Western Balkans, EU Enlargement and Growth in Changing Geopolitics

The world around us is shifting faster than ever — geopolitically, economically, and technologically. The global order is undergoing profound shifts: geopolitical tensions, economic uncertainties, technological transformations and security challenges are reshaping Europe and the wider world.

In this context, the Western Balkans stand at a pivotal moment. Two decades have passed since the Thessaloniki Summit in 2003, when EU leaders declared that *"the future of the Balkans lies within the European Union"* (European Council Conclusions, Thessaloniki 2003). Yet today, that promise feels both closer — and more complex — than ever.

Russia's war in Ukraine has changed the conversation. Enlargement is no longer only a process of institutional alignment — it has become a **geostrategic necessity**. For the EU, the Western Balkans are not a periphery; they are a vital part of Europe's stability, connectivity, and resilience. For the countries of the Western Balkans, EU enlargement is not only a political project but also an economic and societal transformation that promises long-term benefits while requiring difficult reforms.

But alongside opportunity come familiar challenges — and a few new ones.

The six Western Balkan economies together represent a market of about **18 million people**, with a combined **GDP of roughly €135 billion**, or less than **1% of the EU economy** (World Bank, *Western Balkans Regular Economic Report*, Spring 2024). The region's average income per capita remains at around **35–40% of the EU average** (European Commission, *Economic Reform Programmes 2024–2026*).

Growth has averaged **3% per year** over the past decade — too low for convergence. The World Bank estimates that maintaining growth above **5% annually for two decades** would be required to reach current EU income levels by mid-century (*World Bank Convergence Report, 2023*).

Productivity remains low, and **public investment averages under 4% of GDP**, while **youth unemployment exceeds 25%** in several economies (Eurostat; World Bank Data, 2023). This has driven a significant brain drain — nearly **1.5 million citizens** from the Western Balkans have migrated to the EU since 2013 (Eurostat, Migration Statistics, 2023).

Yet there are reasons for optimism. The **EU's Economic and Investment Plan for the Western Balkans (EIP)**, adopted in 2020, offers **€9 billion in grants** and aims to mobilize **up to €20 billion in investments** (European Commission, 2020). The newly proposed **EU Growth Plan for the Western Balkans (2023)** goes further, granting partial access to the EU Single Market and linking funding to reform progress. These instruments can be transformative — if met with political will and reform ownership.

Global geopolitics, however, add complexity. The **energy crisis of 2022** hit the region hard: electricity prices tripled, and inflation peaked above **15%** in economies such as North Macedonia and Serbia (Energy Community Secretariat, *WB6 Energy Transition Tracker 2023*; IMF, *World Economic Outlook 2023*).

Diversification and regional energy cooperation are therefore strategic imperatives. Equally, the **digital transformation** remains uneven: while internet access exceeds **80%**, investment in research and innovation stays below **1% of GDP**, compared to **2.2% in the EU** (OECD, *South East*

Europe Competitiveness Outlook 2024). Without bold innovation strategies, the region risks lagging in the digital economy.

Geopolitical competition is also evident in foreign investments. Chinese financing under the Belt and Road Initiative has reached an estimated **€8–10 billion** across the region (CSIS & European Investment Bank data, 2023), particularly in infrastructure and energy. Russia maintains influence through energy ties, while Türkiye has expanded both trade and cultural presence. The key challenge for the Western Balkans is to stay strategically aligned with the EU while maintaining diversified partnerships.

There are, however, positive regional dynamics. The **Berlin Process** and the **Common Regional Market** initiative (Regional Cooperation Council, *CRM Monitoring Report 2023*) have boosted intra-regional trade, which grew by nearly **30% between 2015 and 2022**. Such cooperation is a crucial step toward integration into the EU's Single Market.

Looking ahead, the path to sustainable growth and integration rests on several priorities:

1. **Strengthening institutions and the rule of law**, to build investor trust and public confidence.
2. **Accelerating the green and digital transitions**, aligning with the EU Green Deal.
3. **Investing in human capital** — education, skills, and innovation.
4. **Deepening regional cooperation**, to prepare for single market access and global competition.
5. **Reinforcing public trust and accountability**, as the social foundation for reform.

The Western Balkans' integration into the European Union is not an act of generosity — it is an investment in Europe's own stability, security and prosperity. A stronger Western Balkans means a stronger Europe: more competitive, more resilient and more cohesive.

So, today's discussion is not just about identifying challenges. It's about finding pathways — turning enlargement from a distant aspiration into a process of transformation that must accelerate.

This is an opportunity to exchange ideas openly, challenge perspectives constructively and explore how the Western Balkans can act as *a contributing part of Europe today* — embracing reform, innovation, and shared growth in an era of changing geopolitics.

References

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