) to widen cleavages and framing choices in favorable terms. Authoritarian politicians portray themselves as protectors keeping domestic or external enemies at bay, while also splitting any liberal-minded opponents along identity lines. The other part of the story is that security concerns buy incumbents Western support at the expense of democratic standards. This is not to say that security dilemmas with which regional leaders are confronted with are not real – Russian disruption efforts are real and nationalist projects and threats remain potent. Yet these are at the same time often too convenient in building a useful narrative and instigating fear, coercion and ultimately the legitimation of strongman rule. The economic and political repercussions of Covid-19 will likely amplify security concerns and as such deepen the corrosive impact on democracy.

21. The other key element of coercion is the extensive use of public resources and institutional power to suppress criticism and help get majority consent. The clientelist model of governance has solidified in the region with the weakening of the EU anchor and rule of law conditionality. Continued political control over institutions and a freer rein from external criticism means that the distribution of resources in the economy — in the public sector, but also in the private sector through favors to friendly oligarchs and businesses — continues to be an element of coercion and disciplining in the private sector as well. In some countries, private sector investments from authoritarian countries, which limit workers’ rights, now add to the useful toolbox. This political economy based on economic coercion provides power holders with sufficient resources to ensure majoritarian rule and legality, as well as to ensure that even when there is indignation or a platform to express dissent (i.e. social movement or political party), not enough of them will compromise their personal economic security to engage for any systemic change. There are pockets and industries (mostly export oriented, like IT) in which there is more freedom from politics, but these small pockets are insufficient. The political economy incentivizes institutional capture as a rational and safest means to power, which is why even reformist-minded governments often end-up playing it safe and perpetuating the model.
KEY DYNAMIC 2:

LESS POLITICAL COMPETITION AND MORE OF ITS SIMULATION

22. There is political pluralism (and hence) democratic legitimacy, yet there is less and less real political competition and more of its simulation, with EU accession providing a convenient smokescreen. In most regional countries there are vocal oppositions, yet they are unable to capitalize on public dissatisfaction and are in essence key enablers of the illiberal equilibrium. There are three main reasons for this. First, in several of the countries’ opposition parties tend to be illiberal themselves, to embrace nationalist agendas or have ties or preferences for foreign geopolitical actors, making themselves unappealing to pro-democratic voters who are otherwise unhappy with the status-quo. Secondly, oppositions also tend to be dominated by political figures who have been consumed by previous stints in power and thus are not seen as credible or as connected to the same business interests as the people in power, failing to project an image of change. Third, in most cases the level of internal democracy and competition within the parties is seen as weak, which makes it difficult for new actors and leaders to emerge within parties without them causing a party split. These factors produce political oppositions that are not just unable to gain power, but to also do the extra damage of creating the illusion of real competition. Decreased competition due to “useful oppositions” mirrors the spread of GONGOs, which play a similar role in simulating civic engagement of a kind that is beneficial to incumbent elites. Last but not least this increasing simulation of democracy is being aided by the EU accession process and the distortion of conditionality policy, which tends to focus on more abstract bureaucratic reforms while being used by elites to “whitewash” the political realities of institutional capture.

23. A key node feeding the simulated nature of political competition is the increasingly heavy political control over media narratives. The length and duration of political rule and control over public institutions and the economy distorts the media market by stimulating rent-seeking behavior and making it very difficult for critical media to survive. Even those that survive have to rely on some form of political protection or patronage from opposition parties. Political control over the media and the increasing use of spin-doctors and political technologists (by government or opposition parties) determines the voices that obtain access to national audiences (empowering established figures and preventing circulation of elites). It also ensures media narratives focus more on topics and issues useful to political elites. In other words, there are scandals and big debates simulating competition, but most of the time they are confined within desired actors or topics. The online sphere (including social media) provides more space to disrupt political control. Yet here as well the overwhelming resources by big business and politics ensures the emergence of all kinds of anonymous actors that produce noise or distribute the narratives of mainstream media. In addition, increasingly sophisticated suppression methods reduce the likelihood of whistleblowing. The omnipresence of disinformation, on the other hand, impacts media credibility and crowds out good content through noise.
24. Civil society is unable to produce the kind of disruption needed to produce systemic change due to disillusionment, delegitimization and overreliance on EU accession. If the space to disrupt the status-quo is increasingly limited in a political sphere where competition is increasingly simulated, the role of disruptor and key democratization agent should come from civil society. The problem is that civil society organizations, especially the ones focusing on democracy and human rights advocacy, relied heavily over the past few decades on the EU accession process. This centered their work by and large around partial, single-issue institutional reforms and prioritized cooperation with local and central governments to grassroots constituency building, critical policy evaluation and evidence-based advocacy of alternative policies and practices. The key funding framework for their work (the EU funds) fueled these processes. Now this has come back to haunt civil society and cripple its ability to be a bridge channeling civic dissatisfaction. The growing discrepancy between democratic outcomes and the EU accession power and the weak public legitimacy of civil society have by and large disempowered and delegitimized its voice and reduced the likelihood to serve as anchors or vehicles of disruption. The responses to this have been various, from new actors emerging to serve as auxiliary movements of political parties (eg. North Macedonia); to grassroots civic initiatives like “Ne davimo Beograd” in Belgrade, the uprising in Bosnia and Herzegovina in 2014; to the student protests or those by the “Alliance for Theatre” in Tirana, Albania – all of these were notable examples of public protest movements that rose in response to unaccountable governance, mostly by a new generation of activists. Yet these movements continued to be sporadic, too fluid and dispersed, as well as insufficiently connected to the current democratization funding framework.
Transition To What?

What Can Be Done?

Western Balkans democracies in a state of illiberal equilibrium
25. What can local advocates and international supporters of democracy do to help the Western Balkans in the current context? The analysis presented in this paper shows that there are strong external and domestic structural forces pushing back against efforts for democratic progress, while the potential of key democratization agents is constrained. The region can no longer rely on EU membership prospects as a pull factor to break what we called the state of “illiberal equilibrium”, at least not to the degree it has until now. While formally the EU continues to pursue a policy of enlargement associated with conditions for reforms, in reality (at least for most of the region) the policy seems to be more akin to ‘containment’ until a number of skeptical EU member states are ready to expand and regional countries demonstrate higher readiness. The EU and its key member states need to be more realistic in communicating the political reality while certainly not abandoning the goal of accession. Decision-makers in the democratic world and democracy activists in the region need to change their approach and prioritize other tools to support democratization. While the path towards liberal democracy will be long or (as we noted, not a historical certainty), the following policy approaches may help move things in the right direction.

1) The remaining pieces of the puzzle in the region’s security architecture need to be urgently resolved – the illiberal equilibrium can’t be broken without a breakthrough on that front. Doubts over the speed and tangibility of the EU accession process have revived questions over the political architecture of the region and deepened security concerns. Following the historic accession of Montenegro and North Macedonia into NATO, there is an urgent need to resolve the remaining bilateral disputes that would unlock the NATO accession of Bosnia and Herzegovina and Kosovo (eventually also of military-neutral Serbia). By resolving the bilateral dispute between Kosovo and Serbia, as well as by burying efforts to question the territorial integrity of Bosnia and Herzegovina, authoritarian forces in the region would lose a key source of ammunition to manipulate with security concerns and divide societies. This would also expand the space for new political narratives and increase public focus towards issues holding the region back, such as unaccountable governance, economic development or social services. In addition, the resolution of the disputes would lead to reduced geopolitical dependency of the countries in the region to non-European authoritarian regimes. As such, it would also reduce the capacity of the latter to play spoiler in the region. The transatlantic community needs to sustain its focus on this priority, while democratic civil society in the region needs to more strongly commit to promotion of narratives of necessity of regional cooperation and good inter-ethnic relations, in order to create a loud social demand for political agreements and ethnic reconciliation. Decision-makers and public opinions need to be made aware that for as long as the bilateral and ethnic disputes remain unresolved, any momentary progress remains fragile. Furthermore, in case there is a deterioration in the overall global security environment, or a new type of economic or security stressor to the region (as the Covid-19 pandemic reminded), the region remains vulnerable to the reemergence of conflict – a weakness that external malign actors can exploit. Many of the underlying grievances are alive as there has not been much success in dealing with the past.
2) Western partners need to urgently prevent the growth of new strategic dependencies to authoritarian regimes and various forms corrosive capital by filling the gaps and changing the incentive structure for governance reforms. Increased investments from authoritarian regimes as well as the continued high rates of corruption and organized crime are the result of policy choices by authoritarian elites seeking to strengthen their hold on power, as well malign actors sensing an opportunity. Yet the key weakness that is exploited by both sides are fragile institutions susceptible to clientelism and crony capitalism. The EU accession process correctly had a central focus in pushing for institutional reform in areas such as public administration or the rule of law. Yet as this report has shown, and as the case of several new EU members has proven, those reforms are unsustainable in a context where power operates mostly by informal rules. There certainly needs to be continued focus on reforming the nodes in the institutional structure that feed the clientelist system – especially security and rule of law sector, as well as key regulatory functions. But it is clear that the current incentive structure that rewards good behavior with progress on EU accession is not working, because enlargement has effectively stalled. Something has to fill this incentive gap. The EU and US continue to have dominant leverage over the region and have recently committed to fill development financing gaps through various mechanisms (i.e with the EU's new Economic and Investment Plan for the Western Balkans or the newly announced presence of U.S DFC in the region). Increasing the scope and scale of favorable financing opportunities for development projects can play an important role in deterring strategic dependencies to authoritarian actors. But it has to be associated with clear governance conditionality and doubling-down on institutional capacity-building for thing such as rule of law and media freedoms. While the financial carrots increase, they should be associated with severe sticks in case of non-compliance, including sanctions and the increased assistance to both traditional and grassroots civil society groups and independent media. The way things currently are, the EU accession process – with its investments on formal institutional reforms that easily evaporate – has effectively subsidized strongman rule. The new economic investments focus risks doing the same.

3) Significant democratic progress will not be possible with the current rate of political control over media narratives – positive sources of disruption need to be empowered. It is incredibly difficult in most contexts in the Western Balkans to sustain independent and qualitative media platforms due to small market sizes and distortions created by political control over public resources. The high level of dependency on political and business interests tied to government extraction needs to be broken as it is a central node in the “simulated political competition”. While democracy assistance in the region does provide a lot of media support, there is a need to expand assistance both in terms of volume and target areas. From a regulation and legislative side, work needs to be done to increase transparency over sources of media financing as well as rules to prevent conflicts of interest or rent-seeking and monopolistic practices – while at the same time supporting the capacities of quality and independent media. In this regard, more support should be extended for civil society media – the platforms or individual journalists producing the type of quality critical media content that is more disruptive to vested interests – especially investigative journalism and analysis/commentary. On the disinformation front, there has been a focus in the region to change media laws in ways that sometimes threaten to also suppress freedom of speech. It is essential to work more with governments and civil society to ensure transparency of media ownership, financing and legal liability – especially in the online and social media sphere – while also sustaining a focus on
audience media literacy. Last but not least, until a European solution is found, there needs to be considerable resources made available for media, journalists and civil rights defenders to fight off costly SLAPP lawsuits that have emerged risk suppressing critical content and creating a climate of self-censorship.

4) **Civil society support needs to adopt a more “venture capital approach” while traditional advocacy NGOs need do open up the space for the disruptors reviving civic space.** The current funding architecture for civil society disproportionally favors the kind of traditional NGOs with formal structures, infrastructures and track records, as it first and foremost provides guarantees and accountability for the use of funds. It also favors CSOs focusing extensively on institutional change and reforms, particularly those centered around EU accession. While support for such NGOs is critical to enable professional functions in civil society (eg. research, technical expertise), they engage a more limited number of constituencies and their impact in terms of advocacy is limited. New approaches need to be tried to reach informal grassroots group with wider constituencies and to stimulate more critical involvement of advocacy CSOs with the governments. Priority should be given to supporting the capacity building and the projects of the locally rooted nonviolent civic campaigns and movements and individual change agents and to traditional CSOs that more critically engage in policy monitoring and advocacy of change. There is also a need for smaller, longer-term and more flexible forms of financing, with much less formal procedures; as well as to provide non-financial assistance such as trainings and mentoring, while also allowing for a more demand-driven selection of themes and approaches, which is key to legitimacy. From an implementation standpoint, traditional CSOs need to help bridge the gap by serving as intermediary actors which enable, facilitate, or become inclusive hubs to, the new broader civic engagement. Another modality would be to create special mechanisms that would support and nurture these informal civic initiatives in a more holistic way. The model here would be something similar to the innovation centers and hubs supporting business start-ups. These entities would complete the administrative functions and serve as institutional vehicles to channel and curate support towards individual or group initiatives, which would include not only the provision of seed funding, but also capacity-building, networking, professional technical expertise, etc. By unleashing the potential and energy of new civic actors and by linking them to the traditional ones, the potential to disrupt the illiberal equilibrium is also increased considerably. Both the traditional and the new type of CSOs should be provided with more abundant and stable technical and financial support to produce and diffuse critical, competing political narratives, aimed at disclosing and undermining undemocratic practices of regional governments. Democratic international actors should be made aware of the efforts of the regional governments and authoritarian powers to seize control over the civil sector and crowd out the democratic organizations. In communication with local governments, the international democratic actors should insist on concrete and meaningful involvement of civil sector in policy processes. Related to this, a clear method to enable distinguishing between the democratic and undemocratic CSOs should be developed, and the international actors should be careful to not legitimate the undemocratic CSOs through engagement with them.
Transition To What?

Western Balkans democracies in a state of illiberal equilibrium
Citations

1 See, for example, Rodrick & Mukand (“Political Economy of Liberal Democracy”).
2 For a more thorough assessment of Covid’s impact on democracy around the world, see Freedom House’s report: “Democracy under lockdown”
3 The expert focus group meetings were held in Skopje (March 2), Prishtina (March 2), Tirana (March 3), Podgorica (March 4), Belgrade (March 4) and Sarajevo (March 6).
4 A recent IRI poll showed that majorities in Balkan countries prefer democratic rule. Yet the popularity of China and Russia is high.

5 Financial Times: “Brussels says EU has ‘underestimated China’s reach in the Balkans”
6 For a succinct explainer, see CSIS commentary by Heather Connelly and Johnathan Hillman: “The Western Balkans With Chinese Characteristics”
7 The issue is particularly highlighted in the working papers on Serbia and Montenegro.
8 The lack of reliability and slow pace of implementation was mentioned in the focus groups throughout the region, whereas the 25 percent number is derived from the CSIS report: “China’s ‘Hub and Spoke’ Strategy in the Balkans”.
9 China Radio International in Albanian “Radio Ejani” started broadcasting in local radio frequencies in Durres and Tirana in 2013 and has an active social media presence.
10 Analytical conclusion derived primarily from country working papers on Serbia, Montenegro and Albania.
11 The recent IRI poll shows that only about 20-30 percent of respondents in all regional countries (except Albania, not included in the poll) think there is conditionality attached to Chinese investments, while majorities in all countries (except Kosovo) view China in favorable terms.
12 See for example Facebook pages like Support to Erdogan from Albanians.
13 Working papers on Kosovo and Albania.
14 Working paper on BiH.
15 Working paper on Kosovo
16 Working paper on North Macedonia
17 This issue is raised in the working papers of both Montenegro and North Macedonia and was a frequently raised issue in the focus groups in Podgorica and Skopje.
18 Corrosive capital is defined by the Center for International Private Enterprise (CIPE) as capital which “originates in authoritarian regimes… either state or private, that lacks transparency, accountability, and market orientation. Corrosive capital exploits and exacerbates governance gaps to influence economic and political developments in recipient countries.”
19 Working paper on North Macedonia.
20 For an analysis of the concept, see for example Foreign Affairs article by Zelikow, Edelman, Harrison and Gventer: “The Rise of Strategic Corruption”
21 See data at Eurostat here. The EU accounts for 68 percent of exports and 61 percent of imports of the region.
22 This was a sentiment expressed in many of the focus groups, particularly Belgrade and Sarajevo.
23 Working paper on Albania.
24 This is a finding based on expert sentiments expressed particularly in Serbia and Montenegro where UAE investments are more significant.
25 The use of shell companies with suspected ties to local elites yet placed in obscure locations (tax heavens or secretive banks) was a phenomenon mentioned in focus groups in most countries.
26 See Global Initiative Against Transnational Organized Crime report. “Hotspots of organized crime in the Western Balkans: Local vulnerabilities in a regional context”
27 See UNODC repot: “Drug Money: the illicit proceeds of opiates trafficked on the Balkan route”. United Nations Office on Drugs and Crime Available at:

28 See list in the webpage of the Financial Action Task Force:

29 See investigative report by KRIK and OCCRP on Montenegrin cocaine gangs.

30 Hard evidence on these connections is hard to obtain yet the connection between organized crime groups with ruling elites are perceived to be strong (with variations in modalities) by expert participants of focus groups in Albania, Serbia, North Macedonia, Montenegro and Kosovo.

31 See Global Initiative Against Transnational Organized Crime report. “Hotspots of organized crime in the Western Balkans: Local vulnerabilities in a regional context.”

32 Ibid, chapter: “Who runs northern Kosovo?”

33 This is an analytical interpretation based primarily on focus group discussions in regional capitals and review of media ownership databases in several countries such as the media ownership monitor in Albania or Serbia.

34 Analytical conclusion based on expert focus group discussions.

35 Conclusion drawn from focus group in Serbia and insights from media ownership monitor for Serbia.

36 For example, in some countries like Albania, the public broadcaster does not have high viewership or impact, whereas in others it does.

37 Conclusion in working paper on Bosnia and Herzegovina and an issue highlighted in focus group in Sarajevo.

38 An investigative report in Kosovo by journalist Ardiana Thaçi detailed the list of government-friendly media that received funding from the state telecom:

39 Working paper on Serbia

40 See RWF rankings.

41 Working paper on Albania.

42 Working paper on Serbia.

43 Working paper on Kosovo.

44 Working paper on Albania.

45 A practice mentioned in the focus group in Albania and highlighted occasionally by Albanian civil society:

46 SLAPP lawsuits were mentioned as becoming increasingly problematic in most of the focus groups in the region.

47 Montenegro working paper.

48 See for example Facebook page: Support to Erdogan from Albanians.

49 Working paper on Serbia.

50 Working paper on Bosnia and Herzegovina.

51 Conclusions drawn from focus groups and working papers on these countries.

52 See various democratization indicators, from Freedom House to Reporters without Borders.

53 A finding from the IRI regional poll.

54 See EU Commission press release on investment plan.