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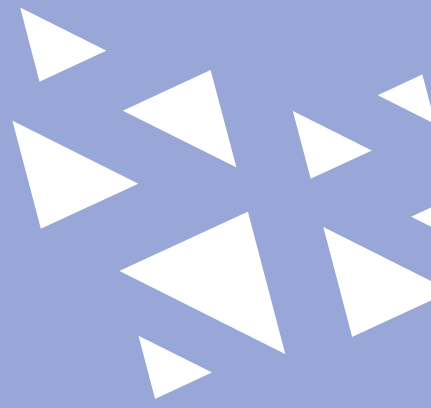
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A Note from Gladden Pappin

President of the Hungarian Institute of International Affairs

It is my distinct pleasure to welcome you to the ninth edition of the Budapest Balkans Forum, which has grown into a robust platform for regional dialogue, uniting policymakers, experts, and business leaders from Southeast Europe and beyond to address the region's pressing challenges. Over the years, the forum has expanded its influence, fostering critical discussions on diverse topics vital to the Western Balkans' development. Through initiatives like the BBF on Tour, we have broadened our presence by engaging directly with local communities across the Balkans, further expanding our footprint in the region.

Hungary remains a committed advocate for this process, and I am confident that the ideas presented here will contribute meaningfully to a more interconnected and prosperous Europe.



Remarks

of the Organizers

Budapest Balkans Forum 2025 - Hungary Connects

Julianna Ármás & Cintia Viola

Hungarian Institute of International Affairs

It is our great pleasure to once again host the Budapest Balkans Forum, now in its ninth installment as the flagship conference of the Hungarian Institute of International Affairs, bringing together esteemed policymakers, experts, and business leaders from both sides of the Atlantic who are dedicated to shaping the future of Southeast Europe. Each year, the Forum serves as a vital space for open dialogue and collaboration, and we are delighted to welcome both new participants and many returning colleagues who have contributed to its success.

This year, our focus is on the gradual and economic integration of the Western Balkans into the European Union. We aim to map out the feasibility, durability, and strategic rationale of this initiative by bringing together leading experts, policymakers, and stakeholders from the Western Balkans, the EU and beyond. The discussion will address key questions such as how the region's integration can be accelerated in a realistic and structured manner, what economic and political incentives exist for both sides, and how gradual accession models can be effectively implemented.

For Hungary, the integration of the Western Balkans is not just a matter of European policy but a core national interest. As a country with deep historical, economic, and cultural ties to the region, Hungary has consistently advocated for the EU accession of the Western Balkans and considers this a top foreign policy priority. The region's stability and prosperity directly impact Hungary's security, economic growth, and regional connectivity, making it essential to foster closer cooperation and a clearer path toward EU membership.

Having concluded its Presidency of the Council of the European Union, Budapest remains committed to keeping EU enlargement high on the European agenda. While the presidency has ended, our dedication to ensuring a pragmatic and results-driven approach to Western Balkan integration continues. Hungary will persist in advocating for a structured yet flexible enlargement process that delivers tangible benefits both for candidate countries and for the EU as a whole. In an era of shifting geopolitical dynamics and new security challenges, the need for a stable, integrated, and resilient Southeast Europe has never been greater.

Hosting this Forum in Budapest at the start of the conference season is an important opportunity to set the tone for upcoming regional and European discussions. Hungary's geographic proximity to the Western Balkans and its role as a consistent advocate for the region's European future make Budapest an ideal venue for launching this critical dialogue. As neighbors, partners, and future EU members, the Western Balkans and the European Union must work together to ensure a secure, economically strong, and politically stable region.

This short conference volume aims to provide an overview of the geopolitical context and challenges facing the Western Balkans, the EU integration outlook with a special focus on gradual and economic integration, and the economic landscape of the region. The contributions included are from leading experts, policymakers, and cooperation partners of the conference, offering diverse perspectives and valuable insights. Through this collection, we seek to highlight the voices of the key stakeholders shaping the future of the Western Balkans.

Reform or Reach: Balancing EU Institutional Change and Enlargement

Charalampos Tsardanidis

Director of the Institute of International
Economic Relations

The European Union (EU) is the largest political and economic endeavor of our age. Born as a dream to abolish war and promote prosperity, it has grown into an alliance of twenty-seven states with common institutions, laws, and values. The EU is, however, also a highly diverse block that encompasses states with relatively different economic models, political cultures, and history. The EU is often caught between the imperative of forcing through radical reforms and the practical need to find consensus among the twenty-seven member states.

The majority of EU government member states are unwilling to cede more power to supranational institutions because they do not wish to relinquish control over major areas of policy. This is clearly demonstrated in the argument for and against fiscal union and a European defense. While such diversity is desirable, it does hamper policy harmonization. Among serious criticisms leveled against the EU is that it is not democratic, with institutions too distant from the people and without power transparency, and bureaucratic entanglements. The EU must also balance its commitments to offering asylum to refugees with addressing security issues and preventing uncontrolled migration flows. A common foreign policy is similarly elusive due to differing member states' interests, making a uniform response to the world's challenges largely impossible, especially in defense planning despite recent efforts. On the other hand, the green transformation is necessary but costly, and variations in economic development and energy dependency among members render agreement difficult. Efforts to address such challenges, at times expressed as rigidities, are not necessarily fated to come in conformity with the imperative to take effective policy action. For example, expanding the European Parliament's powers can enhance democratic legitimacy but only at the expense of making decision-making more difficult.

The EU's twin dilemma of enlargement (expansion) and deepening (integration) also highlights a fundamental dilemma. Projecting into the Western Balkans, Ukraine, and Moldova would extend the EU zone of prosperity and stability deeper into Eastern Europe, but it would strain the Union's economic as well as institutional resources. Enlargement requires earnest consideration of the EU's absorption capacity, such as the ability to maintain cohesion and protect its values.

These challenges arise as the EU finds itself at a crossroads in its evolution, as the US pursues a strategic retrenchment from Europe to prioritize other theatres increasingly strengthening discussions about the necessity for reforms. Furthermore, the more general challenges of the 21st century—everything from economic disequilibrium and democratic regression to great power rivalry—are additional reasons for reform. There is no doubt that the path of reform, ranging from the remediation of institutional and democratic deficits to solving economic inequalities and geopolitical rivalries, is difficult and complex.

As the EU develops, its capacity to change and reform will be vital for meeting the demands of a rapidly changing global landscape. The times demand a delicate balance between pursuing integration further while at the same time adjusting to the heterogeneity of its constituent states, all while preserving the essential principles and values that form the European project.

How European Political-Security Changes Are Affecting the Western Balkans' EU Integration Path?

Edith Harxhi

Member of Board of Albanian Policy Center,
Former Deputy Foreign Minister of Albania

The European Union, facing a resurgent Russia, has recognized a strategic vulnerability in its southeastern flank, as the Western Balkans remain susceptible to external influence, particularly from Russia and China. As a result, “stability” has become the dominant narrative in the region, with an increased emphasis on aligning these countries with the EU’s Common Foreign and Security Policy (CFSP). Sanctions alignment, countering disinformation campaigns, and demonstrating a firm commitment to European values have become critical markers of progress for candidate countries.

Western Balkan countries, aware of their newfound leverage, have used this moment to push their own agendas. Despite long-standing issues such as entrenched corruption, political infighting, and unresolved ethnic tensions, governments in the region are demanding less scrutiny on domestic governance issues, faster accession processes, increased financial support from the EU, and greater tolerance for state abuses under the pretext of stability personified in the face of the authoritarian leader rather than the political system. By demanding the EU “speed up” accession, they seek external validation to legitimize their rule domestically, even as reforms stall.

These risks undermining the EU’s credibility in the region, especially when many of the leaders pushing for EU membership are the same ones who have profited from the very systems the EU seeks to dismantle. Accommodating authoritarianism undermines the EU’s credibility as a rules-based bloc and emboldens illiberal tendencies within member states.

Traditionally, EU accession has been strictly tied to the Copenhagen criteria, but recent geopolitical shifts have led to a more strategic enlargement approach. The rapid candidacy approvals for Ukraine and Moldova suggest that geopolitical calculations are increasingly shaping the accession process. Albania and North Macedonia, after years of stagnation, are experiencing renewed momentum in their negotiations, while Bosnia and Herzegovina was granted candidate status in record time. However, despite these advancements, the region remains vulnerable to shifting EU priorities. If the war in Ukraine moves toward peace talks or another crisis emerges, the Balkans risk falling back into the category of “too complicated” for further integration. A growing concern is the possibility of a “second-class membership” scenario through EU initiatives like the Growth Plan, where the region benefits from economic integration but is denied full political participation.

The Western Balkans’ fragile stability hinges on a precarious balance of transatlantic engagement: the U.S., as NATO’s anchor, has historically deterred external aggression and tempered regional ethnic tensions through its security guarantees and diplomatic heft. A U.S. deprioritization would force the EU to assume greater responsibility, but its fragmented defence capabilities and reliance on soft power risk relegating the region to a geopolitical grey zone, dependent on half-measures like EU crisis missions (CSDP) yet denied NATO’s collective defence umbrella. This limbo would embolden revisionist actors and leave Kosovo, still unrecognized by five EU states and barred from NATO, exposed to violation of its sovereignty. Without sustained U.S.-EU cohesion, even symbolic, the Balkans risk becoming a theatre of contested influence, where stalled integration fuels corruption, ethnonationalism, and vulnerability to hybrid threats, undermining Europe’s strategic cohesion and reviving ghosts of 1990s-era fragmentation.

The EU needs a stable periphery, and the Western Balkans need a lifeline. How long this marriage of convenience lasts and whether it results in genuine reform or merely another cycle of stalled integration remains to be seen.

On Gradual Integration: How Did It Come About and What Was the Role of Think Tanks?

Strahinja Subotic

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European Policy Centre (CEP-Belgrade)

In the wake of the war in Ukraine, the EU has opted to adapt its approach to enlargement policy. Learning from its experience with the Western Balkans—where only Croatia joined in 2013, leaving the other six partners behind—and facing a growing list of candidate countries, it recognised the need to move beyond its standard practice. By abandoning the previous binary approach, in which a country was either a member of the club or not, the EU embraced gradual integration as the preferred path forward with June 2022 European Council conclusions.

Despite now being mainstream, the concept was not born overnight but was instead shaped by the hard work and original thinking of think tanks that recognised the necessity to adapt the enlargement policy to the new realities and needs. Notably, the European Policy Centre (CEP-Belgrade) and the Centre for European Policy Studies (CEPS-Brussels) have long advocated for gradual integration, which was formally structured through the Staged Accession Model in 2021. Other think tanks have also contributed with various ideas, including sectoral integration and single market inclusion. While these approaches differ in detail, they share a fundamental principle: a merit-based, incentive-driven accession process that ensures mutual benefits for candidate countries and the EU. By providing a well-managed and predictable enlargement strategy, gradual integration allows for deeper cooperation and integration even before full membership is achieved.

In practice, the EU has pursued gradual integration by incorporating various elements from different think tanks' proposals. The most visible and direct manifestation of this approach took shape in the 2023 New Growth Plan (NGP) for the Western Balkans. The Moldovan NGP, announced a year later, followed the same structure. As the foundation of the Reform and Growth Facility, the NGP has called for increased funding while conditioning access on reform progress—aligning with the Staged Accession Model in both logic and proposed funding levels. In addition, mirroring other think tank proposals, the NGP also emphasises the economic benefits of granting partial access to the EU Single Market while outlining possibilities for sectoral integration—both contingent on the degree of *acquis* alignment in specific sectors. All these efforts are supposed to enable closer economic integration of the candidates into the EU, while decreasing the socioeconomic gap and encouraging the adoption of reforms needed for membership.

Looking ahead, the EU's approach to gradual integration still lacks an important component—political integration. As the Staged Accession Model highlights, there is a need to provide institutional incentives by granting candidate countries access to EU institutions—particularly the Council of the EU—in a structured and predictable, gradual and merit-based manner. By allowing candidates to practice membership before formal accession—albeit without voting rights and in line with existing rules—these institutional incentives were intended to enable them to engage in discussions with member state officials on mainstream EU policy issues, socialise with their EU peers, and gradually develop their administrations' capacities to assume membership responsibilities. Advancing on this front in the coming period will be paramount to demonstrating that gradual integration can serve as a key tool for better preparing candidates for membership and ensuring European strategic autonomy.

Gradual Integration: Locking in WB6 Achievements and their EU Aspirations

Ardian Hackaj

Director of Research at Cooperation and Development Institute in
Tirana; Coordinator of Tirana Connectivity Forum

The 2020 Enlargement methodology introduces the gradual integration concept, all by upholding the principles and procedures of a transformative Enlargement with a special focus on Fundamentals.

Gradual Integration (GI) is about streamlining the Enlargement by taking out political factors during technical and intermediary negotiations between EU and candidate countries. The most visible initiative in this direction is the introduction of QMV for certain intermediary and technical steps, such as opening of the clusters.

Gradual Integration allows candidate countries to participate in specific EU policies before full membership, contingent upon their alignment with and implementation of EU legislation. Conditionality is strictly applied based on measurable progress in EU acquis transposition and enforcement.

In practical terms, GI debate today focuses on supporting WB6 to have greater access to EU Single Market and to other policies and instruments of interest for EU such as CFSP or migration management. Other examples of gradual integration are the inclusion of WB6 in the European Networks of Transport and of Energy (TEN-T and TEN-E).

However, gradual integration does not anticipate involving future members in EU policy-making mechanisms responsible for designing and implementing relevant policy documents, programs or projects in which they are invited to participate. There is absolutely no indication whatsoever of their inclusion in discussions on the new MFF, even as 2030 is promoted as the prospective membership date for Albania and Montenegro.

The gradual integration debate also largely overlooks WB6's pressing development and convergence needs. While the Growth Plan introduces a robust conditionality and focuses on infrastructure and economic alignment, as well as and Rule of Law reforms, its financial scope and ambition remains limited: it offers more of a conceptual framework than a transformative investment strategy for the region.

In the current geopolitical climate, gradual integration serves both EU and WB6 interests. Deepening sector cooperation well beyond access to EU Single Market to include Critical Raw Materials, green technologies, defence or near shoring and other mutually benefiting endeavours—lock in WB6 economy to EU's, while delivering tangible benefits to their populations.

While gradual integration aims to streamline interim Enlargement steps, it must remain firmly linked to full EU membership, with the first wave expected by 2030. Avoiding excessive institutional layering and ensuring WB6 participation in ongoing EU discussions and policy-making on security, industrial policy, territorial development or competitiveness, are essential to make GI benefits real and tangible.

Ultimately, gradual integration must bring in WB6 region and its peoples, while WB elites and institutions complete the required reforms and fulfil the stringent EU membership conditions. In an ever changing world, it is the only way to lock in WB6 progress and its EU aspirations.

Increased Regional Cooperation – A Way Forward to Sustainable Western Balkans Integration into EU

Sasho Kjosev

President of the Balkan Economic Forum

Not long ago, many Balkan countries operated under an economic system based on state control and central government planning that restricted private enterprise and became uncompetitive in global trade markets. Since then, these countries have undertaken the challenging, yet eminently worthwhile, transition to free market economies characterised by the deregulation of prices and markets and the liberalisation of capital, labour and product markets; however, in the absence of strong and effective support mechanisms, this transition does not automatically lead to economic development and improved social welfare.

The Balkan region, with its diverse history and complex geopolitical landscape, stands at a crossroad of development. Despite historical divisions and complex geopolitical dynamics that have hindered its full economic and social potential, the region harbours significant opportunities for substantial economic growth and social progress. Recent initiatives signal a growing recognition of the benefits derived from a more integrated Balkan region that should contribute towards breaking down historical barriers, promote economic opportunity, and in particular, strengthen the Western Balkans' position vis-à-vis the broader European market.

On the 8th November 2023, the European Commission adopted the Growth Plan for the Western Balkans, with the aim of bringing some of the benefits of membership to the region in advance of accession, boost economic growth and accelerate the socio-economic convergence. The New Growth Plan for the Western Balkans represents a new turning point in the approach of the EU towards the Western Balkan economies, promising to open up further possibilities for access to the EU Single Market for our companies well before EU accession. The success of this initiative will hinge on its effective implementation, including the governments' abilities to undertake necessary reforms and manage the expected influx of funding appropriately to turn them into sustainable economic growth for the region.

We at the Association for regional development Balkan Economic Forum believe that the governments of the Balkan countries should jointly work on identifying key areas and mechanisms for establishing regional cooperation that can be implemented and produce sustainable changes for citizens from all countries. According to our analyses, these would be the following areas: accelerated technological development, digitalization in key development sectors—especially in agribusiness, improving human and entrepreneurial potential, green growth and climate change, improving infrastructure and infrastructure connectivity, developing regional electricity markets, and connecting the region to the EU in terms of energy. In short, in order to get closer to the standard of living of the EU, the countries of the Balkan region should continue with the parallel implementation of careful macroeconomic policies, bold structural reforms and measures to promote economic integration. Macroeconomic and fiscal stability, accompanied by decisive structural reforms, are two necessary conditions for promoting a sustainable and strong growth model, which is based on private sector growth, investments and higher exports. Structural reforms are key to enhancing the benefits of regional integration, including gains in productivity, investment and job creation, all of which will support enhanced convergence towards EU living standards.

We improve regional business awareness of our national and transnational activities, ensuring better utilization of our resources and developing a synergy-based approach to the business communities in the Balkans, in order to generate benefits such as new investment opportunities, improved competitiveness in global markets and regional understanding of each other. Our ultimate goal is the Balkan Economic Forum to become regional platform where leaders from the Balkans and around the globe, respectable figures from the public and private sector, academics, students, media and others share ideas and suggestions about the biggest economic challenges requiring to be addressed and overcome in the Balkan region.

Balkan Economic Forum members and supporters dream envisions a Balkan Peninsula with good governance, responsible economic growth, sustainable employment, environmentally sustainable development, regional cooperation and widening educational opportunities. To achieve these goals, the pathway to the future is sustainable development for our region. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen accountability.

Strategic Directions for Export Development in the Western Balkans

Gábor Jenei

CEO of HEPA – Hungarian Export Promotion Agency

For Hungarian companies, the Western Balkans is one of the first regions with natural growth potential in the process of export development, and its importance has been steadily increasing in recent years. The region is a reserve for European economic growth, which will be further strengthened by the energy and logistics corridors that are being developed as a result of new geopolitical developments. The European Union has signed the Stabilisation and Association Agreements with the countries of the region, which paves the way for the integration process. Accession is conditional on the alignment of the countries' economic and legal environments with EU norms. The adoption of EU standards requires structural changes in key areas for Hungarian investment, such as digitalisation, water, environment and waste management. Sustainability aspects are a key priority in the accession process, and are considered as a basic requirement and a condition for implementation. Furthermore, the region's mineral wealth, which is important for the green transition, is not a minor factor. The aim of the Hungarian Export Promotion Agency (HEPA) is to provide the widest possible opportunities for Hungarian companies to participate in local development processes.

HEPA, as the executor of outbound investment programmes in the region, provides a controlled professional framework for Hungarian companies interested in the Western Balkan market to enter the market through its accumulated experience, local partner offices and international contacts.

HEPA has three partner offices in the Western Balkans (Belgrade, Skopje, Podgorica), which offer a wide range of services to Hungarian companies. This includes market research and partnership search assistance. Business events, outbound and inbound delegations and business forums are organised throughout the year.

Hungarian companies have been through the EU accession process themselves, so they have the know-how, innovative technological solutions, design and construction capacity that can be used at the regional level, which, with proper coordination and resource mobilisation, can facilitate their participation in local development projects.

HEPA has a number of its own investment schemes in the region in recent years (Western Balkans Investment Scheme, Foreign Market Access Grant, Foreign Market Growth Incentive, Foreign Market Growth Support Scheme). The Western Balkans Investment Scheme was the first non-reimbursable grant available in Hungary for Hungarian companies planning to invest abroad. In order to fully explore the funding opportunities, HEPA's International and Sustainability Office actively monitors the direct EU and other international calls for proposals available in the Western Balkans region to promote the export opportunities of Hungarian companies and to help them build their market in the Western Balkans, while keeping in mind comprehensive and timely issues such as sustainability and green transition. This enables HEPA to offer a full service to domestic businesses that approach us.



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