

Getting Back on Track:

Unlocking Kosovo's Euro-Atlantic and Development Perspective

Agon Maliqi





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Introduction

February 17, 2023, marked fifteen years since the Republic of Kosovo declared its independence, supported by many of its Western partners. Since then, the Balkan country has made a lot of strides and hit many roadblocks in its popularly supported path toward joining Euro-Atlantic structures like NATO and the European Union (EU), as well as in its pursuit of development objectives. Since February 2008, the security and political environment surrounding Kosovo has also changed in decisive ways, and mostly in a negative direction. The new global security environment shaped by Russia's aggression against Ukraine and the rise of China has redefined and reshaped the parameters within which Kosovo attempts to achieve its strategic external and domestic goals, including the threat of renewed violent conflict. This paper attempts to take stock of the current state of play on both the domestic and external fronts, and to offer a few guiding principles to observers and decision-makers in Kosovo, as well as to its friends and supporters in the international arena, on how to move forward.

In the new global security environment, smaller regions like the Western Balkans tend to become afterthoughts for Western observers and decision-makers, and individual countries of these smaller regions even more so. This is reflected in the EU's enlargement fatigue, which has largely been responsible for the region's stalled accession process over the past decade. Yet the Western Balkans are precisely the type of region in which tectonic geopolitical shifts have the greatest impact, and where their currents hit the hardest. As such, developments in Kosovo and the Western Balkans represent a broader vulnerability to European security as well as a microcosm of what a world shaped by global power competition looks like. This paper portrays how things look in one of the global battlegrounds—a small but important one for European security.

The paper aims to achieve three main objectives. First, it aims to summarize the key challenges Kosovo faces as it tries to consolidate its external position and get to a new development level. It is written with a bird's-eye view and,

as such, it may omit a lot of important issues while zooming in with granular detail on a few others that are central to the topic. Second, the paper is written with the dual aim of both informing and updating foreign audiences who have a less detailed understanding of the region and Kosovo, while also being sufficiently thorough and informative for seasoned observers and decision-makers in Kosovo and in the Balkans. As such, the paper strives to achieve the balance of restating many basic facts while also hoping that others may be self-evident. Finally, the paper seeks to be forward-looking, and not to get bogged down in the abyss of immediate developments. The tensions and violent episodes witnessed during the past two years in Kosovo's north make it particularly challenging to engage in an analytical exercise that looks at Kosovo's medium- and long-term situation beyond day-to-day relations with Serbia. Yet, these developments illustrate the urgency and unsustainability of the status quo in the affairs between the two countries, which the paper deals with at length.

The paper is structured in three main sections and makes ten (numbered) central arguments, which are then elaborated in more detail. The first section, titled *The Story So Far* (points one to three), offers a brief overview of the political and economic context of how things have played out since independence. It tells the story of how Kosovo managed to demonstrate resilience to a wide range of political and economic challenges, and how it also has hit major roadblocks in the pursuit of its Euro-Atlantic and development agenda. The second section, *Forward View 1* (points four to seven), outlines a forward view of how Kosovo can consolidate its statehood and security over the next decade. It looks at the state of play and offers a blueprint for how Kosovo, with the help of its international partners, can get closer to being recognized and able to join multilateral organizations in the new geopolitical environment shaped by Russia's aggression against Ukraine. The third section (points eight to ten) is a forward view of Kosovo's development challenges and perspectives. It outlines some of the key elements that need to be in place for Kosovo's economy to accelerate to a new level of sophistication, and for its institutions to deliver effectively.

The Story So Far: Resilience Beats Vulnerability



Members of the KFOR peacekeeping force patrol the area near the border crossing between Kosovo and Serbia in Jarinje, Kosovo, October 2, 2021. REUTERS/Laura Hasani

1. Kosovo declared its independence and obtained wide recognition, largely by riding on the coattails of Western power and the liberal international order that is currently facing a systemic challenge from Russia and China.

The Republic of Kosovo as a state is not just a product of the self-determination aspiration of its 90 percent majority Albanian population. It also is a byproduct of the post-Cold War era of Western dominance and the doctrine of liberal interventionism, which enabled Kosovo—a former autonomous entity with republic-level powers—to de facto break away from the rump Yugoslavia in 1999. The NATO bombing campaign to prevent ethnic cleansing led to a United Nations Security Council resolution that effectively suspended Yugoslavia's sovereignty and put a NATO-led peacekeeping force in charge of security. The West—the

United States in particular—later played a decisive role in supporting Kosovo's declaration of independence in 2008, after a UN-mandated dialogue failed to persuade Serbia to formalize the secession. The West supported Kosovo's unilateral declaration of independence (UDI) as a *sui generis* case, conditioned by a set of regional security guarantees and wide-ranging rights for Kosovo's 5 percent minority.¹ These are manifested in Kosovo's constitutional commitment not to join other states (i.e., Albania); ethnically neutral state identity; official bilingualism; ethnic decentralization; and guaranteed seats for minorities in parliament and government, as well as their veto power over constitutional changes. Kosovo's postwar political elite, whose most powerful and prominent figure was Hashim Thaçi—who served as prime minister and later president—succeeded in persuading the public that these were necessary compromises.

¹ "Comprehensive Proposal for the Kosovo Status Settlement," United Nations Security Council, March 26, 2007, <https://reliefweb.int/report/serbia/comprehensive-proposal-kosovo-status-settlement-s2007168add1>.

Riding on the coattails of Western power and with its security underwritten by NATO, Kosovo was able to establish itself in the international arena by obtaining a high number of bilateral recognitions, as well as membership in multilateral institutions like the International Monetary Fund (IMF) and the World Bank. It also was able, in 2010, to obtain a favorable advisory opinion by the International Court of Justice (ICJ), which ruled that Kosovo's UDI did not violate any applicable rule of international law.² Yet, due to Russia's support for Serbia's position at the UN Security Council, Kosovo was unable to join the UN. The lack of recognition from four NATO and five EU states—Spain, Greece, Romania, Slovakia, and Cyprus—also meant that Kosovo had no open path toward membership in these European political and security institutions, despite overwhelming and continued public support for membership.³ The lack of full international legality, and of an open path toward NATO and the EU, proved to be the central points of Kosovo's vulnerability, particularly when revisionist powers like Russia and China began to contest the liberal international order upon which Kosovo's statehood was built.

In the case of Vladimir Putin, this was often done by using Kosovo as a moral grievance and precedent to justify aggression against Georgia and Ukraine.

2. Over the past decade, shifts in global geopolitical currents dealt a considerable blow to Kosovo's efforts to consolidate its statehood internationally and join Euro-Atlantic structures. They also exposed many of Kosovo's domestic vulnerabilities, while also fueling political instability and grievances with Western partners.

Since around 2010, Western supporters of Kosovo viewed the EU-accession process of the Western Balkans and its instrument of conditionality as key carrots to persuade Serbia to normalize relations with Kosovo. However, the EU-facilitated dialogue on normalization of relations, initially centered on technical issues like telephone codes and managing border crossings, stumbled over the years as topics became political and the region's EU accession came to a halt. The geopolitical winds that pushed Kosovo's statehood forward lost steam, and the urgency



Members of the KFOR peacekeeping force patrol the area near the border crossing between Kosovo and Serbia in Jarinje, Kosovo, October 2, 2021. REUTERS/Laura Hasani

2 "Accordance with International Law of the Unilateral Declaration of Independence in Respect of Kosovo," International Court of Justice, July 2010, <https://www.icj-cij.org/case/141>.

3 "Western Balkans Poll Shows Strong Support for EU," International Republican Institute, June 2, 2020, <https://www.iri.org/resources/western-balkans-poll-shows-strong-support-for-eu>.



A man paints a sign decorated with paintings of flags of the 98 countries that have recognised Kosovo's independence, in Pristina February 17, 2013, as the fifth anniversary of Kosovo's independence from Serbia approached. REUTERS/Hazir Reka

of resolving the dispute with Serbia dissipated in the West. While the West was too busy juggling multiple crises like the global financial crisis and Brexit, revisionist powers like Russia and China threw their weight into the region, particularly in militarily neutral and nonaligned Serbia. Russia, in particular, sought to use its sway over Serbia to play spoiler in the region—by obstructing EU and NATO accession and the resolution of bilateral disputes—seeking to gain leverage in its broader confrontation with the West.⁴

In this new geopolitical environment, Kosovo failed in membership bids to join various international organizations like the United Nations Educational, Scientific, and Cultural Organization (UNESCO) and the International Criminal Police Organization (Interpol). Serbia (with Russia's decisive support) mobilized sufficient blocking votes in multi-lateral organizations, and also pursued an active bilateral

derecognition campaign.⁵ Serbia also established stronger control over Kosovo Serb politics, especially in the Serbian-majority north.

Within the EU-facilitated negotiating process, Kosovo faced pressures to compromise that started to go beyond what was politically feasible domestically. This included proposals for new layers of power for local Serbs, through an Association of Serbian-Majority Municipalities (ASMM)—which many in Kosovo view as a threat to state functionality—or in the form of border adjustments.⁶

These developments bolstered the political narrative of, and public support for, Kosovo's then leading opposition figure (and current prime minister), Albin Kurti. His antiestablishment Self-Determination Movement was the only force to have rejected Kosovo's concessions in the Ahtisaari package of 2008,⁷ and protested Kosovo's participation in the

4 Dimitar Bechev, *Russia's Strategic Interests and Tools of Influence in the Western Balkans*, Atlantic Council, December 20, 2019, <https://www.atlanticcouncil.org/blogs/new-atlanticist/russia-strategic-interests-and-tools-of-influence-in-the-western-balkans>.

5 "Successful Stalemate: How Serbia's Derecognition Campaign Stymied Kosovo's March Toward Universal Recognition," Democracy for Development (D4D) Institute, March 2021, https://d4d-ks.org/wp-content/uploads/2021/03/Succesful-Stalemate_ENG.pdf.

6 "Relaunching the Kosovo Serbia Dialogue," International Crisis Group, January 24, 2021, <https://www.crisisgroup.org/europe-central-asia/balkans/kosovo/262-relaunching-kosovo-serbia-dialogue>.

7 Reuters, "Ahtisaari Can't Win as 'Kosovars' Protest His Plan," ReliefWeb, February 8, 2007, <https://reliefweb.int/report/serbia/ahtisaari-cant-win-kosovars-protest-his-plan>.

EU-facilitated dialogue on normalization of relations. Kurti had long suggested that Kosovo's constructive approach with the West would lead to demands for further and crippling compromises.

The decade-long dialogue with Serbia disproportionately consumed Kosovo's domestic politics. It crowded out attention from development issues, and fueled political volatility and broader regional insecurity. Within the last seven years, Kosovo had four changes of government. Most of this was due to domestic power struggles, fueled by wide public grievances with corruption and clientelist governance. Yet disagreements over how to deal with the dialogue with Serbia took center stage in public discourse. Between 2015–2017, mass protests over the EU-facilitated dialogue (primarily Kosovo's agreement to adopt the ASMM) led to a blockade of political life—including the throwing of tear gas in parliament and Kurti's arrest.

ensions also were a regular feature in relations with Serbia, including trade blockades and, after Kurti won the 2021 elections in a landslide, disputes over things like the use of Serbian ID cards and license plates in Kosovo's north. Eventually, in the fall of 2022 a power vacuum was created in the north after local Serbs (directed and backed by Belgrade) boycotted Kosovo institutions. This generated an escalation spiral, such as when an armed insurgency by Serbian militants in the north was thwarted by Kosovo's police in September 2023, and increased the prospects of a war.

Over the past few years ethnic relations within Kosovo deteriorated. So did Kosovo's amicable relations with its Western partners, as Kosovo's governments increasingly embraced a more inward-looking posture emphasizing its sovereignty.⁸ The postwar political elite who had been a more predictable security partner to the West not only lost



A road blockade decorated with the Serbian flag and pictures of Russia's Prime Minister Vladimir Putin is seen in the village of Rudare near Mitrovica August 7, 2011. Kosovo and Serbia agreed in August of 2011 on a temporary deal to ease tensions in Kosovo's north and allow NATO to continue to guard two border posts following recent violence. However, ethnic Serbs in Kosovo's north refused to accept a key part of the deal and end a blockade of main roads imposed in a dispute that is essentially about who controls the area. REUTERS/Ivan Milutinovic

⁸ Agon Maliqi and Ramadan Ilazi, "The Emerging Cracks in Kosovo's Euro-Atlantic Consensus," Kosovo Centre for Security Studies, August 2021, <https://qkss.org/en/publikimet/the-emerging-cracks-in-kosovos-euro-atlantic-consensus-erratic-geopolitics-and-the-future-of-liberal-democratic-norms>.

elections, but its central figure: Thaçi, was indicted by a Western-sponsored court for alleged command responsibility in war crimes.⁹ These dynamics—coupled with the effective lack of a Euro-Atlantic perspective, particularly endless delays in getting visa liberalization for the EU (see text box)—have brought anti-Western discourse and narratives into Kosovo's mainstream.

3. Despite big external and domestic challenges, Kosovo has seen impressive economic, social, and institutional transformation—its resilience factors have been able to counterweigh the vulnerabilities of a nascent state and market.

Kosovo is a vastly different place than it was in 1999. Once Yugoslavia's poorest entity, Kosovo experienced economic

growth between 2010 and 2019, averaging 4.6 percent per year, which translated into an almost 50 percent increase in per capita income and 35 percent poverty-rate reduction. The World Bank assesses that this growth was “robust compared to peer countries of similar or higher income per capita.”¹⁰ Annual gross domestic product (GDP) growth has also been higher in Kosovo (6.4 percent) than the Western Balkan average (4.5 percent) in the coronavirus postpandemic years (2021 to 2023).¹¹ This economic growth was largely consumption driven, supported by high levels of diaspora remittances as well as by public investments in infrastructure such as a new highway system and health and school facilities. Supported by a favorable macroeconomic environment (a stable currency and low public debt), Kosovo has only now started to see the fruits of a process of reindustrialization, as demonstrated by recent



People wave Serbian flags as they protest following local Serbs' decision to leave Kosovo institutions, in North Mitrovica, Kosovo, November 6, 2022. REUTERS/Laura Hasani

9 Xhorxhina Bami, “Kosovo Chambers Publishes Decision on Indictment against Ex-KLA Commanders,” Balkan Transitional Justice, December 1, 2020, <https://balkaninsight.com/2020/12/01/kosovo-chambers-publishes-decision-on-indictment-against-ex-kla-commanders>.

10 “Systematic Country Diagnostic Update: Kosovo,” World Bank, June 2022, <https://thedocs.worldbank.org/en/doc/95f8830195f586ccd61873093723cd6f-0080012021/original/Summary-Kosovo-SCD-Update-for-Consultations-ENG.pdf>.

11 Ibid.

Kosovo's Difficult Path toward Visa Liberalization with the European Union

Kosovo and the EU initiated the visa-liberalization process in 2012—a few years after the rest of the Western Balkans had already achieved it. By May 2016, the European Commission concluded that all but two of the ninety-five criteria set out by the EU were achieved, and recommended visa liberalization upon the completion of the two remaining conditions: the ratification of a border-demarkation agreement with Montenegro and a strengthened track record in the fight against crime and corruption. The contentious demarcation with Montenegro took two years to pass in parliament due to mass protests, so the European commission gave the long-awaited green light for visa

liberalization only in July 2018, followed swiftly by the approval of the European Parliament. However, the decision remained stuck at the European Council for more than four years, as it could not overcome skepticism among several big member states to secure enough qualified majority votes (QMV). In May 2023, after a change in member states' positions, the EU finally formalized the decision to liberalize visas starting from January 2024. During the six years lost in the decision-making process,* Kosovar citizens were estimated to have spent 89 million euros for visa fees, as application procedures and costs became even more burdensome.

* "Visa Regime for Kosovo: Will the EU End this Suffering?" Balkans Policy Research Group, October 7, 2022, <https://balkansgroup.org/en/visa-regime-for-kosovo-will-the-eu-end-this-long-suffering/>.

manufacturing export growth and the rise of new innovative service industries. Remittances and tightly knit family structures have, in the meantime, served as important social buffers—effectively, an informal welfare state.

Institutionally, with considerable international assistance, Kosovo underwent the difficult process of building an entire state apparatus from scratch, with mixed results and often underwhelming capacities. The brightest spot has been Kosovo's democracy: there is wide pluralism in the media space, and free and fair elections have led to smooth transitions of power, including a landslide win by an anties-establishment party in 2021.

Nevertheless, Kosovo's progress remains fragile on many fronts. On the institutional side, state capacity continues to impede effectiveness and service delivery, while weaknesses in the rule of law fuel social grievances. The new political elite that took power on an anticorruption agenda have managed to reduce public perception of

the prevalence of corruption, and to increase trust in the independence of institutions like the judiciary.¹² However, public satisfaction with the judiciary remains low.¹³ As for the economy, investments remain deterred by Kosovo's international limbo, market size, and weak connectivity (including with regional markets), as well as by energy insecurity and labor skills. One of the main structural challenges is demographic. Kosovo's youthful population (the youngest in Europe) has its development advantages, but it also creates short-term liabilities that stem from the challenge of meeting socioeconomic demands at the required speed.

Combined with the unresolved dispute with Serbia, this has been a key source of political volatility. Kosovan politicians are forced to deliver a lot and very fast, despite having insufficient means and capacities. The result is not just volatile politics, but continued high levels of out-migration, including by the highly skilled, who are the key to Kosovo's success going forward.

12 Antigone Isufi, "Kosovo's Rise in Transparency's Corruption Index Welcomed," January 25, 2022, <https://prishtinainsight.com/kosovos-rise-in-transparencys-corruption-index-welcomed/>; "Public Pulse Brief XXII," United Nations Development Programme, July 5, 2022, 16, Table 2, <https://www.undp.org/kosovo/publications/public-pulse-brief-xxii>.

13 For a time series of polls on trust in institutions, see the UN System Document Ontology (or UNDO), "Public Pulse Brief XXIV," April 2023, 8, Table 1, <https://www.undp.org/kosovo/publications/public-pulse-brief-xxiv>.

Forward View 1: Consolidating Statehood and Security

4. Unlocking Kosovo's Euro-Atlantic perspective goes hand in hand with, and is a precondition for, unleashing its economic development. The new geopolitical context created by Russia's aggression against Ukraine necessitates a rethinking of the strategy toward the endgame.

Kosovo's security and progress are considerably constrained by its current international position, in which its independence is irreversible, but not fully recognized due to Serbia's and Russia's active roles in preventing Kosovo from obtaining further recognitions and memberships in international organizations. The opportunity costs of this limbo have grown bigger with time, as have the risks created by the new and highly volatile global security environment. These risks became evident in the most recent escalation of violence in Kosovo during 2023. Most importantly, the limbo prevents Kosovo from achieving its NATO membership aspiration due to the four nonrecognizers, which have made clear that they will not recognize Kosovo without some sort of an agreement with Serbia. While the presence of a NATO peacekeeping mission is key to resilience, it does not offer the same long-term security guarantee as NATO membership—especially considering Kosovo's dispute with a more powerful and militarily neutral neighbor.

The limbo also creates obstacles for the political and economic integration processes needed for development. No matter how long the EU-accession process for the Western Balkans takes, Kosovo will not be able to advance in accession stages and reap their benefits for as long as there are five EU nonrecognizers able to create obstacles at any accession step. It will also face similar challenges in regional-cooperation and market-integration mechanisms—not just because of Serbia, but also Bosnia and Herzegovina, which does not recognize Kosovo due to the veto power of Bosnian Serbs. This is not to mention what the current limbo does to deter bigger strategic investments.

To overcome these obstacles, Kosovo faces an external environment very different from the one that got it to its current position in the international arena. First, due to the systemic nature of the challenge that Russia and China pose to world order, the West does not have the kind of political capital and leverage needed to get Kosovo the recognition and membership in multilateral institutions, especially the UN—a body where decision-making has been paralyzed by Russia's aggressive posture. In fact, Russia's aggression against Ukraine and its territorial demands currently make it improbable that Kosovo's path toward the UN is open, even with Serbia's formal recognition.



NATO Secretary General Jens Stoltenberg holds a joint news conference with Kosovo's Prime Minister Albin Kurti at the alliance's headquarters in Brussels August 17, 2022. REUTERS/Johanna Geron



Germany's Chancellor Olaf Scholz delivers a speech during a news conference with Kosovo's Prime Minister Albin Kurti in Pristina, Kosovo, June 10, 2022. REUTERS/Laura Hasani

Second, since the process of EU accession has been delayed for an unforeseeable time—mostly due to continued EU skepticism about enlargement—the West has lost a key source of leverage over Serbia to demand the formal recognition of Kosovo. Third, the security context in Europe shaped by Russia's aggression against Ukraine created both the need and an opening for the West to weaken Russia's grasp over the region. This necessitated that NATO and the EU seek some form of cooperation with Serbia on regional security issues to prevent regional spillovers, while remaining wary of its double dealing.

5. The new geopolitical context has increased the West's leverage in the Western Balkans, creating an opening for Kosovo to consolidate its statehood in the European political and security architecture. Yet the West is finding it hard to get agreements between Kosovo and Serbia to stick.

The EU-facilitated dialogue remains the most optimal instrument through which Western partners can help Kosovo get out of its international limbo. Russia's leverage and power over Serbia—and by extension over the entire Western Balkans—remains a key spoiler in preventing Kosovo and Serbia from reaching a normalization agreement, or at least serves as a convenient excuse for

Serbia to derail the process. Yet the decline of Russian sway over the Balkans after its aggression against Ukraine has created both the sense of urgency and the space for the West to push for a resolution which helps Kosovo reach its endgame, while also keeping the space open for Serbia to move toward the West (when and if it chooses to do so). Western powers seem to have belatedly realized that they need to move away from being a mere facilitator of the dialogue and assume the role of an arbiter and enforcer.

Such geopolitical considerations seem to inform the logic of the so-called French-German diplomatic initiative launched in the fall of 2022. This initiative culminated on February 27, 2023, with an endorsed final text of a basic agreement between Kosovo and Serbia,¹⁴ as well as a subsequent implementation plan agreed in Ohrid, North Macedonia, on March 18. Both are seen by the EU and United States as interim agreements en route to a comprehensive one and are considered legally binding even though unsigned—attached as conditions to the countries' respective paths toward EU accession. Yet the sides clearly do not view or treat them in the same spirit. Disagreements on the sequencing of implementation steps has fueled such deep mistrust that the immediate outcome of the agreements has been the eruption of violence.

¹⁴ Perparim Isufi and Sasa Dragojlo, "Belgrade, Pristina Confirm German-French Proposal for Kosovo Deal," *Balkan Insight*, October 10, 2022, <https://balkaninsight.com/2022/10/10/belgrade-pristina-confirm-german-french-proposal-for-kosovo-deal/>; "Belgrade-Pristina Dialogue: EU Proposal—Agreement on the Path to Normalisation between Kosovo and Serbia," *European External Action Service*, February 27, 2023, https://www.eeas.europa.eu/eeas/belgrade-pristina-dialogue-eu-proposal-agreement-path-normalisation-between-kosovo-and-serbia_en.



Kosovo's President Vjosa Osmani-Sadriu attends a news conference during the Informal EU 27 Summit and Meeting within the European Political Community at Prague Castle in Prague, Czech Republic, October 6, 2022. REUTERS/Eva Korinkova

In principle, the French-German initiative—despite the violence exposing its weaknesses—retains considerable logical merit. It aims to achieve what is politically feasible at this moment in both countries by eliminating some of the most contested elements, yet moving things irreversibly forward in the right direction. For Serbia, the key stated political sensitivity is the formal act of recognition and its agreement to Kosovo's seat at the UN. Yet in a context in which UN membership for Kosovo is out of reach due to Russia's veto, the focus on a de facto recognition of Kosovo—namely, Serbia's acknowledgement of the existence of Kosovo in the international arena—may achieve the same results as formal recognition on key fronts. Most importantly, it opens the space for Kosovo to seek full recognition in the European space, including the opening of a membership path to NATO, the EU, and the Council of Europe (which is already underway).

The French-German approach also seemingly reduces Kosovo's burden in terms of expected concessions. The ASMM, which is to be created, is seen by the mediators as being in tune with Kosovo's constitutional limits. Most importantly, there is an understanding of Kosovo's position that the implementation of the ASMM should go hand in hand with the unlocking of Kosovo's external position. This is reflected in a recent official statement by Germany, France, and Italy in which Serbia's de facto recognition and Kosovo's key concession—the ASMM—are seen as equal and interrelated components of the deal to be implemented in parallel.¹⁵ The French-German approach, as designed, would not solve the problem for Kosovo entirely, but would improve its position substantially as an intermediary step. While it does postpone Serbia's full formal recognition closer to the date of its EU accession (when-ever and if it happens), it also creates space for Kosovo's prospects to no longer be held hostage by it.

The French-German initiative is seemingly driven by the belief that additional incentives could be provided to Kosovo and Serbia in the meantime through a revival of the process of EU enlargement,¹⁶ which may also see a model of staged accession. This means that Western Balkan countries would be able to receive many of the financial benefits of membership during accession stages. The EU-supported creation of a regional market is also perceived as an incentive. This would, among other things, reduce the impact that firm borders have on the freedom of movement of ethnic-minority communities throughout the Western Balkans, including Albanians in south Serbia and Serbs in Kosovo. US investments, particularly in reducing Serbia's reliance on Russian energy, have also been floated as part of a potential incentive.

While the French-German initiative and its multiple components have merit, the episodes of violence in the past year have shown that they are very vulnerable and based on many shaky assumptions. First and foremost, the deep mistrust between the sides and the vagueness of many of the agreement provisions—including the lack of mutually agreed sequencing of steps and timelines—leaves space for stalling and differences in interpretations. Yet, perhaps the main vulnerability remains the credibility of the EU as a guarantor and enforcer, which has been considerably damaged in the Western Balkans over the past decade. By making the agreements a formal condition in Serbia's EU accession path, the agreement relies on the questionable assumption that a Serbia under President Aleksandar

¹⁵ Joint statement by leaders of the Germany, France and Italy on the EU-facilitated dialogue on normalization of relations between Kosovo and Serbia" 27 October 2023. <https://www.bundeskanzler.de/bk-de/aktuelles/joint-statement-by-the-president-of-the-french-republic-the-chancellor-of-the-federal-republic-of-germany-and-the-president-of-the-council-of-ministers-of-the-italian-republic-on-the-eu-facilitated-dialogue-on-normalisation-of-relations-between-kosovo-and-serbia-2233766>.

¹⁶ "Sailing on High Seas: Reforming and Enlarging the EU for the 21st century" Report of the Franco-German Working group on EU Institutional Reform <https://www.politico.eu/wp-content/uploads/2023/09/19/Paper-EU-reform.pdf>.

Vučić will continue to pursue an EU-path and be willing to subject itself to such conditionality.

Going forward, much will also depend on whether there will continue to be transatlantic unity and cohesion within the EU to provide tangible incentives to the Western Balkans as a whole. Recent history has shown that policy cohesion in the West can easily dissipate due to election cycles and many such elections are nearing. The potential of a new populist wave in Europe and the unpredictability of US foreign policy make the use of the current window of opportunity an even greater matter of urgency.

6. For Kosovo to be able to use the current window of opportunity, it would need to modify its posture on the dialogue by emphasizing the agreements' benefits and taking steps toward implementation. This requires taking a leap of faith on the Western partners who serve as guarantors of Kosovo's sovereignty and security, as well as increasing efforts to reach out to Kosovo's Serb community.

Kosovo's PM Kurti has endorsed the full content of the February and March agreements, but has expressed mistrust in Serbia's intentions to implement its side of the bargain if the agreement is left unsigned. Kosovo also has



A soldier of Kosovo Security Force attends celebrations of the 11th anniversary of Kosovo independence in Pristina, Kosovo, February 17, 2019. REUTERS/Laura Hasani

legitimate concerns about the guarantees that implementation will indeed pave Kosovo's path toward NATO and the EU, as well as about how the implementation of Kosovo's side of the bargain will impact its functionality and prospects as a state.

Kurti has expressed particular reservations about the nature and potential powers of the ASMM, which is a legal commitment his predecessors made at the EU-facilitated dialogue. This issue is particularly sensitive due to Kurti's staunch objection to the ASMM when he was in opposition.

As a result of such reservations, Kosovo's government has over the past two years pursued a parallel policy to the dialogue, through which it aimed to strengthen Kosovo's effective control over the Serbian-majority north. This effort to weaken the hold of Serbian parallel structures and the organized crime elements present there that had necessitated the use of special police forces has often caused tension between Kurti and Western allies. It even led to punitive economic and political measures taken against Kosovo by the EU. Yet Kurti's approach toward the north has also been popular in Kosovo, even beyond his political base, regardless of Western criticism.

Kosovo's concerns and its problems can ultimately be best addressed through the political process in Brussels. The negotiating table is where Kosovo's leverage is the strongest and where it can work to unlock its international position. Kosovo's focus should be on the guarantees from international mediators that the implementation of its side of the bargain would lead in the direction of an open path toward NATO, the Council of Europe, and EU membership.

This means working on a bilateral process with key Western powers and the nonrecognizers in Europe to ensure that their change of posture toward Kosovo would follow. An open path to NATO membership is the central element of security that would enable Kosovo to implement an agreement which does not guarantee UN membership. Kosovo can also continue to insist that the process of establishing the ASMM would go hand in hand with the improvement of its external position—a position which is now formally endorsed by Germany, France, and Italy.

Kosovo's new leadership enjoys considerable trust and political capital to assuage public insecurities. The major opposition parties also have largely committed themselves to a constructive role. Yet to ensure greater political feasibility, Kurti and President Vjosa Osmani-Sadriu would need to continue to reframe the debate about the dialogue from one that emphasizes moral arguments about the past and grievances against Serbia to one focusing on Kosovo's

future gains and increasing outreach to the Kosovo Serb community, which has been outstripped of any agency in this process.

Like many other disputes marred by a history of conflict, the Kosovo-Serbia dispute is an emotionally charged one involving deeply entrenched societal grievances.

Even with mutual recognition, sustainable peace between Kosovo and Serbia is not possible without a process of dealing with the past. However, a clearer distinction needs to be made between the normalization of relations between states in an international order and one of societal and state reconciliation. The EU-facilitated dialogue is about the first. So far, it has focused on resolving issues like missing persons cases from the war period and could add elements like the establishment of truth and reconciliation commissions in the future. Yet one should not expect political agreements to settle all historical narratives in advance, but only to create the political space for them.

Going forward, Kosovo also needs to restore a sense of mutual trust with its Western partners by not undertaking any uncoordinated initiatives that have major security and political implications. Such episodes have been common during the past years in the north on issues such as the enforcement of laws related to license plates, ID cards, or efforts to guarantee the security of elected mayors.

Insecurities about the direction of the dialogue with Serbia has often clouded the fact that key NATO and EU countries are security creditors with a vested interest in Kosovo's statehood and success. They also are a key source of strength, breaking Kosovo's asymmetry of power with Serbia, and they will be necessary partners to guarantee any agreement. Pursuing a coordinated security agenda with the West does not mean that Kosovo lacks its own agency or neglects the rule of law; it only means that it would be maximizing its leverage and further strengthening its agency, by enabling Kosovo to become a fully recognized member of the international community.

7. A normalization agreement that makes borders firmer needs to be associated with deeper regional integration that softens their impact. This would also create the necessary regional synergy for development and faster EU accession.

The appeal of EU accession as a conflict-resolution instrument in the Balkans was always that it could do to the region what it did for Western Europe decades ago. It would make state borders invisible, and allow ethnic communities to move freely within their historic geographic spaces—all of this underwritten by faster economic development and security provided by NATO. The EU membership perspective was believed to be a central instrument of keeping at



Kosovo's Minister of Communities and Returns Goran Rakic and Igor Simic, a member of parliament of Kosovo, stand following local Serbs' decision to leave Kosovo institutions, in Zvecan, Kosovo, November 5, 2022. REUTERS/Ognjen Teofilovski



The Berlin Process is a German-led initiative aiming to establish a common regional market among the Western Balkan Six. Germany's Scholz stands at center (wearing burgundy tie). LISI NIESNER/ REUTERS

by the ethnic-nationalist projects dissatisfied by the security architecture that emerged after the disintegration of Yugoslavia. Yet, with this perspective now in doubt—at least for the foreseeable future—intermediate solutions are needed to achieve similar effects, in the form of regional integration that precedes, or serves as a stepping stone to, EU accession.

the highest degree of mutual antagonism and the highest share of ethnic kin residing outside of the borders of “ethnic states”—the space and incentives to settle political disputes and develop mutual economic interests, all while being anchored in a Western economic and security architecture.

To this end, the Berlin Process that was established under the leadership of the key supporters of the Western Balkans' EU accession has over the past decade had an ambitious agenda aiming to establish a common regional market (CRM) and effectively replicate the four freedoms of the EU within the region's six countries.¹⁵ The process has moved slowly over the past few years, largely due to the bilateral dispute between Kosovo and Serbia. Political and legal obstacles emerged as Kosovo sought to remove

status-neutral designations, which Serbia insists should remain. The countries seeking to move faster in regional integration, unhappy with the pace of the Berlin Process—namely, Serbia, Albania, and North Macedonia—attempted to move faster on some of the issues through the Open Balkan initiative. Several countries—especially Kosovo—have openly opposed the Open Balkan initiative. Currently, after the Berlin Process achieved some breakthroughs on a few regional agreements and held its first major summit in Tirana in October 2023, it has regained the status of the main regional initiative.

Looking forward, Kosovo should recognize the benefits of moving faster on regional integration. First, a CRM is essential to Kosovo's development policy agenda (see points eight through ten below). Second, through regional integration, Kosovo stands to obtain another instrument of leverage against Serbia in the ongoing normalization dialogue, as the latter, being the largest country in the region, is also the country with the greatest interest in a regional market. Third, Kosovo would stand to gain from the opportunities and synergies in deepening the natural economic and political ties with Albania and ethnic Albanian communities in other parts of the Western Balkans.

Forward View 2: Unleashing Domestic Potential

8. Kosovo will need to find ways to meet the economic and political expectations of its large mass of young people, particularly the skilled middle classes at high risk of out-migration. A certain degree of trust in the capacity of institutions to deliver will be key in building human capital, growing the economy, reducing political volatility, and sustaining democratic gains.

One of the biggest challenges facing southeastern Europe is the demographic hemorrhage from aging populations and westward migration.¹⁷ Kosovo is aging less than

neighboring countries, but Kosovars continue to move west. More than ten thousand people have left Kosovo on average per year since 2009; by 2020, the total size of the diaspora reached almost half of the estimated resident population.¹⁸ Kosovo has historically seen many benefits from migration, as it provided those without jobs (usually young, unskilled, single males) with an opportunity to send remittances (17.1 percent of GDP in 2022), and many returned with skills and assets.¹⁹ However, the new wave of migration is also drawing away many skilled and employed professionals who are very much needed for



Kosovar laborers harvest potatoes on a field in the village of Pestova, northwest of Prishtina September 23, 2013. HAZIR REKA/REUTERS

17 Tim Judah. "Southeast Europe's Demographic Crisis," *Helvetas*, March 31, 2021, <https://www.helvetas.org/en/eastern-europe/about-us/follow-us/helvetas-mosaic/article/March2021/demographic-decline-southeast-europe>.

18 "Kosovo: Migration Trends Require a New Policy Response," *Balkan Policy Research Group*, October 9, 2020, <https://balkansgroup.org/en/kosovo-migration-trends-require-a-new-policy-response>.

19 "Personal Remittances, Received (% of GDP)—Kosovo," *World Bank*, last visited February 27, 2023, <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=XK>.



Recent surveys show that a large share of youth wants to migrate in search of a better quality of life. REUTERS/Hazir Reka

development, many of them leaving together with their nuclear families.²⁰

Much of this is due to pull factors like the targeted recruiting of certain professionals by EU countries, especially Germany, but it also is a symptom of push factors like pessimism about the future in the area.²¹ A regional poll done by the International Republican Institute (IRI) showed that people in the Western Balkans (Kosovo included) rate the state of their countries' economies much worse than the current financial situation of their own households.²² This suggests that economic pessimism derives not only from personal experience, but from a comparison with neighboring Western standards, which many view as being within reach through migration.

For established middle-class professionals with children, the calculus of whether to stay in Kosovo or leave involves

thinking not just about jobs, but also about things like good social services and the rule of law. Recent surveys on motivations for migration show that a higher share of the youths wanting to migrate (37 percent) say they want to do so for a better quality of life than the share that want to do so for jobs (33 percent).²³ For many of those who have jobs and still want to migrate, poor working conditions, such as a lack of contracts, remain an important push factor.²⁴ A biannual United Nations Development Programme (UNDP) tracking poll also shows that typical middle-class priorities such as the environment (especially air pollution), urban space problems, and healthcare services have gained traction as top priorities, right after employment and poverty.²⁵ The attainment of Western standards on such issues will take time. Whether young and skilled professionals will decide to stay or migrate during the next decade will largely depend on whether they trust that politics is moving things in the right direction, and whether

20 "Kosovo: Migration Trends Require a New Policy Response."

21 "The Emigration of Kosovo's Labour Force to Germany: A Brief Assessment of Positive and Negative Results," GAP Institute, February 2020, https://www.institutigap.org/documents/38227_emigration-.pdf.

22 "Western Balkans Poll Shows Strong Support for EU," IRI.

23 "Employment and Labor Market Analysis," Riinvest Institute, October 2021, 121, <https://www.riinvestinstitute.org/uploads/files/2021/October/05/Employment-and-Labor-Market-Analysis-ENG1633434888.pdf>.

24 Ibid, 113.

25 "Public Pulse Brief XXII," UNDP, 17, Figure 6.

institutions are delivering effective services to address key concerns.

Trust in Kosovo's political institutions has grown over the past few years, particularly after the 2021 elections, which saw a new generation of leaders—Kurti and Osmani-Sadriu—rise to power with 51 percent of the vote.²⁶ After almost three years of governing, however, the new elite is facing a backlash and running against the clock to meet high expectations, because the main challenges Kosovo faces are structural and not easily addressed within political mandates. Take, for example, the issue of youth unemployment (19 percent in 2022) and especially inactivity (33 percent of youth are classified as not pursuing any work or education)²⁷ The youthful demographic structure of the population (see figure 1) means there are too many young people for the labor market to accommodate. The

challenge is compounded by the mismatch between workforce skills and market needs, as well as weak systems for on-the-job-training.²⁸

The questions Kosovo will have to answer, and with a sense of urgency, are: where are the new and better-quality jobs going to come from, and will there be sufficient skills to fill them? Failure to answer these questions will not only continue to fuel out-migration, but could also put pressure on the government to revert to the use of the public sector as a source for the distribution of contracts, jobs, or benefits—thereby increasing the potential of social grievances. For example, even with the new government in power, public-sector employment continues to be seen as merit based by only 27 percent of the population.²⁹ Considering its other political problems, Kosovo will need to find ways to deliver on the economy and improve public

Prime Minister of Kosovo Albin Kurti receives the AstraZeneca/Oxford vaccine under the COVAX scheme against the coronavirus disease (COVID-19) in Pristina, Kosovo March 29, 2021. REUTERS/Laura Hasani

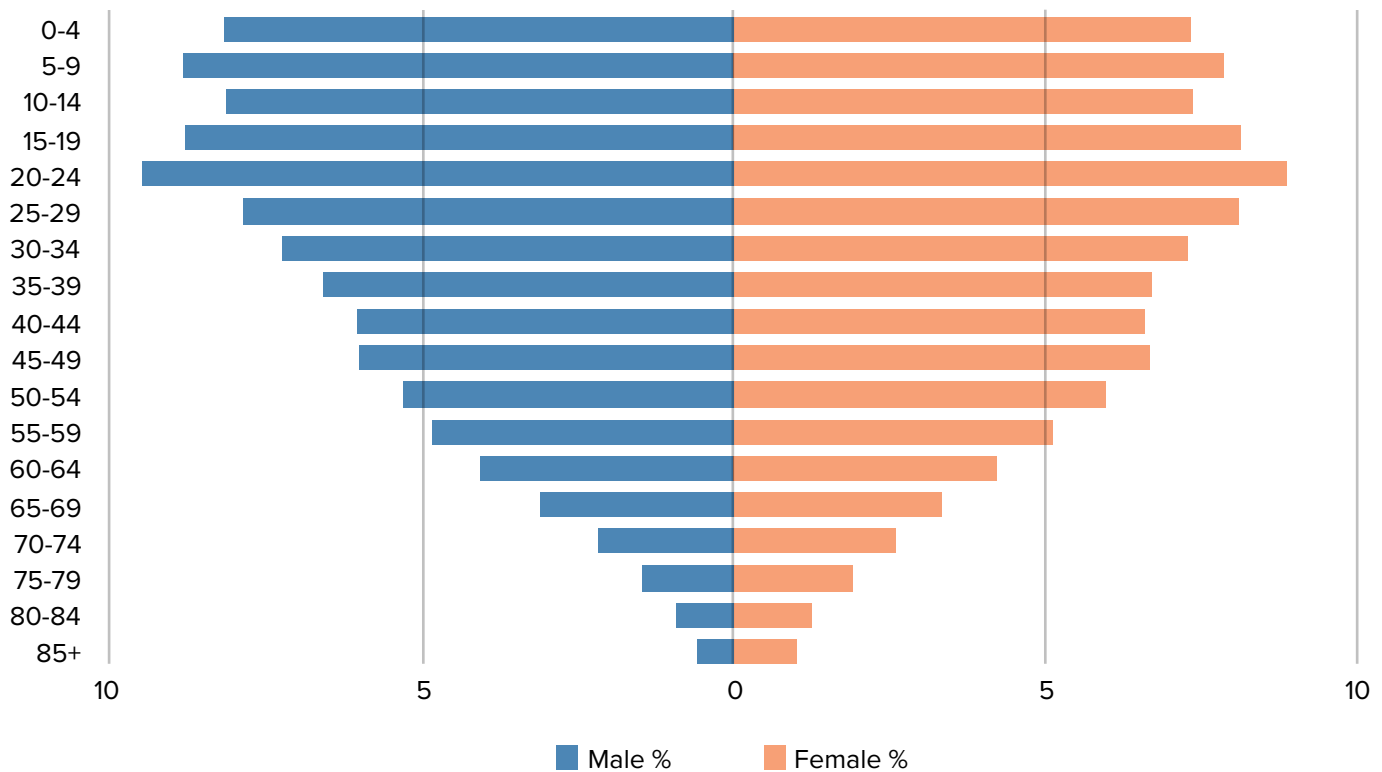


26 Ibid., 9, Table 1.

27 "Kosovo Labor Force Survey 2021," Kosovo Agency for Statistics, December 14, 2022, <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/add-news/anketa-e-fuqise-punetore-afp-2021>.

28 "Mismatch between Education and Employment in Kosovo," GAP Policy Institute, April 2020, https://www.institutigap.org/documents/35811_mismatchbetweeneducationandoccupation.pdf. Most of the unemployed youth are long-term unemployed (70 percent) and 77 percent have no prior job experience. See: "Youth Challenges and Perspectives in Kosovo," United Nations Development Programme, May 17, 2021, <https://www.undp.org/kosovo/publications/youth-challenges-and-perspectives-kosovo>.

29 "Public Pulse Brief XXII," UNDP, 17, Figure 6.

Figure 1: Kosovo Population Pyramid by Age Group (2021 Projection)

Source: Kosovo Agency for Statistics: "Population Estimation" (2021).

services if it is to avoid a return to political volatility, and to sustain the public belief in democratic accountability that was gained over the past decade.

9. Kosovo's new export-oriented industries have had considerable success and shown promise. Yet a leap into a higher level of economic sophistication, growth, and job creation will not be possible without more "pull factors" for foreign direct investment (FDI)—including the creation of a regional market, as well as an increase in EU transfers.

Looking forward, Kosovo will need to move toward more sustainable sources of growth, and job creation that is led by new private-sector industries. Trends have been positive on both these fronts. In the years preceding

independence, Kosovo used to export a mere €200 million in goods annually. By the end of 2022, the value was estimated at €950 million (see export trends in figure 2).³⁰ In 2021, a single new manufacturing operation shipping mattresses to the United States added €155 million to annual exports.³¹ The value of exported goods and services from Kosovo increased from 17 percent of GDP in 2008 to 38 percent in 2022.³² Despite the progress, that share is still far from Eastern European peers like Slovakia, Slovenia, and Estonia, where exports make up more than 80 percent of GDP.³³ Exports of professional services, such as information technology (IT) and business processing operations (BPO), have increased over the years to reach €99 million in 2021, but its share of GDP remains lower than in other Balkan countries.³⁴

30 "Kosovo International Trade Statistics 2021," Kosovo Agency for Statistics, 2022, <https://ask.rks-gov.net/media/6973/international-trade-statistics-2021.pdf>.

31 Ibid.

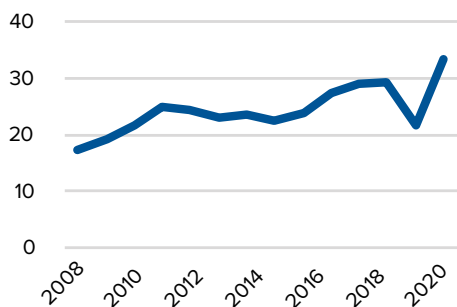
32 "Exports of Goods and Services (% of GDP)—Kosovo," World Bank, last visited February 27, 2023, <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=XK>.

33 "Exports of Goods and Services (% of GDP)—Estonia, Slovak Republic, Slovenia," World Bank, last visited February 27, 2023, <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=EE-SK-SI>.

34 "Kosovo's ICT and BPO Sector: Developments and Outlook," German Economic Team, July-August 2022, https://www.german-economic-team.com/wp-content/uploads/2022/08/GET_KOS_NL_06_en.pdf.

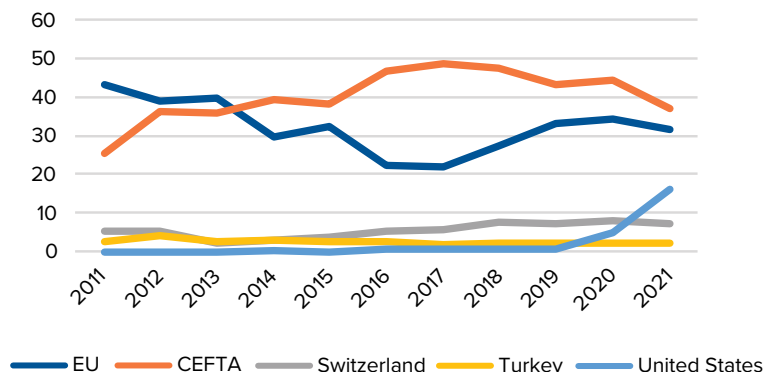
Figure 2: Kosovo's Exports

Exports of goods and services (% of GDP)



Source: World Bank Data Bank

Share of Kosovo's exports of goods by destination (2011-2021)



Source: Kosovo Agency for Statistics, "International Trade in Goods 2021." The Central European Free Trade Agreement (CEFTA) includes the Czech Republic, Hungary, Poland, Romania, Slovakia, and Slovenia.

Several factors remain obstacles for Kosovo to reach the next level of growth and sophistication. Economists largely emphasize labor-force productivity and costs, as well as a low degree of automation in existing industries, yet the external trading framework also plays a role.³⁵ As a small market, Kosovo loses out from constraints to regional trade caused mostly by nontariff barriers.³⁶ Unlike other regional countries that export most of their goods into the EU, the biggest export destination for Kosovo is the Central European Free Trade Agreement (CEFTA) area (see table 1). That is because the structure of intraregional trade “remains concentrated in goods with low value added ... dominated by minerals, base metals, and foodstuffs”—precisely the things Kosovo can produce.³⁷ Kosovo’s small size and the fragmented regional market are serious deterrents to larger-scale and innovative FDI. Economists have suggested that the Balkans are likely to benefit from Western firms’ “nearshoring” production processes to neighboring regions after disruptive events like COVID-19.³⁸ However, this will likely not materialize if the Balkans do not invest in “pull factors” like better governance, a regional market, and overall political stability.³⁹

An economic leap will also depend on external factors including the future and depth of the region’s ties with the EU, as uncertainty on that front remains a serious deterrent for big investors who want a greater degree of predictability. A recent study on the lessons learned from the EU accession of Central and Eastern European countries concluded that the EU relationship will also be a key factor for greater regional integration.⁴⁰ The report notes

Table 1: Share of Kosovo's Exports (2021)

Country/trade block	Share of exports
CEFTA	36.8
EU	31.5
United States	16.3
Switzerland	7.4
Turkey	2.3

Source: Kosovo Agency for Statistics, 2022

35 A recent study found that the digitalization index of Kosovo's firms is at 35.7 compared to the EU level of 63. For more, see: "Digital Capacities in Manufacturing Sector in Kosovo," Riinvest Institute, September 2022, <https://www.riinvestinstitute.org/uploads/files/2022/November/07/11667816562.pdf>.

36 Plamen Kaloyanchev, Ivan Kusen, and Alexandros Mouzakitidis, "Untapped Potential: Intra-Regional Trade in the Western Balkans," European Commission, May 2018, https://economy-finance.ec.europa.eu/system/files/2018-05/dp080_western_balkans.pdf.

37 Ibid.

38 "Getting Stronger After Covid-19: Nearshoring Potential in the Western Balkans," Vienna Institute for International Economic Studies, May 2021, <https://wiiw.ac.at/getting-stronger-after-covid-19-nearshoring-potential-in-the-western-balkans-dlp-5814.pdf>.

39 Zuzana Zavarska, "Global Value Chains in the Post-Pandemic World: How can the Western Balkans Foster the Potential of Nearshoring?" Vienna Institute for International Economic Studies, March 2022, <https://wiiw.ac.at/global-value-chains-in-the-post-pandemic-world-how-can-the-western-balkans-foster-the-potential-of-nearshoring-dlp-6129.pdf>.

40 Mahdi Ghodsi, et al., "The Long Way Round: Lessons from the EU-CEE for Improving Integration and Development in the Western Balkans," Vienna Institute for International Economic Studies in cooperation with Bertelsmann Stiftung, June 2022, <https://wiiw.ac.at/the-long-way-round-lessons-from-eu-cee-for-improving-integration-and-development-in-the-western-balkans-p-6194.html>.



A cow and a man are pictured in front of a power plant, near the town of Obilic, Kosovo, June 16, 2022. REUTERS/Florian Goga

that EU transfers were the key determinant that increased intraregional trade and investment by increasing demand and supply from the region. The economic convergence trend of the Western Balkans is not going the same way—the region remains at only one-third of the average GDP per capita of the EU. Part of it is related to the widening gap of EU transfers between the Western Balkans and other parts of Europe, despite massive investment needs. The European Bank for Reconstruction and Development (EBRD) estimated the infrastructure-investment needs of Western Balkan countries to be up to 12 percent of GDP per year—well above the levels of even the poorest EU member states. The Western Balkans Economic Investment Plan announced by the European Commission is insufficient to meet these needs.⁴¹ Perhaps more could be done through the proposed model of staged accession, which could potentially release bigger EU funds earlier to reward reforms.

10. A better trading framework will be less effective at attracting investments if key strategic infrastructure is missing. Kosovo needs to ensure its short- and medium-term energy security and better access to strategic transport networks.

As the IMF recently noted, Kosovo's gaps in physical and social infrastructure continue to limit its attractiveness as an FDI destination.⁴² Energy security remains a central issue. Kosovo currently generates enough electricity to meet around 80 percent of its needs, which is better than a few neighboring countries.⁴³ It also has a well-connected and modernized transmission infrastructure to secure imports. However, in the short term, it continues to have issues with technical failures in the aged coal-based power plants that provide around 92 percent to 93 percent of Kosovo's electricity generation. These crashes cause fluctuations in supply and increase risks of price shocks,

41 Ibid.

42 "Kosovo: Staff Concluding Statement of the 2022 Article IV Mission," International Monetary Fund, November 4, 2022, <https://www.imf.org/en/News/Articles/2022/11/04/Kosovo>.

43 "Brief on the Kosovo Energy Strategy 2022–2031," Riinvest Institute, November 2022, https://www.riinvestinstitute.org/uploads/files/2022/November/21/Shkurtimisht_pr_Strategjine_e_Energjise1669023785.pdf.

particularly during peak demand (winter) and periods of global price hikes like the one caused by the war in Ukraine. In the medium to long term, considering that the coal-based power plants built in the 1960s and 1980s are extremely polluting and well past their life cycles, as well as considering the introduction of the EU's Carbon Border Adjustment Mechanism (which puts a price on the carbon emissions of producing goods entering its market), Kosovo faces both environmental and economic pressures to diversify sources of energy generation.

Kosovo's previous governments sought to pursue the energy transition by adding gas into the energy mix, a strategy that the Kurti government has reversed by questioning its economic feasibility. A draft energy strategy by the government aims to extend the life cycle of the coal-based Kosovo B power plant, built in the 1980s, through an investment of around €300 million to gain an additional twenty years of operation—while also focusing on an ambitious program of new investments in wind and solar, which would eventually phase out coal.⁴⁴ The Kurti government directed a recent \$202 million grant agreement with the US Millennium Challenge Corporation (MCC)—which previous Kosovo governments had planned to use for a gas interconnector to North Macedonia and Greece—toward the construction of an electricity storage battery.⁴⁵ The latter aims to, among other things, make electricity from renewables more flexible to dispatch. However, these sources may be insufficient to secure wintertime supply, when demand doubles. To this end, Kosovo's government also seems intent on investing to keep the Kosovo A coal plant, built in the 1960s, functional as a strategic reserve. However, this raises questions about economic and environmental feasibility.

A better strategy seems to be to also focus on managing highly inefficient energy demand; diversifying sources by adding gas into the energy mix; and deepening the integration of the regional energy market. In terms of consumption, far too much of the electricity demand in winter is used for heating households that could be covered by

expanding thermal heating in major urban areas. In terms of generation, Kosovo should seriously explore the possibility of using gas for electricity generation or as a source for energy-intensive industries and public heating companies. Kosovo currently has no gas-related infrastructure or market, but it could reconsider the idea of building the interconnectors with North Macedonia and Albania. This would enable supply of natural gas primarily through the Trans Adriatic Pipeline (TAP) or ports for liquefied natural gas (LNG) in Greece, Croatia, and potentially Albania.⁴⁶ An alternative proposed by the local think tank Riinvest would be to use Albania's access to the TAP and its planned LNG port in Vlora to build a joint gas-based power plant in Albania.⁴⁷ Whatever options are chosen, it seems clear that adding gas into the energy mix could facilitate Kosovo's energy transition, though this solution also relies on regional cooperation.

In the context of a potential regional market and advanced ties with the EU, Kosovo would also need to improve key transport links. To this end, Kosovo has already completed highway connections to Albania and North Macedonia, providing better links to seaports in Durrës (Albania) and Thessaloniki (Greece, via North Macedonia). Plans are under way to finalize a missing component of a highway (most of it in Serbia) that would connect it to Corridor 10 and Central Europe. And Pristina Airport has grown into a major regional airport, serving just shy of three million passengers in 2022 (ranking third after Belgrade and Tirana).⁴⁸ Yet poor access to rail networks remains a missing piece of the puzzle. The old railway network connecting Kosovo to Pan-European Corridors VIII and X via North Macedonia and Serbia is already being modernized with EBRD financing and EU grants.⁴⁹ The newly proposed deep seaport in Durrës, which would form a direct rail connection with a “dry port” in Pristina, is a potentially transformative project that would change the geoeconomic landscape for Kosovo and the wider region.⁵⁰ The proposed project could potentially turn Pristina into a logistics hub for the entire region, and provide a decisive boost to manufacturing investments.

44 Ibid.

45 “MCC Board Approves \$202 Grant to Improve Kosovo's Energy Sector,” Millennium Challenge Corporation, press release, July 1, 2022, <https://www.mcc.gov/news-and-events/release/release-070122-mcc-board-approves-kosovo-compact>.

46 “Kosovo: Annual Implementation Report,” Energy Community, November 2022, <https://www.energy-community.org/implementation/Kosovo.html>.

47 “Brief on the Kosovo Energy Strategy 2022–2031.”

48 “10 Million Travelers in Tirana, Prishtina and Skopje Airports,” TRT Balkan, January 2023. Prishtina International Airport is owned by Limak Holding, which is supporting this report.

49 “EBRD and EU Back Rehabilitation of Kosovo's Railway Network,” European Bank for Reconstruction and Development, December 22, 2022, <https://www.ebrd.com/news/2022/ebrd-and-eu-back-rehabilitation-of-kosovos-railway-network.html>.

50 A plan commissioned by Albania's government for the new Durres Posrt, implemented by Dutch company Royal HaskoningDHV, was made public in 2022. “Royal HaskoningDHV Presents Game-Changing Plan for Largest Seaport in Albania,” Royal HaskoningDHV, last visited February 27, 2023, <https://www.royalhaskoningdhv.com/en/newsroom/news/royal-haskoningdhv-presents-game-changing-plan-for-largest-seaport-in-albania>.

To Sum Up

- Despite all the challenges it faces, Kosovo has proven that it stands out as a comparatively successful case of Western-supported state building. In the current age of historical revisionism, when many are questioning whether the West misused the “unipolar” moment of the 1990s and 2000s by investing too much in failed liberal interventionist projects of democracy promotion and state building, there is also the minor case of Kosovo, which begs to differ. Kosovo has a good chance of becoming a true success story if it manages to address its key vulnerabilities and use the opportunities highlighted in this paper.
- Kosovo's future success will depend on whether its political elites can capitalize on the opportunities of the new geopolitical environment to resolve the thorny issue of relations with Serbia. The fact of the matter is that Kosovo is missing out on a lot of opportunities—in terms of its integration in Euro-Atlantic structures, economic development, and domestic political stability—because of its long-standing dispute with Serbia. The discourse of political elites in Kosovo needs to reflect this with a greater sense of urgency. Kosovo's political elites also need to reframe the discussion away from what Kosovo would stand to lose from a comprehensive settlement in the EU-facilitated dialogue and toward what it stands to gain.
- Kosovo's success is intertwined with the fate of the Western Balkans as a whole: the tide will rise or fall for all. The issues that stand out horizontally in almost all the issues raised in the paper are regional cooperation and integration. In a small region riddled with ethnic and political disputes, they provide key incentives for settling the political and security architecture. They also are the key framework for economic development and anchoring the region to the EU, whatever shape that will take. Yet the fact that cooperation and integration remain hostage to bilateral political disputes reemphasizes the importance and urgency of resolving these disputes.
- Kosovo's more evident problem is external, yet its main and more important challenges remain domestic. Kosovo's domestic success is considerably constrained by its external challenge of obtaining full recognition, which takes up a lot of attention, but the country will need to learn to juggle two balls. Its institutions need to capitalize on the demographic dividend by creating more opportunities for young people and middle classes, as well as delivering better services. Investments in human capital and other key physical infrastructure, coupled with the deepening of regional market integration, will be key in attracting more FDI and taking the economy to another level. A successful domestic agenda will also be needed to sustain Kosovo's faith in democracy.
- Kosovo and the Western Balkans will need decisive action and support from the West to be nudged, and, if need be, pushed forward to make bold moves. As the developments of the past few months have shown, NATO's presence in Kosovo has been a key factor preventing the escalation of ethnic tensions. Yet the West needs to comprehend the urgency of finding lasting solutions and giving the Western Balkans a clearer perspective, as well as access to transformative financing. Unlike many other parts of the world, where it faces more robust competition, the West continues to have the political and economic weight and incentives to move things in the right direction in the Balkans. Using these tools will be key to strengthening European security, among other things.

About the Author



Agon Maliqi is a political analyst and media writer from Kosovo. He was the co-founder and until recently the chairman of the board of Sbunker, an analytical media platform and think tank based in Pristina which works on democracy, human rights, and security issues in the Western Balkans. Maliqi currently works as an independent analyst and consultant on these issues in the Balkans and South Caucasus. Previously, he was a Reagan-Fascell Democracy Fellow at the National Endowment for Democracy. He graduated from the American University in Bulgaria in 2006, where he studied political science and European studies, and obtained a master in international development policy from Duke University in the United States in 2012.

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