

Opportunity costs of the Kosovo-Serbia stalemate



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By: Marko Savković and Bernard Nikaj

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Opportunity Costs of Kosovo-Serbia Dialogue: A view from Kosovo

By: *Bernard Nikaj*

“Men do not make history according to their own free will. But they make history nonetheless.” Rosa Luxembour

There is a wide-ranging consensus in Kosovo that dialogue between Kosovo and Serbia is unnecessary. Kosovo has declared its independence in 2008, following a UN mandated peace process and has made all the necessary concessions regarding the protection of minority rights, especially the Serb community. Furthermore, the ICJ opinion has confirmed that the declaration of independence has not broken any international law. Ergo, the dialogue process which has lasted for the last 10 years is a process that has been imposed on Kosovo.

However, perceptions and beliefs are often at odds with reality.

Today, almost fourteen years after the declaration of independence and after more than ten years of dialogue, Kosovo is still not a fully integrated member of the international community. It has been recognized by around 117 members of the UN, but still has no seat in the organization; it is not recognized by five members of the EU and its recent attempts to join international organizations have not been successful. Moreover, Kosovo is still struggling for internal cohesion. The north of the country continues to be challenged by parallel structures from Serbia and incidents continue to be the normality of the relation with the rest of the country.

This piece will address the opportunity costs of failing to conclude the dialogue between Kosovo and Serbia with an agreement on the full normalization of relations, which for Kosovo means mutual recognition. It will address two aspects of the current situation, the international front, with specific focus on the relations with EU and NATO and the internal aspects, mainly related to full normalization of the north.

Being a full member of international community – so near yet so far

Since the declaration of independence Kosovo has focused on establishing its international subjectivity. This has meant dealing with recognitions and membership in international organizations.

However, the process has been much slower and more complicated than initially foreseen. Following the first wave of recognitions, the process of new recognitions has slowed down and finally came to almost a halt. Today Kosovo is recognized by 117 countries according to Kosovo. This fact has been put on the dispute by the recent campaign of Serbia for derecognitions, albeit with questionable tactics and countries. The last recognition came from Israel, brokered by the US administration as part of a larger deal between Kosovo and Serbia.

Beyond general number of recognitions, a more worrying fact remains the non-recognition by 5 members of the EU: Spain, Greece, Slovakia, Romania and Cyprus. Four of these countries are members of NATO as well. Non-recognition by these countries has seriously limited Kosovo's possibilities to advance towards its Euro-Atlantic integration ambitions.

It was only after the 2013 Brussels Agreement that Kosovo was able to negotiate a Stabilization and Association Agreement with the European Union. Albeit an EU only agreement limited to EU competences. On the NATO front, the progress has been much more limited. Notwithstanding an exchange of letters between the PM of Kosovo and the Sec Gen of NATO in 2016 on Enhanced Cooperation, Kosovo has made very little progress in developing political relations with the alliance, even though KFOR troops are present in Kosovo for more than 20 years through the UN SC Resolution 1244.

Similarly, Kosovo has been challenged in its ambition to join international organizations. Following the initial success of being a full member of IMF and World Bank and joining a number of international conventions,

Kosovo has not been able to join UNESCO and has made a number of unsuccessful attempts to become a member of Interpol. In 2017 Kosovo became member of the International Organization of Customs (ICO) but has spent more than three years in fierce diplomatic fights in order to be fully capable of exercising its rights within the organization.

Reaching an agreement with Serbia on mutual recognition remains the key factor in ensuring Kosovo's progress on its Euro-Atlantic and International path. Delay in making progress in the Dialogue and reaching the final agreement presents a serious opportunity cost for Kosovo's integration ambitions.

It has been a constant position of the EU non-recognizers that a comprehensive agreement on the relations between Kosovo and Serbia is the most important element of their decision to recognize the independence of Kosovo. This is true especially with the hard-liners among the five, i.e. Spain and Cyprus.

The issue of international challenge to Kosovo's independence has had its impact on the daily life of citizens as well. A concrete example is the International Green Insurance Cards. Since Kosovo is not a member of UN, and as a result not a member of the Green Card Insurance Organization, citizens of Kosovo have to pay extra and use services of other countries when travelling abroad. Furthermore, foreign vehicles have to pay extra insurance when entering the country since their international insurance is not valid for Kosovo. This has caused a serious problem for both citizens and businesses operating internationally.

Similarly, Kosovo has been struggling with its credit rating and international recognition of it, due to not being full member of international organizations.

Conclusion of international subjectivity of Kosovo is not just about being member of international organizations, but even more about giving an international perspective to citizens and businesses in Kosovo. The EU facilitate dialogue and the reaching of an agreement on the full normalization of relations with Serbia is the key element in achieving this goal.

Integrating communities – bringing North and South together.

One of the major issues facing Kosovo following the declaration of independence, had to do with full integration of minority communities, especially Serbian minority. Independently of vast rights foreseen by the Ahtisari Package and translated into the constitution of Kosovo, full implementation of these rights and take-up by Kosovo Serbs remains a challenge even today. This has been best exemplified by the situation in the North of Kosovo.

For years, following the declaration of independence, the North of Kosovo has operated under a parallel system of governance. Largely financed by Belgrade and controlled by interest groups and parallel structures, the north of Iber river has been a challenge for the Government in Prishtina. While the situation in the rest of the country (or the south) has improved over the years, progress in the north has been slow and mainly related to the agreements reached in the Dialogue. Integration of justice, police, operation of the border crossings as well as other issues have been agreed and implemented over the years in Brussels thus bringing the north closer to south, albeit with various degrees of implementation.

While the view in Prishtina is that the north of the country is an integral part of Kosovo, the Serb majority living in the North is continuously looking at Belgrade guidance when dealing with their issues, be it political or practical. Even today there is a parallel education system, health system and most of other structures in the North. In the midst of energy crisis, the north of the country operates without electricity billing and payment in place.

Furthermore, despite the progress made, the north continues to be prone of escalation. Every routine attempts by the authorities from Prishtina to perform daily tasks such is the fight of organized crime are always followed up with tensions among the local population. Most of these tensions are either used or triggered by the

unresolved conflict in the relations between Kosovo and Serbia.

Dialogue is the way forward – better make use of it

The political elite in Prishtina should understand that the problems facing Kosovo, stemming from the lack of universal acceptance of its declaration of independence will not go away by itself. There is no magic wand that resolves political issues, especially in today's geopolitical situation.

Engaging in the EU facilitated dialogue and reaching a final comprehensive agreement, centered on the mutual recognition, remains the best tool at disposal to address majority of outstanding issues.

Dialogue should not be seen as a dirty word. Taking leadership means rising above the current debates and building consensus required to move forward. This primarily falls on the institutional leadership of the country, but should include all actors of the society, opposition parties, think-tanks, academia, media and NGOs.

Ensuring full integration of the Serbian community in the Kosovo society is as much an obligation of the Kosovo leadership as it is the obligation of the Kosovo Serb leadership. Taking positions for granted and treating the Kosovo Serbs as an instrument of Belgrade can become a self-fulfilling prophecy.

Working together with international partners remains the key factor of success going forward. Kosovo has always progressed when a full coordination existed between internal and external factors. This has not been the case in the recent years.

While most of the thinking in Prishtina assumes that the world will wake up one day and understand it has been wrong not to accept the reality in Kosovo, in reality this is just a distant dream. Especially today. Notwithstanding the responsibility of elites in Prishtina to develop a sustainable vision and strategy to reach a final agreement, this hinges on the ability of the European Union to offer a credible integration perspective to both Kosovo and Serbia, as well as the rest of the Western Balkans.

Opportunity Costs of Kosovo-Serbia Dialogue: A view from Belgrade

By: Marko Savković

"In politics, when reason and emotion collide, emotion invariably wins" Drew Westen

If we start from the assumption that no price is too high, because Kosovo "is the cradle of Serbian identity", then this very exercise is redundant.

There is, however, a price Belgrade may be willing to pay. As long there are no sanctions, break of relations with key allies, or "punishment" of any sort for the perceived lack of compliance, Belgrade might be tempted into dragging its feet. And we may have reached a point where no progress in European integration is no longer seen as a "punishment". Kosovo behaving in an equally unconstructive way would make this easier, because it would be difficult for interlocutors to allocate blame.

Real "punishment" would amount to Belgrade losing international support; key countries in the West turning to Serbia's opposition as they see current regime's behavior as detrimental to region's stability. This scenario, however, seems highly unlikely. Belgrade is aware of the "red lines", even when testing them; willingness to intervene in the first place has all but waned, and no international support can trump popular legitimacy of one regime. Such interventions are hard to imagine in Western Balkans of today, and remain limited to concerted diplomatic efforts to push for reform and breakthrough, coupled with incentives. Furthermore, Belgrade is constructive on a range of issues tied to the interests of countries and businesses from the West. Some might

even ask, why should Belgrade be sanctioned; the problematic “Serbian world” remains more of a narrative than an actual plan. Apologists might claim “others are no better”.

As it approaches what many see as the end of the process, Belgrade reasons the following: Serbia will not return to Kosovo, but is also not ready to recognize; Brussels Agreement may be difficult and was difficult to sign and implement in the first place, but carried the promise of ASM as a compensation. With talks of partition, border correction, land swap etc. (temporary?) off the table, ASM has once again become central to Belgrade’s idea of compromise.

Current narrative, as presented to the internationals, has changed from “we were ready for a compromise, a grand bargain” to “we don’t know, but we will not concede to a win-lose solution”.

Yet there is huge price to pay for not reaching the deal. Few in Serbia’s mainstream understand this, or seem able to follow the message. If there is destabilization all achievements, such as relative economic stabilization and growth could collapse. Renewed conflict or general instability would scare potential investors away, just as they are lured to the region not only by subsidies, but larger trend of nearshoring. Second, if there is no progress in the dialogue any side might resolve to unilateral measures, creating new reality on the ground by *fait accompli*. That would lead to escalation.

Belgrade sees the outcome of talks led in Rambouillet and Vienna as imposed. On the other hand, it has been participating in the technical, and then political dialogue in Brussels for a decade now. Among citizens, there is acceptance of the dialogue and a perception that it is necessary and needed.

Belgrade’s interests can be observed through several perspectives. One national, the other regional, and third European (global). Being “free from Kosovo” and able to focus on “real” internal problems would be one interest; however, if Kosovo policy is seen as one of the ways of achieving internal legitimization, which it is – then this argument is not valid.

Second perspective is regional. Belgrade might consider ending the practice of instrumentalization of Serbian communities in neighboring countries. Again, however, flip the coin, and this is seen as providing support, since their identity is “threatened” and there is a real fear of majorization (shared with many other communities in the Western Balkans). With the introduction of “Serbian world” half-baked idea, and nationalism taking over the mainstream discourse in the Serbian Progressive Party, instrumentalization will not cease and will eventually backfire. Montenegro is a case in point here.

Third is European. Once the current stalemate in the European integration process is overcome, dispute being resolved will still remain a precondition for Serbia’s membership. No one has any illusions: Union will not introduce a new Cyprus into its membership. What can and has changed is international standing: in the words of Maliqi and other colleagues, “

Belgrade engages in the dialogue and negotiations for a number of reasons. There is a constitutional obligation. Approximately 95,000 Serbs live in Kosovo who look to Belgrade for health, education, source of income, political support; in many ways, sustainment. Then there is the status of Serbian Orthodox Church, key places of pilgrimage and heritage that have an immeasurable immaterial value.

As we have mentioned before, there can be no economic growth without stability, predictability, and peace. There is an urgent need to remove violence as an option. Renouncing, organized or spontaneous violence would be greatly beneficial as there are legitimate fears on both sides. Finally, Belgrade is now in a position to search for a compromise; it has “captured” most institutions; has the ability to control the (media) narrative and ultimately, is represented by a politician who, even while fragmenting the society enjoys popular legitimacy.

In judging the cost, we also need to take into consideration the “needs” of Serbian citizens (society). First would be best described as not to be humiliated in this process by an imposed solution, that would drag the society

back into “humiliation camp”. Second concerns the question, can we live without an agreement? The answer is yes, but if the question was can we live well, then no. Third is the presumed fear over how the “grand national question of Albanians” will be resolved: by unification or otherwise (Belgrade has played a “double game” here, apparently counter-offering national unification when advocating partition).

Another dimension altogether represents interests of Kosovo Serbs. The basic one concerns preserving identity, or a “way of life”. Second is to sustain the community economically, live a “life worth staying for”. Then, countering/slowing down negative demographic trend. To have a pluralist society within society, something that is not possible right now; instead, there is the “Serbian List” winning 99% of the vote. Ultimately, all leading to a safer and trustworthy society, which is unattainable without a better relationship with Pristina. This may not be something Belgrade is currently interested in, but it remains of vital importance for communities south of Ibar.

Unresolved dispute is incurring costs: domestic ones, as in the dilemma, is democratization of Serbia’s society possible with Kosovo unresolved, where the issue itself remains “generator of nationalism”; or, can there be a successful resolution without achieving (gaining back, in the case of Serbia) democracy as a prerequisite.

There is the regional perspective, a constant issue in relations with neighbors, a thorn in the side. Each country plays out on neighbors’ weaknesses, eyeing an opportunity, seeing an opening. For instance, Croatia seeks out best possible relations with Kosovo – for reasons of trade, countering Serbia’s influence, a shared perspective of what took place in the 1990s. New majority in Montenegro walked a thin line, yet never really deliberated revoking recognition.

The longer “Kosovo issue” lasts, chances for Serbia turning to the West, and finally resolving the conundrum its strategic orientation has become will get slimmer. Successive governments in Belgrade have been digging this hole for too long, aligning themselves with Russian and Chinese positions in the Security Council. Finally, both countries would need to start believing in the EU – despite its lack of credibility – as we need membership perspective to remain. However, in Serbia, Euro skepticism is the narrative, and country’s foreign policy and regional record does not indicate future EU membership.

Ruling narratives are not only polarizing, they are dehumanizing, preventing both societies to reach their full potential. For this to change, one would need to talk more about the positives, make the message heard and seek out allies. When we talk of costs incurred these need to be observed less in tragic terms, as an existential “struggle”. Two sides do have opposing interests, but that does not mean we have to be enemies.

Can we define common interests of Serbs and Albanians living both in Kosovo and in Serbia? Absolutely. Sustainable peace and stability, free movement enabling people to people contacts – business, cooperation, exchange, learning opportunities; improving standard of living; cooperation on social and economic issues (removing barriers to trade; joint financing of cross border/boundary projects); cooperation in environment protection with a focus on addressing pollution; implementing EU’s Connectivity agenda. In the field of rule of law, improving minority rights, safeguarding property, and addressing financial claims and mutual compensations. Cooperation in a number of “soft” issues that also address some fundamental human needs, culture, art and sport need to be mentioned as well.

Common challenges, on the other hand concern releasing future generations free from the Kosovo-Serbia dispute. Then, improving how we treat each other – now with dignity. To implement agreements that have been signed and introduced as obligations to partners Address conflicting narratives about the past, bring justice to families of missing persons. Advocate for membership into the EU, the more now that the EU does not seem excited about bringing in new members. We both have a vested interest in pursuing domestic economic and political reforms, even if for a different set of reasons. Long-term, both sides must worry about influence of external actors, need for social cohesion and low level of socio-economic development.

What can Belgrade and Pristina, Serbia and Kosovo, realistically do? They can try to define their visions about the future of their relations. They could begin by defining the objectives and agendas of the ongoing formal dialogue. Neither side seems to have a clear plan for what they want to achieve from the dialogue. A good starting point is to recognize that a solution is of “mutual interest, urgent,” and that a “win-win solution” is possible if both sides show enough political will.

Belgrade and Pristina need to transform their existing narratives from the ones that support the status quo into ones that highlight the need for a breakthrough. Though the leaders say that an agreement is needed, they fall short of efforts to reach one.

They need to build a more supportive narrative about the dialogue, openly saying that they are engaged in a discussion to find a solution and not because the international community is asking them to do so. The leaders should also publicly address the consequences of no agreement, not only talk about the costs of compromises that will need to be made.

One precondition is that officials in Kosovo and Serbia should spend more time and effort in trying to understand each other’s positions and the difficulties each side faces at home in “selling an eventual deal.” They should also refrain from blaming each other when dealing with their domestic challenges. Both sides need to strictly and swiftly denounce ethnically motivated smearing campaigns and actions when they occur. Pristina and Belgrade should prioritize practical needs and problems while they negotiate a broader solution. The list could include freedom of movement, documents, missing persons, and diplomas. And both sides should recognize and promote positive results when they occur.

Pristina and Belgrade should work on fulfilling preconditions for a win-win solution: a) beginning to believe in the EU, b) supporting a more conciliatory narrative, c) convincing the public that leaders are engaged in dialogue to find a solution and not to advance their own personal political objectives, and d) publicly articulate “the costs of failure to reach agreement.” Pristina and Belgrade are losing the “public battle,” with polls showing the youth is becoming increasingly nationalistic.

Finally, the EU should find ways to reinvigorate the dialogue and the EU enlargement process, deliver on its own promises, and develop a vibrant menu of incentives for the parties. The prospects for the agreement have deteriorated drastically when it became clear that the EU is failing to deliver on its own promises, such as the date to start the negotiations with North Macedonia or to grant visa free travel to citizens of Kosovo.

Opportunity Costs of Kosovo-Serbia Dialogue: Regional Cooperation

By: Bernard Nikaj and Marko Savković

The restart of the dialogue between Kosovo and Serbia in the summer of 2021 has once again proved that this is a very difficult and sensitive process for both countries but also beyond. Entering its 10th year, the process of the dialogue has produced a myriad of agreements, disagreements, crisis and hopes. A lot of focus has been put on the final result of the process and many different options have been considered both by negotiators but also by the wider public. The dialogue was considered insufficiently transparent, the negotiators accused of not working in the interest of the citizens, with the citizens, while supporting the very idea of the dialogue, knew little about the process itself.

Pending the reaching of the final agreement, this paper looks at the opportunity cost of the lack of a final agreement between Kosovo and Serbia. Specifically, the issue of the impact of the agreement (or the lack of achieving one) on the regional cooperation in the Western Balkans and the existing initiatives.

Regional cooperation is a principle of the highest importance for the political stability, the security and economic development of the Western Balkan countries. Many of the challenges facing the Western Balkan

countries are not only common to them but also have a cross-border dimension, which involves their regional neighbors. The different set of reasons — political, economic and security — for which regional cooperation in the Western Balkans is crucial, are closely interlinked: for instance, regional stability and security are needed for economic development, which in turn favors stability and security in the region. Out of increased cooperation, new opportunities will arise; prejudice might be overcome; economy of scale and value chains would do their thing; people could find adequate employment and consider staying, instead of “voting by their feet”. This — perhaps not with the exact rationale, but still — has been one of the most important policies of the European Union for the Western Balkans for many years now, both as a policy in itself but also as a requirement for progress of the Western Balkans towards the European Union.

Early examples of regional cooperation could be tracked back to CEFTA and energy cooperation, however real progress could be seen following the launching of the Berlin Process under the auspices of Chancellor Merkel in 2014. Yearly gatherings, and establishment of Regional Youth Cooperation Office (RYCO) and then Transport Community can be listed as positives coming out of the Berlin Process. Biggest success so far — the Regional Roaming Agreement, facilitated by the Regional Cooperation Council and the European Union, which enabled all-inclusive roaming area in the Western Balkans, first by reducing the roaming charges in the entire WB and then leading to a Roaming Free Western Balkans as of 1 July 2021. The Berlin Process offered a response to the criticism that there were too many regional initiatives anyway and that they had achieved little; gave the Six a framework in which they could cooperate and improve bilateral relations as they reform on the path towards membership; and stood as a concrete confirmation that the Western Balkans are now to be seen as one region.

Meanwhile, intra-regional trade, which has greatly benefited from CEFTA, has reached limits of its growth. It is often repeated how carriers in the Western Balkans lose 26 million hours at border crossings; and how abolishing controls would decrease an estimated 7% the operating costs of exporters. Establishment of a regional economic zone could bring 3,5 Bn EUR of added value annually, leading the states involved to at least 1% higher growth rate compared to the ones remaining outside the initiative.

Independently of the enthusiasm generated in European capitals, it has not trickled down to all in the Western Balkans. Especially not in Prishtina.

Kosovo's political and public elite has throughout been sceptic towards regional cooperation initiatives. Reasons for this could be found stemming from the recent historical past, political developments in the country and in the region as well as due to economic imbalances that have accumulated between Kosovo and the whole of the region in the recent years. Every new and more ambitious regional initiative has been branded as another attempt to form a new Yugoslavia; or has been counterargued with proposals of creating common markets with Albania. In short, the perceived benefits of regional cooperation in the Western Balkans need yet to turn into tangible ones for the businesses and citizens of Kosovo.

Why is this? Reasons can be found in the specific political situation in which Kosovo finds itself, but also in the overall approach and readiness to grasp the opportunities presented over the years. One of the significant reasons concerns the continuous dispute with Serbia.

The Open Balkan (formerly “Mini-Schengen”) initiative

On 10 October 2019 in Novi Sad, a declaration of intent was signed to establish the free movement of people, goods, services and capital between Albania, North Macedonia, and Serbia. The parties announced this new concept to be called “mini-Schengen”. At the outset, the idea resembled numerous other cooperation initiatives, with the only difference being that the countries came to the decision to cooperate on their own.

The leaders of the three countries affirmed that the initiative is open to Western Balkan countries who wish to participate, inviting Bosnia-Herzegovina, Montenegro and Kosovo to join as soon as possible. The remaining

countries are still mulling over the invitation. Kosovo agreed to join the initiative on 4 September 2020, when it signed agreements with Serbia in Washington under the auspices of President Donald Trump. Representatives of the new administration in D.C. have in public appearances and declarations expressed their support and expectation that parts of the Washington Agreement will come into force.

However, independently of the political developments, the atmosphere in Kosovo relating to mini-Schengen has continued to be negative and sceptic regarding the aims and outcomes of the initiative.

At the outset Kosovo believed the initiative was trying to create a mini-Yugoslavia from the way that it was put forward when proposed by Serbian President Aleksandar Vucic, a concept quietly welcomed by EU. It could be considered that busy addressing its own internal issues, sometimes the EU tends to welcome initiatives that ease its burden on the region and show some local ownership, independently of wider implications for some countries.

Although the project is backed by the Berlin Process, Kosovo has expressed hesitance to join as it is considered to conflict with the desire to join the EU and NATO. Kosovo's vision is first and foremost Euro-Atlantic integration and then any focus on the region. It has even been widely argued that joining any regional initiative under the auspices of Serbia, which does not recognize Kosovo, would harm Kosovo's political interests. Serbia must first recognize Kosovo in order for regional cooperation to be achieved in a fair and stable environment. Finally, on the political front, it is widely believed that the initiative does not have adequate mechanisms to address the status of Kosovo and that the dispute between Kosovo and Serbia should be settled through a legally binding agreement centering on mutual recognition before other initiatives can be joined.

From Belgrade's perspective, what makes Open Balkan stand out in comparison with other initiatives is that it is "locally owned"; representing the region's answer to the apparent deadlock in the European accession process. It will persist that the process is also about reconciliation and making borders irrelevant.

But for Belgrade – or better to say, businesses in Serbia – the real prize is the common labor market. Although Serbia's unemployment rate remains comparatively high, in textile industry, as well as in agriculture and construction lack of labor is being felt, so it is not uncommon to see workers from Turkey, Ukraine or Pakistan. By creating a single labor market, one part of the workforce that would otherwise look to the EU member might consider staying in the region. Investors – and all our economies will remain driven by FDI for foreseeable future – would then consider moving their production to the region. At the same time, status of workers from the countries involved working within the "gray zone" might finally be regulated.

Next to the stated desire of introducing "four freedoms", participants in the Novi Sad meeting ambitiously announced elimination of all border controls by the end of 2021 to improve exchange of goods. Declaration also referred to the ability to travel by using ID cards only, mutual recognition of diplomas and professional qualifications, assistance in civil emergencies and fight against transnational crime. At the next meeting, held in Ohrid on 9 and 10 November 2019, a list of priority measures was made: agreeing upon a unified set of documentation to accompany goods in transit; and around-the-clock working hours for all inspection services. On 20-21 December 2019 in Tirana, Montenegro's President Milo Djukanovic was also present, while EU High Representative Josep Borell greeted the participants. Digitalization of customs procedures and steps towards a common labor market were discussed this time around.

COVID-19 pandemic brought a temporary halt to this process, which was gaining speed and attention. Next meeting was held only on 30 October 2020, as a video conference. A working group was formed and more importantly, Kosovo invited to join, following the signing of the Washington Agreement. The next, again virtual meeting, brought about the first practical achievement, when Serbia and Albania agreed that citizens will be able to travel with their IDs only (Serbia and North Macedonia, as well as North Macedonia and Albania, already had such agreements in place). Among issues discussed were cooperation in health protection (against the backdrop of the pandemic) and, for the first time, cyber security. Finally in person, in Skopje on 28-29 July 2021, initial deadline for eliminating border controls was pushed back to 1 January 2023. The initiative was

rebranded (unimaginative and somewhat misleading “mini-Schengen” was changed to more inviting “Open Balkan”). As a way to make the initiative more appealing, a special discount of 5-10% on tolls, hotels and restaurants for citizens of the three countries was proposed. Aware of the criticism from expert circles that after all these meetings, little has been done, in November the aforementioned task force met in Nis, and requested “not to leave the hotel” until concrete measures towards common labor market and more importantly as a first step, common working permit are agreed.

For economic reasons, the plan would allow citizens of member states to freely travel between countries, only requiring an ID card, no passport, in an attempt to strengthen local economies. Joint work permits will be issued, member countries will mutually recognize professional qualifications and diplomas and the customs control processes at borders will be sped up in the near future. The initiative seemingly makes life easier for citizens of the three countries, but Kosovo is unsure whether it would see the same benefits.

Open Balkan, being heavily promoted in mainstream media as President Vucic’s visionary initiative, seems to be mostly accepted in Serbia. Criticism coming from civil society is warning against hypocrisy: the half-baked and dangerous idea of “Serbian world” cannot co-exist with the Open Balkan. Economic interest on the other hand is clear. Comprising 44% of the region’s GDP (2019), Serbia has only to gain from the steps taken towards creating a single (labor) market. If the existing trends continue, need for qualified workers and engineers will become urgent; its products and companies, already at home in North Macedonia and slightly less in Albania, expect more income to be generated; multinational companies, keen to take their chances of “nearshoring” as a consequence of the pandemic, are always looking for new locations to decrease costs of production. While it is too soon to tell, predictions are that some value chains will be created – potentially single greatest benefit for the entire region coming out of the initiative. Including the remaining three of the “Six” is therefore in Belgrade’s immediate interest.

Open Balkan has also been taking on the features of a foreign policy, or at least, one important (if not most important) aspect of Belgrade’s regional policy. Suspected of undermining the region’s stability, here is Belgrade, for a change, offering something constructive, positive and – only if the latest signals are sincere – inclusive. It avoids the difficult issues Belgrade does not want to discuss anymore in a regional setting (take Berlin Process in 2018, for instance) – such as dealing with the past. In a way, it champions the approach that economy trumps everything else, including rule of law, since growth without democracy (cue Hungary) can work. Judging by opinion polls, this correlates well with citizens’ priorities.

Kosovo has the lowest exports in the Balkans. Its export-oriented, labor-intensive manufacturing industries are underdeveloped compared to its neighbors – putting Kosovo at a disadvantage. The country lacks a strong industrial base and sees a lot of immigration abroad. Additionally, Serbia blocks Kosovo with a number of non-tariff barriers despite the two countries both being members of CEFTA, a free trade agreement where mostly Serbia benefits.

Kosovar companies face problems in Serbia across a range of sectors. Businesses dealing with machines and equipment as well as those in the information and communications technology sector report that have reported barriers to trade. Serbia has been applying non-tariff barriers to Kosovo products, barring the transit of goods crossing into Serbia and frequently changing the documents required at the border.

Considering their history, Kosovo does not want to be a vehicle to further Serbia’s economic growth through a common market, since Serbia is already the biggest exporter among CEFTA countries, an initiative it is already a part of.

Independently of the complaints and interpretations there are two general conclusions that could be drawn regarding the Open Balkans initiative:

Firstly, the initiative is a continuation of the previous initiatives under Berlin process but also earlier goals set out in CEFTA. The rationale of taking leadership by three leaders in the Western Balkans testifies to the

importance of economic benefits that previous agreements have offered already or have the potential to offer in the future. At least for some countries.

Secondly, the new initiative is a reflection of problems existing in previous ones. The ability to opt-in and opt-out of specific initiatives within Open Balkan is new to regional cooperation approach which until now has been insisting on all-inclusiveness. This new approach signals the intention to bypass especially political problems between Kosovo and Serbia, meaning that countries can move ahead even if one of them doesn't join. This is especially risky for Kosovo and could justify the concerns voiced in the public sphere related to this initiative.

Belgrade could simply argue that initiative is moving forward nevertheless; and that in a free trade area (or single market) largest economy is always going to profit the most (see Germany in the EU). It could also state that Kosovo is employing non-tariff barriers to a number of products (cement blocks, wheat). By offering a framework to the rest of the region that is "locally owned", Serbia is certainly acting out of its own national interest, strengthening relations with Albania, and at least initially, bypassing Kosovo. But the latter was offered to join under the Washington Agreement and agreed – no footnote or anything, even if those were separate letters of intent signed with the United States. If circumstances were different, we would argue that Kosovo is missing on a chance to influence and steer the process from within, and to include various safeguards (i.e., transition periods, exclusion clauses, compensations), also to its benefit. Serbia would have to drop its opposition to mutual recognition of diplomas and professional qualifications.

Of particular importance for the Open Balkan, and its further development, is rather clear and consistent support provided to this initiative by the United States. Against the expectations expressed by critics of the initiative, after the change of administration, newly appointed Deputy Assistant Secretary of State Gabriel Escobar reaffirmed Washington's support to all processes of regional economic cooperation, as long as they remain *inclusive*. Similar expectation, or condition of, inclusivity was expressed by Chancellor Merkel in her farewell visit to the region – when she also made sure for everyone to understand that Berlin Process is her "legacy" that is going to be funded by the EU.

Days ago, Prime Minister Brnabic invited Kosovo (as Prishtina, being the term used by Belgrade) and the other two to join the initiative – and while Montenegro and Bosnia and Herzegovina are still deliberating, Kosovo's answer remains a resounding "no".

Be it Open Balkan or something else, initiatives like these show that more ambitious plans of regional cooperation (and integration) end with the Kosovo-Serbia dispute. This July, four truly transformative agreements, in line with the Berlin Process-agreed Common Regional Market, could not be reached because of status issues (Belgrade's objection to Pristina's travel documents and Pristina's unwillingness to accept the proposal by Belgrade on how to remedy the situation, as it was deemed unsatisfactory). In effect, everyone remained at a loss and this only strengthened Belgrade's resolve to proceed with Open Balkan instead.

Next Steps for Regional Cooperation

Kosovo and Serbia should ensure **that the dialogue is not only perceived to serve the reconciliation of these two countries**, but as an integral part of the efforts to bring Western Balkans to the European Union. While the EU has traditionally tried to focus on the concrete issues related to trade, digital issues and youth, the nasty head of political issues has always crept to challenge going forward. Pushing the problems down the road has not proven to work. Problems should be addressed head on. Dialogue between Kosovo and Serbia is about the future of the Western Balkans.

Regional cooperation should be treated as an opportunity, not a threat. A range of issues that cannot be addressed in bilateral relations could be addressed through regional efforts. Moreover, Kosovo stands to gain

from most of the initiatives proposed in the new Common Market approach adopted in Sofia.

As stated in a recent [opinion](#) by Agon Maliqi, Donika Emini, Florian Qehaja, Leonora Kryeziu and Ramadan Ilazi, an agreement between Kosovo and Serbia is “a matter of urgency”. Whatever options exist outside the framework of normalization, for both sides they remain limited.

Adopting a **policy of engagement and not refusal** will mark an important milestone in Kosovo’s regional engagement. To quote the opinion once more, “Kosovo should take the advantage of joining regional agreements as an equal partner, to the benefit of citizens’ mobility, facilitated trade exchange and recognition of documents.” However, this first requires a change in the attitude by key decision makers on both sides.

