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Diffusing the 'Powder Keg' through Regional Multilateralism: The Case for Investment Autarchy in the Balkans

Horia Ciurtin · Tuesday, July 19th, 2016

Just like a century ago – and throughout their entire history – the Balkans remain a zone of structural instability. In this respect, the 'end of history' has not come around to the fringes of Europe, as Francis Fukuyama once optimistically expected. Therefore, although the Balkan area is an essentially coherent cultural sub-space, while still being radically diverse, the relations of its constituent states have been marked by a confuse set of bilateral – and adversarial – interactions.

This resilient anarchy in Balkan coexistence has only proved to benefit external players. Consequently, each country – however fluid such notion may be there – sought to 'balance' the other by adhering to another global power's grand strategy. Diverging loyalties only reflected – and continue to do so – the global rivalries at a sub-regional level, where no such oppositions appear natural or inevitable.

However, the nature of the risks involved in the area has changed, also paving the way for different types of confrontations, armistices and imperfect solutions. The keg might look differently, but it is nonetheless still filled with gunpowder.

More precisely, from a once strategically and militarily troubled area, the Balkans appear nowadays as touched by economic malaise. Within and outside the EU, within and outside NATO, this patchwork of states with competing and overlapping allegiances has proved a fertile (but troubled) ground for foreign investment and international trade. As a vital link between the Black Sea and the Mediterranean, between Asia Minor and mainland Europe, the Balkans are not just a transit route, but also a potential hub for the global flux of capital in search of a strategic haven at the crossroads.

The real problem of investing in this area largely reflects the shortcomings of the geostrategic zero-sum game. All the external players interested in 'rooting' themselves in the Balkans mainly tend to do so from geopolitical imperatives and when they do, their further intention is to build up momentum and exclude their global competitors from such markets. In essence, the 'great game' is repeated in this claustrophobic patchwork of polities, with no other intention but attaining the fine balance needed in realpolitik calculations. Thus, in such a paradigm, hegemony is the keyword.

Economic hegemony.

The actual – and sustainable – development of the Balkan area is left on a secondary level. A rhetoric and academic endeavor at most. Nonetheless, even for major power brokers, it should appear evident that an economically consolidated Balkan space would lead beyond the mere zero-sum game for all competitors involved. Veritable development would translate into an outsourcing of economic security and into a reduction in costs for 'keeping the others out', making the Balkan states less receptive to mixed incentives (economic plus military/strategic packages) and to financial hijacking by global actors.

In other words, ensuring the autonomy – or, even better, the autarchy – of the Balkan space through investments would benefit the whole range of interests involved. A first step would be to determine Balkan polities to pool their resources on a multilateral level. By blocking the diffuse and adversarial nature of bilateral negotiations, often simply mirroring global allegiances, such a collective manner of interaction would lead to harsh discussions, but conclusive results.

Moreover, prioritizing such a negotiation and moving it higher on the list than the over-exalted comprehensive pacts with the EU 'neighbor', the US 'guardian', the Russian 'protector' or Chinese 'partner', would awaken a certain conscience of a shared Balkan economic destiny. Not one without asperities or divergences, but one that is enhanced by competition. The fact that some of these states are already EU members can only relieve the Commission of its increasingly burdensome mission and allow it to exercise its leverage by local proxies. And so could the other actors …

Instilling a multilateral trade and investment framework in the Balkans would allow this recalcitrant area to draft its own rules, while taking into consideration all the existing dynamics and not fall into the diplomatic trap of global balancing. Regional games can also be regionally played. A micro-space open for investment and commerce, at the fringes of Europe, might prove to be a better option than insisting to forcefully integrate it in a globalized flux for which it is not yet ready.

In addition, a different type of settling trade and investment disputes could be conceived in this limited geographic framework. Beyond the classical ISDS and surpassing the 'revolutionary' elements of the Commission's 'investment court system', the apparatus for solving such cases should take into consideration the numerous 'incidents' in the Balkans. However, given the fact that such investors are aware of the complicated economic situation, a larger regulatory margin could be left in the states' competence. Nonetheless, what might be truly innovative in this regard would be a compulsory enforcement mechanism which should function directly within all those states, in accordance with a simplified treaty-based procedure, circumventing any recourse to domestic rules.
Thus, in an area of lasting paradoxes, investment multilateralism might prove a key to development and to the diffusion of tensions. For the Balkans, more regional might prove more global. More autarchy might – over time – become more openness to the world. And the powder within the keg might turn into something less volatile …

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