

Policy brief: The groundbreaking agreement and conventional parallel system -CEFTA vs Open Balkans

Why should WB follow CEFTA?

WB countries intended to promote their economic integration and move ahead with the EU integration. When in 2006, CEFTA came along and pushed all WB economic to become members and provide further economic integration, a new hope was foreseen. Abolition of the trade barriers within the region aimed to enhance regional economic cooperation and ensure the effectiveness of the Balkan economies.

CEFTA agreement improves the macroeconomy within the region and tackles foreign investments by creating paid jobs and hire qualified workforce in the countries. Moreover, WB economies always argued about the free movement of the employees and share a mutual recognition to reduce all the workload and eliminate trade barriers. The trade remains an important opportunity for local producers to develop and share cooperation with various stakeholders in and outside of the region.

Despite the challenges in the WB, implementation, and maintenance of the CEFTA maximize efficacy and pressure to introduce four steps to implement into their systems, as they are struggling with implementation and moving towards a common market.

- CEFTA will stand as a complete chance for faster development and increase for WB economies' transition to more modern economies.

- All countries that are the members of the agreement, increase productivity and move towards a common goal to a single market model instead of another similar agreement.

- A common market for goods, services, and a unified digital marker, and a dynamic investment environment.

CEFTA will stand as a complete chance for faster development and increase for WB economies' transition to more modern economies. However, CEFTA involves all the countries and furthers the economic integration to all of them, without excluding or letting one country dominate the other country. All countries that are members of the agreement, should increase productivity and move towards a common goal to a single market model instead of pushing for another similar agreement.



Helpful Hint:

Any parallel system implies exclusion from the European Integration process and EU association agreement. As an agreement to enhance and attract further investments in the region, blocking or creating a parallel agreement exacerbates economic inequality.

Struggling to reach the same capacity- Case of Albania, Serbia and North Macedonia

Available and evidence from 2014 shows that Serbia continues to be better than two other countries compared to economic terms. While Albania and North Macedonia show relatively balance trade. Countries such as Serbia, North Macedonia, and Albanian demonstrated the functionality of the agreement as statistics in increased surplus in trade within the region.

- The success in Serbia indicates that the agreement helps to raise cooperation and improvements to a higher level. In order to move ahead with the incorporation of all the states and fuel the same success, the waiting lines at the borders should be modified, and harmonization of the customs together with documents should follow accordingly.

Serbia had a total amount of surplus EUR2.1bn in trade to CEFTA compared to other countries
North Macedonia had a total amount of surplus EUR 6.4m
Albania had a total amount of surplus EUR40.78m

- Regarding the facts, **Serbia, North Macedonia**, and **Albania** should move ahead and learn to deal with competition. Whenever the countries based on the agreement know how to deal with regional competition it will not cause problems to compete within the EU and the region.

- Being outside of the agreement and halting the whole ongoing process demonstrates that if the countries do join the EU, would have a collapse impact due to the running process of the equal trade balances and trade with equal partners. Based on the statistics, there is no other alternative to CEFTA.

A parallel system?

CEFTA was criticized for making little progress toward economic development and additional integration. For example, technical trade barriers caused by standards, technical laws, and conformity assessment processes (the "quality infrastructure" system) still exist between the EU and the Western Balkan countries. Even though the actions are intended to accomplish legitimate public policy goals such as national security, public health, and environmental preservation, they also become explicit or implicit trade obstacles when applied disproportionately and are not properly focused on accomplishing a particular goal.

As a response to this, in October 2019, the countries of Serbia, North Macedonia and Albania decided to establish the "mini-Schengen" initiative, later rebranded as the Open Balkan initiative, as a parallel process to the European Common Regional Market. The initiative aimed to establish to free movement of people, goods, services, and capital in the Western Balkans. The "mini-Schengen" project was a result of the slow progress in the EU integration. Nevertheless, only three nations have signed up so far: Serbia, North Macedonia, Albania (the initial three signatories). Kosovo, Bosnia and Herzegovina and Montenegro have declared that they would stay outside on the grounds that mini-Schengen and EU inclusion are mutually incompatible.

Benefits

- The program seeks to enhance their economic connections while also promoting free mobility.
- People from North Macedonia, for example, will be allowed to work in Serbia under the same circumstances as Serbian nationals.
 - ▶▶ Long and unpleasant waits for passengers, as well as complex paperwork for businesses, will no longer be a problem.
 - ▶▶ The number of Serbian visitors visiting Albania has increased in recent years, and this trend is likely to continue with the removal of border restrictions.

What we need to consider

In total comparison with previous initiatives aimed to align with the European integration process, the Open Balkan initiative seems to have distanced itself from it. This resulted from the largely unimplemented regional initiatives so far due to lack of bilateral relations between countries or lack of capacity, something that becomes evident even with the Common Regional Market (CRM). Simultaneously, the Berlin Process continues; on November 10, 2020, in Sofia, the leaders of Albania, Bosnia- Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia adopted the Common Regional Market (CRM) 2021-2024 Action Plan.

Despite the continuation of the process on the surface, CRM 2021-2024 Action Plan execution remains the responsibility of public institutions in each Western Balkans economy, particularly

ministries and institutions driving the implementation effort at the economic level. (Regional Cooperation Council) However, the implementation of such a project also the European members to be present.

There are notable absentees in the Open Balkan process; the administration in Pristina has frequently said that the country's still-unresolved relations with Belgrade are impeding its commitment, instead suggesting updated forms of regional cooperation such as SEFTA. Bosnia and Herzegovina and Montenegro, on the other hand, have given mixed messages, mainly comparing the Open Balkan project to the CRM. Both governments have said in public declarations that they perceive no additional value in the Open Balkan project since the CRM currently covers all elements of economic

integration, making the Open Balkan obsolete. Additionally, the need for stronger EU engagement in the region should be a response to the increasing political and economic influence of other actors in the region.

According to the European Commission, the establishment of a Regional Economic Area, as envisioned by the draught Multi-Annual Action Plan, calls for the execution of far-reaching interventions and activities.

This integration will be organized around four major themes: – a common market for goods, services, and capital; – a free flow of skilled labor integrated into professional and academic EU networks; – a common market for goods, services, and capital; – a common market for goods, services, and capital; – a common market for goods, services.



Helpful Hint:

Western Balkans governments may explore a variety of policy tools to encourage business-academia cooperation, including, for instance, innovation vouchers, technology transfer offices, and business and technology incubators. Aside from these assistance measures, they may include incentives into national or institutional laws to promote mobility between companies and academics, as well as the commercialization of tourism-related technologies.

Recommendations

- For progress in the regional cooperation between the Six Western Balkans states, improving their relationships remains the main prerequisite. CEFTA's economic function is critical, but so is its political role. The goal, in this case, is to join the EU. The instrument of free trade serves as both an ultimate goal and a means to that aim

[Open Balkans and CEFTA]

- Parallel regional activities should be integrated into the Common Regional Market, as it will further ensure the inclusiveness from all the member-states. The primary reason behind that is that the Western Balkans' political, economic, and institutional contexts remain unstable; therefore, there is a need for ongoing direct assistance from EU institutions, while regional cooperation and regional institutions may serve as complementing tools.
- The Open Balkan initiative envisions the creation of a common market and a single investment destination in the Balkans, with harmonized regulations and simpler rules, to facilitate and accelerate border crossings between the region's countries, which is currently one of the region's biggest problems due to long waits and high costs. However, the project should involve Bosnia and Herzegovina, Kosovo, and Montenegro, apart from the three signatory states (Serbia, Albania, and North Macedonia).

▶▶ Members that have not fully liberalized trade in agricultural and industrial goods must make further efforts. The basic concept of CEFTA can only be fulfilled with the complete liberalization of commercial trade. The economy of the member nations, as well as all participants in their production and distribution, will be the primary beneficiaries. Indeed, the primary goal is to meet the requirements of end users/consumers by offering the best/most competitive product for the money.

▶▶ South-South trade agreements may be an essential instrument for emerging and transition nations in terms of export promotion and industry upgrading. Specialization in basic commodities and low-skilled manufactured exports to advanced-country markets may trap developing countries in a cycle of long-term stagnation. However, for the Western Balkans to avoid the 'export-led development failures' of other middle-income economies, regional integration mechanisms within the EU must be revamped and deepened.

▶▶ Encourage student exchanges and immigration by allowing international students from Western Balkans to work while studying.

▶▶ Technical barriers to trade need to be abolished between CEFTA Parties if one of them completely harmonizes its quality infrastructure system with the EU (as demonstrated by accession to the EU or by the signing of an ACAA between a Party and the EU). As a result, the policy priority should be complete technical harmonization with the EU in order to eliminate TBTs between CEFTA Parties.

▶▶ Western Balkans should develop their entrepreneurial and innovative capabilities further. This could be achieved by collaboration between academics, the commercial sector, and governments generates beneficial synergies in the promotion of innovation and entrepreneurial abilities in the tourist industry. Coordination across these three domains will aid in better identifying and addressing the key barriers to tourist innovation and solutions to overcome those.

- Deepening collaboration and trade among Western Balkan nations will help the area economically and politically by lowering trade barriers, boosting foreign investment, and enhancing the business climate

- The most limited method of supply in CEFTA states is the mobility of foreign workers/professionals from the CEFTA countries. It is difficult to get work authorizations for foreign employees, and even temporary entrance of workers to perform a specific service is difficult. A second barrier that makes it difficult for foreign experts to provide services is the recognition of abilities and credentials.

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