

# **OPEN BORDER POLICY AND WESTERN BALKANS: POLICY OPTION FOR REGIONS ECONOMIC AND REFORM FATIGUE?**

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I, the undersigned Mirko Medenica hereby declare that I am the sole author of this thesis. To the best of my knowledge this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program, in English or in any other language.

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## Abstract

The Western Balkans region is currently in a political and social vacuum. For two decades, the process of joining the European Union has been a driving force in institutional, political and economic reforms. European enlargement fatigue has led to both economic and reform fatigue in the countries of the region. As a consequence of slowdown of reforms and weak economy, a large number of citizens is emigrating in developed countries. Labor shortages and brain drain are becoming an obstacle to economic development and the region is failing to reach growth rates that would bring it closer to European Union countries. In order to get out of this stalemate, a radical turn is needed, both in terms of initiative for change and in terms of solutions. With the lack of interest of European Union for the region, it is up to countries of the region to take the initiative. The idea of open borders in the region is a possible solution that would alleviate directly the economic and demographic problems and indirectly political problems faced by the countries of the region.

**Key words:** open borders, Western Balkans, brain drain, migration

## Introduction

Migration is one of the most debated topics nowadays. In an era of a globalized world that has reduced physical and cultural distance and thus increased mobility, an increasing number of people are opting for migration. The issue of migration management in a large number of countries is at the top of the agenda of policy makers and in the focus of public. The effects of migration are complex and in addition to positive, it also has negative effects. Often positive effect for one party means negative consequences for other party involved. Good migration management presupposes finding a balance between the needs of the economy and the desire of people to improve their living conditions on one hand and the concerns of destination countries that excessive migration will affect the way of life and concerns in countries of origin that mass emigration will severely lower their capacities for development on the other hand. In this circumstances the concept of open borders, which implies the removal of barriers for migration, is even more controversial.

The political position of the Western Balkans region, which is reflected in the long-running process of joining the European Union (EU), which is still ongoing without clear indications when it will end, reflects the overall situation in the region. Transition to democratic societies and institution building process is still unfinished. The economy is not succeeding to keep up with other countries in surrounding. Excessive orientation towards EU and expectations from the accession process have made the region vulnerable to internal EU's dynamics. Enlargement fatigue due to the EU's internal problems has spilled over into the region and caused social, political and economic fatigue.

As a consequence a large number of people emigrates from the region, which leads to labor shortages and imbalances in the labor market, affecting the capacities of economic development.

Due to the current lack of interest of the EU for Western Balkans, which for years initiated reforms through the framework of accession process, there is a need for greater initiative of region countries itself. As the countries of the region mostly share the same problems, there is a space for joint action and common policies. Open border policy within the region is one of the options that could respond to problems, primarily of economic and demographic nature, but also indirectly to initiate processes that would reduce the space for nationalist and populist policies, which negatively affect institutional and economic reforms.

Throughout the thesis I will seek for the answers on adequacy of open border policy for Western Balkans region, feasibility of implementation and possible effects.

To answer these questions I will follow the following structure:

In first part, Western Balkans context will be elaborated, its historical, political and economic aspects. A special focus will be on regions relation with EU and accession process dynamics. In the second part concept of open border will be examined, its development, rationale, possible effects, limitations and obstacles for implementation. Third part will explore the labor market situation in Western Balkans, “brain drain” phenomenon in the context of the region and will give the overview of regional legal framework on labor mobility. In forth part, implementation of open border policy in the context of Western Balkans will be examined. Finally in conclusion I argue that open borders policy in Western Balkans, despite its limited effects, is viable and cost-effective policy.

# Chapter 1: Western Balkans context

## 1.1 Recent history and terminology

The term Western Balkan is both geographic and political. Geographically it covers the western part of the Balkan Peninsula, politically it covers 6 countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia and Serbia. This term was initially introduced by European policymakers with creation of European Council working group for Western Balkans (Slukan Altic 2009) to refer to the part of the Balkan Peninsula that remained outside the European Union (EU) since the early 1990s. Taking into account the negative connotations that the term Balkan has, as a synonym for disorder and violence, the creation of the term Western Balkans is a try of rebranding, adding to the term Balkans, the more “positive” term Western, alluding to the “West” as an example of order and prosperity (Munoglu 2018).

Five countries of the Western Balkans were part of the former Yugoslavia. During the Cold War, Yugoslavia and Albania were not part of the classical west/east division in Europe. Yugoslavia chose the path of the so-called non-alignment and was one of the founding states of the Non-aligned movement, while Albania pursued an isolationist policy. What they have in common is that they were not in the direct sphere of influence of the great powers. Yugoslavia and Albania retained their specificity even after the end of the Cold War. The end of the Cold War also meant the collapse of the communist form of government and the beginning of the transition of the former communist countries, from an autocratic to more democratic form of government. Instead of transition, there was a civil war in Yugoslavia, and a state collapse in Albania. This period of wars and instability lasted the entire last decade of the twentieth century and ended in 1999 with

the war in Kosovo and soon after the fall of Slobodan Milosevic's regime in Serbia, who was largely responsible for the wars in the former Yugoslavia (ICTY 2006).

For these reasons, it can be considered that the countries of the former Yugoslavia and Albania actually began their transition with a decade of delay in relation to other countries in Central and Eastern Europe, but also with the heavy burden of the wars and unrest of the 1990s.

## 1.2 Political context

Twenty years after the beginning of the transition, the current state of affairs shows that all the countries of the Western Balkans have are still lagging behind in terms of democracy and good governance, as well as economically (Bieber 2019).

As far as democracy and institutions are concerned, all countries are characterized by a lack of democracy and weak institutions. According to the latest Freedom House report (2020), all Western Balkan countries are classified as “Transitional or Hybrid Regime”. Hybrid regimes can be defined through the two concepts of ‘defective democracy’ and ‘electoral authoritarianism’, regimes that are on the path of transition but have not yet reached full democracy and built democratic institutions (Bogaards 2009).

Looking at the results of the Freedom House survey in the last five years, it can be seen that there is no progress, while in the case of Serbia and Montenegro, the situation has worsened, Serbia in 2020 and Montenegro in 2019 were transferred from the “semi-consolidated democracies” group to “transitional or hybrid regime” group.

This trend is certainly not limited to the Western Balkans region, authoritarian tendencies are on the global scale. What is specific for the countries of the Western Balkans is that their stagnation



in terms of democracy and the building of democratic institutions takes place under the supervision of the institutions of the European Union. All the countries of the region are part of EU enlargement policy and are in different stages of accession process.

The country's accession process to the European Union, although often referred to as "negotiations", is far from real negotiations. The two parties of the process are in very different positions of power. On one side, it is the European Union, with a very dominant position, and on the other a candidate country, which fulfills the tasks and conditions set out by the European Union. The candidate country must fulfill the conditions set before it, and their fulfillment is monitored and verified by the European Union. This is a principle of conditionality, which is a core mechanism of accession process. These conditions are determined by the Copenhagen criteria and relate to the stability of the institutions and their democracy, the rule of law, respect for human rights, rights of minorities, functioning market economy, ability to take on the obligations of membership and the adoption of the *acquis communautaire* (Juncos and Perez-Solorzano 2019). Reforms in Western Balkans countries are influenced by accession process and governments in the region tend to tie the progress of reforms to accession progress, making the reforms vulnerable to the external factors, as EU enlargement depends also on internal factors within EU.

Due to a general “enlargement fatigue” in quite a number of EU member states, as a consequence of the economic crisis, disagreements over the common response to various challenges such as the question of migrants and the atmosphere created by Brexit, there is a lack of enthusiasm for Western Balkans accession in EU (Miscevic and Mrak 2017).

The internal issues of EU, shifted its policies to more isolationist position, democratization is not in a focus of EU policy towards Western Balkans and its attention in the region is more focused

on issues of more direct Member Countries or Union concerns, such as closing of the ‘Western Balkan migrant Route’ (Bieber 2019).

As enlargement is not on the top of the EU agenda, the transformative power of the EU accession process has weakened (Bieber 2019).

The accession process is still ongoing, and both sides officially still claim to be committed to the process. In order to assess the success of this process, it should be compared with some previous cases of enlargement. If we take as parameters the year when the countries officially acquired candidate status and the year when they joined the European Union, in the case of the 10 countries of Eastern and Central Europe that joined in 2004, that period averaged 7 years. The countries of the Western Balkans, which have the status of candidates, have been in that status for almost 10 years on average, and they still needs years to complete all the stages (European Commission 2020a).

Despite setbacks and slow pace, the process of European integration, still has a broad social consensus among citizens in Western Balkans. This consensus emerged after 2000, and no matter how remote this prospect is, hope of membership made it hard for political parties to gain support, without at least rhetorically supporting the process, as EU recognition is a large source of legitimacy for governments in Western Balkans (Bieber 2019). International diplomacy is often not sensitive to issues of democracy, and many democratic governments have pragmatic ties with autocrats in the name of realpolitik (Bieber 2019).

The EU enlargement approach based on conditionality oscillates between the adoption of a strict, non-negotiable principles, and the practice of adaptable conditionality, which takes in to the

account local specifics and security considerations. This leads to lack of critical assessment of its political conditionality and to more adaptable evaluation (Anastasakis 2008).

As a consequence a specific form of government emerged in the region during last decade, named stabilocracy. The governments formally accept democratic rules and institutions, while informally taking control of these institutions through patronage networks and control of media, with two constants being the external promise of democracy and autocratic reign at home (Bieber 2019).

Clientelism is also dominant in Western Balkan societies and it undermines democracy, rule of law and institutions (Djolai and Stratulat 2017).

It can be defined as an informal network that operates within or coexists with formal institutions and is focused on the patron's exercise of power and influence (Weingrod, 1968). In the context of Western Balkans political clientelism, giving material goods or benefits in return for political support, is dominant.

Those included in the clientelistic scheme will tend to cast their vote in the elections in such a manner as to maintain the political status quo (Djolai and Stratulat 2017). In this way the elections as an ultimate tool for control and the assessment of the work of government are compromised.

The grave consequences of clientelism are affecting the labor market. Often to obtain job does not depend on one's knowledge, education, experience or skills, but rather on whether people know someone who is in a position of power and political party affiliation plays significant role (Djolai and Stratulat 2017), lowering the opportunities for employment.

Another important feature of this system is the constant production of crises by ruling political elites in the region with sole purpose of these crises to shift the focus of public from state malfunctioning (Bieber 2019). Volatile history of the region and history of ethnic tensions and conflicts is exploited for this purpose. While nationalism is not a constitutive force of regimes and it does not generates support, it is still use as a resource for reinforcing the regime, both internally through making divisions and distraction of public and externally through support and recognition from international community for maintaining the situation under control (Bieber 2019).

### 1.3 Economy of the region

Economically speaking region of the Western Balkans is well connected and integrated, both with the European Union, as its main economic partner, and within the region. All countries are signatories to the Stabilization and Association Agreement with the EU. This contractual relationship led to the opening of the market, and the trade of 95% of goods and services is free to enter the Union free of duties and any quantitative limits (European Commission 2020b). At the regional level, all countries are signatories of the CEFTA Free Trade Agreement, which has enabled free trade between countries and significantly facilitated trade procedures (CEFTA 2020).

Looking at the region as a whole, GDP growth rates have been consistently positive since 2014, but what is problematic is that these rates are averaging about 3 percent per year (European Commission 2020c), which given the small initial base for calculating GDP is insufficient for development, especially in the context of closing the gap with EU.

Eurostat data shows that GDP per capita in relation with EU average in 2018 for countries of the region was ranging from 31 percent in Albania and Bosnia and Herzegovina to 48 percent in Montenegro.

Labor market as an important factor of economy will be elaborated in Chapter 3.

## Chapter 2: Open border policy

### 2.1 The concept of open borders

The idea of open borders is a broad concept. What is common is the basic urge to alleviate the obstacles set by states for the free circulation of people. What distinguishes the various proponents of this concept is the degree of freedom of movement, on this broad scale on the one hand are those who, under the idea of open borders imply the complete abolition of states and thus borders. On the other hand, there are those who do not question the existence of borders, but in various ways want to diminish their impact on people's lives.

The borders regime that is dominant today is normalized and rooted that it is easy to think that it is a historical institution with a very long tradition. Immigration controls are perceived as a matter of common sense, an unavoidable reality (Hayter 2003). In fact the border regime that is dominant today is actually a relatively new concept and is fundamentally linked to the development of modern nation states and their concepts of sovereignty (Casey 2010).

The first cross-state movement restrictions were introduced in the first decades of the twentieth century, but even after, anyone who had the means to leave countries of origin could settle in most countries of destination relatively easily until the 1970s (Casey 2010).

In the last few decades, we have witnessed the unprecedented levels of globalization on the planet. This globalization was and is primarily economic, but also cultural. With few exceptions, the process of economic globalization concerned goods, capital, and services. People are mostly excluded from this process of liberalization. In today's world, the freedom of movement of goods is greater than ever, administrative barriers have been minimized or removed, but at the same time the mobility of people - workers, has remained predominantly strictly controlled.

The world is made up of states that are overwhelmingly based on the national principle. Due to globalization, sovereignty, as a basic feature of every state, is shrinking. The control that states have over who can enter and live on their territory remains one of the last features of sovereignty (Casey 2010).

Borders play a key role in sustaining the idea of the nation, symbolically they signify a separation between those who belong and those seen as not belonging to community, setting a various regimes of rights, based on racialised, gendered and classed perceptions of whose presence is legally desirable and who is not (Leuenberger 2019).

Borders gained significance with rise of industrial capitalism, and in order to maintain a social and economic order and discipline of the emerging working classes, ruling classes turned to ideologies of the nation (Cantat 2019). The idea of the nation become a key ideological resource for the neutralization of class struggle and people with different, sometimes opposite interests and class positions, were encouraged to perceive themselves as a part of community (Cantat 2019).

Through time the contradiction emerge, while nation states utilizing nationalism in order to sustain capitalist interests through the diminishing of class struggles, capital's expansionist drive and its need for labor could not be satisfied inside the states (Marfleet 2016).

Migrations are closely linked to economic existence, and therefore to the issue of the labor market. The search for jobs and economic well-being and stability are key factors that drive people to migrate, whether it is internal migration, within a country or international migration (Casey 2010).

In theoretical considerations of the idea of open borders, it can be concluded that there are two spheres in which the effects of liberalized migration policies are considered. These two spheres are economic and socio - cultural. Those who support the idea of open borders focus on the economic aspect, while those who are skeptical of this idea focus on the socio - cultural aspects.

## 2.2 Effects of open border policy

It is widely accepted that the free flow of people, especially in the context of work, has an overall positive impact on the economy (Casey 2010). Economic gains from labor mobility are associated with differences in the levels of labor productivity in different places. Speaking globally, these differences are large which points at the existence of potentially big gains (Casey 2010).

Gains are based primarily on better utilization of workers' potential, both in terms of personal earnings, where the value of labor, and thus overall output increases, when a worker migrates from a country where specific work is less paid to a country where the same work is better paid, and in terms of better labor allocation, where surplus of labor force in one place, fills in gaps in another (Dustmann and Preston 2019).

For destination countries net economic gains comes from increased opportunities for existing economic activities, facilitated by the presence of immigrants and their families as both laborers and consumers (Coppel et al. 2001).

Another direct economic benefit from ending immigration restrictions is the saving of budget money allocated for financing administrative and policing network designated for migration control.



The need to compensate for “demographic deficit”, a consequence of low birth rates and at the same time increased life expectancy is also a common economic argument (Casey 2010).

It is logical to assume that labor gains for a destination country are labor losses for a country of migrant’s origin. If emigration is extensive, especially the emigration of highly educated and skilled it leads to the so called brain drain (Kapur and McHale 2006). This phenomenon negatively affects the potential for economic development in countries facing high negative net migration. As destination countries are often developed counties, their efforts to assist underdeveloped countries through aid is significantly undermined due to brain drain which leads to poor governance in aid receiving countries (Docquier and Rapoport 2011). Brain drain does have some positive externalities, for example it incentivize the increase in quantity and quality of educational sector in countries of origin (Docquier and Rapoport 2011). Immigration is not a zero-sum game (Casey 2010), there are gains and losses and it is on creation and implementation of good policies to maximize gains and balance it for all parties.

The dominant way of controlling migration is currently based on the so-called “cherry picking” system (Casey 2010), where the receiving countries facilitate the entry of educated and skilled people, and make it difficult or almost impossible for others to enter. This intensifies the effects of “brain drain”.

Additionally, policy of recruiting skilled workers on temporary contracts, leave them open to extreme forms of exploitation (Hayter 2003). These migrants are captive with continuous residence conditions that make it difficult for them to return home and discouraging circular migrations (Casey 2010).

With fewer restrictions on movements, immigration flows will tend to circulate between countries of origin and destination (Casey 2010). Circular migration is perceived as possessing the highest capacity to generate benefits for sending and receiving countries and migrants, as well to stabilize volatile labor market (Constant et al. 2012).

The question of migrations in the context of globalization is often perceived as a social dimension of globalization (Casey 2010). This leads us to another argument in favor of open borders. As Galbright pointed, migrations are the oldest action against poverty and it helps to break the equilibrium of poverty (Galbright 1979).

Immigration is a safety valve for economies not able to create sufficient jobs for their labor force (Casey 2010), thus reducing the pressure in society. By sending remittances, migrants also significantly affect the income in the country of origin and contribute to consumption, and thus to the growth of the economy. The amount of remittance at the global level greatly exceeds the amount of aid developed countries send to less developed countries (Casey 2010).

Economically speaking, one of the biggest fears of citizens from receiving countries is that migration liberalization will worsen their standard of living, both in terms of increased competition in the labor market and in terms of the presumed pressure that migrants will exert on social benefits system.

Migrations are not only economically significant but also have broader social and cultural impacts, as countries do not differ only in economics (Casey 2010). Arrival of individuals with different social and cultural norms can be disturbing for some, as their social, cultural, religious and linguistic homogeneity can be diminished (Dustmann and Preston 2019).

Abolition of border restrictions is often connected with the image of uncontrolled surges of immigrants, who would swamp the economy, culture, and well-being and even imperil physical safety (Dustmann and Preston 2019).

Past experiences shows that free movement between richer and poorer areas did not in fact produced continuing mass movement to the richer areas, citizens of Caribbean countries, previously dominions, were free to move to their former suzerains United Kingdom and France, but this movement was far from massive (Casey 2010).

As Philip points out the number one form of migration control is “personal inertia”, migration is the exception not the rule, as most people do not want to move away from family, friends and feeling of safety and comfort of their language and ethnic group (Philip 2004). The assumption that migration generally makes immigrants better off can be certain only if “better off” is reduced to its narrowest economic sense (Bartram 2010).

Casey argues that there is a fundamental paradox in the goal of open borders, It seeks to guarantee the right to migrate as a matter of choice, but the ultimate aim is to create a world in which people would not be forced into that choice. He emphasize that open borders gives freedom of emigration, but the idea also include freedom of return to one’s place of origin at any moment and without consequences regarding the status in receiving country (Casey 2010).

When summarizing the arguments against open borders and concerns usually raised, it can be concluded that key objections to free mobility from receiving countries are cultural, not economic (Dustmann and Preston 2019). Concerns about loss of cultural homogeneity and the costs associated with the social tensions arising from integration of immigrants dominates the

attitudes of citizens, overshadowing fears of negative economic effects (Dustmann and Preston 2019).

This fact should certainly be taken into account by the policy makers, the excessive insistence on the indisputably positive economic effects of migration, and on the other hand the lack of concrete solutions to address socio-cultural concerns is an approach that can hardly gain wider support for open borders policy. Additionally such concerns regarding migrations are ideal subject for manipulation and exploitation by populist political movements in order to get votes (Dustmann and Preston 2019). In the social and cultural context migrations significantly challenges the notion of identities associated with the nation state (Casey 2010), yet effective free movement can help in creation of wider, more inclusive identities, like a regional identity or ‘regional consciousness’ (Nita 2017). More open borders beside positive influence on economic cohesion and development, can also be an instrument for integration of political and social values and norms (Casey 2010).

## 2.3 Implementation of open border policy

Globally speaking, opening borders and removing migration controls is a process. It is certainly unthinkable for this idea to be realized simultaneously on all meridians. The perception of differences between countries, economic strengths and cultures, as well as the fears that arose from it, are too strong at this moment. This policy can be applied partially, in those regions where the perceived differences are weaker.

As Dustmann and Preston argue, objections to liberal migration policies, especially on social and cultural grounds are at their weakest where migration is between culturally and politically similar locations. These similarities make the establishment of free movement within regional blocs a

feasible project and historical ties and geographic proximity are also playing a role in facilitating these processes (Dustmann and Preston 2019).

There are already territories in the world where migration restrictions are minimal or non-existent between contracting states. The most famous example is certainly the European Union. Article 45 of European Union Charter of Fundamental Rights proclaims freedom of movement and of residence, paragraph 1 states that every citizen of the Union has the right to move and reside freely within the territory of the Member States. This right is additionally developed by EU secondary legislation and the Case law of the Court of Justice. EU citizens are entitled to look for a job in another EU country, work there without needing a work permit, reside there for that purpose and can stay there even after employment has finished. They enjoy equal treatment with nationals in access to employment, working conditions and all other social and tax advantages.

On a smaller scale there is an example of Trans-Tasman Travel Arrangement between Australia and New Zealand which allows citizens of each country to reside and work in the other (Spinks and Klapdor 2016).

These agreements function on the assumption that citizens of certain countries, which share similar values, should be able to move freely.

The advantage of open borders, but also the acceptance of limits that currently hinder wider global application have been recognized around the world. There are numerous examples of regional organizations that are already implementing or are considering implementing the partial or complete abolition of barriers for the free movement of nationals of member states (Nita 2017). This can take various forms, from the removal of visa-requirements and more freedom to

migrate, to final aspiration and goal of comprehensive free movement rights in a common economic space (Nita 2017).

Regional agreements are easier to reach in comparison to global level, as smaller number of states are involved, there are more similar levels of socio-economic development and often similar challenges which can be addressed through migration policies, which all contributes to facilitate the process (Nita 2017).

Some regional arrangements do not aim towards a general free movement of persons but rather intend to facilitate the movement of certain categories of high-skilled workers and service providers. North American Free Trade Agreement (NAFTA) and its successor United States–Mexico–Canada Agreement (USMCA) are the examples of such an agreement.

Some other examples of regional cooperation have more ambitious goals in terms of migration liberalization.

Economic Community of West African States (ECOWAS), have adopted measures to establish a borderless West Africa. The free movement protocol provided three phases of liberalization, first provides the right of entry, followed by right to residence and finally right to establishment. First phase was implemented and second and third are still not fully implemented (Adepoju et al. 2010).

Gulf Cooperation Council (GCC) grants freedom of mobility to nationals of Member States. This case is specific as it still excludes majority of people residing in these countries due to the fact that in majority of the Gulf countries, non-citizens constitutes the majority of residents (Vonk 2018).

## Chapter 3: Labor and migration in Western Balkans

### 3.1 Labor Market in Western Balkans

The labor market in the Western Balkans region, despite certain positive trends, still lags significantly behind developed countries. What is especially worrying is the trend of decreasing the total number of available labor force, due to the large number of outward migration, as well as the aging population (World Bank 2020) which is already an obstacle to economic development and expansion, and as this trend continues, its consequences will be even more devastating.

Based on a World Bank data a brief overview of main factors of labor market in the region follows:

The overall working-age population (15-64 years) of the Western Balkan countries dropped by about 762,000, or 6 percent since 2012. By the last accessible data (2019 Q2), only in one year from mid-2018 to mid-2019 the number dropped by 2 percent. Variations existed across the region, since 2012 Bosnia and Herzegovina was affected most, with a decline of more than 20 percent, followed by Serbia by 10 percent, Albania 8.8 percent, Montenegro 3.1 percent and North Macedonia -1.4 percent. Only Kosovo had increase by 5 percent.

Since 2012 the activity rate rose by 4.5 percent, driven by the increased labor market participation of women at the regional level. Since 2012, over 900,000 jobs were created increasing the number of jobs from 5.5 million in 2012 to 6.4 million in 2019.

Unemployment is on all-time low in all Western Balkan countries but higher when comparing with the EU. On the level of region unemployment rate is 13,3 percent (23 percent in 2012),

lowest in Serbia 10.3 and highest in Kosovo 25.2 percent. Unemployment rate for young people 30.4 percent (48 percent in 2012). Long-term unemployment is 8.8 percent in 2019 Q2 (18 percent in 2012). Although these statistics are encouraging situation is worrying, as emigration from the region was key to the reduction in unemployment.

Wages are steadily increasing in all Western Balkan countries, mostly due to rises in public sector wages as well as labor shortages in some sectors. Accordingly to data from official statistics institutions of countries of the region, despite having largest figures of unemployment, average net salary at the beginning of 2020 is highest in Kosovo – 537 EUR, followed by Montenegro 515 EUR, Serbia 515 EUR, Bosnia and Herzegovina 481 EUR, Albania 431 EUR and North Macedonia 430 EUR. Characteristic of all countries is that wages are significantly higher in the public sector than in the private sector. For example in Kosovo, average salary in private sector is 333 EUR, which is only 62 percent of average salary on the level of country.

### 3.2 Brain Drain and effects of emigration in Western Balkans

Shrinking of labor force is a problem that is already present in the Western Balkans, and the trend of departures continues. A special aspect of this problem is the so-called brain drain. This phenomenon is reflected in the emigration of highly educated people as well as those with specific skills, which leads to a lack of certain professions, a reduction in the overall capacity of countries and undermines prospects of economic development. Countries facing this problem are characterized by serious shortages and imbalances in the labor market. The massive emigration from Central Eastern European states including the Western Balkans is one of the key predictor of a slow economic convergence with the EU, in addition to accelerated ageing it undermines local workforce, economic structures and cultural capital (Radonjic and Bobic 2020). At the



same time this process have certain positive effects like smoothing labour market tensions by lowering the unemployment rates and improving budgets of local population through remittances. This complexity influenced shift from previous “drain/gain” dichotomy narratives, towards more positive debates on brain exchange, brain chain and brain circulation (Filipovic and Putnik 2010). In this chapter this complex phenomenon focusing on Western Balkans will be elaborated.

Human capital is the ultimate resource of twenty-first-century economies, and developed countries are in constant demand for well educated and skilled labour (Zimmermann 2005). On the other hand, the urge for people to move to places where they can better cash in their knowledge and skills is natural.

In 2015, migrants accounted for 3.4 percent of the world’s population and contributed to the creation of 9.4 percent of global GDP (Woetzel et al. 2016). This disproportion speaks in favor of the fact that migrant workers are on average more educated and skilled, and the motivating factor should not be neglected, because emigration is generally performed by those who are younger, more motivated and committed to their careers (Radonjic and Bobic 2020).

Emigration is not new for the Western Balkans, this trend has been going on for decades. Since the beginning of the twentieth century, there have been several waves of emigration. The latest wave is ongoing, largely caused by disappointment in slow economic development and a weakening prospects for EU accession, but economic reasons are not the only ones that motivate the citizens of the region to emigrate, citizens often stated that corruption, primitivism, religious chauvinism, and nationalism are some of the factors that triggers the emigration (Vracic 2018).

Estimated (2013) 5.7 million persons originating from the Western Balkans live abroad, which constitutes 31.2 percent, almost one thirds of the total Western Balkans population, ranging from 18.2 percent in Serbia to 45.3 percent in Montenegro (Petreski et al. 2018).

Western Balkans emigrants are predomonantly young and relatively high educated. Between 30 and 45 percent of the migrants that left Albania, Bosnia and Herzegovina and North Macedonia have high education, which is three to four times more than a percentage of high educated people in general population (World Bank, 2020).

This trend continues to be negative as it is showed in Gallup research on Potential Net Migration Index. It measures how many people from a certain category of the population would leave to other countries and how many people from the same category from other countries would move to the country. Data shows negative values across the region, in Albania 50 percent among highly educated and 46 percent among youth, in Bosnia and Herzegovina 40 percent and 57 percent, in North Macedonia 39 percent and 52 percent and in Serbia 27 percent and 46 percent (Gallup 2018). Half of Bosnia and Herzegovina 3.8 milion people, stated they would be ready to move and work abroad (Vracic 2018).

Emigration is not evenly distributed across occupations and certain occupations are more affected. According to the data of the Medical Chamber of Serbia, in 2019, 800 doctors left Serbia (N1 2020). German Federal Employment Agency data shows that in 2019 there were 50.726 healthcare proffesionals originating from Western Balkans working in Germany (Rujevic et al. 2020).

Engineers, IT industry workers are leaving in high numbers too, but also workers with a vocational education (Petreski et al. 2018). This lost is threatening development, competitiveness

and sustainability (Taleski and Hoppe 2015). The loss of so-called “new economy” skills, like IT and research, increasing overall labor market vulnerability to inevitable technological change (World Bank 2020). The consequences are also being felt in less high-tech and sophisticated professions, for example public transport in Belgrade is facing a problem of a significant shortage of drivers and maintenance workers (N1 2018).

Most evident positive effects of emigration for countries of origin are significant income through remittance and lowering of the unemployment. Instead of “brain drain” narrative, from another perspective this phenomenon can be seen as a way of preventing “brain waste” (Filipovic and Putnik 2010), by utilizing labor, knowledge and skills which might otherwise remain unused due to lack of opportunities in countries of origin. Emigration has been a source of growth through remittance, but also experiences and connections gained in developed countries which emigrants can apply or share in country of origin (Vracic 2018).

Western Balkan countries yearly receive remittance in average of 8 percent of GDP, and in Kosovo it amounts to 16 percent (World Bank 2020). This figures include only official transfers.

For all these reasons, it is hard to give a unambiguous answer to the overall nature of the effects that emigration has on countries of origin. Recent study (Radonjic and Bobic 2020) tried to calculate the net effects on the example of Serbia. Calculation was based on the figure of 44.000 people who emigrate in 2016. Costs side included direct costs (costs of education) and opportunity costs (output which emigrant would generate if they stayed). It is estimated at 4.6 billion euros and when deducted for the amount of remittance received net annual loss is 1.2 billion euros. This calculation is certainly not the most accurate because it does not take into account indirect gains (experience and connections used in country of origin), and also the

amount of remittance is official and does not include money handed in cash. In any case, it gives some idea of the overall effect of emigration.

### 3.3 Cross-border labor mobility - legal framework in Western Balkans

The legal framework for labor migration in the Western Balkans can be defined as relatively strict, according to the possibilities for access of foreign workers to the domestic labor market. Although in principle access is not prohibited, a number of legal restrictions significantly impede cross-border labor mobility.

When considering the legal framework, we will start from international legal norms in the field of labor and migration. All Western Balkan countries, with the exception of Kosovo, are members of relevant international bodies, as well as signatories to conventions that deal in whole or in part with labor rights, including migrant workers. Although formally Kosovo is not a member of international organizations, including the United Nations, nor a signatory to conventions, Kosovo implements international standards in its legislation. This body of law includes UN International Covenant on Civil and Political Rights (1966), UN International Covenant on Economic, Social and Cultural Rights (1966), UN Convention against Torture (1984) and its Optional Protocol (2002), UN Convention on the Rights of the Child (1989), UN Convention on the Protection of the Rights of All Migrants Workers and Members of their Families (1990) and several conventions of International labor Organization (ILO), like Migrants for Employment Convention (1949) and Migrant Workers Convention (1975).

Western Balkans countries are members of the Council of Europe (CoE) and party to the main CoE legal instruments European Convention on Human Rights, European Social Charter and

particularly important in the context of labor mobility Convention on the Recognition of Qualifications concerning Higher Education in the European Region (1997).

As the countries of the region have aspirations to join the European Union and are currently in various stages of accession, the laws of the European Union significantly affects the legislation of the countries of the region. Candidate countries are obliged to successively harmonize their legislation with the *acquis communautaire* during the accession period. The countries of the region often adopt legal solutions from the *acquis* even before they are obliged to do so, considering them a good practice. Negotiations between the EU and candidate countries are separated in chapters. Matter of labor and migration is set in Chapter 2 – Freedom of movement of workers, Chapter 19 - Social policy and employment and Chapter 24 - Freedom, security and justice. Chapters 2 and 19 primarily cover equal enjoyment of labor and social rights by all, including foreigners and Chapter 24 covers the legal aspects of regulating foreigners' entry, residence and access to labor markets. This a framework for aligning of regulations with EU standards.

Comparing the laws in the EU member states (Austria, Czech Republic, Germany) with the laws in the countries of the Western Balkans, it can be concluded that the latter have already fairly unified their legislation in the field of labor and migration with the EU.

In all countries there are special laws that regulate the right of foreign nationals to work. All provide for the same rights and treatment of foreign workers as domestic ones, but access to the labor market itself is significantly limited. Obstacles are set in the form of work permits and quota systems. What differs is the different competence of state bodies in the procedure of issuing work permits. Below we will give a brief overview of these legal regimes.

### 3.3.1 Albania

According to Law on Foreigners, No. 108/2013 an alien may be employed in the Republic of Albania upon being provided work permit. EU citizens, Schengen countries citizens, Kosovo citizens and USA citizens are exempted from this provision and enjoy equal rights with the Albanian citizens in the field of employment and self-employment. Number of annually issued work permits is limited by quota which is set by Council of Ministers of Albania every year. The quota is determined in accordance with the policy of migration and labor market situation. Work permit is issued by the relevant Labor Office corresponding to the business location of the employer. Responsible state authority, prior to the adoption of the request of an alien to fill a job vacancy, must assess if the place may be occupied by persons already entitled to work in Albania and possess skills and qualifications required and are willing to work. Number of aliens working for an employer does not exceed 10 percent of the total number of staff in the previous 12 months. Migrant worker who manage to obtain work permit is obliged to stick to the job for which the work permit was issued.

### 3.3.2 Bosnia and Herzegovina

Matter of migrant labor is regulated both on federal and entities level. Under the federal Law on Foreigners work permit shall be issued by the competent authority on the basis of established work permit quota. Federal Council of Ministers is responsible for setting the annual quota of work permits on the suggestion of entity authorities and in accordance with the migration policy and by taking into account the state of affairs at the labor market. In addition to the number of work permits, quota also determine for which specific professions work permits can be issued. Work permit shall be issued for a specific post and/or for a specific type of job. There is a

separate quota for seasonal workers for defined and differentiated activities, which may vary from 90 to 180 days in a year. On the level of entities laws are giving provisions on procedure of issuing work permit. The work permit is issued by the branch office of the Employment Agency competent according to the headquarters of the employer. Work permit may not be issued to a foreigner if there is an unemployed person on the register of unemployed, who meets the conditions in accordance with the application for a work permit, unless the unemployed person refuses employment.

### 3.3.3 Kosovo

According to Law on Foreigners No. 04/L-219 work permits are issued on basis of an annual quota set by the Government of the Republic of Kosovo. Annual quota for employment of foreigners shall be determined in accordance with the policy on migration and the labor market situation and in accordance with the needs and opportunities of employment of foreigners in the Republic of Kosovo. Through the annual quota for employment of foreigners shall be defined the activities and occupations for which the new employment is allowed and the number of permits for each activity and occupation. Through annual quota for employment of foreigners might be set out also the quota for seasonal employment. The work permit is issued by the Department for foreigners of Ministry of Interior, with the consent of Ministry of Labor and is bind by the contract. Work permit application should be accompanied with justification for the employment of a foreigner containing data on the skills and professional qualifications and work experience of the foreigner and the reasons why the workplace cannot be filled by the workforce from the labor market in the Republic of Kosovo.

### 3.3.4 Montenegro

Montenegrin Foreign Nationals Law also stipulates quota system. Annual number of work permits for foreign nationals is determined by the Government, in accordance with the migration policy, status and movements on the labor market in Montenegro. The annual quota also determines the business activities and occupations where the foreign nationals may be employed. Within the annual quota, the annual quota for seasonal employment of foreign nationals shall be separately determined. Work permit is issued by Ministry of Interior. A foreign national may work in Montenegro only on jobs for which the work permit was issued. EU member state nationals and nationals of Iceland, the Principality of Liechtenstein, Kingdom of Norway and the Swiss Confederation are exempt and have equal access to labor market as nationals.

### 3.3.5 North Macedonia

Law on the Employment and Work of Foreigners regulates labor migration. It sets the provision of quotas for work permits for foreigners that may be engaged on the territory of the Republic of Macedonia. The Quota is set up annually by the Government. It cannot, on an annual basis, exceed 5% of the population of the Republic of Macedonia that is legally employed, according to the data of the State Statistical Office. The Government also may reduce and change the quotas for employment and work of foreigners by regions, areas, legal entities and job positions. Furthermore, it may place limitations and bans on the flow of new foreign workers on the whole or in certain municipalities. The Employment Service Agency is responsible for issuing of work permits.



### 3.3.6 Serbia

Law on Employment of Foreigners stipulates that foreign nationals are free to work in Serbia if they obtain work permit. Citizens of EU and Swiss Confederation are exempt from this provision and have equal rights and access to labor market as nationals. Work permit is issued by local branch of National Employment Agency. Conditions for submitting the request for a work permit are that employer did not dismiss employees due to technological, economic or organizational changes at the jobs for which a work permit is requested and that before submitting the application for a work permit for employment, employer did not find nationals with appropriate qualifications registered at National Employment Agency. The Government may, by a decision, limit the number of foreigners who are issued work permits in case of disturbances on the labor market, in accordance with the migration policy and the situation and movements on the labor market.

## Chapter 4: Feasibility of open border policy implementation in Western Balkans and analysis of its effects and limitations

The problem of migration has been neglected in the region and public debates on this issue are rare, fact that a large number of people emigrate tells about the quality of life, which is an unpleasant reminder to the authorities, thus they avoid this topic (Vracic 2018). But as elaborated in Chapter 3, the issue of emigration is significant and with even greater negative effects still to come. Societies of the region started to recognize this problem, 13 percent of people in the region see “brain drain“ as one of main concerns regarding the economic development, rise from 0 percent in 2014 (Balkan Barometer 2019). In this sense governments of the region will need to address this issue and provide solutions to enhance the positive sides of migrations and mitigate the negative effects.

The answer to the question whether there should be freedom of movement in the region is clear, as all countries in the region are striving for the EU, where freedom of movement is one of one of the pillars. The opening of borders is therefore inevitable, the only question is when it will happen.

As it can be seen from the analysis of labor mobility legal framework, countries of the Western Balkans, due to their obligations in the accession process, and desire to show their commitment to accession and to implement legal solutions from the EU as examples of good practice, have already harmonized their laws in the field of labor and migration with EU laws. Albania, Montenegro and Serbia even went step further and accepted and unilaterally equated EU nationals with their nationals regarding the right to residence and work. This led to a situation

where, for example, a citizen of Portugal or Ireland has the right to work and settle without restrictions in these countries, while citizens of neighboring countries cannot.

When designing a labour immigration policy, policy makers are focusing on three fundamental issues, first is how to regulate openness, how open should it be to foreign labor, second how to select migrants, and lastly what rights to grant migrants after admission (IOM, 2015). Most countries operate different labour immigration policies regarding to their specific needs. As elaborated in previous chapters, societies in the region are facing very similar problems, both political and institutional, as well as economic and socio-demographic in nature, thus needs of countries of the region are similar, which gives space and opportunity for joint action.

In order to succeed, it is important for a policy to have public support. This is especially important when it comes to migration policies, because as argued in Chapter 2, a negative attitude and fear are often obstacles for implementation, despite undoubtable evidence of economic gains from liberalization of migrations.

Balkan Barometer 2019, a survey conducted by Regional Cooperation Council shows that a majority of people have positive attitude towards opening of borders in the region. On the level of region 36 percent think that it would be good for economy, while 19 percent thinks the opposite. The only country with narrow negative majority is Montenegro.

Previous cooperation between the countries in the region has a predominantly positive perception, with 74 percent of people in the region see it as a factor which contributes to economic, political and security situation (Balkan Barometer 2019).

When asked to identify main problems the region is facing as a whole, socio-economic problems dominated, while only 11 percent named political issues (political disputes, border issues,

minority problems). 8 percent out of this 11, named political issues (Balkan barometer 2019), which are as Bieber argues, predominantly constructed by political elites.

An important aspect of opening borders is the socio-cultural aspect. The region of the Western Balkans bears the burden of ethnic conflicts that ended two decades ago. There are still some negative sentiments between people based on ethnicity or religion. They are manifested in higher levels of nationalism which is a wider problem, not just in the context of feasibility of open borders policy. Yet instead of obstacle for the policy of open borders, looking from another angle, freedom of movement can be seen as an obstacle for spreading of nationalism. Increasing connectivity could lead to diminishing of the role of nationalism. Through centuries of coexistence, a similar culture and customs have developed, which makes Western Balkans societies significantly more similar than might be inferred from the recent past. With the exception of Albania, other countries in the region were part of Yugoslavia until its break-up in 1991, thus they share both that experience and a sense of a partially shared identity. It should be added that the traditional perception of the region from the outside is based on collectivity, and unfortunately mainly negatively, sum up in the phrase “Balkans as European inner otherness“ (Gries et al. 2016). As Dustmann and Preston argue socio-cultural objection to the idea of open borders are weaker where greater similarity exist.

When it comes to the economy, as recent study of OECD showed the countries of the region are not of a great competition to each other. Tourism dominates the economy of Montenegro, and this sector will also be important in Albania, which has great tourism potential and is expanding. On the other hand, Serbia, Northern Macedonia and Bosnia and Herzegovina have significant industry. Serbia leads the region in terms of investments and the opening of new factories. Kosovo's economy is dominated by small businesses and services (OECD 2019). Kosovo has the

youngest population in Europe and is certainly a large reservoir of labor force, and it also faces the highest unemployment. Imbalances between labour demand and supply exist mainly in tourism, construction and agricultural sectors (IOM 2015).

For Western Balkans, the domestic economy is key and it can be expected that emigration will slow down once the economy expands (Vracic 2018), but in order to expand the economy needs labor force to support the growth. Weak economy leads to emigration, labor shortages hinder economic development and this forms a vicious circle. Keeping at least some of the emigrants in the region would be a step towards getting out of this situation.

Free cross-border mobility in the region can contribute to balancing and better matching of skills and jobs, increasing productivity and job creation (IOM 2015). Creation of regional pool of skills and workforce will certainly make the region more attractive for investments, as regional market would be capable to better match the needs of investors (IOM 2015).

The usual concern that accompanies the opening of borders related to the excessive number of migrants that will pose burden for the social and welfare system is not realistic in the case of the Western Balkans. It is to be expected that this type of migration will fill the gaps in the labor market, and the relatively smaller appeal in comparison to emigration to developed countries will certainly keep this number at levels even lower than the needs of the market. Additionally the level of average salaries is balanced, thus there is no incentive to migrate if one has already have an appropriate job in home country.

As stated in the Chapter 1, clientelism and especially the political subtype of this phenomenon is widespread in all countries of the region. It negatively affects the prospects for employment.

Open borders in the region would alleviate this problem to some extent, giving citizens more employment opportunities, especially in finding a job which match one's skills and needs.

The question also arises as to why someone would immigrate to a country that is in a similar economic position. A study from 2015 shows that out of the total number of migrants in the World, one third migrated from a developing country to another developing country (Woetzel et al. 2016). A recent survey showed that 11 percent of people in region answered positively when asked whether they would consider living and working in another country of the region, which is one quarter of all who consider moving abroad (Balkan Barometer 2019). This ratio would certainly move towards regional migration in case of open borders.

Although intraregional emigration cannot be compared to emigration to developed countries in terms of improving of standard of living in material terms, it certainly have some comparative advantages. First of all, it would be significantly simpler and more accessible. Other aspects such as individual happiness (Bartram 2010) should not be neglected either. Certainly, an environment that is culturally significantly closer to potential emigrants would contribute to easier adaptation and integration. With the exception of Albania, language barriers are not significant. We should also have in mind the geographical proximity, which allows more frequent visits to the country of origin. Part of these migrations would also be in border areas, which would mean that migrant workers would not need to change their places of residence.

These factors would also affect the increase of circular migration, as from the socio-economic point of view the most profitable form of migration (Constant et al. 2012), with reduced harmful effects, such as integration costs or permanent loss of labor force for the country of origin.

Greater mobility would positively affect connectivity among people in the region which would lead to reduction of ethnic tensions, thus to weakening of the nationalism, as Bieber argues a resource for reinforcing the populist policies and distraction (Bieber 2010) from substantial problems like corruption and poor governance. Lowering the influence of nationalism will diminish the power of political elites to neutralize class struggle (Cantat 2019) and can lead to stronger organization of working class, which can have positive effects for democratization and the building of democratic and accountable institutions.

As argued in previous chapters accession process and prospect of joining the EU was a driving factor for reforms, but as enthusiasm in the Member States for further enlargement is fading and prospects of accession are blurred, the countries of the Western Balkans found themselves in a vacuum. Both authorities and citizens expect improvements through the accession process and eventual membership. But as this process predominantly depends on the other side, that position is unenviable. In that sense, taking the initiative by the countries of the region would be a positive step forward, both for the countries themselves and even for the eventual accession to the EU. Any improvements in the region will make it more attractive for accession and give less space for skepticism in EU for further enlargement. Opening of borders can be a good example of such initiative, as integration is not bind only for the context of EU integration, it can be also implemented locally.

In order to maximize positive effects of migrations, they should be viewed as circulation, mobility and flow, not necessarily leading to permanent stay and should be approached without fear, based on the notion of opportunity (Casey 2010). Western Balkans fulfill these criteria regarding the nature of migration, but also lack of reasons for common fears associated with the policy of open borders.

## Conclusion

First part of the thesis elaborated on the current context of the Western Balkans, as well as the problems region is facing, in political, economic and socio-demographic terms. Second part, elaborated on the idea of open borders, analyzing its positive and negative aspects. In the third part, the possibility of implementing the idea of open borders in the Western Balkans region was analyzed. There are clear arguments in favor of opening of borders. Socio-cultural, political and economic similarities make the implementation viable. The effects of this open border policy would be limited because there are no significant differences in standard of living, which are the main incentive for migration. On the other hand, possible negative effects of migration, like costs and tensions regarding the integration or mass migration are not expected. Despite limitations policy will to some extent mitigate the shortages and misbalances on labor market and would offer new opportunities both for individuals to find appropriate jobs and investors to find the adequate labor force. Certainly, expectations regarding the effects cannot be high in the beginning, both at the macro level, in terms of economic development, and at the micro level, for life improvements of individuals. Having in mind eventual positive effects on society from increased connectivity and with the absence of negative effects, the net effect of open border policy in Western Balkans will have overall positive effects.



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