Briefing

Political Trends & Dynamics

The Digital Frontier in Southeast Europe

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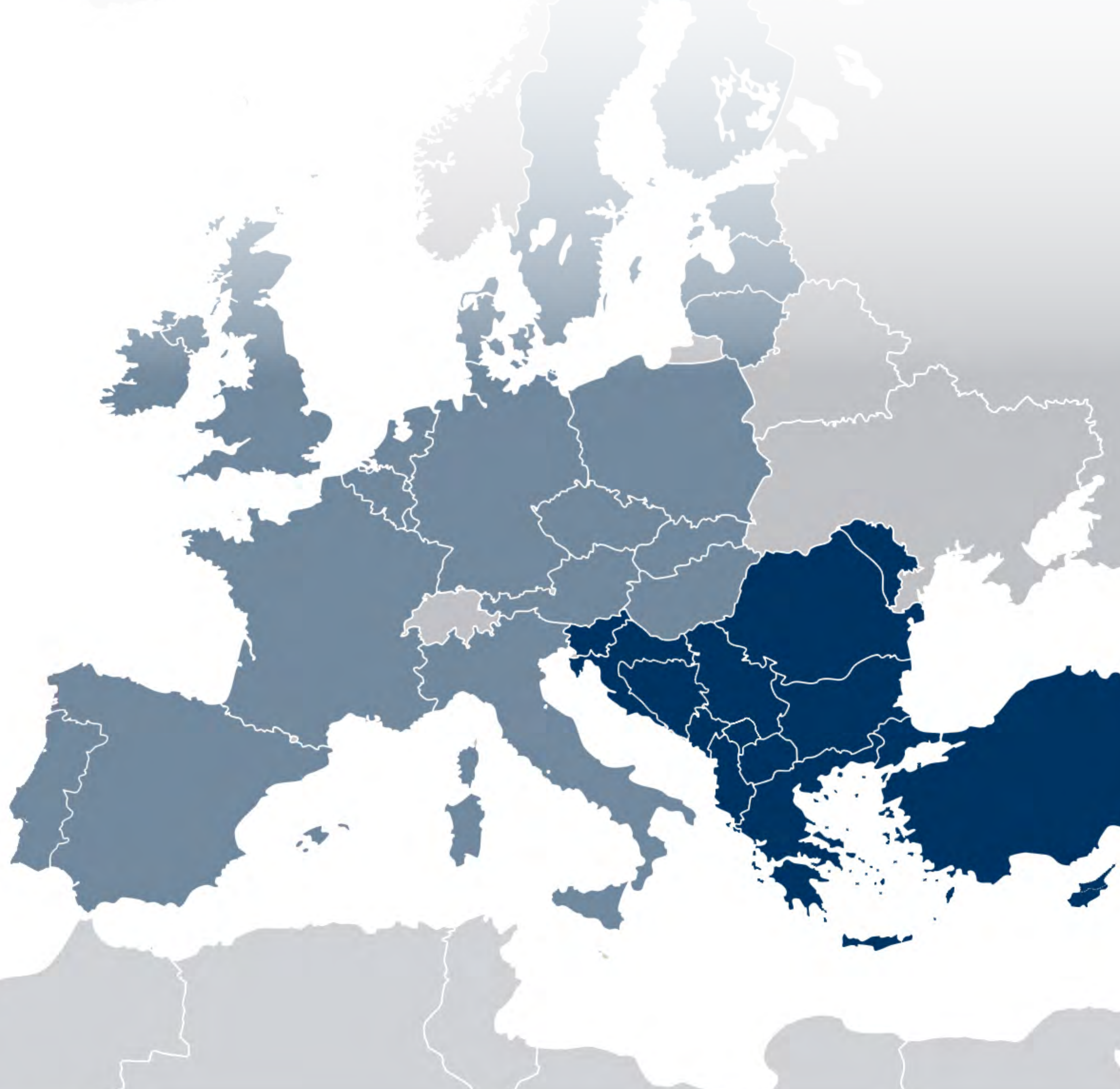
Peace and stability initiatives represent a decades-long cornerstone of the Friedrich-Ebert-Stiftung's work in southeastern Europe. Recent events have only reaffirmed the centrality of Southeast European stability within the broader continental security paradigm. Both democratization and socio-economic justice are intrinsic aspects of a larger progressive peace policy in the region, but so too are consistent threat assessments and efforts to prevent conflict before it erupts. Dialogue SOE aims to broaden the discourse on peace and stability in southeastern Europe and to counter the securitization of prevalent narratives by providing regular analysis that involves a comprehensive understanding of human security, including structural sources of conflict. The briefings cover fourteen countries in southeastern Europe: the seven post-Yugoslav countries and Albania, Greece, Turkey, Cyprus, Bulgaria, Romania, and Moldova.



Editorial

Jasmin Mujanović & Alida Vračić

A spectre is haunting Southeast Europe — the spectre of digital transformation. At least, that it is the hope by many in Europe and the region itself. Still largely defined by (the remains) of socialist (post) industrialism, Southeast Europe's economic and social transition towards the digital frontier has been marked by incremental and irregular movement. Still, the promise and weight of the "fourth industrial revolution" looms large over the region, and its future depends on navigating and transitioning towards new models of production and innovation. Whether it can do so, however, is a question, as ever, of political will.

The "cyber world" appears to be a terrain of limitless potential, a realm of fluid and universal currencies, instant information, and free communication. But it is, in reality, firmly embedded in the social institutions and norms of the real world. In Southeast Europe this means that the digital exists within the confines of economies that are still largely analogue; inefficient, under-performing, and out of sync with much of the rest of the continent. Even among the region's EU states, like Bulgaria and Romania, the degree of digital transformation has not reached its full potential. As for the Western Balkans, given there is no real data on "digital success stories," one can only assume there is much room for improvement. Unlike other industries, the tech sector needs little infrastructure and government support to take off - something which provides an opportunity for a growing software industry (Belgrade, for example, is a prominent regional hub of software talent major companies outsource to). However, Southeast Europe is lagging in terms of overall internet penetration among the general public, to digital skills training among youth, to the digitization of government services.

What can, realistically, be done to further the region's digitalization endeavour? Part of the answer is clearly in recognizing the political nature of the digital promise. That is, local states will adopt and adapt to the digital world in line with their broader political and social strategies. So long as corruption and patrimonialism remain the defining qualities of the Southeast European economic sphere, then digital transformations will lag — if for no other reason than the fact that local elites are still genuinely concerned about the disruptive potential of such technological change (i.e. the role of social media and instant communication in facilitating social revolt). Moreover, new technologies are by no means inherently positive; already we see how extremist networks have weaponized digital currencies, and how organized crime, often in tandem with local political leaders, have used new technologies to ease and revolutionize money laundering. The impact of automation on the future of work is similarly debatable — while there is quite a lot of disagreement about its disruptive potential, one thing that is clear is that policy-makers must address questions of digital skills and displaced workers sooner rather than later.

And yet change is coming, whether the region is ready for it or not. As Bosnia and Herzegovina's struggle to digitize its television networks has shown, unless local polities are prepared for the future it may, once again, leave them in the (literal) dark. How will existing labour markets and workers respond to these changes? Who will provide and where will they obtain the necessary skills to survive in a future where some 90 % of emerging jobs are expected to require digital know-how by 2020? And what role can the EU play in helping the region navigate these changes in the face of local political intransigence? These are the themes and questions debated by our authors in this edition of our brief, one that concerns itself with an uncertain but decidedly inevitable future.

About the End of Work as We Know It

Matthias Weber
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"Nothing is eternal, either in nature or in human life; change is the only eternal factor."

This sentiment expressed by August Bebel, one of the founding fathers of German social democracy, is somewhat older than discussions on digitization. With his death in 1913, he directly witnessed industrialization – more popularly known as the first industrial revolution – and the great upheavals it brought upon the economy and society. What I want to say here is that despite what many voices in in the digitization discourse are suggesting, there will be (great) changes ahead. This notion is a constitutive part of this economic system we call capitalism. The aim of a progressive voice in these debates should be to get away from anxiety and technological determinism, and instead to soberly evaluate the chances of digitization (rather than participating in the ubiquitous hype), while offering sound ideas for shaping the future of work. I shall therefore try to take a closer look at three myths that are constantly evoked when it comes to digitization and test their relationship with reality.

Myth 1: Digital Capitalism is Running Out of Labour

At the beginning of 2014, a study from two Oxford-based researchers, Carl Frey and Michael Osborne, stated that in the future, every second job would fall victim to automation, i.e. that workers could be replaced by robots or algorithms. Though this conclusion is mostly wrong, it did create an ongoing plethora of bad news on how many jobs will be lost to automation.

Firstly, one should acknowledge the efforts of said researchers in trying to give an explorative assessment on the impact the current state of automation might have on the labour market. The study states that based on technical feasibility, 47 % of all jobs in the USA could be substituted by machines in the coming 10–20 years. The question of whether this is ethically desired and socially acceptable (i.e. politically feasible) was completely omitted by the researchers. The study also has several methodological weaknesses. Without going into too much depth, the main criticism was that the authors assigned automation probabilities to entire professions, even though professions consist of numerous tasks and activities. The structure of most occupations really only enables us to give sound assessments on the potential to automate certain tasks within jobs, rather than occupations themselves. Studies that chose this so-called tasked-based approach (such as the OECD) found that the percentage of jobs at high risk of automation is more in the range of 10 to 15 %.

The study's largest merit, however, is that it illustrates which employment groups will be impacted most by digitization. In contrast to the popular image of empty factories, the jobs which will affect aren't purely those in industrial production, where automation is already quite advanced. Spurred by massive computer power, which currently is readily and cheaply available, the central question now is the automation of manual and cognitive work which is characterized by *routine* and *repetition* – something which increasingly sophisticated algorithms can replace.

The novelty in digitization is in fact the software-based automation potential of lower and middle skilled service jobs, which, if not addressed by proactive employment policy, could lead to massive polarization in the labour market and growing inequality.

Myth 2: To Prepare Employees for the Digital Transformation, Everyone Must Learn to Program

One approach coming to the digitization debate is the motif of life-long learning – the idea that employees must be prepared to constantly learn new skills as technological needs change. However, *what* is meant to be learned and within what institutional framework is still being debated. The demand for workers to constantly acquire new qualifications to be able to adapt to changed production processes has already become routine for many. But it remains foreseeable that digitization with its ever-shorter innovation cycles increasingly devalues traditional job profiles and the skills required for them. Due to this, the necessity for further learning and skill acquisition increases throughout a worker's entire professional life.

This evidently creates pressure, which is why the responsibility for upskilling and retraining cannot be given to individual workers but must be regulated by social partnership between governments and industries/employers. Such an approach would include an individual right to further education and skills acquisition (enabling low-qualified workers to further their skills, in particular), compensating employers for providing training or granting leaves of absence to allow workers to pursue it, and prudent advice from (neutral) consultations through a state agency for further education.

Clearly, this issue is a challenge for society as a whole. The simplistic solution that everyone must learn to code immediately or face obsolescence (a popular demand from many governments, including the German Chancellor) does not do justice to this complex situation.

For one thing, no one needs to be a programmer in order to have a basic understanding of smartphones, laptops, tablets, and other digital tools (the same way that not all drivers of cars are necessarily engineers). Secondly, in the future, in additional to the acquisition of ever-changing job-specific skills, the acquisition of problem-solving competencies for complex situations, as well as social skills will become ever more important. Many companies are reporting that skills that are most sought-after and most difficult to find are 'soft' skills like leadership, communication, teamwork, and critical thinking. Merely focusing on technological skills misses the mark.

Myth 3: Copying American Business Models Is the Best Digitization Policy

If one follows the digitization debate for a certain time, one can get the impression that it is mainly companies and start-ups from Silicon Valley that are "doing" digitization. Some parts of this assertion are true, though mainly this serves as evidence of the skilful marketing of these enterprises. After all, the successes of business models of companies such as Uber and Airbnb are not due solely to their innovations, but rather in the fact that these companies expanded very quickly through the support of enormous amounts of risk capital while disregarding national legislation. This is demonstrated by the fact that these businesses generate huge turnovers but only a small minority of them actually has ever realized profit.

Therefore, the goal of a progressive innovation policy should not be the call to create a "European Uber" but rather to develop unique alternatives based on European traditions that allow for the needs and the strengths of local employees and enterprises.

Prospects for Digital Transformation in the Western Balkans

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In early February 2018, the European Commission launched the much anticipated Western Balkan Strategy. From the perspective of the countries in the region and many observers, the key areas of interest have been the possible timelines for accession to the European Union (EU) for the different states. With the Strategy, the EU has signalled the possible membership by some Western Balkan countries starting in 2025. Among unsurprising requirements, such as strengthening of rule of law and socio-economic development among others there is also an important focus on digital transformation.

Indeed, the Strategy outlines the launch of the 'Digital Agenda for the Western Balkans' as one of the six Flagship Initiatives. While welcome, the Digital Agenda initiative will not be without important challenges due to political and economic realities in the Western Balkan countries but also the EU's own struggles in pushing forward the digital agenda among its member states. Nonetheless, the support for digital infrastructure is crucial to ensuring that the Western Balkan countries are integrated into the EU framework and that they can benefit from and contribute to the developments in the growing industry of tomorrow, namely artificial intelligence and machine learning.

The Digital Agenda for the Western Balkans aims to bring the Western Balkan countries (Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) in line with the EU Digital Single Market vision.[1] To that end, the Agenda includes lowering the costs of roaming, deploying broadband internet coverage, developing a digital society and digital skills as well as building capacity in security and trust. All of these are laudable goals as the Western Balkan countries fall behind the European average in terms of economic development, infrastructure and digital governance.[2]

Political and Economic Realities as the First Hurdle

Countries in the Western Balkans face similar challenges in terms of unemployment, corruption, weak institutions, and lack of investment owing in part to the difficult business environments. These factors present a great hurdle in ensuring investment in the infrastructure projects that are needed to build the region's digital future such as the broadband internet connections.

Perhaps the greatest obstacle to the digital efforts in the region is the lack of cooperation and fragmented relationships between and within the countries. Consider, for example, the case of Bosnia which had initially failed to join the regional transport community treaty that would better link the region. It was revealed that Bosnia did not sign the treaty proposed last year as one of its entities, the Republika Srpska appeared to be against the initiative. Recently, Bosnia has said it would sign the treaty.

Still, internal dynamics within the region will take time to address and need a great deal of pressure from the EU actors on the different countries. The political dynamics are central to developing closer cooperation and harmonization of regulations that is key to greater digitization. In some cases, such as between Serbia and Kosovo there are promising albeit slow improvements in the relationship. However, too often the leaders of the Western Balkan countries politicize any effort at greater cooperation instead preserving the status quo where little changes.

Financing the digitization efforts is a key consideration. At the third European Bank for Reconstruction and Development (EBRD) Western Balkans Investment Summit held on February 22, 2018 in London the

1 Though Kosovo's status remains contested by Serbia, it is clear that European Union considers Kosovo as part of its enlargement strategy in the Western Balkans.

2 See, for example, Ruben Atoyan and Dóra Benedek (2018). Public Infrastructure in the Western Balkans: A Highway to Higher Income. IMF Country Focus.

need for greater investment in the region was highlighted. It is clear that external financing will be necessary alongside improvements in the types of public projects that are funded.

A greater investment in the education sector and ensuring the population has the digital skills is also necessary. Here the challenge is not simply in training people but rather in retaining talent. Serbia was ranked 137 out of 138 in the capacity to retain talent category by the World Economic Forum's 2017 Global Competitiveness Report while Bosnia was ranked 134. Still, youth unemployment in the region is incredibly high and the focus on digital skills would open up the opportunity for better jobs.

At the moment, private sector productivity in the region is at 60 percent of the EU average. The EBRD noted that economic growth in the region has slowed down in the past few years and that it estimates that it will take some 60 years for the Western Balkan countries to reach the average GDP per capita of the European states.

The EU DSM's Own Challenges

As with other European policies in the region, part of the challenge with implementing the Western Balkan initiative will be the fact that the EU has struggled to implement its own vision for its digital transformation. EU member states have moved slowly in responding to certain legislation such as on copyright. There appears to be a sense by observers that the original vision for the DSM is constantly being watered down in the negotiations. In addition, the Bulgarian Council presidency of the Digital Commission is not as strong on the file as Estonia was in the role. Estonia is regarded as leading the way in digital governance and was able to make more headway than the Bulgarian presidency that does not have a similar reputation.

The Next Steps

So what should be done? It is clear that an EU commitment to the region is necessary to overcome the political and economic obstacles. This is easier said than done partly as the EU is facing challenges in negotiating its own digital efforts. In order to ensure the digital transformation of the region there needs to be more investment in the so-called "hard connectivity" that is transport links, telecommunication infrastructure and better regulations. Moreover, it is important for the EU to stress greater access to data by the citizens in the region. This would potentially strengthen institutions and curb corruption as it would make government spending more transparent and accountable. Better linked technology would prevent the long wait times for receiving even the simplest and most basic services and paperwork. Finally, digital technology is not without drawbacks and potential security risks. Serious consideration will need to be given to the questions regarding cybersecurity, digital currencies and emerging debates about uses and misuses of artificial intelligence.

POLITICAL TRENDS & DYNAMICS

OVERVIEW

THE AIM OF THIS SECTION IS TO BROADEN THE DISCOURSE ON PEACE AND STABILITY IN SOUTHEAST EUROPE AND TO PROVIDE ANALYSIS THAT INVOLVES A COMPREHENSIVE UNDERSTANDING OF HUMAN SECURITY, INCLUDING STRUCTURAL SOURCES OF CONFLICT. THE BRIEFINGS COVER FOURTEEN COUNTRIES IN SOUTHEASTERN EUROPE: THE SEVEN POST-YUGOSLAV COUNTRIES AND ALBANIA, GREECE, TURKEY, CYPRUS, BULGARIA, ROMANIA, AND MOLDOVA.

THE RETURN OF ENLARGEMENT

By the standards of the European Union, the new Enlargement Strategy proposed by the European Commission on 6th February is a fairly bold document.

It is bold in the sense that it is very frank in describing the problems and challenges faced by the region on the road to membership, referring to widespread corruption, weak rule of law and even state capture. The new strategy also discusses openly the development gap between current member states and the aspiring candidate countries from the Western Balkans.

Equally bold – again, by the standards of the often bureaucratic-sounding Commission – is the expression of (re-)commitment to the very notion of EU enlargement. If at the beginning of its mandate the current Commission made it clear that there would be no further enlargement during its term, it is now trying to send a clear signal that the accession path for the Western Balkans candidate is very much open. Amidst a growing Russian and Chinese presence in the region, Brussels also appears to be trying to reassert the old idea that, when it comes to this corner of Southeast Europe, the EU is 'the only game in town'.

Boyko Borisov meets Jean-Claude Juncker and Johannes Hahn during the EU-Western Balkans summit in Sofia

All in all, the new enlargement strategy sends a clear signal that the main obstacle to Western Balkan accession to the EU will not be reluctance by existing members to allow new members into the club. Instead, the strategy makes it clear that the pace of reforms related to good governance and meeting accession criteria will dictate the speed of accession by each candidate country. In order to add credibility to the membership perspective, the Commission also decided to sketch out in more detail the path for the two current front-runners – Serbia and Montenegro – for potentially joining the Union by 2025.

EU-Western Balkans summit in Sofia

Six new 'flagship initiatives' for transforming the Western Balkans were also singled out. Some of them – such as strengthening the rule of law or improving good neighbourly relations – were not particularly new. Yet others, such as rolling out a digital agenda for the Western Balkans were novel. This will include a roadmap for lowering the costs of roaming in the region among other things. There will also be a focus on supporting the deployment of broadband in the Western Balkans, as well as the development of eGovernment, eHealth and eProcurement. This new focus appears to be in sync with other regional initiatives. As part of the wider Berlin Process, in April the 1st Western Balkans Digital Summit will bring together government officials, business people, IT industry representatives and academia in Skopje. On the agenda will be digital connectivity, digitization of industry and integrating Balkan economies into the Digital Single Market. Civil society organizations such as the Adriatic Council are also not sitting idle. On 22nd March, they organized the Beyond 4.0 conference in Belgrade, one of a series of planned conferences to raise awareness about digitalization, artificial intelligence, ways in which they will impact the economies of the Adriatic region and what the countries of the region need to do to prepare for that.

It is clear that the EU is once again 'talking the talk' of enlargement, but most politicians, observers and ordinary citizens from the region will be more keen to see whether it is truly willing to 'walk the walk'. One of the key challenges for the EU in this regard will be kicking the habit of supporting unsavoury local leaders who offer 'stabilitocracy' and refocusing on democracy. Equally, many enlargement experts will be watching to see if the EU puts financial muscle behind its pledge to help the countries of the Western Balkans to become fit for membership. In this context, many are already warning that what the EU desperately needs to focus on more, if it is to avoid admitting depopulated economic basket cases to the club, is basic economic growth and development in the Western Balkans.

vote at 24 polling stations. According to media reports, around 74,000 of them cast their ballots, with 96.4 % reportedly voting for Vladimir Putin.

In Serbia, the long-awaited **Belgrade City elections** were held on 4th March. The election was seen as a potential challenge for the ruling Serbian Progressive Party (SNS), which has traditionally enjoyed lower levels of support in Belgrade than in the rest of the country. In the end, the SNS triumphed, securing 45 % of the votes cast. And while an opposition coalition led by former Belgrade mayor Dragan Djilas came top in the fragmented opposition camp (19 %), the once mighty Democratic Party (DS) failed to pass the 5 % electoral threshold.

Jean-Claude Juncker and Johannes Hahn in Sarajevo

Jean-Claude Junker and Johannes Hahn in Serbia

ELECTIONS

Presidential elections in the Republic of **Cyprus** were concluded in on 4th February, when the second-round run-off produced a victory for incumbent president, Nicos Anastasiades, of the centre-right Democratic Rally (DISY) party. Anastasiades beat his challenger Stavros Malas of the leftist AKEL party by winning 55.99 % of the votes to Malas' 44.01 %. At 74 %, turnout was a little bit higher than in the first round, but still significantly lower than in the previous presidential elections in 2013.

Russia's presidential election, held on 18th March, also did not bypass the Balkans. Over 200,000 Russian citizens in Moldova's breakaway Transnistria region had the opportunity to

The next electoral contest which will be closely watched in the region is the **Montenegrin** presidential election, scheduled for 15th April. Initially, the election was not a matter of great excitement, with most observers expecting that a fragmented opposition would be soundly defeated by the ruling Democratic Party of Socialists (DPS). In fact, it was the question of whether veteran DPS leader Milo Djukanovic would run for president that was preoccupying most observers. The DPS finally resolved this dilemma less than a week before the deadline for submitting candidate names, amid rumours of internal strife between rival factions and those supporting or opposing Djukanovic's return to politics.

Ahead of October's national elections, **Bosnia** appears to be sliding ever more in the direction of a constitutional and institutional crisis. Following a decision by the Constitutional Court to strike down part of the country's election law last year, it remains uncertain whether the House of Peoples, the upper chamber of the central Parliament as well as a chamber of the Federation entity's Parliament, can be formed following the election. The country's political parties seem in no rush to resolve this problem, but it remains unclear whether anyone else can, or will, intervene to resolve it either. The problem increasingly resembles a ticking time bomb.

GOVERNMENT INSTABILITY

Slovenia's Prime Minister Miro Cerar resigned from his post on 16th March. On the surface, the resignation was triggered by a ruling of the Slovenian Constitutional Court that public spending in a referendum campaign had breached the country's constitution. In reality, the move is at least partly a ploy to strengthen Cerar's Modern Centre Party (SMC) ahead of Parliamentary elections which were due in June, and which will now be moved forward to the second half of May. Most pundits do not expect Cerar to lead the next Slovenian government.

The **Romanian** government carousel continued to spin – at the end of January, the ruling Social Democrats voted in their third government in a year, as successive Prime Ministers fell out with party leader Liviu Dragnea and were forced out of their posts. With the new government, the country got its first female Prime Minister, Viorica Dancila.

In **Bosnia**, the central government continued its slow disintegration ahead of October's elections. Having lost its majority in House of Representatives, the lower house of the central Parliament, back in April last year, in March this year another two MPs defected from the ruling camp. According to some tallies, the opposition camp has 23 MPs in the House, while the ruling coalition has the loyalty of 18 MPs. Meanwhile, cantonal governments in the Federation entity continued to wobble due to internal strife in the Bosniak Party of Democratic Action. At the end of January, Elmedin Konakovic, the SDA Prime Minister of the Sarajevo Canton announced that he was leaving the SDA, but refused to resign from his post. Konakovic was later ousted from his post by his former party. Internal SDA strife also led to a change of government in the Tuzla canton.

Meanwhile, as soon as the Belgrade City elections were over in **Serbia** and talk of early Parliamentary elections shelved for the time being, the ruling SNS began stoking talk of a government reshuffle. Amid much speculation over who could leave the government and who would join it, one of the few certainties appears to be that it will be President Aleksandar Vucic, rather than Prime Minister Ana Brnabic, who will decided on who will be reshuffled.

ECONOMIC UPS AND DOWNS

How to unlock and sustain **economic growth** was one topic which appeared to focus a great deal of attention across the region ahead of the arrival of spring. In Serbia, economists and business leaders gathering at the annual Kopaonik Business Forum fretted over how to channel successes in consolidating the public finances into faster economic growth which, standing at 1.9 % of GDP in 2017, was one of the lowest in the region. By contrast, Romania had no such problems – its economy grew by more than 7 % of GDP in 2017. Moldova was another unlikely success story, with 2017 growth standing at 4.5 %. However, Romanian economists warned that their country's growth was over-reliant on public sector driven consumption. In Croatia and Bulgaria, growth also recovered, but its sustainability remains closely tied to implementing structural reforms. Another cause for concern across the region was the impact that high emigration rates were having on the region's growth potential, both in the short and long term.

Meanwhile, after months of speculation that Norwegian telecoms operator **Telenor** was selling its businesses in the region, it was confirmed in March that the multinational PPF Group, owned by Czech businessman Petr Kellner, was buying up Telenor's assets. The Norwegian company sold its Bulgarian, Hungarian, Montenegro and Serbia telecommunication companies to PPF Group for 2.8 billion euros.

Croatia's **Agrokor** saga took another, somewhat unexpected, twist. On 21st February, it was confirmed that Ante Ramljak, the state-appointed extraordinary manager of the conglomerate, had resigned over a conflict of interests related to consulting contracts extended, indirectly, to his former company, Texto Management. A week later, Fabris Perusko, a Croatian financial expert, was appointed to run the troubled company.

CORRUPTION

The problem of chronic corruption across most of the Balkans shows no signs of going away. Transparency International's **Corruption Perceptions Index** for 2017, published on 21st February, served to underscore this point. Most of the countries in the region saw mild drops in their score rankings, reflecting stagnation or mild deterioration in combating widespread corruption. Transparency officials pointed out that the overpowering influence of political figures across the region remained one of the key obstacles to fighting corruption. As usual, Slovenia had the best ranking in the region – 34th out of 180 jurisdictions globally – while Moldova was the worst – ranked 122nd.

In terms of the news, it was **Romania** that once again came to the fore when it comes to corruption related news in the region, primarily due to the Social Democrats on-going battle to bring the judiciary to heel. During the course of February, the government attempted to have anti-corruption Chief Prosecutor Laura Codruta Kovesi ousted, accusing her of mismanagement of the National Anticorruption Directorate. Despite the fact that Social Democrat leader Liviu Dragnea was being investigated by prosecutors as far afield as Brazil for money laundering and other offences, Dragnea managed to cling on to his party's leadership.

In other countries of the region, even if corruption and rule of law were not so present in the headlines, the situation was no better. In **Macedonia**, more and more members of the country's discredited anti-corruption commission resigned following an expenses scandal. Meanwhile, **Albania's** former General Prosecutor, Adriatik Llalla, was designated as a 'corrupt foreign official' by the US administration and banned from entering the country.

BILATERAL DISPUTES

A sudden – and rather unexpected – crisis erupted in relations between **Belgrade** and **Pristina** on March 26th, when Kosovo special police units entered north Mitrovica and arrested Marko Djuric, the head of Serbia's Office for Kosovo and chief negotiatior in the talks with Pristina. In the run up to the incident, the government in Pristina had banned Djuric from entering Kosovo, claiming that the visit had not been announced in a timely manner; Belgrade claimed that it had and that, under existing agreements between Belgrade and Pristina, Djuric was not requested to ask Pristinas permission for entering Kosovo, merely to notify authorities.

Kosovo arrests Marko Djuric for illegal entry

On March 26th, special police units were deployed in north Kosovo in order to prevent Djuric from entering through the formal crossings, yet despite this Djuric found a way to slip into northern Kosovo and arrive at a meeting which was meant to be part of the Serbian government's process of internal dialogue on Kosovo. Present at the meeting were around 50 representatives of the Serb community in Kosovo, including several ministers in the Kosovo government. Special police units burst into the venue where the meeting was being held to arrest Djuric. In the process, guns with seemingly live ammunition were pointed at gathered civilians who scuffled with police, while those attending the meeting were beaten and hit with automatic weapons by the police. Djuric was taken to Pristina in handcuffs, taken before a magistrate and promptly expelled from Kosovo. In the aftermath, representatives of the Srpska Lista stated that they would quit the Kosovo government; should they go through with this threat, the Kosovo government would be deprived of a parliamentary majority.

Earlier in February, **Kosovo** celebrated a decade since its declaration of independence in 2008. There was no such enthusiasm in **Serbia**. Yet a decade later, it is clear that the process of securing further international recognition has become bogged down. Much like the dialogue between Belgrade and Pristina which, after another round of talks in Brussels on 21st March, failed to make any further progress. This, however, is not to say that big leaps forward in normalizing relations should be ruled out in 2018 – on the contrary, many observers see a concerted push by the international community to broker a legally binding agreement between **Kosovo** and **Serbia** in 2018 or 2019, which could pave the way for Kosovo to join the UN and Serbia to eventually join the EU.

A marching band parades during the celebrations of the 10th anniversary of Kosovo Independence in Pristina, Kosovo

Meanwhile, Albanian Prime Minister Edi Rama continued to rock the boat of regional relations, this time by suggesting that **Albania** and **Kosovo** could have a common president in the future. The suggestion was met with scepticism in Pristina and open hostility in Belgrade. Some observers commented that Rama was merely engaging in political attention seeking.

On 16th March, **Slovenia** submitted a long and detailed complaint to the European Commission against **Croatia**, claiming that Zagreb was ignoring a border arbitration decision and breaking European Law. Ljubljana expects the Commission to intervene; while the Commission now has three months to respond, it seems that it would like anything but to become embroiled in this dispute between two member states.

On a more positive note, the simmering dispute between **Kosovo** and **Montenegro** over the demarcation of their common border was finally – and hopefully – brought to a close. On 21st March, amid teargas, the Kosovo Parliament ratified the border demarcation agreement between Kosovo and Montenegro. The move should also pave the way for Kosovo's EU visa liberalisation process.

Positive vibrations continued to emanate from talks between **Greece** and **Macedonia** on resolving their long-standing name dispute. Macedonia's Prime Minister Zoran Zaev even expressed optimism that the dispute could effectively be resolved as early as March. That may be overly hopeful, but those involved still remain optimistic about the final outcome.

THE BIZARRE ...

The Balkans would not be the Balkans without a bit of bizarre news on which to end on. Romanian citizen Constantin Reliu found himself in a very odd situation – despite being very much alive, his home state, Romania, refuses to acknowledge that he is not dead. Having lived and worked in Turkey for 26 years, Reliu was deported from the country in January because his documents had expired. Upon arrival in Romania, he discovered that his estranged wife had begun the process to have him declared dead in 2013. His appeal of the 2016 decision to have him proclaimed dead was rejected, despite clear evidence that he was alive, because – it was lodged too late.

The Tech Sector in BiH: A View from the Ground

Armin Talić
General Manager, BIT Alliance

The IT Sector in BiH

The BIT Alliance[1] is the leading association of software companies in Bosnia and Herzegovina, comprised of the most prominent firms in the information technology sector (the founding members were Zira, Symphony, Authority Partners, Atlant BH, Green River Media, and Ping). Its members reached 140 million BAM (approx. 7 million euros) worth of exports in 2015 alone, and currently employ 2000 highly qualified workers – there are currently an estimated 3,500 to 4,500 programmers in Bosnia and Herzegovina. Occupational associations of IT companies, such as the BIT Alliance, are a critical factor for the development of growing IT industries.

Unlike in Romania and Bulgaria, where the strategic measures introduced by the governments boosted the development of the software industry, in Bosnia and Herzegovina IT industry has established itself in a somewhat different fashion. In fact, the software industry developed as a consequence of private sector IT start-ups, with contributions from the international diaspora. Despite the fact that the sector had no institutional support, the bulk of IT companies succeeded in developing a respectable industrial branch.

Typically divided into hardware firms and companies involved in software, to date BiH did not develop the production of hardware components. Existing companies, even though employing large numbers, are mainly engaged in the distribution of their products. Given that there are two groups of software developers: those who develop and create their own software solutions and those who are commissioned by successful international companies to develop software applications, BIT Alliance members are both developers of software and companies who provide programming services for foreign companies (outsourcing), which is currently the most promising segment of IT activities. Outsourcing is popular because input barriers are much lower compared to the development of their own products, and the current capacity of the industry is such that there is not enough risk capital to develop BiH products.

The main challenges in Bosnia are a lack of trained IT staff and a lack of IT education, an underdeveloped IT infrastructure and lack of support for its development, and an unfavourable business and legislative environment. The purpose of the BIT Alliance is to offer strategic solutions for crucial shortcomings, challenges, and problems in the development of the software industry in BiH.

Current State of Affairs

Given that the IT industry is often more financially attractive than other industries, and that the IT experts can easily earn double as much as others in similar industries, it is particularly difficult to accept that exceptionally lucrative business opportunities have to be passed, due to the shortages of educated people. Despite the fact that existing BiH companies have almost limitless possibilities for opening new workplaces in terms of administrative costs and support, their long-term existence is uncertain due to an insufficient number of trained professionals. The estimates show that the country experiences financial loss that amounts to millions of BAM every year due to the increasingly widespread trend of IT experts leaving the country and the region.

However, the problem in Bosnia and Herzegovina is even more noticeable given the weaknesses of its educational infrastructure relative to the educational systems in neighbouring countries, which "produce" a larger number of IT professionals. In addition, there is a lack of practical work training for IT

1 http://bit-alliance.ba/.

professionals in order to keep up with new developments and the exceptionally fast development of new technologies. This appears to be the largest problem for the software industry in Bosnia and Herzegovina.

Course of Action

To change this course, BIT Alliance has implemented a number of projects designed to provide solutions for these challenges of BiH's software industry. Working with universities in order to adjust current and create new educational programs which meet the needs of the software industry is one of the ways. By developing a non-degree, 2-year educational program at Faculty of Electrical Engineering in Sarajevo with a focus on software development, we try to offer a more cooperative approach. Bit Alliance held a series of lectures called "BITA4Students" which feature professionals from member companies, with the goal of introducing students with current trends in software industry, which can directly improve the university-workplace pipeline.

In order to provide a better business environment and to improve the educational system in Bosnia and Herzegovina, BIT Alliance works closely with government institutions. As result of our activities, the software industry is treated separately as part of the ICT sector in the country's *Policy for Information Society 2017–2021*. There are also attempts to increase quotas for public universities to have faculties of software engineering, which usually lack staff or capacity for more students.

In addition to formal education, BIT Alliance works on development of informal educational programs for software development. Our target population is unemployed persons which express interest in IT – they are taught to code and put those skills to use.

Advantages and Potential

The software industry contributes significantly to the overall GDP in BiH – currently, about 4,000 people export nearly 0.5 billion BAM (approx. 255 million euros). Even though the industry cannot be compared to other branches of the economy in terms of overall exports (most notably the wood processing industry, which records exports exceeding one billion BAM – approx. 500 million euros), the industry also offers significant advantages for the BiH economy and its citizens.

Software companies provide excellent working conditions, salaries that are often 50 percent higher than the average, ecologically clean products, and partake in an industry with the fastest growing exports, limited imports, high revenues, limited initial investment, and relative ease of opening up shop. It is also significant in terms of its role in reducing brain-drain and the fact that new workplaces in this industry do not undermine development and business operations of smaller firms, which is often the case in other industry branches.

According to research results, small and medium size enterprises (SMEs) who use innovative technologies increase their revenue by up to 15 percent faster and open new businesses almost twice as fast as their competitors. The value of the BiH software industry is also reflected in the fact that 60–70 percent of its workforce is constituted of young people under the age of 35 – the group with the highest unemployment rate in the country and at the most risk of emigration.

Though not very large, the software industry in BiH is advanced and competitive on the world market for outsourcing. IT engineers in BiH often have years of experience in the world's leading software corporations, so in terms of their knowledge, skills, experience, and insights into modern trends, they are frequently ahead of their colleagues in other European countries. In neighbouring Serbia, software exports exceeded the exports of traditional products such as raspberries and corn, contributing more than 580 million euros in 2015. In Croatia, 1 percent of the overall labour force, or an estimated 12,000 employees, work in software production.

The digital frontier offers a unique opportunity for the economic development of countries in Southeast Europe, but governments need to pay attention and make strategic investments in education (among other things). There are estimates that if Bosnia educates 25,000 ICT workers in the next five years, the software industry may make up 10 % of GDP. Equipping citizens in the region with digital skills and competences, on the heels of EU initiatives to do the same, is a crucial step forward in this regard.

The Friedrich-Ebert-Stiftung in Southeast Europe

After more than two decades of engagement in southeastern Europe, the FES appreciates that the challenges and problems still facing this region can best be resolved through a shared regional framework. Our commitment to advancing our core interests in democratic consolidation, social and economic justice and peace through regional cooperation, has since 2015 been strengthened by establishing an infrastructure to coordinate the FES' regional work out of Sarajevo, Bosnia and Herzegovina: the Regional Dialogue Southeast Europe (Dialogue SOE).

Dialogue SOE provides analysis of shared challenges in the region and develops suitable regional programs and activities in close cooperation with the twelve FES country offices across Southeast Europe. Furthermore, we integrate our regional work into joint initiatives with our colleagues in Berlin and Brussels. We aim to inform and be informed by the efforts of both local and international organizations in order to further our work in southeastern Europe as effectively as possible.

Our regional initiatives are advanced through three broad working lines:

- Social Democratic Politics and Values
- Social and Economic Justice
- Progressive Peace Policy

Our website provides information about individual projects within each of these working lines, past events, and future initiatives: http://www.fes-southeasteurope.org

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