

A Proposal for a New Approach to the Western Balkans-EU Relationship



Regional Center for Strategic and Political Initiatives



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Contents

5	Introduction
6	1. Western Balkans trade: Economic Assessment
6	1.1. Current trade picture
6	1.2. Trade Integration with the EU Single Market
7	1.3. Foreign Direct Investment (FDI) and EU Integration
7	1.4. Sectoral analysis
10	2. Geopolitical Assessment
10	2.1 External Influences in the Western Balkans
13	3. Legal assessments of approaches to integration
13	3.1. Limitations of the Current Framework (SAP, CEFTA, CRM AP/Berlin Process, OBI)
13	3.2. Alternative EU Models of Integration: Strengths and Weaknesses
18	4. Introducing the Proposed New Approach
18	4.1. Accelerated Integration into the Single Market
18	4.2. Effective Governance Framework
19	4.3. Win-Win Strategic Partnerships starting with Energy Systems integration
20	4.4. Enhanced EU Engagement: Strengthened Collaboration and Increased Funding
22	5. Operationalizing and Implementing the New Approach
22	5.1. The SAP+ Framework
22	5.2. Institutional Infrastructure Development
24	6. Consistency of SAP+ with The Franco-German Working group Proposal
25	7. Consistency of SAP+ with The New Growth Plan for the Western Balkans
27	8. Sectoral Approach to Single Market Integration
29	Conclusions
30	Annexes
30	Annexe 1: EU budget implications of Accession
30	Annexe 2: Economic Analysis
41	Annexe 3: Comparative Table of CEFTA/CRM/OBI Trade Related Provisions
51	Annexe 4: Comparative RTA Table: The EU acquis, CEFTA, CRM, OBI, EFTA/EEA
61	Selected Bibliography
66	Data Sources

Introduction

In the shadow of both historical and contemporary regional tensions, the envisioned European Union (EU) accession for the Western Balkans (WB6) and the promise of regional integration have consistently offered a pathway to enduring stability and shared prosperity. However, progress in both has been slow. The lack of obvious benefits to date from the reforms enacted so far have made EU accession increasingly distant and uncertain. Trade barriers within the region are far more extensive than with the EU, suggesting even slower progress within the region. In both cases, the current system is not delivering.

In response to these challenges, this paper is dedicated to addressing two pivotal issues:

1_Facilitating Single Market Integration:

Speeding up access to the Single Market, because it offers a high proportion of the economic benefits of full EU membership, but should be easier, quicker to achieve and less controversial than full membership.

2_Fostering regional cohesion:

Beyond its economic advantages, regional integration holds the key to fostering political cohesion. Although the Western Balkans is a much smaller market than the EU, removing barriers to intraregional trade can generate new opportunities. Trade and investment between countries in the region can generate cohesion, particularly if it is possible to revive historic commercial links and build new ones creating value adding supply chains.

The paper starts with economic analysis considering current patterns of trade and the likely impact of current barriers to trade. It then considers the geopolitical landscape and prospects for politically facilitated EU membership. The focus then shifts to an assessment of current legal framework for EU Western Balkans integration, to consider the limitations and weaknesses of the current approach. Alternative approaches that the EU and others have taken in other free trade agreements are then considered.

By synthesizing data, examples, and policy insights throughout, this paper serves as a robust resource for policymakers, stakeholders, and leaders seeking to drive meaningful change in the Western Balkans. The goal is not merely to articulate a plan but to mobilize a movement. We propose a new approach to strengthening the Western Balkans-EU relationship to accelerate the accession process and deepen regional integration.

With the adoption of the European Commission's New Growth Plan for the Western Balkans on 08 November 2023, the paper takes on heightened significance. It holds the potential to contribute to shaping the practical dimensions of this initiative committed to expediting the accession process and reinforcing regional integration.

The paper introduces four interconnected pillars, each integral to a transformative vision for the Western Balkans:

1_Accelerating Access to the Single Market:

The first pillar focuses on expediting access to the Single Market which serves as a direct route to a significant portion of the economic advantages associated with full EU membership. Removing barriers to trade and investment and the essential enabling domestic reforms in and between the countries of the Western Balkans, and with the EU, are essential to improve prosperity in the region.

2_Reforming Governance for Collaboration:

The second pillar emphasizes the necessity of making significant changes to the governance framework to facilitate reform and drive rapid progress. The existing framework, designed to measure reform progress, falls short in fostering regional collaboration. The hub-and-spoke model of the of the Stabilisation and Association Process (SAP) is bilateral and does not facilitate collaboration between small countries with similar problems and modest resources, or to give those countries adequate access to EU expertise and funding. Adopting a more collaborative approach, our SAP+ proposal, aims to foster a common purpose with enough political input to direct and drive the process but sufficient autonomy for technocrats to implement without delay.

3_Deepening Strategic Partnerships, Starting with Energy:

The third pillar advocates for deep, strategic, mutually beneficial partnerships between the region and the EU, commencing with the energy sector. Both the WB6 and the EU face massive energy sector adjustment challenges. The region needs to decarbonise, modernise, and strengthen its electricity system, while the EU faces similar challenges compounded by the strategic need to end dependency on natural gas from Russia. Harnessing the massive renewables potential of the Western Balkans and investing in infrastructure improvements to enable cross border electricity sales can help provide reliable, affordable, and sustainable energy to businesses and households across the region and across Europe.

4_Enhancing Collaborative Working Relationships:

The fourth pillar underscores the importance of fostering closer collaborative working-level partnerships between the Western Balkans and the EU. By improving the design and implementation of reforms, harmonization efforts, and enabling

investments, including significant additional funding, the constraints posed by the lack of expertise and investment capital can be overcome. Working level collaboration both between the WB6 country governments and with the Commission is the way to build a common purpose, speed up reform implementation, reduce risks, boost credibility, and attract more funding from EU sources and beyond.

This paper shows delivering significant progress in regional integration and Western Balkans-EU integration is both possible as well as highly desirable. It demonstrates that interests align and shows all parties what is possible with some changes to the reform architecture along with genuine collaboration. The changes proposed here can ensure reforms generate economic benefits more quickly, contributing to prosperity and incentivising peace.

1. Western Balkans trade: Economic Assessment

This chapter briefly considers the current trade performance of the Western Balkans region, examining the influence of the existing trade framework and exploring the potential for key economic sectors if they were to benefit from enhanced access to the EU market.

1.1. Current trade picture

International trade holds greater significance for smaller economies like those in the Western Balkans. These countries typically rely heavily on exports to drive economic growth due to their relatively limited domestic markets. Therefore, fostering international trade and reducing trade barriers become pivotal drivers of economic advancement.

The Western Balkans countries, marked by diverse income levels and varying degrees of economic complexity, all face a common challenge: their relatively small economic scale within the broader EU framework. This scale ranges from approximately Euro 9,500 per capita in Montenegro to less than half of that in Kosovo¹. When it comes to economic complexity², Serbia ranks 36th out of 132 surveyed countries, while Albania occupies the 72nd position (please refer to Annex 2 Table 1 for comprehensive details). Although their trade openness surpasses global averages, it differs within the region. Notably, North Macedonia, Serbia, and Montenegro exhibit the highest trade-to-GDP ratios, while Albania presents a comparatively lower figure. All the countries of the region are relatively open to trade compared to “average countries” but there is a considerable range in their trade/GDP. North Macedonia (171%), Serbia (136%) and Montenegro (129%) are the highest while Albania is the lowest at 85%³.

A significant portion of Western Balkans countries face trade deficits in goods, with Kosovo and Albania experiencing particularly low goods exports. These deficits are often offset by surpluses in services or through inward investment and borrowing. Overall, the data suggests that goods trade is lower than is desirable or feasible for the Western Balkans (see Annexe 2 for details).

The Stabilization and Association Process (SAP) has largely eliminated tariff and quota restrictions for most Western Balkans goods exports to the EU. However, demonstrating compliance with rigorous EU rules and standards still entails substantial time and cost burdens. Research by the OECD suggests that such compliance costs can vary by sector, ranging from 0% to 9%, with natural resources being the least affected, while motor vehicles and parts 8.9%, agriculture 6.9% Textiles 6.1% other manufacturing 5.3% were hardest hit (See Annexe 2 for more details). Achieving full harmonization with EU standards significantly reduces these costs, but this milestone is typically only reached upon accession.

It's essential to recognize that while reducing trade-related costs is crucial, it complements rather than replaces the need for domestic reforms. The SAP process places a significant emphasis on enhancing the competitiveness of Western Balkans' domestic markets, addressing fundamental aspects such as skills development, investment promotion, and other fundamental building blocks of competitiveness.

The factors limiting Western Balkans' trade performance likely encompass both trade conditions and domestic structural impediments. While reducing trade barriers is crucial, the performance of these countries in international trade is inevitably influenced by broader domestic conditions.

1.2. Trade Integration with the EU Single Market

Trade flows between the Western Balkans and the EU Single Market (particularly WB6 exports) serve as a valuable indicator of their integration into this vast economic space. Albania, Bosnia and Herzegovina, North Macedonia, and Serbia demonstrate a high degree of trade interdependence with the EU, accounting for over 50% of their imports and exports (65% for Albania and Serbia) and over 60% of exports (as high as 78% for North Macedonia and Albania). In many cases the fastest growth (over a 10-year period) in bilateral trade is between the WB6 and the EU, and (as with almost all other countries globally) China, (as a source of imports). The two outliers are Kosovo and Montenegro. In both these cases trade with the other members of the WB6 is more important than for the other 4 Western Balkan countries, however some of this may be transit trade. (See Annex 2 Table 3 Trade Highlights.)

1 IMF 2021 data via viborc.com
2 Observatory of Economic Complexity
3 ditto

Efforts to foster closer regional integration have been undertaken, primarily through initiatives like CEFTA. These endeavours have yielded some successes, but trade barriers and infrastructure challenges continue to hinder intra-regional trade. Due to its size, and greater economic complexity Serbia is a key source of imports for most of the other WB6 particularly Montenegro.

While creating a Common Market for goods, services, and labour within the Western Balkans offers opportunities for increased trade, efficient infrastructure and skills utilization, the scope for growth in trade between these smaller economies is more modest compared to the EU's vast market. The EU remains the primary economic target. Nevertheless, regional integration remains crucial for political and historical reasons, and both regional and EU trade growth are attainable objectives.

1.3. Foreign Direct Investment (FDI) and EU Integration

Approximately 60% of the current FDI stock in the Western Balkans originates from EU countries⁴, although the overall value is relatively modest. Better access to the Single Market may incentivise inward FDI into the region, as firms invest in the WB6 to supply the European market. However, attracting investment depends on factors beyond export opportunities.

Bulgaria and Romania, both EU members, have not experienced a significant surge in FDI, suggesting that EU membership alone does not guarantee substantial FDI inflows. Evidence indicates that FDI stocks in these countries are comparable to, or even lower than, some Western Balkans countries. For instance, FDI per capita in Bulgaria and Romania does not exceed that of Montenegro (\$9175/head)⁵ while Serbia's FDI per capita surpasses that of Romania (see Annexe 2 Table 4). Separating the impacts of trade agreements and other factors on FDI inflows remains a challenging task (Although modelling work by WüW⁶ suggests that SAP has notably increased FDI flows into the Western Balkans).

The Commission annual reporting on SAP implementation separates the WB6 into a leading group North Macedonia, Montenegro and Serbia and a trailing group Bosnia and Hercegovina, Kosovo, and Albania. Within the leading group there are several areas identified for further action. For North Macedonia these include need for infrastructure improvements, energy efficiency measures and labour market reforms. For Montenegro these include fiscal consolidation and further privatisation controlling the informal economy. For Serbia the Commission's reporting identifies action to improve fiscal discipline including spending on state owned enterprises and the need for reforms to improve the business environment and regulatory measures.

A key challenge is that the list of reforms and investments needed is typically very long, onerous, and expensive in financial and skilled personnel terms. As such it can appear more like a report card than a collaborative pathway to implementation.

It is striking that countries which joined the EU previously either did not face the same degree of inspection (because the requirements were not in place (early joiners) or enjoyed a combination of extensive assistance to implement reforms and were granted considerable leeway in their implementation (later joiners)). Applying the same rigorous inspection to the economic policies of some current EU members might generate equally critical findings.

1.4. Sectoral analysis

While a broad overview provides valuable insights, it is essential to acknowledge that specific challenges and opportunities vary significantly across sectors. This in-depth analysis is crucial when examining the prospects of different sectors within the Western Balkan economies, as well as the barriers hindering their progress. Clearly Albania is more dependent on agriculture than the other countries. The split between industry and services varies considerably between Montenegro where industry accounts for just 14% of GDP and Kosovo where it is 43%. Additionally, each of these 3 aggregates is made up of rather different elements between countries. Annex 2 Table 5 identifies which parts of the economy contribute the most to GDP.

Agriculture and Food

In contrast to its political profile, the relative economic importance of agriculture is dropping sharply in the Western Balkans. It makes a modest contribution to trade flows and does not attract a lot of investment. Agricultural exports may be constrained by competitiveness issues, and in some cases a lack of dynamism and investment, however unlike many other products, the sector also faces EU Trade barriers. The sector is amongst the least equipped to compete and faces the most complex and onerous challenges in trading with the EU.

Additionally, this sector faces EU trade barriers, including Tariff Rate Quotas (TRQs) for beef, wine, and sugar. Compliance with EU standards, particularly in areas like Sanitary and Phytosanitary regulations, imposes time delays and quality challenges. Bridging the gap to EU standards necessitates investments and robust monitoring and enforcement mechanisms. Convincing the EU that standards have been met and monitored may not be a purely technical exercise.

Infrastructure limitations are also a major impediment to expanding exports of many products due to the lack of quick reliable and cheap transportation to markets in other countries.

4 EU Western Balkans Relations December 2022

5 UNCTAD World Investment Report 2023 Annexe 2

6 WüW research report 450 Sept 2020 Regional Economic Co-operation in the Western Balkans

While EU imports of agri-food products from the Western Balkans have doubled since 2008⁷, these exports began from a low base. EU exports to the region increased 52% over the same period but from a much higher base. The EU is still a significant net exporter of agri-food products to the Western Balkans, other than to Serbia. If the WB6 do become closer to the Single Market, and remaining barriers are reduced, the WB6 agricultural sector may face very significant adjustment challenges with political and social implications. For WB6 producers removing extensive agricultural trade barriers within the region may enable them to supply more to neighbouring WB6 countries. Removing these barriers would also be a small step towards both regional integration and eventual EU membership.

Energy

The region is currently a net energy importer driven by oil and oil products. There is active trading in electricity within the Western Balkans in electricity (an area with scope for further collaboration). At present power generation is primarily fossil fuel and hydro power based. Several countries are both importers and exporters of power including Montenegro and Bosnia exporting to Italy and Switzerland⁸ although most cross-border trade is within the Western Balkans. Infrastructure improvements could enable a significant increase in both regional trade and trade with EU members, with significant security and efficiency benefits.

Prior to the Ukraine conflict, fossil fuels such as coal and lignite were seen as an urgent problem and EU assistance was provided to encourage switching to renewables. Despite being small in absolute terms, and relative to Russian involvement in the Serbian oil industry, Serbia's natural gas imports from Russia are particularly politically controversial. The EU is very keen for Serbia to stop them; however, they are cost effective, and contribute to security of supply for Serbia.

The Western Balkans have a very large but under exploited natural endowment for renewable electricity generation, specifically hydroelectricity, solar and wind power. Although transition to low carbon electricity is desirable, investment constraints are currently preventing substantial progress, despite EU, EBRD and World Bank engagement. International trade in energy is also significantly constrained by insufficient investment in transmission infrastructure as well as production capacity. While complying with EU regulatory standards may be an issue, they are unlikely to be significant barriers to trade.

Metals and Minerals

The Western Balkans has an exceptionally diverse natural endowment of rare and more common metals and minerals, plus a long history of mining and processing industries. Metals and minerals form a significant proportion of total exports for most of the Western Balkan countries at present, but particularly Montenegro. See Annex 2 Table 6. In most countries most metals exports are processed to some degree. Moving up value chains to process more ore and turn basic commodity metals into higher value-added goods is an obvious way to increase the value of exports.

Products such as smartphones, electric car batteries and Solar panels are changing patterns of demand, increasing the appetite for Lithium, Cobalt, Zinc, Silver, Gold, Manganese, Graphite, Silicon Phosphorus, rare earths. At least 16 countries around Europe⁹ are competing to attract or set up battery factories both for direct employment and as the start of EV clusters. The dream scenario for the Western Balkans is that mineral supplies such as Lithium attract both battery and electric vehicle (EV) manufacturers to create a new high value-added industrial cluster. Current planned projects in Serbia (SUBOTICA: ElevenES due operational by 2027(48 GWh) and InoBat by 2025, with initial capacity of 4 GWh and aimed capacity of 32 GWh) may help it become a significant force in the battery market, and even possibly to attract electric car production, but to date are insufficient to give it great strategic importance with the EU.

Analysis funded by the EU¹⁰ identified extensive action required to attract new investment and expand production. At present export opportunities may be limited by production capacity and transport infrastructure, both in terms of capacity and cost. Competitiveness of some mines may be compromised by their smaller size and less effective use of capital equipment than their larger competitors particularly in the Southern hemisphere. The Ukraine crisis disrupting Russian exports provides an opportunity for WB6 suppliers to take EU market share and attract investment provided they can compete with other locations.

Recent concerns among EU firms about securing rare metals and minerals globally, along with disruptions in Russian raw material exports due to the Ukraine conflict, have elevated the importance of Balkan supplies to EU-based companies. While the overall scale of Chinese FDI into the region is significant at approximately \$30billion in 122 projects (end 2021¹¹), so far, its metals and mineral investments have been modest, possibly restricted by transport infrastructure constraints. The EU has funded a cataloguing exercise¹² to identify reserves and production facilities. Innovations in products such as batteries may lead to a rapid increase in the importance of some metals and minerals. It is however important to be clear at present Western Balkans mineral resources are not widely considered important enough by EU firms or politicians to impact on accession negotiations.

7 Agri food trade with Enlargement countries Commission website https://agriculture.ec.europa.eu/international/agricultural-trade/bilateral-agreements/enlargement-countries_en

8 OEC Export analysis by destination Bosnia Hercegovina 2021

9 Reuters July 19, 2023, Factbox: Companies invest in EV battery factories in Europe.

10 Roadmap of actions for the exploitation of RM sector in the ESEE region RESEERVE 2021

11 Balkan Investigative Reporting Network, published in December 2021,

12 RESEERVE <https://reserve.eu/results/west-balkan-mineral-register-of-primary-raw-materials>

Unlike some products, raw material standards are typically industry set (i.e., EU standards are derived from industry ones) and access to the Single Market is only seriously impeded by infrastructure. Proving compliance and origin is unlikely to be a large cost per shipment.

In summary, the analysis of trade dynamics in the Western Balkans reveals a complex landscape. These countries, each with a unique economic profile, share a common goal: using international trade and investment to boost their economies. Regional integration is a crucial step toward prosperity, fostering stronger ties between neighbouring economies. However, the ultimate aim for the WB6 is access to the vast European Union market, where they aspire to expand and diversify their trade. This pursuit not only promises economic advancement but also signifies the region's commitment to aligning itself with the broader European framework.

Transitioning to the geopolitical assessment in the next chapter, it's important to recognize the intricate relationship between economic ambitions and political realities. The Western Balkans, with its rich historical heritage and vibrant contemporary context, stands at a crossroads where the pursuit of economic growth intersects with the complex forces of geopolitics.

2. Geopolitical Assessment

The Western Balkans holds a crucial geostrategic position between Europe and Asia, connecting the Caucasus to Europe. Its geostrategic significance lies not only in its geographical location but also in its potential role within European energy and transport infrastructure, enhancing connectivity and security. However, this historically fragmented region, marked by ethnic, religious, and cultural diversity, has attracted the interests of great powers, resulting in political competition and migrations.

Although security conditions have improved within the Western Balkans, the persistence of ethno-nationalist policies and high levels of corruption have fostered social and ethnic divisions, creating a shadow over both security and development prospects. Among the most pressing challenges are the normalization process between Kosovo and Serbia and the internal dynamics in Bosnia and Herzegovina, which have repercussions that extend beyond their national borders.

The process of integrating the WB6 countries into the European Union has spanned two decades since the 2003 Thessaloniki EU Summit. This journey has been marked by stricter conditions, especially concerning the rule of law, compared to previous enlargements. Additionally, ex-Yugoslav states have faced conditions related to cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY), while Serbia and Kosovo with normalization of their relations.

Following the accession of Bulgaria and Romania in 2007 and the global economic crisis of 2008-2009, the EU's enthusiasm for further enlargement waned. Discouraging statements, such as Jean-Claude Juncker's 2015 declaration against new accessions, further hampered progress. EU member states displayed varying degrees of interest, leaving much of the process to Brussels administration. Even when a Western Balkan country, such as North Macedonia, made substantial efforts including compromising with Greece to change their name, new obstacles emerged. These are often rooted in domestic concerns or disputes among EU member states. This situation has left many in the Western Balkans questioning the sincerity of the EU's commitments.

In 2020, France introduced a new enlargement methodology, which included chapter clustering and a more significant role for EU capitals in the process. However, progress remained sluggish. Serbia and Montenegro have remained locked in negotiations since 2013 while Albania and North Macedonia have encountered bilateral obstructions from France and Bulgaria. Bosnia and Herzegovina continue to grapple with implementing key priorities, and Kosovo only interacts directly with the EU Commission due to non-recognition by five EU member states. The Ukraine conflict has refocused the EU's attention on enlargement, highlighting the need for internal EU reforms to accommodate new members effectively.

The conflict in Ukraine has underscored the pressing need to address geopolitical and security risks in the Western Balkans while also generating the potential for armed conflicts to spread to South-Eastern Europe, including Moldova and Georgia. To respond to this challenge, there is a growing initiative aimed at expediting the accession of the Western Balkans, Ukraine, Georgia, and Moldova into both NATO and the EU.

Membership¹³ in and cooperation with NATO¹⁴ play a pivotal role in enhancing the security of Western Balkan countries. This involves establishing a „security umbrella” that effectively counters malign foreign influences, which currently pose a significant challenge to the region's stability.

Moreover, such a security framework would alleviate scepticism regarding Serbia's role in regional economic cooperation, given the size of its economy in relation to the others. Given the evolving geopolitical and security landscape in Europe, maintaining their current positions without jeopardizing vital economic, developmental, and political interests is increasingly challenging for Serbia and Bosnia and Herzegovina as they pursue their EU aspirations.

2.1. External Influences in the Western Balkans

External actors, including Russia, China, the United States, and Turkey, have played significant roles in shaping the political, economic, and cultural landscape of the Western Balkans.

Russia's engagement in the region spans various domains, allowing it to exert „soft power” and conduct a „hybrid war.” This approach has found success, especially in Serbia, where Russian influence is prominent across multiple sectors, including energy infrastructure, education, the Serbian Orthodox Church, and emergency response. Russia's opposition to NATO enlargement is consistent across the Western Balkans, but is more prominent towards Serbia and Bosnia and Herzegovina's entity Republika Srpska advocating and promoting ethno-nationalist agenda.

Russia's role in Serbia is leveraged to advance its interests in Ukraine and Georgia. The strengthening political ties between Russia and Serbia, marked by the 2008 Serbia-Russia Energy Agreement, have afforded Moscow significant influence in Serbia's oil and gas sector.

13 Albania has been a NATO member since 2009, Montenegro since 2017, and North Macedonia since 2020

14 Bosnia and Herzegovina, Serbia, and Kosovo are members of the Partnership for Peace (PfP). Serbia joined PfP in 2006 and has been part of an Individual Partnership Action Plan (IPAP) since 2015. Through IPAP, Serbia and NATO engage in over 200 activities annually.

Russia retains substantial control over Serbia's oil and gas sectors, particularly through NIS (Serbian Oil Industry) primarily owned by Gazprom. Additionally, Russian-majority-owned Yugorosgas plays a role in Serbia's natural gas supply. The EU has pushed the natural gas interconnector project between Serbia and Bulgaria (to be completed by the end of 2023) to reduce dependence on Russian gas, safeguarding against potential weaponization of energy supplies.

Russia also sought footholds in other Western Balkan countries, achieving varying levels of success. In 2016, Russia revived the southern gas pipeline project, TurkStream II/Balkan Stream, securing a direct natural gas supply route to the Balkans and Central Europe, bypassing Ukraine. This project's completion in 2020 significantly reshaped the region's energy landscape.

However, the accession of Montenegro to NATO in 2017 effectively surrounded the Western Balkans with NATO member states. This strategic shift reduced Russia's capacity for direct military influence, prompting a shift toward employing soft and sharp power tools as means of influence. By 2018, Serbia remained the primary Western Balkan country maintaining close ties with Russia, alongside Bosnia's Republika Srpska entity.

Russia's influence also extends to media outlets in Serbia and Republika Srpska, where nationally reaching platforms often portray Russia in a positive light. While not under direct or indirect Russian control, these media outlets disseminate pro-Russian content as part of their editorial policies, potentially serving to balance the spread of pro-Western and pro-EU information.

In the wake of Russia's invasion of Ukraine in 2022, its economic influence in the Western Balkans has waned. Russian banks have largely departed from the region. The sale of Sberbank's 43% share in Agrokor ownership to the Hungarian American Indotek investment fund marked a notable development. Other Russian initiatives faced disruptions due to the conflict in Ukraine and subsequent US, UK and EU sanctions.

China's infrastructure investment policy in the Western Balkans is a crucial part of its broader geopolitical and developmental strategy. These projects, funded primarily through loans and often using state-owned assets as collateral, have put China in competition with the interests of the US and the EU in the region. However, concerns have arisen due to China's disregard for national and EU regulations, especially in areas like worker safety, human rights, and environmental protection.

China's engagement in the Western Balkans began in 2008 when Serbia sought closer ties with international actors beyond the Western sphere of influence. Serbia initiated a strategic partnership with China, marked by infrastructure projects such as the Danube River bridge in Belgrade, financed by Chinese loans and executed by Chinese companies.

Chinese loans have generated substantial interest in the region, particularly in Serbia, where projects have been executed swiftly. However, these projects have faced issues related to compliance with domestic legislation, environmental concerns, and the rising debt burden on regional countries. The list of Chinese-backed infrastructure projects continues to expand, including the reconstruction of the Subotica-Belgrade high speed railway, highway sections between Serbia and Montenegro, and coal power plant construction/rehabilitation in Bosnia and Serbia. Nevertheless, these projects have faced issues related to compliance with domestic legislation, environmental concerns, and the increasing debt burden on regional countries. Montenegro, in particular, is grappling with a looming „debt trap” resulting from its inability to repay the debt incurred from the highway construction to Serbia.

In 2016, the partnership between Serbia and China was elevated to a Comprehensive Strategic Partnership, marking a deeper level of engagement. China also made significant direct investments in Serbia, acquiring steel and mining holdings - Smederevo Steel Mill by Helsteel and the purchase of majority ownership of the Bor Copper Smelting and Mining Holding in 2018 an initial investment officially worth of USD 1.81 billion.

In contrast to Russia, China's involvement in regional domestic issues has remained limited. China typically adheres to a „neutral” agenda, avoiding interference in domestic and intra-regional conflicts. However, in 2021, China displayed a growing interest in regional matters, notably supporting Russia on a UN Security Council issue in being against approving the election of the new High Representative in Bosnia and Herzegovina in the Security Council.

The United States has played a crucial role in stabilizing the Western Balkans, supporting Euro-Atlantic integration, governance reforms, anti-corruption efforts, and regional economic partnerships. While it was actively involved in the post-Yugoslav wars and Kosovo's independence process, the EU took over Kosovo-Serbia normalization in 2011.

Until 2017, the US primarily engaged through NATO cooperation and support for NATO expansion, with limited economic involvement except for the ownership of Smederevo Steel Mill by US Steel (2003-2012). From 2017, US involvement gained renewed momentum, marked by its support for Montenegro's NATO integration and active mediation during North Macedonia's „Colourful Revolution.” The US-China competition extended to the region, with countries joining the US-backed Clean Network initiative (2019-2020).

During the Russia-Ukraine conflict, the US adopted a systematic approach to stabilize Bosnia and Hercegovina and Kosovo. Also, US-backed projects aim to secure natural gas supply and reduce Russia's energy influence, including regional interconnections and connections to LNG terminals. Prospective projects include expanding the Djerdap and building of reversible hydropower plant Bistrica and enhancing military cooperation, with Serbian troops participating in a US mission in Sinai, Egypt.

Türkiye has historically maintained ties in the Western Balkans, particularly with Balkan Muslim communities. After a change in leadership in 2002, Türkiye shifted its foreign policy emphasizing cooperation, the establishment of free trade agreements, increased economic ties, and Turkish-led infrastructure projects in the region. Additionally, Türkiye has embedded its approach to the region within the broader Western/NATO framework.

In parallel, the Turkish Development Agency (TIKA) expanded its humanitarian and developmental efforts, undertaking projects including restoration of monuments reflecting Ottoman heritage in the region. Additionally, the Hizmet Movement played a significant role in offering scholarships and establishing educational institutions.

Türkiye's significance was notably underscored in 2015 during the migrant crisis, as it hosted Syrian refugees and served as a crucial route to Europe, necessitating strong relations with Western Balkan countries.

A shift occurred following the failed coup in 2016, marked by a foreign policy approach that prioritized specific goals and the cultivation of personal relationships with regional leaders. Several countries cooperated closely with Türkiye, leading to a substantial rise in Turkish influence in the Balkans. Serbia, in particular, saw a significant influx of Turkish foreign direct investment (FDI), primarily from small and medium-sized enterprises that shared common interests with the country.

In summary, the external actors have a significant influence in the Western Balkans, shaping political, economic, and cultural dynamics in the region. Recent events in north Kosovo, where a well-organized and heavily armed group was involved in a conflict with Kosovo police resulted in one Kosovo policeman and three members of the group being killed and many more injured underscores the dangers of unresolved conflicts and regional fragility to overall stability in the Western Balkans.

As the Western Balkans pursue EU integration, they confront a dual challenge: navigating complex internal conditions while managing external pressures and complexities related to the future shape of the EU. To achieve the crucial goals of stability, security, and prosperity, it is imperative for the Western Balkans to embrace a comprehensive approach that effectively addresses both their internal complexities and the external dynamics. Only through such a well-rounded strategy that integrates the Western Balkans into the EU and NATO can ensure a stable future for the region.

3. Legal assessments of approaches to integration

This chapter critically assesses the existing framework supporting reform and trade liberalization in the Western Balkans, examining its suitability for the region's integration goals. Additionally, alternative trade agreements operated by the EU are considered for their potential applicability to the Western Balkans. Comprehensive details regarding the current framework and the identified gaps to be addressed are presented in Annexe 3 and Annex 4.

3.1. Limitations of the Current Framework (SAP, CEFTA, CRM AP/Berlin Process, OBI)

The **Stabilisation and Association Process (SAP)** is overly ambitious as designed, and arguably unrealistic in getting to the goal of integration within a reasonable time frame. The legal basis for the SAP is Title V of the Treaty on European Union (TEU) on EU external action; Article 207 of the Treaty on the Functioning of the European Union (TFEU) on international trade agreements and Article 49 TEU on the criteria for application and membership.

The conclusion reached from the analysis is that the stringent requirements, as defined in the Copenhagen Criteria and expressed in the SAP signed by each country as the first step towards membership, have proven to be a major obstacle because of the inability of the Western Balkan countries to meet these requirements. Considering the level of development (institutional, political, and economic) in the countries, this state of affairs is unsurprising. To make progress and achieve the goals of the SAP, a new approach that could facilitate not only the move towards integration but also liberalisation on the part of the Western Balkan countries would need to be developed. Such a new approach would need to take into account the varied political, economic, and social conditions in the Western Balkans countries. It will also need to factor in the different paces of progress by the countries towards achieving the necessary conditions and compliance for accession.

The **Central European Free Trade Agreement of 2006 (CEFTA)** was designed as a temporary mechanism to facilitate a faster path to accession. Unwittingly, the temporary mechanism has become permanent in practice. The downside of the inadvertent permanency, however, is that the mechanism has failed to keep pace with its expanding objectives as well as the socio-socioeconomic and political dynamics in the Western Balkans. CEFTA's governance structures are undeveloped when compared to the growing ambitions of the agreement and other Regional Trade Agreements (RTA) with a similar scope of ambition. The CEFTA institutional framework has remained strictly intergovernmental rather than creating regional bodies with some competence to issue proposals, undertake independent surveillance of implementation and possess some enforcement powers. The CEFTA Secretariat is limited to providing technical and administrative support to the CEFTA Joint Committee and Bodies. The Joint Committee is composed of the Ministers of Economy from the parties and the Joint Committee must act by consensus.¹⁵

Ongoing disputes, particularly concerning Kosovo's representation, have substantially hindered the decision-making process within CEFTA since 2020. The framework has demonstrated its obsolescence and inadequacy in addressing contemporary challenges, notably its incapacity to enforce vital agreement provisions essential for the effectiveness of any trade agreement. These protracted delays not only foster a sense of fatigue in the accession process but also stoke scepticism regarding the prospects of EU enlargement in the region.

Furthermore, the **„Berlin Process,”** initiated in 2014 by the Federal Republic of Germany, aspires to rejuvenate regional cooperation and high-level political dialogue. The initiative places strong emphasis on aligning agendas, strengthening frameworks, and harmonizing regulations governing economic cooperation, all geared towards convergence with EU standards. A significant milestone within the Berlin Process was the endorsement of the Common Regional Market Action Plan (CRM AP) 2021-2024 during the Berlin Process Summit in November 2020 in Sofia. However, despite the aspirations that ignited its inception, nearly three years after its enthusiastic endorsement, progress under the Action Plan has been modest, falling significantly short of the set targets and timelines.

To address the lack of substantial progress, the **Open Balkans Initiative (OBI)** as a collaborative effort Albania, Serbia, and North Macedonia, was launched, demonstrating a high level of political commitment. However, the OBI does not effectively tackle a fundamental weakness observed within the CEFTA and CRM frameworks—the absence of an independent institution tasked with overseeing and implementing agreements, thereby ensuring consistent implementation across countries and alignment with the EU acquis. To date, the OBI remains based on a regional cooperation framework and domestic enforcement approach. This provides a limited platform for facilitating the objectives of integration. Furthermore, any initiative that excludes any of the WB6 countries falls short of fully unlocking the potential of intra-regional trade within the Western Balkans. This could, in turn, exacerbate existing fragmentation among the WB6.

3.2. Alternative EU Models of Integration: Strengths and Weaknesses

Each of the EU's numerous bilateral free trade agreements offer rather different levels of ambition and coverage. They also have different limitations and challenges. This part of the paper assesses these from the perspective of the Western Balkans to consider if they offer a more attractive alternative to the current approach.

¹⁵ CEFTA 2006 Article 41 Procedure of the Joint Committee

Deep and Comprehensive Free Trade Agreements (DCFTA): Ukraine, Moldova, and Georgia

The European Neighbourhood Policy seeks to provide comprehensive agreements with countries which politically are not in the position to join the EU whether for geopolitical or economic reasons. It promotes EU values in relation to human rights, the rule of law, democracy, market economy, sustainable development and labour protection.

For the ‘Association Trio’, the Association Agreements (AA), along with the DCFTA, provide a comprehensive and detailed agreement by which each country can align its commercial laws and procedures with those of the EU. It incorporates various commitments and agreements. These are subject to transitional arrangements to bring each country into alignment with the commercial and legal norms of the EU over a specified time period.

The DCFTA is both ambitious and unprecedented. DCFTA’s deal goes beyond the new generation of EU trade agreements recently concluded with, for example, Korea, Canada, Japan, and Vietnam. It aims gradually, and partially, to integrate the country into the EU Internal Market, on the basis of legislative approximation. The DCFTA moves beyond a free trade area and customs agreement to obligate the country to adopt a large part of the EU business rules over a 10-year period. This commitment offers a pathway to far-reaching integration into specific sections of the EU Internal Market in areas such as services, public procurement, trade in goods, state aid, following strict compliance checks by the Commission.

Both the SAPs of the WB countries and the DCFTAs of the new East European applicants already provide the basis for progressive integration into the internal market. A key difference is that the DCFTAs include explicit lists of the EU acquis with timetables for implementation, whereas the SAPs are less explicit.

However, the SAPs also contain general provisions whereby applicant states can move forward autonomously at any time and adopt whatever elements of the acquis they wish to incorporate into their laws and policies. It then remains for the SAP Councils to take decisions marking the equivalence of these measures to the EU’s internal market practices, and to grant enhanced market access accordingly.

The implementation of the SAP requirements for membership is causing the biggest challenge, along with regional fragmentation in the context of gridlock at the political level. The DCFTA model does not resolve these challenges because of the tension between the EU’s political support for enlargement and the formal requirements for membership. A ‘Special’ or ‘fast-track’ accession procedure does not exist under the DCFTA. Like all other applicant countries, the Association Trio - Ukraine, Moldova, and Georgia - must go through all the steps of the accession procedure outlined in Article 49 TEU.

While Ukraine’s political profile and leverage in Europe has increased considerably due to the war, the technical requirements of membership remain unchanged. The significant challenges that alignment pose, even during peace time, have been seriously downplayed in the political context of war. Even in the unlikely position that there was full compliance with the acquis, the Copenhagen criteria includes the ability of the EU to absorb new members. To admit a large country such as Ukraine, with massive economic reform challenges, the EU would need to reconsider its Common Agricultural Policy (CAP) and reform its industrial policy. Enlargement would have a major impact on the redistribution of financial resources and subsidies among the existing member states. Annex 1 indicates the negative financial implications for existing EU Member States if the budget does not change. Some view the budgetary pressure associated with enlargement as an opportunity to reform EU policies, including agricultural policy. The current decision-making framework of the EU mean all existing members would have to approve any new membership.

As such, this model does not offer significant benefits to the Western Balkans over its current approach. In some ways, taking this approach could demote it by association with countries far less equipped for EU membership.

The EFTA/EEA Model: Iceland, Liechtenstein, Norway (Switzerland)

The 1960 European Free Trade Association (EFTA) was established for the promotion of free trade and economic integration between its Member States,¹⁶ within Europe and globally. EFTA’s objective is to liberalise trade between its four Member States. Managed by the EFTA Secretariat, the European Economic Area (EEA) extends the Internal Market of the EU to three EFTA States, not Switzerland, based on common rules and equal conditions of competition.

All relevant Internal Market legislation is integrated into the EEA Agreement so that it applies throughout the whole of the EEA.¹⁷ The result is that the EEA creates a single market, where, within EU-EFTA territory, (except Switzerland), a free movement of goods, persons, services, and capital is realized. The EEA Agreement does not cover EU common agriculture and fisheries policies, although it contains provisions on trade in agricultural and fish products. It does not entail a customs union, nor does it include a common trade policy, common

¹⁶ In 2022 the EFTA Member States are Iceland, Liechtenstein, Norway, and Switzerland

¹⁷ The EEA Agreement includes provisions on incorporation of EU legislation (Protocol 1) and case-law of the CJEU (Article 6) to EFTA States legislation.

foreign and security policy, justice and home affairs, harmonised taxation, or the economic and monetary union. Schengen is not a part of the EEA Agreement, although all EFTA States participate in Schengen and Dublin through bilateral agreements.

Each EFTA State negotiated a bilateral free trade agreement with the EEC, in 1972, in a hub and spokes approach like the SAPs. For the Western Balkans countries, the EFTA/EEA agreement approach has the advantage of maintaining the two-tier hub-and-wheels approach to regional integration – the SAPs and the CEFTA regional block.

Unlike the CEFTA/CRM or OBI frameworks, the EFTA/EEA institutional structure provides integration efforts with a governance framework possessing sufficient judicialization to push forward the implementation of the acquis. It has an independent and institutional permanence for its dispute settlement mechanism. Although the EEA is managed by the EFTA Secretariat, its compliance with the EEA is controlled in a dual approach. The EFTA Surveillance Authority monitors the fulfilment of the obligations by EFTA States while Commission controls EU Member States. The EFTA Court has established its competence to give preliminary rulings even in purely national cases, if the national court decides to request for such action and the national law is identical with those of EEA.¹⁸ Moreover, the EFTA court refers to the case law of the Court of Justice of the EU. This also indicates how effectively two jurisdictions can be interlinked.

EFTA membership does not oblige the individual Members to become a party to the 1994 European Economic Area (EEA) Agreement. The EFTA States are not obliged by the EFTA Convention to conclude preferential trade agreements as a group and have explicitly maintained the full right to enter into bilateral third-country arrangements. The EFTA Secretariat is also not involved in the management of the bilateral agreements between Switzerland and the EU.

As with the DCFTA, the EFTA does not alleviate the core challenges faced in the Western Balkans accession process – uneven implementation and regional fragmentation, along with over-politicisation within decision-making bodies at a regional level leading to blockages. The EFTA model is based the ability of the Parties to agree to cooperate and establish independent institutions for monitoring, enforcement and ensuring mutual recognition among the parties. This is not currently possible among the Western Balkans leaders or within the CEFTA and OBI initiatives. The EFTA model would not be able to provide regional legislative push or technical assistance because it does not have the legal capacity to issue regional legislation, nor does it establish a customs union with a common external tariff.

EU-Türkiye - Customs Union

Türkiye is required to eliminate all customs duties, quantitative restrictions, charges with an equivalent effect to customs duties, and all measures with an equivalent effect to quantitative restrictions in the trade of industrial goods with the EU (EU-Türkiye Customs Union Decision 1/95 of 1995). In addition, Türkiye is required to adopt the EU's Common External Tariffs (CET) on third-country imports and adopt all the preferential agreements the EU had/has concluded and would/will conclude with third countries. Consequently, this has meant that Türkiye has also concluded FTAs with many countries in tandem with the EU, including Macedonia, Bosnia-Herzegovina, Albania, Montenegro, and Serbia.

One of the most significant advantages of the customs union for Türkiye is that it offers duty-free access to the EU market for most industrial goods. The customs union seeks to eliminate non-tariff barriers to trade between the EU and Türkiye, including restrictions on quantitative import quotas and other regulatory barriers, to facilitate smoother trade flows. The customs union aligns Türkiye's trade policies and regulations with those of the EU, encouraging increased foreign direct investment, technology transfers, and economic cooperation.

Under the customs union, Türkiye also has the potential to access the markets provided by the EU's trade agreements with third countries. Turkish businesses can therefore benefit from the EU's FTAs with other countries and regions. This encourages innovation and competitiveness and the adoption of EU standards and regulations, improving product quality and global market access.

There are also serious downsides to the EU Türkiye customs union. Firstly coverage, it is very limited in its scope. It does not cover services, agriculture, or areas like labour mobility and financial services. Therefore, Türkiye's access to these sectors remains subject to separate agreements and negotiations.

Under the customs union arrangement, Türkiye is not represented when shaping the EU's trade policy. The lack of autonomy in trade negotiations means that Türkiye has to accept trade terms that are less favourable than those negotiated by individual EU member states or countries with their own FTAs with the EU. As Türkiye cannot tailor its trade deals to its specific needs or industries, its industries may face tougher competition from countries that have more favourable trade terms with the EU. If a WB-EU customs union were created, the Western Balkans countries have a number of bilateral trade agreements that would have to be abandoned, as would CEFTA itself.

The EU-Türkiye customs union does not cover the harmonization of regulations, standards, and product certifications between Türkiye and the EU. This model would not resolve the current situation in the Western Balkans countries. For if there are regulatory differences between Türkiye and the EU, it can create additional barriers and compliance costs for exporters. This can make their products less competitive in the EU market compared to countries with aligned regulations and standards.

The EU and Türkiye have a separate process related to Türkiye's accession to the EU. In effect, Türkiye has been disadvantaged by its slow and limited accession process. While third parties that are not in accession discussions with the EU, such as Canada or Japan, have secured market

18 EFTA judgement Ski Taxi (E-3/16, para. 27)

access commitments from the EU in the areas of services, investment, public procurement, geographical indicators and agriculture that extend far beyond those provided by the legal framework of the EU-Türkiye customs union. In sum, the EU-Türkiye CU does not provide an attractive model for the WB countries.

Additionally, it is unlikely that a customs union for the WB6 and EU could gain support. It has not been accepted by all of the countries, partly due to the costs of losing tariff revenue among the smaller countries, and the ability to protect national industries using tariffs in others. The CEFTA members also have a number of bilateral trade agreements that would have to be abandoned if a customs union were created, as would CEFTA itself. One analysis suggests that the conditions for a successful customs union are rather specific. With reference to the Western Balkans, there are few strong arguments in favour of a customs union at the level of specific sectors, except possibly the case of the development of some intra-industry trade.¹⁹

Swiss Model

The EU-Swiss model represents a unique framework for cooperation and trade beyond full EU membership. It allows for mutual benefits while respecting Switzerland's specific political and institutional context. Since the 1992 referendum result against participating in the EEA, Switzerland has developed its relations with the EU through bilateral agreements, ranging from selective access to the EU's Single Market to participation in research and education programmes and association with EU policies on borders (Schengen) and asylum (Dublin).

Apart from the members of the EEA, no third state has developed so many ties with the EU. The EU and Switzerland have signed over 120 bilateral agreements. This has included an FTA in 1972 and two major series of sectoral bilateral agreements that aligned a large portion of Swiss law with that of the EU at the time of signing. Bilateral I, addressing free movement and mutual market opening entered into force in 2002 consisting of seven agreements on the free movement of persons, air transport, land transport, trade in agricultural products, technical trade barriers, public procurement, and research cooperation. Bilateral II entered into force over the 2005-2009 period, implementing agreements relating to strengthening economic cooperation and extending cooperation on asylum and free travel within the Schengen borders, Switzerland's participation in the Dublin system, the EU's MEDIA programme and the European Environment Agency, as well as the taxation of savings, processed agricultural products, statistics, combating fraud, and Swiss financial contributions to economic and social cohesion in the new EU Member States. The Bilateral I package ties the agreements together with a procedural tripwire, which means that if Switzerland defaults on one, all will fall. The Swiss have been advocating a Bilaterals III package to cover new areas – such as electricity connections.

Despite this progress, an impasse has emerged. The EU would like to replace the bilateral approach with a framework agreement. This would involve Switzerland accepting changes to European law and allowing the European Court of Justice (ECJ) to adjudicate on any disputes. In 2021, the Swiss government broke off negotiations with the EU on an institutional framework agreement to govern future relation. In 2023, the Swiss proposed a “package” agreement bundling multiple treaties rather than a universal framework.²⁰

There are clear advantages to the Swiss model. Switzerland benefits from access to the EU Single Market for many goods and services. This market access allows Swiss companies to sell their products and services to EU member states without facing significant trade barriers, contributing to economic growth and competitiveness. Regulatory alignment reduces non-tariff barriers and facilitates the movement of goods and services between the two regions. Switzerland can also participate in certain EU programmes and initiatives, such as those related to research, education, and culture.

Moreover, the EU-Swiss model allows for a degree of flexibility in the negotiation of individual agreements. Switzerland can tailor its agreements with the EU to specific sectors and areas of interest, providing opportunities for more targeted cooperation. It provides a mechanism for Switzerland to engage with the EU while retaining some sovereignty in decision-making. Cooperation can extend to areas such as security, environmental protection, and cross-border issues. Yet, the EU-Swiss model allows Switzerland to maintain its independent foreign policy while still engaging with the EU on various economic and political matters.

Nevertheless, there are compelling reasons why the Swiss model may not be appropriate for the Western Balkans. Given the lack of implementation of the Copenhagen requirements in the Western Balkans' countries under the SAP approach, the “Swiss model” does not provide a solution for the Western Balkans because it is merely a patchwork of agreements established in long negotiations, requiring constant updating and modification. It does not assist with implementation and enforcement challenges.

While the agreements deepen economic relations, they also create a complex and sometimes inconsistent network of obligations. Bilateral agreements have to be updated regularly and do not have the dynamic character of EU law or the EEA. In newer Swiss-EU agreements, amendments are regulated by “dynamic” provisions, which for example oblige Switzerland to adopt all new Schengen legislation and all changes to custom security matters occurring in the EU. Switzerland therefore has to passively accept EU decisions.

The Swiss model does not address the lack of unanimity or harmonisation in the Western Balkans because EU-Swiss relations lack monitoring arrangements or effective dispute settlement mechanisms. The EU-Swiss negotiations for an Institutional Framework Agreement (IFA) launched in 2014 has faced opposition and delays in Switzerland concerned with issues such as conditions for EU service providers

19 Economist Intelligence Unit. (2017). [A Western Balkans Customs Union: Pie in the Sky?](https://www.ft.com/content/4f12c7bd-14ca-4dd6-839e-0760733cd2e8)
20 <https://www.ft.com/content/4f12c7bd-14ca-4dd6-839e-0760733cd2e8>

in Switzerland and the role of the EU CoJ in dispute settlement.

Further, in response to the Swiss rejection of the framework agreement, negotiations on Swiss access to the liberalised electricity market were put on hold and Switzerland was excluded from the EU's Horizon 2020 research funding. This indicates that while the EU cannot formally sanction Switzerland under this agreement, it can find ways to be uncooperative.²¹

Indo-Pacific Economic Framework

The 2022 Indo-Pacific Economic Framework for Prosperity (IPEF) brings together fourteen founding member nations in the Indo Pacific region with an open invitation for other countries to join. The IPEF framework is not a single undertaking, as negotiated with a traditional trade agreement. It does not involve a uniform reduction of tariffs. Rather, it is a platform for separate negotiations on topics of interest, conducted at varying speeds, with different configurations of countries. The four initial pillars of the framework cover: Fair and resilient trade; Supply chain resilience; Infrastructure, clean energy and decarbonization; tax and anti-corruption.

Currently under negotiation, the proposed IPEF Supply Chain Agreement is a framework to work collaboratively to develop sector-specific action plans for critical sectors and key goods to enhance the resilience of IPEF partner's supply chains, including through diversification of sources, infrastructure and workforce development, enhanced logistics connectivity, business matching, joint research and development, and trade facilitation. Three IPEF Supply Chain bodies are envisaged to facilitate cooperation among the IPEF partners on supply chain issues: the IPEF Supply Chain Council; the IPEF Supply Chain Crisis Response Network and the IPEF Labor Rights Advisory Board representing governments, workers, and employers.²²

The proposal does not incorporate a legal enforcement mechanism. Participation and compliance are incentive based. Countries that do not implement and enforce the rules will not be able to receive the benefits. As such, the IPEF is not a traditional trade agreement, rather a framework. This means it is more flexible and be responsive to a few specific needs on a sectoral basis. This is relevant for the Western Balkans countries that are more advanced in the accession process in some sectors but are unable to move forward as a single undertaking. It provides incremental benefits and opportunities for businesses and consumers.

The regulatory focus on specific sectors potentially reduces the politicisation of decision making. Prioritising technocratic approaches is of relevance to Western Balkans regional initiatives. This would allow for the SAP accession process to coexist with accelerating progress on specific sectoral regulatory issues. This can coordinate regional integration efforts on a more flexible basis, avoiding the current political gridlock seen in the CEFTA Joint Committee.

However, without an adjudication process it is not clear how non-compliance will be determined. If non-compliance is determined unilaterally by individual parties, it establishes a more power-based framework. In the context of Western Balkans, there is a risk of alleged non-compliance without an objective adjudication process, potentially leading to conflict. Given that there is an immense power imbalance between the EU and the WB it is likely that a perception of WB non-compliance, or lack of proof of compliance with EU standards, would lead to some form of trade sanctions on WB exports, souring relations. As such, this model would not provide the effective independent rules-based framework that is currently needed at the regional level in the Western Balkans to address the challenges of mutual recognition, implementation and enforcement.

In sum, all of the alternative approaches considered have fundamental weaknesses that mean that they are not suitable “drag and drop” replacements for the SAPs and CEFTA in the Western Balkans. Nonetheless, some of these alternatives do offer distinct advantages over the current SAP/CEFTA processes. Notably, the sectoral focus of the Swiss Agreement and the adaptable, modular approach of the IPEF could prove valuable within the Western Balkans context. When considering other approaches, it is important to be mindful as to whether they are consistent with the ultimate objective of EU Single Market membership.

The key conclusion is that the SAP and CEFTA processes have built-in limitations in terms of their effectiveness. This underscores the need for new approaches that not only build upon the ongoing SAP and CEFTA reforms but also expedite the attainment of benefits. In this context, the sectoral methodologies employed by the Swiss Agreement and IPEF emerge as promising pathways forward.

21 <https://theconversation.com/what-is-the-swiss-model-of-co-operation-with-the-european-union-58817>

22 <https://www.commerce.gov/news/press-releases/2023/05/press-statement-substantial-conclusion-ipef-supply-chain-agreement>

4. Introducing the Proposed New Approach

The proposed approach to the Western Balkans' EU relationship is built upon four fundamental pillars, each designed to bring about meaningful change and progress. These pillars are:

- 1_ Accelerated Integration into the Single Market
- 2_ Mutually beneficial strategic partnerships, starting with energy,
- 3_ Reform the governance framework to focus on rapid reform implementation.
- 4_ Collaborative implementation of liberalisation by the WB6, in partnership with the EU.

4.1. Accelerated Integration into the Single Market

This pillar aims to rapidly integrate the Western Balkans economically with the EU, fostering medium and long-term economic growth. It focuses on removing barriers to enhance commercial ties, increase competition, improve productivity and boost investment attractiveness.

Speeding up progress on the measures needed for Single Market integration not only improves trade prospects but also accelerates domestic reforms. This will help to boost competitiveness and the dynamism of the domestic economy. It will also enhance attractiveness to foreign investment by increasing growth prospects and reducing the perception of risk. Regulatory harmonisation with the EU also removes barriers to intra-regional trade (when implemented by the WB6 trade partners) and improves prospects for value adding supply chains. The competitiveness measures needed to thrive in the Single Market also help domestic economic growth.

The Importance of Single Market membership to WB6 economic prospects cannot be overstated. The WB6 are relatively small economies, which means they have fewer domestic trading opportunities. International trade and removing barriers to trade will be relatively more important to them as a driver of economic progress than for those countries with very big internal markets. The EU Single Market is the world's largest. Its size and proximity make it the natural trade partner for the WB6.

It is widely accepted that accession will be beneficial for WB6 in longer term and that it is the next logical step for EU expansion. However, the accession process is progressing slowly. In theory, the existing SAP accession process offers a route to eventual full membership. Yet this approach is not delivering sufficient results quickly enough to maintain support for the process. Single Market harmonization is entirely incomplete until all issues are closed. As a result, many of the political and economic benefits of reform effort will only accrue years or even decades later once the entire process is finished.

Ultimately full Single Market membership provides the four freedoms: the freedom of movement/supply of all goods, services, capital, and people. Extending these freedoms to all types of good, service, investment and movement offers substantial potential benefits, but is also extremely challenging as long-term EU members have found. The EU acknowledges that the Single Market is incomplete, with barriers to cross border trade and investment in areas such as professional services.

Some freedoms may be significantly easier and quicker to deliver than others. Goods market harmonisation is typically easier and quicker to reform than services. In addition, rapid progress in some aspects of each of the four freedoms is relatively straightforward, while other issues may take longer to deliver. For example, cross border provision of transport services is quicker to achieve than harmonising banking, insurance, and professional services standards. Whether the barriers to progress are technical or historic, this paper recommends identifying areas where quick progress is possible.

The key advantage of the new proposal, as compared to the current process, lies in the immediate availability of the benefits associated with each enacted reform. Unlike the traditional approach, where the benefits are withheld until all reforms are in place, the SAP+ approach recognizes and rewards implementation with seamless access to the Single Market. This not only benefits the specific sector undergoing reform but also sets a compelling example for other sectors to follow suit.

This gradual spreading of full access to the Single Market sector by sector means that much of the economy can benefit earlier. In the SAP process every part of the economy benefits fully from the Single Market only once the most difficult and complex issues are dealt with. Gradual entry into the Single Market offers some trade and investment benefits faster than waiting for every issue, in every sector, to be resolved before most benefits start to accrue. The rationale of this proposal is to slightly modify the existing accession approach to generate benefits for firms and citizens in the Western Balkans and the EU as soon as possible.

4.2. Effective Governance Framework

Recognizing the need for a sustainable integration process, this pillar emphasizes the importance of ensuring the governance framework provides greater clarity of purpose in delivery and encourages collaboration. It proposes some **modifications to the existing governance of accession and regional integration to ensure a structure that is equipped to effectively empower, oversee, and drive progress on an implementation plan. Ambitious objectives, combined with realistic resourcing, a binding time-**

table and effective monitoring of progress, are all crucial to stimulate implementation activity as well as to prevent the process from stalling.

The governance process should also focus attention on building a framework which identifies and acts upon commonality of interests between all the countries of the region, and the EU. At present the obvious power imbalance and perception of tepid EU engagement leads many in the Western Balkans to question EU commitment. Slow progress implementing reforms and regional tensions make some in the EU question WB commitment to the accession process. A new approach to governance is needed to move the focus onto planning for and implementing reforms together.

EU accession and regional integration efforts have led to the formation of a plethora of organisations and processes. This proposal does not seek to replace them, instead it seeks to facilitate progress and collaboration. The main aspects of the modified approach are: **first linking together EU accession (SAP) implementation across the region in closer partnership with the EU and second, linking measures to achieve progress in EU accession more explicitly to regional integration.** We refer to this process as SAP+ framework intended to complement and improve the existing EU SAP process governing relations between the EU and individual Western Balkan countries.

To synchronize the process of EU accession within the Stabilization and Association Agreement (SAA) with the regional integration within the Common Regional Market agenda, an equal level of governance is important in both processes, requiring coordinated policies at the highest level. In this context, the governance of the regional integration agenda should be strengthened by establishing a High-level Committee, serving as the supreme Policy Organ, to oversee a comprehensive agenda that significantly exceeds the current mandates of regional structures. It should be responsible for providing political support and offering broad-brush guidance. Furthermore, it should facilitate the engagement of a broader spectrum of ministers in the decision-making process, ensuring effective coordination and implementation of both EU accession and regional integration agenda.

4.3. Win-Win Strategic Partnerships starting with Energy Systems integration

This pillar advocates identifying areas where collaboration between the EU and Western Balkans help to accelerate the integration of the WB6 into the Single Market and are clearly mutually beneficial to all parties. An obvious candidate for this is harmonisation and integration of Western Balkans' energy systems with the European energy sector. This should be coupled with investment in low carbon generating capacity and the necessary energy-related infrastructure. This will pave the way for a transformation of the Western Balkans energy sector, decarbonising electricity, reducing the need for energy imports, and transforming the region into a low carbon energy exporter. It can help the EU address its de-carbonisation challenge. This would not only align the Western Balkans with EU energy and climate policies, but also mitigate energy and economic vulnerabilities in both areas.

Europe and the Western Balkans need to replace high carbon electricity generating capacity and reduce hydrocarbon use in heating and industry. Additionally, Europe's dependence on Russian gas is both a significant strategic weakness as well as a climate policy failing. The scale of the EU's energy challenge is vast. McKinsey put the cost at anything up to Euro 28 trillion over 30 years²³. Finding the least cost and most resilient route to energy security is therefore a high priority for all EU members.

The Western Balkans Energy sector has traditionally been seen as a local transition challenge. For many years, the EU along with external funders such as the EBRD (via the REEP Programme²⁴) and the World Bank's IFCs, focused their interest in Balkans energy primarily²⁵ on low carbon energy projects for domestic markets, integrating the Balkans into a WB6 energy market, reforming local markets, and seeking to speed up decommissioning of nuclear plants. Little consideration was paid to the potential of the region to be a supplier to the rest of Europe. Even now, analyses to resolve Europe's energy crisis²⁶ often ignore the potential of the Western Balkans.

While the region is currently a net energy importer and uses coal and lignite as part of its generating capacity, the renewable energy potential of the Western Balkans across solar and wind, biomass and hydroelectricity is huge. Of these, the energy source of greatest strategic importance to the EU is likely to be hydroelectricity. Its reliability enables it to generate when other renewables fluctuate that require gas or coal back up. Total regional hydroelectrical potential may be anything up to 80 000 GW²⁷, primarily in the mountains of Albania and Montenegro but also extending to other countries in the region. Even exploiting the lowest cost fraction of this could make a significant contribution to energy needs both in the region and for several EU member states. There is a critical need for investment in generation and large-scale cross border connectivity²⁸. Traditionally, the need for large capacity connectivity between the WB6 and with EU Members Greece and Bulgaria was widely acknowledged. Despite the Euro 1.15billion 423km trans-Adriatic Montenegro- Italy cable connection²⁹, little attention is generally given to the potential for electricity exports from the WB6 to Western Europe.

23 Europe's path to de-carbonisation. McKinsey 2020.

24 European Bank for Reconstruction and Development Regional Energy Efficiency Programme (REEP)

25 West Balkans Six Energy Community, Electricity Monitoring Report May 2019

26 IMF Finance and Development 2022 and Breugel Institute "Europe can manage without Russian LNG" June 2023

27 International Hydro Power Association 2023 Serbia Country Report <https://www.hydropower.org/country-profiles/western-balkans-serbia#:~:text=The%20Western%20Balkan%20region%20has,a%20very%20high%20conservation%20value.>

28 EMBER: Breaking borders: The future of Europe's electricity is in interconnectors

29 <https://balkaninsight.com/2019/11/15/montenegro-italy-turn-on-undersea-power-cable/>

The strategic benefit that the renewable energy potential capacity of the Balkans offers should have increased dramatically to the EU. However, it does not yet appear to be seen as a mainstream option. Increasing the profile of the region as a reliable and affordable source of EU energy supply is a priority but depends on the ability to demonstrate it is investible, by offering a business friendly and safe location.

Investment from the EU public and private sector will greatly accelerate construction of new generation capacity, strengthen domestic networks, and crucially enable regional connectivity. Interconnected grids are more resilient and require lower overall capacity, so are beneficial for all. It would provide the region with a valuable asset, while helping the EU to meet its carbon targets. Equally important, it would demonstrate to all, the benefits for all, of closer EU-Western Balkan collaboration.

Developing this potential requires immense investment. The scale of finance required exceeds the resources of WB firms and governments. Initially, private sector lenders are likely to see the projects as high risk due to their limited experience in such projects in the region. They would require high returns that would make the projects unattractive. This means that there is a key role for the EU, EIB, EBRD and IFC to finance early projects to demonstrate their viability and prove that they are inherently lower risk. The benefits of this would extend beyond energy, by proving the attractiveness of large scale FDI into the Western Balkans. Other sectors that might ultimately benefit include mining, metals production and manufacturing including cars.

In the same way that energy projects may become attractive investments once physical infrastructure is in place to allow trade, many other sectors are likely to benefit from investment in road, rail, and digital connectivity. While this is a similar issue to previous accession countries, the need for infrastructure investment in the Western Balkans is likely to be much higher per capita.

The findings of the EIB's 2018³⁰ infrastructure investment study remain very relevant:

- 1_ Although there has been significant European investment in the Western Balkans infrastructure, the depth of engagement is also important. Other powers have gained influence with modest investment funds. China may not be a large inward investor or export market for the Western Balkans, but it is an increasingly big player in infrastructure projects, in ways that suit its economic interests.
- 2_ The composition of funding matters. Consideration needs to be given to the debt/grant split and loan terms, as debt servicing is a huge burden for small, vulnerable, countries.
- 3_ While infrastructure funding will not automatically lead to political cooperation, infrastructure development funds can be an effective reward for improved political cooperation.

4.4. Enhanced EU Engagement: Strengthened Collaboration and Increased Funding

This proposal advocates deeper EU engagement in Western Balkans reforms, to facilitate closer collaboration between the Commission and governments of the WB6 in the design and implementation of reforms. Access to Commission expertise, would be a key element of this process. Additionally, heightened financial support from the EU, including access to European Structural and Investment Funds and support from various EU countries, will be important to ensure the long-term viability of the integration process. These additional requests for EU engagement and resource, while not easy to meet should yield returns in the form of faster reform progress and incentive regional stability in trouble times.

The alignment of WB6 countries to the *acquis* requires both significant policy and regulatory changes by governments and also for firms to reach and demonstrate compliance with new standards. Governments and regulators will make more progress if they have access to a bigger pool of expertise and constructive support. While collaboration between technical experts across the Western Balkans is one element, even collectively the WB6 have a small technical resource base. Support facilitated by the Commission Structural Reform Support Service along with assistance from EU member states will speed up and improve reforms and implementation. This type of engagement would send a powerful message that the EU is invested in Western Balkan integration to the Single Market rather than an observer. Extra resources will also be needed as re-shaping regulatory regimes is more onerous than running an existing one.

Legal and policy reforms alone are not always enough. Financial support is likely to be essential both to speed up the implementation of accession process, and to ensure the WB6 economies can derive benefits from improved access to the Single Market. Examples of investment to help implementation include the necessary software to allow firms to demonstrate their compliance with EU standards, rapidly and cheaply. Suitably equipped and staffed border crossing facilities are also required to ensure all goods entering and leaving each country can do so rapidly.

Firms cannot get exports to market and imports to consumers quickly, reliably, and cheaply without adequate road and rail infrastructure. Reliable fast broadband is another requirement for modern business operations. Adequate infrastructure is needed to enable economic activity and trade to respond to opportunities generated by reform. Most of the WB6 report infrastructure constraints to trade. Overall infrastructure needs in the region may be extensive. Initially, addressing the most severe choke points is likely to be particularly beneficial. Infrastructure weak-

30 European Investment Bank/WiiW 2018 Infrastructure Investment in the Western Balkans First Analysis

ness also deters investment. Any measures aimed at boosting FDI should be mindful of infrastructure needs and the necessity of co-ordinating investments (energy, water, internet, heat, transportation).

The EU is the biggest donor, investor, and trading partner in the Western Balkans. Since 2007, the EU has dedicated approximately €30 billion in aid. Furthermore, the Economic and Investment Plan for the Western Balkans outlines a substantial investment commitment of up to €30 billion, which includes a generous €9 billion in grant funding. Notably, a recent announcement earmarked €2.1 billion for critical areas such as sustainable transportation, clean energy, environmental and climate initiatives, human development, private sector energy efficiency, digitalization, and support for small businesses. These sectors represent vital components of the required investment.

5. Operationalizing and Implementing the New Approach

5.1. The SAP+ Framework

To transform the proposed strategy into actionable steps, the SAP+ framework plays a vital role.

The SAP+ is based on the existing legal framework, which is complemented by agreements to cover specific sectors/products. The legal basis for the SAP+ option remains as Article 49 of the Treaty on European Union (TEU), the existing SAPs with each Western Balkan country and further agreements to be negotiated to govern specific sectors.

The SAP+ framework focuses on the alignment of regulations, standards and practices in specific sectors or products, rather than as a single undertaking. This option provides a strong basis to achieve the requirements of the *acquis* on a sectoral basis founded on the SAP agreements but supported by additional sectoral agreements to facilitate seamless access. Rather than focusing on the SAP chapter negotiations, SAP+ progress will be measured on a topic and sectoral (or product-by-product) basis against agreed criteria in the additional agreements for each sector.

The EU has already engaged in several different forms of advanced integration (such as the Energy Community, Transport Community, and the European Civil Aviation Area). The substance of these ideas is generally covered by the clusters and chapters of the formal enlargement process. Applicant states can advance as fast as they wish, or are able to, in adopting the EU *acquis*, irrespective of whether the chapters in question have been opened or not.

The aim of the SAP+ framework will be on extended recognition frameworks within the Western Balkans as the main strategy for linking the EU accession and the regional integration. Currently, the regional integration within the Western Balkans is a very complex and slow process with a significant risk of coming to a complete standstill, as evidenced by the challenges experienced in the last three years. This complexity arises from the need for consensus-based regional decisions on each and every topic related to the introduction of EU-compliant rules in the Common Regional Market. On the other hand, each country is aligning identical rules with the EU within their SAA framework.

The challenges extend beyond the process's complexity and slow pace, placing undue pressure on businesses in countries advancing more rapidly toward EU integration than others. For these businesses to export to both the EU and regional markets, they must align their processes with the requirements of both, placing them at a disadvantage. Moreover, this makes them less competitive than local producers in countries where legislation imposes lower standards and requirements.

To overcome these challenges, SAP+ proposed solution involves formalizing a **regional decision or agreement endorsing the automatic extension of EU rules within the Common Regional Market**. This strategic move streamlines processes, removing the need for time consuming regional decisions and reducing overall resource burdens. In practical terms, when a country aligns with EU regulations in a specific Common Regional Market area and receives EU validation of alignment, it gains benefits in both the Common Regional Market and the Single Market for that area. This approach is aimed to break deadlocks and maintain forward momentum in the process. Amending the existing SAA with the Western Balkan countries, as outlined in the New Growth Plan (NGP), offers a significant opportunity to synchronize and harmoniously integrate rules with both markets. This approach will empower each country **to advance on its own merits toward EU accession**. At the same time, it eliminates the risk of being blocked by other countries that may not be making progress toward EU accession or demonstrating adequate commitment to regional integration.

To effectively implement this strategy, it is essential to establish a regional instrument designed to validate and notify the Western Balkans countries about each country's alignment with the EU on specific topics or sector/product bases. This instrument serves as a crucial mechanism for streamlining the process and providing a structured framework for demonstrating compliance with EU requirements. By having a centralized system for validation and notification, it ensures transparency and efficiency in the regional integration process, allowing countries to showcase their alignment with EU standards in a systematic and organized manner. This not only fosters collaboration but also enhances the overall effectiveness of the approach towards EU accession and regional integration.

5.2. Institutional Infrastructure Development

This SAP+ approach, particularly in the context of the recently adopted NGP with its 7 Priority Actions, necessitates a robust institutional framework for successful implementation. It provides the essential structure for decision-making, coordination, cooperation, and oversight, ensuring that reforms and actions are executed efficiently and transparently. Elevating responsibility for the diverse and comprehensive agenda linked to the implementation of the Common Regional Market and the accession to the EU Single Market by implementing the priorities outlined in the NGP to an appropriate level is of crucial importance. This requires coordinated efforts across various ministries, underscoring the need for a robust governance body to align topics with their respective responsibilities. Therefore, the highest leadership level within the Western Balkans countries should directly oversee the overarching supervision to ensure effective implementation.

Key components of the proposed approach include:

SAP+ High-level Political Steering Committee

The SAP+ approach incorporates a high-level Steering Committee comprised of heads of government or senior level government ministers from the Western Balkan countries, tasked with setting strategic objectives, resolving political challenges, and providing overall direction for the integration process.

The SAP+ Steering Committee's high level membership will allow for the most senior members of the Western Balkans countries to take decisions across a wide range of policy areas. This is a significant advantage over an inter-governmental committee within CEFTA composed of Ministers of Economy, with a limited portfolio offocusing solely on the economy or trade in their respective countries. Rather than maintaining a narrow focus, the high-level representation allows for the SAP+ approach to address regulatory measures that directly or indirectly relate to all four of the EU freedoms: goods, services, capital, and labour. This facilitates the coordination of policies across diverse government departments and agencies, ensuring that a country's approach to regional and EU integration is both coherent and aligned with its overarching objectives.

To coordinate the implementation and broaden the coverage of SAP+ and the NGP, it is imperative to organize regular high-level meetings between Western Balkans leaders and the EU Commission. While the existing platform for high-level cooperation within the Berlin Process among the WB6, their counterparts in Berlin Process host countries, and EU institutions can serve as a foundation, there is a pressing need for more frequent meetings than the current annual practice. This increased engagement allows the EU to align it with the newly introduced NGP assessments of progress and disbursements, which are to be conducted quarterly. The payment system under the NGP is tied to both quantitative and qualitative benchmarks over the period of 2024-2027, occurring bi-annually in Q2 and Q4. This structured approach not only ensures accountability but also facilitates the effective execution of the Action Plan. It serves as a crucial policy coordination tool, fostering a more coherent approach to economic governance across the region.

Technical Implementation Body (Regional Technical Cooperation Committees - RTCC)

The SAP+ Steering Committee will be responsible for advancing and broadening the SAP+ framework. It will set out the timeline and work plan recognitionas well as establish Regional Technical Committees (RTCCs) for each priority and the implementation of the specific priority plan. Appointed by the High-level Committee, the RTCCs, equipped with specialized expertise and well-defined responsibilities, are essential for the effective implementation of the Action Plan. They hold decision-making authority within the scope of their mandate and responsibilities and may decide to set up any special committee or body in specific areas necessary for the implementation of the agreed Action Plan.

The RTCCs will facilitate technical collaboration at expert levels and will be working together to addressing complex cross-border challenges, encompassing physical, technical, and fiscal dimensions. Their efforts will be directed towards identifying and overcoming barriers to the Common Regional Market. This includes challenges associated with border controls and procedures, the exchange of data and documents, regulatory issues, and any other elements relevant to regional cooperation.

6. Consistency of SAP+ with The Franco-German Working group Proposal

The SAP+ approach is, in effect, a sectoral implementation of “level 3” or EU Associate membership according to the nomenclature from the Franco-German working group³¹. This recent proposal proposes a hybrid between the “regatta approach whereby all countries start each block of reforms at once and complete implementation sector by sector as soon as they can manage, and the *en bloc* approach in which “candidate countries motivate and support each other’s reform process”³². The hybrid is that the Western Balkans will support each other but some may reach compliance before others.

In contrast to the Franco-German report, which lacks a novel approach, the SAP+ process combines acceleration and gradual progression. This dual approach is crucial for ensuring that a 2030 target is not only meaningful but also allows for a step-by-step evolution. Additionally, it’s worth highlighting several other areas of alignment and coexistence between the Franco-German proposal and the SAP+ model.

1_Fundamentals First Principle³³:

Both proposals emphasize that even partial integration into the Single Market necessitates adherence to the rule of law and democratic principles. Stronger instruments for upholding these principles are considered necessary before any enlargement can occur. This is in line with ongoing reforms across the Western Balkans.

2_Franco-German Geopolitical Principle³⁴:

The principle of alignment with the EU’s Common Foreign and Security Policy (CFSP), including its sanctions policy and UN Charter principles, may pose challenges for some Western Balkan states. However, the diversity of opinions within the EU could potentially accommodate their concerns.

3_Conflict Resolution Principle:

The SAP+ proposals are not inconsistent with efforts to resolve tensions in the Western Balkans.

4_Democratic Legitimacy and Participation:

Both proposals acknowledge the importance of democratic legitimacy and increased participation.

5_Additional Financial and Technical Support:

Both proposals recognize the need for additional support.

In terms of the accession procedure dynamic, there is further consistency between the two proposals:

6_Equality Principle:

The idea that accession procedures and criteria should be equal for all candidate countries may benefit the Western Balkans, which are closer to accession than countries further away from compliance.

7_Systematization Principle:

Both proposals highlight the need for a structured approach to sectoral integration, which the SAP+ model directly addresses.

8_Reversibility Principle:

Both proposals acknowledge the importance of reversibility if candidate countries backtrack on participation criteria, albeit with the need for clarification on what constitutes „strategic orientation” criteria.

9_QMV (Qualified Majority Voting) Principle:

While an internal EU issue, the QMV principle is deemed crucial for making progress.

The Franco-German proposal consolidates various previous suggestions into a potentially extensive and ambitious package. Although it lacks detailed implementation plans at present, its core ideas are in line with the approach outlined in this paper, with the key distinction being the proposal for a shift toward a sectoral implementation approach.

31 Sailing on High Seas: Reforming and enlarging the EU for the 21st Century Report of the Franco German Working group on EU Institutional reform

32 Ibid p37

33 Ibid p38

34 Ibid p38

7. Consistency of SAP+ with The New Growth Plan for the Western Balkans

The SAP+ approach, as proposed, closely aligns with the New Growth Plan (NGP) for the Western Balkans. These initiatives share common goals, particularly in providing short-term incentives for EU accession and fostering regional integration. Key focal points include leveraging Stabilisation and Association Agreements (SAAs), prioritizing economic integration with the EU Single Market, emphasizing increased financial assistance, and fostering strategic partnerships between the European Union and the Western Balkans.

The commonality between these initiatives is evident in several key areas that correspond to the four pillars presented in the NGP:

Economic Integration with the EU Single Market: Both proposals are fundamentally committed to harmonizing with the rules of the EU Single Market. This involves opening relevant sectors and areas for access to the EU Single Market, based on the alignment of regulations, standards, and practices in specific sectors with those of the EU. While the conditional economic integration outlined in the NGP is expanded, it's not as advanced as the integration models in the European Economic Area or the EU's bilateral framework with Switzerland and some of the solutions existing within the Deep Free Trade Agreement between EU and Ukraine, or those with Moldova and Georgia.

Strong Focus on Integration within the Western Balkans: Both initiatives strive to establish the four freedoms within the Western Balkans based on alignment with the EU rules. It aims to foster regional cohesion, emphasizing the importance of countries within the region working together to unleash their development potential and enabling swifter accession to the EU as their ultimate goal.

Increased Financial Assistance and Support: Both the NGP and SAP+ underscore the significance of increased technical and financial support. The NGP proposes a new instrument through a Reform and Growth Facility, valued at EUR 6 billion in non-repayable and loan support. This financial support depends on the Western Balkan countries fulfilling fundamental reforms, including specific socio-economic changes. The SAP+ proposal also emphasizes the need for enhanced support that adapts to the evolving needs of the initiative, especially focusing on energy cooperation in enabling sustainable, resilient and decarbonized production and supply to the businesses and citizens alike.

Strategic Partnerships between EU and the Western Balkans: Both proposals advocate for strategic partnerships, particularly in priority areas such as energy, sustainable raw materials, and critical materials. Those partnerships should lead to strengthening ties between the EU and the Western Balkans, fostering mutual interests and sustainable development and preparing the region for the future membership.

Upgrade of the SAAs: A common objective of both proposals is to amend the existing SAAs. The aim is to progressively extend the rights and obligations of the EU acquis to the Western Balkans once predetermined conditions are met. This represents a strategic step toward aligning the Western Balkans more closely with EU standards and regulations.

While both the SAP+ and NGP proposals share common goals by emphasizing alignment with the Common Regional Market and simultaneously opening sectors for access to the EU Single Market, differences become apparent in their approaches to operationalization and the necessary governance framework for effective implementation.

New Growth Plan Proposal:

Common Regional Market as a precondition for the New Growth Plan: The NGP introduces a specific precondition, establishing a clear link between regional economic integration and the realisation of opportunities within the EU's Single Market. According to this condition, the benefits will only come to fruition if the Western Balkans region effectively implements the Common Regional Market (CRM), with CEFTA acting as a pivotal governance mechanism for a substantial part of the CRM. It is noteworthy, however, that the NGP acknowledges that the results of the CRM AP have yet to materialize, since its implementation is blocked by the political disputes among the WB6 countries.

The current state of CEFTA reveals a significant gap between its intended objectives and the reality of regional integration:

1_ The inadequacy of the CEFTA structure becomes evident in its inability to keep up with the evolving dynamics of the Western Balkans, thereby impeding the effective implementation of the CRM. The CRM Action Plan 2020-2024 has faced stagnation within CEFTA, with no decisions made since 2020. This lack of progress underscores that the framework is outdated and struggles to address current challenges, making it difficult to enforce crucial regional agreements. In addition, with UNMIK acting as a signatory for Kosovo in the CEFTA, considering changes since its signing in 2006, the Agreement no longer corresponds to the reality, impacting its functionality.

2_ Furthermore, the decision-making system within CEFTA poses significant challenges. Each decision-making process necessitates technical agreements in various bodies before final decisions at the Joint Committee level. While these technical endorsements may not challenge the decision's content, they contribute to delays, consuming time and resources. This structure, while theoretically sound, has proven to be rigid and has impeded swift and efficient decision-making, hindering its ability to adapt quickly to changing circumstances or respond effectively to emerging regional needs.

Lack of Clear Remedies: Despite emphasizing the link between CRM delivery and Single Market benefits, the New Growth Plan lacks solutions for cases where one or more countries hinder the CRM Action Plan or fail to fully commit. This challenge highlights the need for effective measures to ensure the success of regional integration.

In summary, the NGP, while acknowledging the significance of the CRM in unlocking Single Market benefits, confronts significant challenges within the existing regional governance framework. The lack of clear remedies poses a risk to the effective implementation of the CRM, calling for comprehensive solutions to enhance the agility and responsiveness of the regional governance framework.

SAP+ Proposal:

Improved Institutional Framework and Enhanced Governance: The SAP+ proposal distinguishes itself by advocating for a departure from traditional approaches, introducing an enhanced institutional framework that recognizes bilateral political challenges beyond the CRM and Single Market. With a focus on preventing potential stalemates, the SAP+ proposal addresses several key factors:

1_ Dynamic Regional Integration: The regional integration focusing on accelerated integration into the Single Market, goes beyond the mandate of the CEFTA. It aims to gradually integrate the Western Balkan countries into the EU Single Market through legislative approximation. This dynamic process prioritises flexibility, allowing updates to the annexes of the SAAs to align with evolving EU legislation or broaden the scope and depth of economic integration.

2_ Mechanisms for Political Commitment: To achieve such integration, mechanisms must be in place to secure a high level of political commitment necessary for shaping the process' scope and scale. This requires strengthening the powers and capacity of regional decision-making bodies. In response, the SAP+ proposal introduces a High-level Political Steering Committee, going beyond the limitations of inter-governmental committees like CEFTA. Comprising heads of government or senior government ministers, the High-level Political Steering Committee empowers decision-making across a comprehensive spectrum of policy areas, beyond the narrow focus of CEFTA Joint Committee as Ministers of Economy.

Simultaneous Integration Processes: The SAP+ approach integrates the parallel processes of establishing the Common Regional Market and gaining access to the EU Single Market. Given that both processes follow identical EU rules and regulations, this approach eliminates the need for additional regional decisions regarding the CRM, as the EU directly confirms alignment of rules in both cases. This streamlined integration works without additional regional decisions within the CEFTA framework, which is the current practice. The opportunity to amend the existing SAA with the WB6 countries, as outlined in the NGP, provides a significant chance to incorporate provisions fostering the synchronization and harmonious integration of rules with both the EU Single Market and the Common Regional Market. To operationalize this approach effectively, the Western Balkan leaders should formally endorse a regional agreement or decision explicitly mandating the automatic extension of EU rules in a specific area within the Common Regional Market once a particular country achieves and confirms EU alignment. This proactive approach not only eliminates the need for an additional intermediary procedure, thereby reducing redundancy, but also guarantees a more seamless and successful implementation of both the Common Regional Market and EU Single Market processes.

In summary, the evident limitations of CEFTA, coupled with the NGP's precondition linking Single Market benefits to CRM success, highlight the pressing need for change. Successful regional integration depends on the extent to which regional structures equipped with the necessary competence and capacity to effectively stimulate and manage the complex process of integration.

It is hard and unrealistic to expect tangible results from the New Growth Plan if relying on old models of regional economic cooperation, which have proven unsuccessful through long experience. Advancing successful cooperation experiences to produce a new adaptable model of regional integration aligned with current political dynamics is crucial to unlock the full potential of the New Growth Plan.

8. Sectoral Approach to Single Market Integration

To expedite results and invigorate the process, a sectoral approach to economic reform, regulation and other trade barriers is recommended. This targeted strategy allows resources to be directed where short-term progress is achievable, delivering rapid tangible benefits to businesses and economic development. In strategically chosen sectors, harmonizing standards, and lowering compliance costs can be accomplished more swiftly, building momentum for broader reform. While horizontal challenges persist in certain sectors, a sectoral focus enhances the efficiency of integration efforts.

Possible choices for Prioritisation: Goods

An initial priority should be to demonstrate the value of the new approach quickly, so early priorities must be readily deliverable. Thereafter priority sectors should account for a significant proportion of trade to demonstrate that it is meaningful.

Mineral and Metals Products, Light and Heavy Manufactured Goods: Mineral and metals products and various light and heavy manufactured goods account for a significant proportion of trade for each of the WB6. Electronics components are widely seen as having potential for export growth. While there is EU regulation for these products, typically they do not present some of the more onerous compliance regimes, such as sanitary and phytosanitary measures. Textiles would be advantageous to Albania and Bosnia Herzegovina, but these typically face technical barriers to trade and border control measures which may be too wide ranging to be quickly dealt with quickly.

Component Manufacturing: Some countries in the region, most notably Serbia and North Macedonia manufacture components and sub-systems which form part of complex Europe-wide supply chains, such as for the automotive sector. In these areas, standards are typically driven by purchasers, so WB6 manufacturers of these products are already at or above EU standards, even if these exceed their national standards. The remaining challenges are therefore finding quicker and cheaper ways to prove compliance with EU standards and ensuring other factors such as infrastructure constraints do not prevent just in time delivery. Even before EU accession, vertical integration into supply chains became a very large part of overall trade for many of the 2004 wave of accession countries, particularly the Czech Republic, Hungary, and Slovenia (as it is for longer term EU members). This could be an attractive option for WB6 nations too.

Electricity: Unlike physical goods subject to border inspections and conformity checks, selling electricity to Europe involves complying with a set of legal and regulatory measures. If the costs and complexity of this are high, it may impede or deter some potential exports from the WB6, particularly short-term trades which may be particularly useful for network balancing and meeting peak demand. Due to the EU's current energy problems ensuring this trade is friction free is likely to gain support from EU member states. For the WB6, in addition to sales revenue, it starts to build the profile of the region as a renewable's exporter.

This analysis advocates initially focussing resources on current areas of specialisation with significant exports. Typically, agricultural products are not a major part of WB6 exports because many agricultural products are areas where WB6 producers are not currently competitive. These products also face onerous Sanitary and Phytosanitary standards accessing the EU market. For some agricultural products value is highly time sensitive, meaning in addition to ensuring compliance systems work without delays, border posts and transport infrastructure must also enable reliable rapid exportation. Overall, despite the sector's high political profile, it is not desirable to prioritise most parts of it which are relatively unlikely to have a strong supply response. There will be some exceptions. Some agricultural/food/forestry products which may either face lesser barriers and or are inherently more competitive such as timber. There may be a stronger case to prioritise these than other agricultural products with greater challenges. There are various options for sector selection criteria. The likely impact on trade is an obvious element. However, other factors may also be important in a more politically nuanced decision-making process. These may include simplicity, visibility, sectors with the highest likelihood of boosting regional cohesion, through building or rebuilding commercial links. Supply chains that rely on long term collaborations rather than a rapid turnover of suppliers is most likely in supply chains for specialist products where quality and reliability are key factors. Focusing on quality rather than just lowest cost might also facilitate a move to higher value-added products and brand building. Potential criteria are listed in in Annexe 2.

Common Priority Sectors Across WB6

Trade data shows that the sectors with the highest trade values for each country fall within the same kind of categories albeit at a very high level of aggregation manufactured goods, minerals, and metals. Additionally, the most complex products exported are different types of manufactures. This relative homogeneity is important because it means that the WB6 have, in broad terms, similar sectoral priorities from an economic perspective. Whilst these may not be the sectors with the largest barriers to trade (typically in agriculture and food in the form of compliance costs) they are sectors with relatively straightforward standards, so are areas where faster progress is feasible. See Annexe 2 for more details.

Identifying common priority sectors across the group enables a more compelling approach to the EU than six different sets. It is also good news for making progress in liberalising trade between WB6 countries as there is a good deal of overlap in their areas of specialisation. It may even facilitate building production chains between WB6 countries.

Imports

Most of the focus to date has been on exports. However, WB6 imports are also important in two main areas:

1_Beneficial impact on WB6 Consumers

A reduction of trade barriers will also benefit consumers in the WB6 by giving them access to lower priced imports from the EU. This is widely seen as one of the key potential benefits of the Single Market³⁵, although it seldom has the political profile of export opportunities. In some cases, lower priced imports will generate further adjustment challenges for local firms. The biggest consumer benefits will come in areas where EU prices are below WB levels, or an expansion of choice will be a significant benefit for consumers. This may be particularly evident in areas such as food/agriculture if domestic producers are uncompetitive.

2_Enabling WB6 firms to source inputs more cheaply and quickly

Cheaper and quicker access to inputs may help WB6 firms move into production of more complex, higher value-added products. Where this involves intra-WB6 trade it may be highly important for building economic cohesion. While many inputs are likely to be sourced from the EU or wider world, restoring historic regional production chains, and building new ones may be particularly beneficial for regional relations.

Services

There is a high degree of similarity in the composition of services trade for the WB6. In all cases, travel and transport dominate services trade. This suggests that regulatory harmonisation of transportation services, if/where needed would be particularly beneficial. Closer integration of transportation is also an obvious way to boost cohesion between neighbouring countries.

The barriers to trade in some service sectors are minimal such as tourism, while others are extremely highly regulated such as banking and insurance. In highly regulated sectors, the size of non-tariff barriers may be even larger than for goods. However, this paper does not advocate starting with them as they are likely to be slow and problematic to reform.

Possible Implementation pathway

The design of an implementation plan is for a technical working group to define, but here is an example of a possible approach.

1_Setting up a Technical Working Group:

The group identifies a pilot project which is deliverable and offers clear benefits.

2_Pilot project:

The pilot project aims to prove the concept by demonstrating quick results. Could be restricted to a very small number of products and border crossings/ services with simplest regulatory issues. Aim to implement rapidly, gathering information to provide evidence of time and cost savings.

3_“Low hanging fruit” :

This phase maximizes benefits from easy/quick and /or big sectors.

4_Expansion phase:

It seeks to spread benefits to a wide range of sectors where barriers are manageable.

5_“Hard to reach” phase.

This phase tackles more challenging sectors.

6_Hardest to comply/least benefit phase:

It deals with sectors with extremely challenging compliance regimes and lowest potential benefits.

Timing for both approaches is uncertain. However even without the ability to predict dates, it is clear that some additional benefits will accrue earlier with a sectoral approach because in effect it is a re-prioritization of the current situation to deliver quicker benefits.

The potential benefits of this approach are substantial. Even conservative estimates suggest significant savings, such as up to \$280 million per year for the manufacturing sector in Serbia, up to \$220 million per year in North Macedonia, upto\$43m per year for the Bosnian metals sector and upto\$38 m per year for the Albanian textiles industry. See Annexe 2 for more details.

The sectoral approach to Single Market integration offers a pragmatic and effective way to accelerate the economic growth and development of the Western Balkan Six. By prioritizing sectors, trade barriers can be reduced, and regional cohesion fostered, resulting in tangible benefits for businesses, consumers, and the overall economies. This approach not only streamlines negotiations with the EU but also paves the way for increased trade among WB6 countries, contributing to the region's prosperity and integration into the European market.

35 Estimating economic benefits of the Single Market for European countries and regions. Bertlesmann Stiftung Policy Paper Giordano Mion Dominic Ponattu May2019.

Conclusions

Trade and investment are immensely important as a driver of growth and prosperity for the Western Balkans. The EU Single Market offers the biggest opportunities, making trade a catalyst for their advancement. To ensure these benefits, it's essential to promote trade with minimal barriers imposing costs and time delays. However, it is crucial to recognize that while economic factors play a central role in promoting growth and prosperity, the region's path to progress is inherently multifaceted. This journey is deeply influenced by history, geography, and changing geopolitical dynamics.

Over the last two decades EU appetite for expansion has diminished dramatically and the “finishing line” for Accession has continued to move. This has contributed to reform fatigue in the region and limited trust on both sides. The Western Balkans is not uniformly focussed westward and on EU membership. Ultra-nationalist political movements remain an anti-European force. Additionally other players, notably Russia and China which have invested and sought to build cordial links with countries in the region. The Ukraine war has revived EU interest in the region, seeking to create a homogeneous NATO/EU front against Russia.

The possibility of accelerated EU membership for countries of the region plus Ukraine, Georgia and Moldova has been raised by politicians but faces numerous practical challenges. The EU requires unanimity for expansion and absorbing several new countries, particularly a very large one like Ukraine would require huge budget redistribution. The Franco German proposal for layers of EU expansion provides an intermediate option consistent with the “Associate Membership” approach in this paper.

Under the current SAP accession approach, the Western Balkans countries have been as yet unable to meet the stringent requirements of the Copenhagen Criteria to reap the benefits of EU accession. Additionally, current regional governance frameworks have fallen short in keeping up with the ever-evolving socioeconomic and political dynamics in the region, thereby failing to align with the integration aspirations and goals. This has led to persistent physical, technical, and fiscal barriers, impeding both regional integration and accession.

Various barriers, mostly in the shape of border controls and formalities, still need to be removed, while technical barriers caused by different regulations and standards remain. The removal of these barriers between the Western Balkans countries has been incomplete due to the slow legislative process of harmonizing regulations and standards. Fiscal barriers also persist due to differences in the bases and rates of indirect taxation and frontier tax collection processes among the countries. Beyond trade in goods, successful regionalism implies a freer movement of persons, services, and capital. Yet persistent physical, technical, and fiscal barriers have undermined the regional integration process while uneven progress within the region has engendered new and additional barriers and tensions, further hindering accession.

The status quo is no longer sustainable, and the Western Balkans' EU membership perspective is crucial for domestic reforms and regional stability. The proposed new approach aligns more closely with contemporary realities, offering a credible political vision that draws on past experiences and incorporates valuable lessons from previous mistakes.

A key lesson learned from the EU accession Process and meeting the requirements of the *Acquis Communautaire* is that the negotiation process will only be concluded definitively once every chapter of the 35 chapters has been closed. There is no duration specified because accession depends on each country undertaking the necessary reforms and alignment with EU laws. Moreover, each Candidate country's accession treaty is not final and binding unless and until the EU Commission, Parliament, and Council support it, and it is ratified by all EU Member States. The challenges of achieving such a single undertaking, as well as the unanimous support of all EU Member States, have fuelled the sense of uncertainty and scepticism towards the possibility of accession in the near future.

While other free trade agreements have their merits, none are better suited to the Western Balkans' needs than the proposed approach, which builds upon the strengths of the current SAP/CEFTA frameworks while addressing their fundamental flaws.

In light of lessons learned, this proposal forges critical connections among geographical, institutional, and functional expansion, which will fundamentally reshape the path to integration, both with the EU and inter-regionally. It supports both the SAP accession process and regional integration with a new institution framework that has a sectoral approach with a built-in timetable for accelerating coverage. It provides a mechanism to ensure initial sectoral progress allows for more comprehensive deep regional integration through mutual recognition of these achievements among the Western Balkans countries. Not only does this new approach reinvigorate the EU accession process but also sets a new standard for regional integration.

By focusing on the programmatic task of creating a regional market while accelerating EU accession, this new approach avoids grand strategies for political reform in favour of the more proven strategy of building deep regional integration through concrete, incremental, functional achievements. This approach aims to do what is feasible, as quickly as possible.

In sum, this report sets out a new approach to strengthening the Western Balkans-EU relationship to accelerate the accession process and deepen regional integration. Such a revitalized partnership is essential to infuse momentum, cohesion, and leadership into the current relationships. Collaboration within the region and between the region and the EU is key to swift progress toward the Single Market and eventual EU membership. This paper argues that this approach offers substantial opportunities and benefits for both the EU and the Western Balkans.

Its aim is to persuade politicians, businesses, and citizens, both within the Western Balkans and the EU, that the advantages of the reform process far outweigh the associated costs. The message is clear: substantial and rapid progress is not just possible but also achievable.

Annexes

Annexe 1: EU budget implications of Accession

○ Current and potential candidates ○ Current EU member net recipients

Table sortable by country, population, and GDP per capita.

Country	Population	GDP per capita / EU average	Share of EU funds if budget does not change
Spain	47.4M	79%	9.6% → 0%
Ukraine	43.8M	12%	0% → 41.7%
Poland	37.7M	49%	30.2% → 12.6%
Romania	19M	43%	18.4% → 7.2%
Czechia	10.5M	74%	3.6% → 0%
Greece	10.5M	56%	7.1% → 2.7%
Portugal	10.4M	65%	5.1% → 1.1%
Hungary	9.7M	50%	7.6% → 3%
Bulgaria	6.8M	37%	8% → 4%
Serbia	6.8M	25%	0% → 7.2%
Slovakia	5.4M	57%	3.3% → 1.1%
Croatia	3.9M	50%	3.3% → 1.4%
Georgia	3.7M	18%	0% → 3.8%
Bosnia and Herzegovina	3.2M	20%	0% → 2.6%
Lithuania	2.8M	67%	1.5% → 0.3%
Albania	2.8M	18%	0% → 2.6%
Moldova	2.6M	15%	0% → 3.8%
Slovenia	2.1M	60%	0.5% → 0%
Latvia	1.9M	59%	1.3% → 0.5%
North Macedonia	1.8M	18%	0% → 1.7%
Kosovo	1.8M	14%	0% → 1.9%
Estonia	1.3M	76%	0.3% → 0%
Cyprus	904.7K	84%	0.2% → 0%
Montenegro	617.7K	27%	0% → 0.8%

Source: Population data from Eurostat for 2022 except World Bank for Bosnia (2022), Moldova (2022), and Ukraine (2021). GDP per capita data from World Bank for 2022. Share of financial aid needs from author's calculations.

Note: Long-term financial aid needs calculated based on distance of per capita income levels from EU average weighted for population. For current EU-27, convergence to 90% of EU average; for potential EU-36 not including Turkey, convergence to 80% of EU average.

BROOKINGS

Source www.brookings.edu/articles/want-ukraine-in-the-eu-youll-have-to-reform-the-eu-too/

The table above shows the budget redistribution expected if The Western Balkans and Ukraine/Georgia and Moldova were to join the EU under current rules. This demonstrates how challenging Big bang expansion would be given that it would require support from all of the countries experiencing a net loss of funding.

Annexe 2: Economic Analysis

Table A2.1 Trade openness and complexity

	International trade as % of GDP	Economic Complexity (trade) world ranking.	Goods Exports/head US\$	Goods Imports/head
Albania	85%	72/132	\$1240	\$2170
Bosnia and Hercegovina	107%	39/132	\$2930	\$4110
Kosovo	109% ¹	-	\$461	\$2811
Montenegro	129%	-	\$1340	\$6020
N. Macedonia	171%	-	\$4180	\$6070
Serbia	138%	36/132	\$3920	\$5270
Bulgaria	136%	40/132	\$6270	\$6640
Romania	92%	26/132	\$4750	\$5830

Trade data from EU and Observatory of Economic Complexity (underlying source is UNCTAD/World Bank) other than Kosovo from National sources

Table A2.2 Broad measures affecting Competitiveness.

	Index of economic freedom ³ SCORE (2022) higher is better	Corruption perceptions Score ⁴ (2022) (Score higher % is better)	Ease of Doing Business Overall (2019) ⁵ lower is better	Ease of Doing Business Cross border trade (2019) lower is better
Albania	65.3	35%	82	25
Bosnia and Hercegovina	62.9	34%	90	27
Kosovo	60.7	41%	57	31
Montenegro	60.9	45%	50	41
N. Macedonia	63.7	40%	17	32
Serbia	63.5	36%	44	23
Bulgaria	69.3	43%	55	21
Romania	64.5	46%	61	1

Sources: Heritage Foundation, Transparency International & World Bank

Table A2.3 Trade Highlights

	Biggest imports	Main source of imports	EU as % of imports	Biggest exports	Biggest Export markets	EU as % of Exports
Albania	Motor fuel, cars, medicines, electricity, iron	Italy Greece Turkey China	65% (2021)	Shoes, electricity, oil,ferro-alloys	Italy, Greece, Spain Germany	78% (2021)
Bosnia and Hercegovina	Motor fuel, cars, medicines, electricity, raw aluminium	Serbia, Croatia, Germany, Italy,	61% (2020)	Electricity seats, wire, wood	Italy, Germany, Croatia, Serbia,	72% (2020)
Kosovo	Minerals, machinery, foodstuffs	Germany, Italy, Greece Serbia, North Macedonia, Albania	42% (2022)	Minerals, metals, rubber and plastic goods	Germany. Italy, Netherlands, North Macedonia, Albania, Serbia,	35% (2022)
Montenegro	Motor fuel, electricity, medicines, cars,	Serbia, Greece, Croatia, China	43% (2021)	Copper ore, raw aluminium, electricity, dried legumes	Serbia, Spain, Pakistan , Switzerland	39% (2021)
North Macedonia	Platinum (for catalysts), motor fuels, precious metals, electricity	UK, Greece, Germany, Serbia, China	51% (2020)	Catalytic products, centrifuges, wire, ferroalloys	Germany, Serbia, Bulgaria, Greece	78% (2020)
Serbia	Crude oil, electricity, cars, medicines		65% (2019)	Wire, corn, tyres, copper ore frozen fruit	Germany, Italy, Bosnia, Romania, Hungary	64% (2019)

Source: World Bank data via OEC and Lloyds Bank trade reports other than Kosovo from Kosovan government website

Table A2.4 Foreign Direct Investment Stock in the Western Balkans

	FDI inward Stock \$m 2000	FDI Inward Stock \$m 2022	FDI stock \$ 2022/head
Albania	247	11397	4053
Bosnia and Hercegovina	450	9323	2850
Kosovo	N/A	7050	3983
Montenegro	N/A	5681	9175
N. Macedonia	540	7479	3622
Serbia		53523	7832
Bulgaria	2704	57378	8463
Romania	6953	115980	6066

Source: UNCTAD World Investment Report 2023 Annexe 2 except Kosovo National govt fig
Population figs from World Bank via Countrymeters.info

Table A2.5 Value added as % of GDP by sector, and growth in value added by sector.

	Agriculture	Industry	Services	Agric growth in Value add	Industry growth in value add	Services growth in value add
Albania	17	21.8	47.7	0.3	16	9.1
Bosnia	5.2	25.5	54.9	-8	8.9	7.1
Kosovo	5	42.7	49.6	1.2	1.5	4.6
N.Macedonia	7.2	22.4	56.9	-1.2	-2.4	5.2
Serbia	6.3	25.0	51.4	-5.7	8.6	8.5
Montenegro	6.5	14.8	59.9	-0.5	1.4	18.6
Bulgaria	4.4	20.8	62.3	28.8	1.7	9.9
Romania	4.3	27.8	58.2	7.0	4.1	6.6

Source World Bank data from Lloyds Bank Trade Doing Business Market reporting latest available data mostly 2021.

Table A2.6 Mining and Energy trade as % of total goods trade.

	Mining and metals	Energy as % of total goods exports	Energy as % of imports
Albania	16% processed 4%raw material	13% o/w Electricity 6%	12.1% o/w Electricity 2.7%
Bosnia	19% processed. 1% raw material	12% o/w Electricity 9.52%	11.9% o/w Electricity 1.8%
Kosovo	29.8% processed		
N.Macedonia	13.2% processed. 3.2%raw material	2%o/w Electricity 1%	15% o/w Electricity 3.45%
Serbia ¹⁰	13.3% processed. 4.5% raw material	3%o/w 1% Electricity	12% o/w 3.2% electricity
Montenegro	20% processed. 22.4% raw material	10.6% o/w Electricity 9.5%	14.5%o/w Electricity 3.6%

Source: OECD Country profiles

The impact of current barriers to trade

Trade Agreements such as the SAP can offer “free access” to the EU Single Market. However, exporters will still need to comply with a host of measures. The key benefit of closer alignment is that harmonisation and accreditation mean that goods can enter the market with less verification and the cost of demonstrating this compliance fall dramatically.

Some of the key areas for cost savings are :

- 1_ Cost of completing trade paperwork +staff to complete it.
- 2_ Costs of proving compliance in EU to be able to sell product there.
- 3_ Border delays avoided + driver and truck delayed at border. Having a quick window for Sectors where trade has been streamlined may even speed up border crossings for other cargo not yet covered.
- 4_ Removing uncertainty over delivery to allow more participation in production chains which have just in time / lean stocks of inputs. This may be currently excluding Balkans firms from some production chains.

Even modest cost and time savings will allow WB6 firms to export more easily, quicker, and cheaper and to earn better margins. In some cases, where demand is very price sensitive (price elasticity of demand is high) it may significantly affect competitiveness of some products. This is very relevant where many alternative sources of supply exist or very similar products exist footwear, basic ceramics, clothing, intermediate inputs into production chains. In these sectors, firms source from multiple suppliers dependent on cost, quality, and dependability of supply. Typically, they do not want to hold large inventories of inputs. For those products where Balkan exports can already compete successfully, there is the scope for larger profits and to reinvest in greater productive capacity stimulating economic growth.

Even in a sectoral approach, there will be many issues will be best undertaken at an overall level rather than sector by sector and in this respect, SAP+ is a modification of SAP not a completely different concept. Until all goods from all sectors are covered by same terms, there will need to be a mechanism to differentiate between freight in sectors that have been harmonised and processes streamlined and those that have not.

Estimating the size ad valorem equivalent of non-tariff barriers is an area of uncertainty. Even large studies by highly respected experts have to make big assumptions. The OECD³⁹ suggest that being outside the Single Market in a free trade agreement with the EU is still likely to cost around 50% of the *ad valorem* equivalent of measures on goods imported into the European Union from third countries. This covers technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures, which have been calibrated using Cadot et al. (2018). This research was based on the UK leaving the EU. While the UK deal is not identical to the WB6 SAP it offers a very useful working estimate that can be used (with caution) until more accurate analysis is possible.

Table A2.7 Cost of NTMs Outside vs inside Single Market in goods sectors.

Commodity	Assumed trade cost difference %
Agriculture and food	6.9
Natural resources including coal and petrol products	0.0
Textiles, wearing apparel, and leather products	6.1
Other manufacturing	5.3
Chemical rubber plastic products	4.8
Pharmaceutical products	2.0
Minerals, metals, & metal products	2.3
Computer, electronic and optical products	3.3
Machinery and equipment not elsewhere classified	2.8
Motor vehicles, parts, and transport equipment	8.9

Source: OECD⁴⁰ calculation using Cadot, Gourdot, and Van Tongeren (2018)⁴¹.

Taking a very conservative approach would be to assume a saving of around half these levels. Even that offers a very considerable incentive for several sectors, most notably motor vehicles parts and transport equipment, textiles and rubber and plastic products. Cost savings of 2-5% (i.e., half the Cadot et al estimates) are likely to lead to significant supply responses unless constrained by other factors. In many sectors this may be a significant underestimate of the benefits as the cost of complying with EU NTMs can be very significant.

NTBs between the WB6 are considerably more prevalent than with the EU. They are a clear sign of institutional impediments to trade integration between the WB6. The SAP+ approach cannot address all these issues but does seek to align incentives for progress and demonstrate benefits quickly.

Potential Benefits of reducing trade barriers

The data in table A3.5 estimates the benefits of reducing NTMs for WB6 exports by sector.

Although there will be areas of particular interest for each country e.g., textiles and footwear for Albania, the greatest likelihood of rapid implementation comes from focussing on sectors where most countries derive worthwhile benefit, so that all have an interest in rapid implementation and therefore can put a unified priority list to the EU.

Table A2.9 Examples of potential annual cost savings for trade with EU a single sector exports

Country & product	Conservative case Euro Million/year	Central case Euro Million/year
Albania (Textiles)	\$18m	\$36m
Albania (metal products)	\$7m	\$14m
Bosnia Herzegovina (metals)	\$22m	\$43m
Bosnia Herzegovina (manuf.)	\$35m	\$70m
Kosovo (metals)	\$2.8m	\$5.6m
Kosovo (manuf)	\$4.1m	\$8.3m
Montenegro (metals)	\$1.7m	\$3.5m
North Macedonia (manufactured goods)	\$110m	\$220m
Serbia (manufactured goods)	\$141m	\$282m
Serbia (rubber and plastics)	\$49m	\$98m

Source own calculations based on table A7 cost savings from OECD and Trade and destination of trade figs from World Bank via OEC to determine % of exports to EU or WB6

Trade in Services

Services trade is extremely important to some of the WB6 countries accounting for a higher proportion of their overall exports than goods for Albania and Montenegro. However, this is likely to be due to limited competitiveness in goods trade rather than competitiveness in services.

There is a high degree of similarity in the composition of services trade for the WB6. In all cases, travel and transport dominate services trade. This suggests that regulatory harmonisation of transportation services, if/where needed would be particularly beneficial. Closer integration of transportation is also an obvious way to boost cohesion between neighbouring countries.

The barriers to trade in some service sectors are minimal such as tourism, while others are extremely highly regulated such as banking and insurance. In highly regulated sectors, the size of non-tariff barriers for services may be even larger than for goods. This is caused by a lack of regulatory harmonisation or mutual recognition which seriously impedes service trade.

Table A2.10 Main Services exports and imports

		Biggest service imports	Biggest service exports
Albania	Significant surplus in service trade	Personal travel, business travel, transportation, government services	Personal travel, Other business services, transportation. Computer and information services
Bosnia Herzegovina	Very large surplus on services trade	Personal travel Other transport, Air transport, business travel, business, professional and technical services.	Personal travel, Other transport, business travel Air travel, construction abroad
Kosovo	Significant services surplus	Travel, business services, transport,	Travel, business services, transport,
Montenegro	large net trade surplus in services	Other transport, business, professional and technical services, personal transport, air transport, construction	Personal travel, other transport, business, professional and technical services
North Macedonia	Trade balanced in services	Other transport, , business, professional and technical services Royalties and license fees Personal travel	Other transport, , business, professional and technical services Personal travel, construction
Serbia	Trade balance in services	business, professional, and technical services Other transport, personal travel, Royalties and license fees	business, professional, and technical services Personal travel, Other transport Air transport

Source World Bank Data latest (2019 and 2020) via OEC Website

There is a remarkably high degree of similarity in the composition of services trade for the WB6. In all cases, travel and transport dominate services trade. This suggests that regulatory harmonisation of transportation services, if/where needed would be particularly beneficial. Closer integration of transportation is also an obvious way to boost cohesion between neighbouring countries.

The barriers to trade in some service sectors are minimal such as tourism, while others like are extremely highly regulated such as banking and insurance. In highly regulated sectors the size of non-tariff barriers for services may be even larger than for goods. This is caused by a lack of regulatory harmonisation or mutual recognition which seriously impedes service trade.

Priority Sectors

Table A2.11 Sectoral selection criteria

	Criteria	Driver	Example
1	Easiest Achievable e.g. clearly defined products with limited regulation and most straightforward to demonstrate compliance, so least work to meet EU standards.	Max economic benefit	Raw materials exports, Finished goods where WB6 production already to EC standard
2	Biggest potential overall economic Benefits to WB6 and EU i.e. biggest benefit from reduction in compliance costs.	Max economic benefits	Varies by country
3	Biggest sectoral reduction in trade costs. Impact depends on whether sector or product is competitive after reduction in trade costs	Profile + Impact	
4	Win-win, helps EU firms as well as WB6 (get EU firms to support)	Building support in EU. Cohesion	Deepening existing trade e.g. Bosnia to Italy electricity, WB to Italy footwear trade enables Italy to main competitiveness vs Asia
5	Maximise , political benefits including regional cohesion	Cohesion	
6	Initially avoid those where achieving and proving compliance with EU standards is most complex and onerous relative to value of each cargo e.g many agri/food products	Feasibility	
7	Avoid wasting effort on those with minimal upside i.e. WB6 sector is and is likely to remain uncompetitive	Feasibility	
8	Consider those sectors which will benefit from other binding restrictions being addressed e.g. by planned infrastructure upgrades.	Max Economic impact	
9	What degree of aggregation should we be looking at? Agri food is too wide. It may be much easier to cover some e.g. wood/ forestry than others e.g. meat.	Feasibility	
10	Hundreds of sectors = too messy for implementation.	Feasibility	
11	Pilot sector for rapid proof of concept?	Feasibility	Products feeding Supply chains (small number of regular customers goods standards will be checked again anyway) e.g automotive
12	Make categories easy to understand must fit with existing definitions.	Feasibility	
13	All WB countries at once or individual choice? Co-ordination generates cohesion. Country choice allows prioritisation of national economic priorities	Cohesion vs economic benefit	

If the purpose of the exercise is generating economic benefit the choice of sectors is driven purely by likely impact on trade. However other factors may also play a role in a more politically nuanced decision making process. These may include boosting regional cohesion and encouraging a move to higher value added products. Potential criteria are listed in Table A3.1

Table A2.12 Comparison of sectoral selection criteria

Selection criteria	Pros	Cons
Easiest first	Quick wins build support for future expansion	May not have big benefits or be important to WB6
Where trade barriers are currently a binding constraint	Areas constrained by NTBs are highly likely to expand if barriers removed	Proving where constraints are stifling exports is difficult. Largely anecdotal
Highest current trade value	May impact on highest value of goods at least in the short run	If these sectors are currently successfully exported trade barriers may not affect their trade much
Biggest reduction in trade costs	High profile	Impact depends on whether WB6 are competitive. May take many years to adjust
Current Specialisation (revealed Comparative advantage)	Objective and data driven	Relative specialisation may be shaped by current barriers. May be small niche markets
Evolution of trade (Most complex products)	Seeks to identify prospects for future. Enables policies to support increasing value add	Offers potential benefits in the future, with little certainty
Highest political profile, greatest impact on regional cohesion	Political profile gets engagement	Likely to be those which are historical e.g. heavy industry which are not v. competitive or very difficult to address e.g. agriculture
Win Win	Benefits to EU firms boosts member and Commission appetite to engage	May not be many industries where EU firms willing to engage

Trade data for each of the WB6 (table A3.2) shows that the highest current trade value falls within the same kind of categories (albeit at a very high level of aggregation). When looking at specialisation and the most complex products exported there is more apparent diversity, however the key reason for this is that the data is more disaggregated, specialisation is mostly in manufactured goods minerals and metals. Additionally, most complex products are different types of manufactures. This relative homogeneity is important because it means that the WB6 have, in broad terms, similar sectoral priorities from an economic perspective.

Identifying common priority sectors across the group enables a more compelling approach to the EU than six different sets. It is also good news for making progress in liberalising trade between WB6 countries as there is a good deal of overlap in their areas of specialisation. It may even facilitate building production chains between WB6 countries.

Table A2.13 WB6 Exports

	Albania	Bosnia& Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Highest current trade value (aggregate level)	Footwear, textiles, minerals and metals, energy	minerals and processed metals Energy esp. electricity, Footwear and textiles, manuf. goods	minerals metals, foodstuffs.	minerals and processed metals, energy esp. Electricity, Agric products, medicines	Manufactured products, Metals .	Manufactured goods, processed metals, rubber and plastic products, chemicals and medicines, cars and car parts
Specialization (detailed)	Footwear components, Chromium ore, perfume plants, marble	Sulfides, densified wood, explosive ammunition, tar, zinc products		Dried legumes, Lead ore, Chlorates, Preserved meat, aluminium ore	Catalysts, marble, tobacco, lead, centrifuges	Frozen fruit&nuts, roof tiles, oil seed, leather , explosives
Evolution of trade (more complex) (detailed)	Blades for cutting machines, Radio/nav/ radar/remotecocontrols Bodies/cabs for vehicles	Tools, fasteners furnaces, gaskets, machine tools, machines for paper pulp		Lab equipment, rolling machinery, furnaces, camshafts and crankshafts.	coated textile fabrics, capacitors, electrical fittings, machinery and plant.	Machine tools, rail and tram coaches, vans and trucks, foundry equipment, pumps, compressors
Highest political profile	Footwear, energy, mining, tourism, agriculture	Minerals, energy, metals, textiles, tourism	Energy, ICT, mining and minerals, construction materials	Minerals?	Catalysts?	Energy, manufacturing (machinery, automotive electronics) Potential for Lithium batteries
Win Win	Footwear Link with Italy? Electricity	Electricity Raw material processing	Electricity Raw material processing	Electricity Raw material processing	Electricity Supply chains e.g., automotive	Supply chains e.g., automotive

Source: trade data World Bank, Economic Complexity OEC.

Reform progress under the SAP has been slow and patchy. This suggests resources are constrained. Another factor may be the gap between reform effort and visible results has often been too wide. Part of the case for a sectoral approach is to narrow the gap to make the link between reform and benefit more apparent.

Organising implementation

Sectoral progress requires common approaches agreed through technocratic discussion between WB6 countries and EU Commission. Finding a way to organise this and minimise delays, tensions and politicisation is highly desirable. Rather than inventing another new body one possibility is that each country able to implement, seeks technical verification from a joint EU/CEFTA working group. This is a technical verification process, not a negotiating process.

Table A2.14 Conceivable scenarios for current and sectoral approaches

	SAP and CEFTA		Sectoral Approach	
2023-4	Gradual progress	Very modest benefits across all reforming sectors	Political agreement and expert group start work	Very modest benefits across all reforming sectors
2024-5	Gradual progress	Very modest benefits across all reforming sectors	Pilot sector implementation	Very modest benefits across all reforming sectors
2025-27	Gradual progress	Very modest benefits across all reforming sectors	Low hanging fruit phase	Pilot sector sees benefits
2027-29	Gradual progress	Very modest benefits across all reforming sectors	Expansion phase	Pilot+ low hanging fruit sectors see benefits
2029-31	Gradual progress	Very modest benefits across all reforming sectors	Hard to reach phase	Pilot+low hanging fruit + expansion phase sectors see benefits
2031-33	First group of countries gain EU membership.	New members benefit significantly from mutual recognition across all sectors	Least benefit phase+ First group of countries gain EU membership	Pilot+low hanging fruit + expansion phase + hard to reach sectors, sectors all see benefits. Some additional benefit to countries that join EU

Note. This is purely illustrative; all dates are hypothetical.

Unlike Switzerland, for WB6 exporters to capture the full benefits of frictionless trade with the Single Market requires a broad range of reforms and trade facilitation measures, plus infrastructure investment. Addressing some of these are already part of the Accession process via current bilateral national or EU Assistance.

The fundamental elements to address for every sector are the same:

Common standards and regulation. This will be much easier to meet in some sectors than others.

Accreditation and enforcement processes to reassure EU over commonality of standards.

IT systems to enable quicker compliance (Saves costs) and demonstration of compliance (leading to less trade friction). Moldova is a recent example of an example of EU aid for a trade facilitating IT based compliance system.

Infrastructure/ Border post investment to allow rapid traffic flow.

Infrastructure main transport artery road/rail infrastructure capacity to reduce delays and accommodate additional trade.

Benefits of EU membership

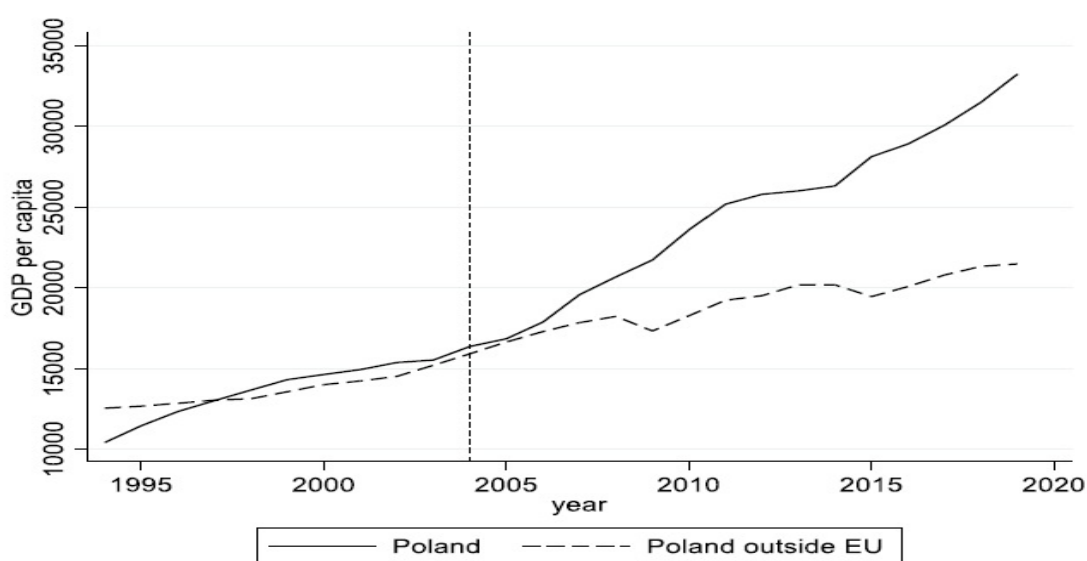
The nearest (but inverse) equivalent is the UK leaving the EU. UK Office of Budget responsibility suggest it has reduced GDP by 4% over 3 years³⁶, exports and imports. This is despite relatively close harmonisation of most regulation and standards. If the WB6 were to attain friction free trade with the Single market should yield a benefit of at least this size and in all probability considerably bigger.

Additional growth to Accession appear to have been modest for countries that entered the EU with relatively high levels of economic development and good physical infrastructure e.g Slovenia, where the (additional) performance gain was close to zero. For the Czech Republic and Hungary calculated gains ranged from 3% to 10% and from seven per cent to 28 per cent after 12 years.

Gains were considerably larger in Poland, Slovakia, and the Baltic countries, exceeding 50 per cent of extra GDP per capita in 12 years after accession for Lithuania and Estonia³⁷.

The same study suggests benefits of Single Market Membership increased over time, with a significantly more benefits 12 years later vs 6 years.

Fig A1 Polish GDP in EU and a without Accession scenario



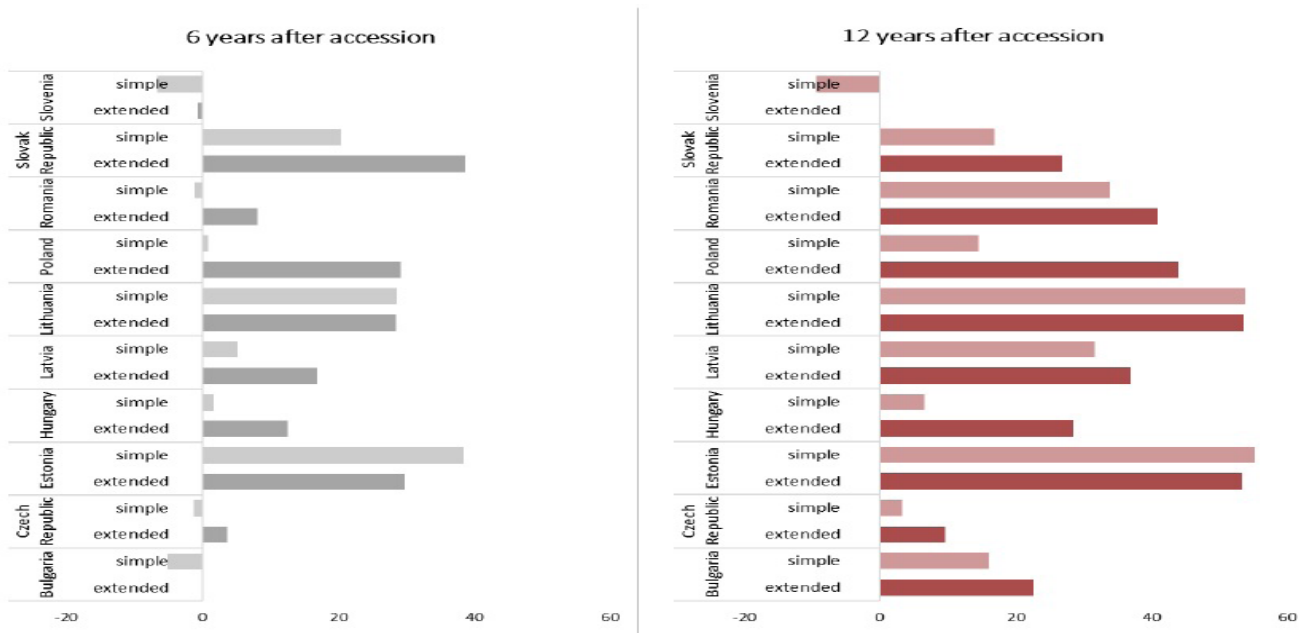
Source: Hagemeyer, J., Michałek, J.J., Svatko, P. (2021).

This research sought to model the impact of EU membership pre and post Accession. The striking observation is that the dramatic difference only appears several years after Accession as integration into the Single market became more widespread.

36 Office of Budget Responsibility UK 2023

37 Hagemeyer, Mitchalek & Svatko 2021 cited in New Evidence demonstrates the Economic Gains of EU accession Emerging Europe October 2021

Fig A2 Additional Benefits due to EU membership



Source: Hagemeyer, J., Michalek, J.J., Svatko, P. (2021).

The diagram shows that benefit continue to appear several years after EU membership and that benefits are significantly bigger in the “extended scenario” in which differences in economic openness and business environment are attributed to EU membership.

Annexe 3: Comparative Table of CEFTA/CRM/OBI Trade Related Provisions

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Annex 1 Objectives	FTA – EU Accession	CRM Declaration Objectives	Enhanced economic coop. based on EU rules and standards – EU Accession	Novi Sad Declaration October 2019	Drawing on existing commitments including CEFTA, WTO, MAP REA Full and free movement of goods, services, capital and labour Eliminate border checks and other impediments to free movement within the region
Basic Duties	CN Reductions	Trade facilitation	Extend Green Corridor and Green Lanes to all BCP/CCPs in WB6, including the EU and the neighbouring EU Member States	Ohrid Summit November 2019	<p>Confirming objective of EU membership to a goal of the Western Balkans 6, no alternatives to this goal for the Region are viable;</p> <p>To gradually achieve full alignment with the acquis</p> <p>Albania, North Macedonia and Serbia, remaining</p> <p>committed to work with all leaders from Western Balkans, agree to accelerate the implementation of REA by identifying a list of priority measures, which can be further expanded</p>
Quantitative Restrictions	Prohibition	Mutual Recognition Programmes (MRP)	<p>Expand MRP including certificates and testing results for:</p> <p>industrial and agricultural products</p> <p>professional qualifications</p> <p>licenses in tourism</p> <p>selected financial services</p> <p>other key services sectors</p>	<p>Free movement of goods</p> <p>Priority 1: Enhancing Border Crossing Point Procedures and Infrastructures</p> <p>Priority 2: Mutual Recognition of Documentation Accompanying Goods</p>	<p>Introduction of 24/7 business hours for all inspections on border crossings, including Phytosanitary and Veterinary Agencies, by next meeting</p> <p>Enhancing cross border e-commerce among countries with establishment of platform for E-commerce</p> <p>Begin to improve infrastructure of border crossing points and additional infrastructure facilities for trucks in T1 and TIR regime, for perishable goods, for holders of AEO certificates, regardless of the regime and for empty trucks; (short term priority – six months)</p> <p>Establishment of accompanying facilities, and the provision of appropriate and necessary equipment for control and measuring, as well as employment of additional number of border officers with suitable professional training (short term priority – six months and on-going)</p> <p>Expedite implementation of internal procedures for ‘paperless system’ for relevant documentation accompanying goods.</p> <p>Identify a model of incentives to support use of ‘paperless system’</p> <p>Minimizing, with the view to eliminate, documentation requirements in written form for data already entered into the system</p> <p>Commit to adopt mutual recognition of documents accompanying goods (phytosanitary, veterinary and other certificates) at next CEFTA Joint Committee meeting.</p>

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Customs Duties on Exports	Prohibition	Freedom of movement	For students, researchers and professors, for individuals based on IDs, remove work permits for intercompany transfers and service providers	Free Movement of People and Freedom to Provide Services Priority 1 Movement of people with possession of an identity card in 2020 Priority 2: Ensure unique stay and working permits in order to enable equal treatment for the stay and employment of all citizens	By next meeting, reach agreements seek all necessary approvals for their entering into force. Harmonization of Legislation on Travel Documents in line with the EU acquis. Completion of legislative framework on unique-unified stay and working permit Harmonization of Law on Foreigners in line with the EU acquis
Customs Duties on Imports	Standstill	Payments	Reduce the costs of regional payments and prepare for joining the Single Euro Payment Area (SEPA)	Priority 3: Regulating social security and employment requirements	Assess national legislation, by the next meeting, with a view to harmonize social security and employment requirements
Customs Fees	Abolish	Action Plan 2021-24	Introduce and implement, in line with EU acquis, mutual recognition programmes as above + Authorised Economic Operators (AEOs)	Priority 4: Recognition of Professional Qualifications and Mobility Priority 5: Strengthen cross border cooperation in the field of security	Conclusion of agreements on recognition of professional occupational qualifications for scarce occupations Harmonize the list of scarce occupations Intensify our joint efforts to reach agreements on automatic recognition of academic qualifications Enabling mobility of students and researchers Developing programs for student and researcher exchange Prepare a joint working Plan with a view to expediting the process of implementation of European Standard Guidelines (ESG) and the registration of respective agencies for quality assurance in EQAR, to be presented at the Regional Education Ministerial in mid-December. Strengthen collaboration in drafting, reviewing and implementing of individual Smart Specializations Strategies. Strengthen cross-border cooperation among police authorities in fighting transnational crime and terrorism Strengthen cross-border police cooperation in area of migration and civil emergencies
Industrial Goods	Elimination of Customs Duties Derogations Annex 1 and 2	e-commerce	Establish regional e-commerce market adopting core harmonised rules and internal market principle, facilitating customs clearance of parcels and removing geo-blocking	Free Movement of Capital Priority 1: Increase investment across the region	For next meeting, prepare draft plan for developing investment prospects in region

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Agricultural Goods	Reduction or Elimination of Customs Duties specified in Annex 3 Apply MFN on duties below	Green Lanes	Adapt Green Lanes make services available 24/7 at expanded network of BCPs/CCPs, introduce Green Lanes on BCPs with EU	Tirana Declaration December 2019	Endorse EU Perspective; Berlin Process: MAP REA II Scorecard: implement web-based, independent assessment system to evaluate progress toward goals
Concessions on Agricultural Policies	Notwithstanding abolition of export subsidies	Risk Management	Expand and improve CEFTA Risk Management and systematic exchange of electronic data (SEED) to all agencies involved in clearance of goods	Skopje Declaration July 2021	Signed relevant agreements on: <ul style="list-style-type: none"> • Allowing citizens to work in one another's countries • Helping goods move without delays
SPS	Reference WTO SPS Agreement Endorse harmonisation and MRAs	One-stop-shops	Establish one-stop-shops at selected crossing points and decrease waiting times at BCPs/CCPs to 70% of current waiting times	Ohrid Agreement Cooperation on Mutual Recognition of Diplomas June 2022	Co-operation implemented in accordance with domestic legislation in force, principles and international standards for the recognition of qualifications Facilitation of procedures and deadlines Dispute settlement by negotiation
TBT	Reference WTO TBT Agreement Strongly Encourage harmonisation and mutual recognition of conformity assessment in line with EU	Joint Procedures	Introduce joint procedures on tariff monitoring and other measures facilitating parcel delivery service	Agreement on Cooperation in Veterinary, Food and Feed Safety and Phytosanitary Dec 2021	The import – transit - export of live animals, animal by products, feed plants and plant products conducted only in compliance with domestic requirements on food safety, veterinary and phytosanitary which are in force in the respective countries and in agreed technical documents between Parties List V Part B determines type of plants, plant products etc which must be accompanied by a phytosanitary certificate agreed and harmonized National competent authorities will recognize the reports on testing by accredited methods or internationally recommended methods by authorized/accredited laboratories Albania transition end 2022 Location of physical checks food of non-animal origin must be accompanied with results of laboratory analyses, not older than four months Disputes settled between competent authorities of Parties Agreement not apply to rights and obligations arising from other international agreements of contracting parties

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Rules of Origin and Cooperation in Customs Administration	Annex 4: RoO for application of CEFTA Annex 5: common rules on mutual administrative assistance in customs matters	Services	Adopt services trade liberalization package to, inter alia, enable supply of services without obligatory establishment and authorization, in line with Chapter 3 of the EU acquis	Agreement On Interconnection of Schemes for Electronic Identification Of The Citizens Dec 2021	Parties to provide access to own eGovernment services to citizens of other Contracting Parties: recognize registered electronic identification schemes in the Contracting Parties provided by electronic identification schemes issuers connect national software solutions to enable federation of electronic identities on principle of interconnection of schemes with eGovernment services establish and implement Open Balkan ID number for own citizens promote use of electronic services establish and maintain coordination and communication between competent authorities for legal and technical implementation Exchange and protection of confidential data retaining classification levels Processing personal data following principles stipulated in Regulation (EU) 2016/679 Dispute settlement through negotiation Agreement not affect the rights and obligations arising from other international agreements of contracting parties
Fiscal Discrimination	Abolition	Dispute settlement	Adopt new, more efficient rules on dispute settlement and resolution of not-tariff barriers in CEFTA	Agreement on Conditions for Free Access To The Labour Market Dec 2021	Citizens of Parties to shall have the right to move, stay and work freely within territory of Parties undertake to simplify administrative procedures for entry, movement, stay and work of citizens of other Parties guarantee that citizens of other Parties have equal access to the labour market in Receiving Party, in accordance with this Agreement and domestic legislation citizens shall abide by domestic legislation of Receiving Party Citizen shall register on appropriate online electronic service developed by each Party within 90 days for access to labour market Citizens with Open Balkan Id will be electronically notified of approval for access to labour market 2 years with possibility of re-registration Agreement not applicable if applying for permanent stay in Receiving Party Establishes Joint Committee annual meeting biannual reporting implementation Dispute settlement by negotiation

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Payments	Freely convertible currencies for goods	Payments	Reduce the costs of regional payments and prepare for joining the Single Euro Payment Area (SEPA)	MoU on Trade Facilitation July 2021	<p>Parties shall reduce to extent possible controls, formalities and number of documents required to ensure compliance and minimize complexity of formalities and requirements</p> <p>reports of officially authorized laboratories shall be mutually recognized</p> <p>On importation, consignments of food and feed of plant and mixed origin must be accompanied laboratory analyses not older than 4 months, carried out by accredited methods and issued by officially authorized laboratories</p> <p>Each Party reserves the right to control and examine consignments at importation</p> <p>Food products: Information exchange on domestic requirements and amendments</p> <p>Non-food products: joint efforts for the purpose of simplification of procedure of certificates of conformity, and mutual acceptance of test reports from accredited laboratories based on ISO/IEC Guide 68 - Arrangements for the recognition and acceptance of conformity assessment results, and as signatories to EA MLA</p> <p>Disputes settled through mutual consent</p> <p>Parties shall apply standards, rules, regulations and procedures of international organizations of which they are members</p>
Exceptions	General and Security	Free movement of people	<p>As Declaration +</p> <ul style="list-style-type: none"> Remove work permits for intracompany transfers and contractual service providers; Enable portability of social rights. 	Agreement Albania North Macedonia on MR of AEOS Dec 2021	<p>Recognise AEOs of Parties</p> <p>AEO programmes in accordance with SAFE Framework</p> <p>Exchange of data & granting status, pre-departure declaration only</p> <p>Fewer risk assessments and doc controls</p> <p>Dispute settlement through consultation</p> <p>Conclude Customs Protocol prior to implementation</p>
State Monopolies and State Trading Enterprises	Non-discrimination	Implementing body	RCC and CEFTA Secretariats leading regional organisations to facilitate implementation of Action Plan	<p><u>No access</u></p> <p>Agreement Serbia North Macedonia on MR of AEOS</p> <p>Agreement Serbia Albania on MR of AEOS</p> <p>Trilateral Agreement between Accreditation Bodies</p>	

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Rules of Competition Concerning Undertakings	Prohibitions: Cartels, Abuse of Dominance Scope: SGEI, State aid Exceptions	Cross Cutting Trade Measures	Maintain the Green Lanes and streamline BCPs/ CCPs controls Elimination of NTBs Trade related aspects Reduction of trade costs and transparency		
Contingency Measures	Countervailing measures, ant-dumping measures Safeguards	Goods	Mutual Recognition Programmes (MRPs) Risk Management System of Electronic Exchange of Data SEED+ Harmonisation and cooperation with the EU		
Balance of Payments Difficulties	Restrictive measures applied transparently and ergo omnes	Services	Additional Protocol 6 Trade in Services Tourism Financial services Postal services Professional qualifications Enabling environment E-commerce		
Chapter VI Services	Incorporation GATS e-commerce Evolutionary clause	Capital	Development of a modern payment system		
Investment	F&E Treatment National Treatment, MFN (restrictive) Evolutionary clause	REA MAP 2017	4 components of Regional Economic Area addressed by the action plan: (i) trade, (ii) investment, (iii) mobility, (iv) digital integration.		
Government Procurement	All procurement rules National Treatment MFN Evolutionary Clause	Strengthening and monitoring CEFTA Additional Protocol 7	Negotiating and adopting Additional Protocol 7 on CEFTA Dispute Settlement		
Intellectual Property	Paris Convention, TRIPs Implementation Annex 7 Conventions Evolutionary Clause	Additional Protocol 5	Implementing Protocol 5 MR for border documents and AEOs for safety and security		
Functioning Rules	Joint Committee Arbitration Transparency Evolutionary Clause	Interconnections for data exchange between Agencies at all levels	SEED+ funding		

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Trade Relations Governed by CEFTA and other Agreements	Must not negatively affect CEFTA trade regime, particularly provisions concerning rules of origin provided for by CEFTA	Joint risk management, border controls and one-stop-shop border controls	Regional Strategy for joint risk management, and joint border controls, where appropriate (as specified in AP5), one-stop-shop controls, and sharing border control equipment establishing CEFTA Common Risk Management Framework (CRMF). CEFTA Risk Profile Format		
Accession to Agreement	Consent of all the Parties	Developing mutual cooperation between market surveillance control authorities of CEFTA Parties	Mapping the regulatory requirements for MRA in supply chains		
Joint Declaration concerning the Application of WTO Rules and Procedures	To extent references are made in CEFTA Annex 1A, Annex 1B and Annex 1C of WTO Agreement (Marrakesh) applies irrespective of whether or not they are members of WTO	Harmonisation of CEFTA Markets with EU	Ensuring the sustained application of SAP+ and Full Cumulation Potential approximation of CEFTA MFN to EU (WB report)		
Joint Declaration on Co-operation and Assistance	In particular Investment promotion Gov't Procurement Intellectual Property	Creating NTMs and TDM free Region	Administrative Cooperation between Competition and State Aid Monitoring Authorities Eliminating remaining discriminatory practices in public procurement markets CEFTA Market Access Barriers Database (MABD)		
Joint Declaration on Articles 20 and 21	Competition provisions in domestic legislation of the parties brought into compliance with EU competition principles	Facilitation of free trade in services	Implementation of CEFTA Additional Protocol 6 on Trade in Services Establish Contact Point for Services Establish platform for statistical data on trade in services, FATS and FDI Establish database with regulatory heterogeneity indices to perform assessment of arrangements on region Conclusion of selected arrangements on regulatory cooperation Development of disciplines on domestic regulation Launch regional dialogue on regulatory issues in electronic commerce Assess existing geo-blocking measures (focus digital content and copyright goods)		

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
Joint Declaration on Articles 21, 22 and 23	Domestic legislation brought into line with GATT/WTO	Mobility Removal of obstacles to recognition of academic qualifications	<p>Researchers: identify and remove obstacles to mobility</p> <p>Professionals: conclude MRAs of professional qualifications for Doctors, Dentists, Architects, Civil Engineers in multilateral framework</p> <p>Establish Database on Professional Qualifications and Mobility of Professionals fully aligned with EU Database on Regulated Professions</p> <p>Students and highly skilled: Declaration on Recognition of H. Ed Qualifications</p>		
Annex III	Consolidated Schedule of Specific Commitments on Trade in Services				
Additional Protocol 4	Abolish all customs duties on imports, charges of equivalent effect and import duties in trade of agricultural products				
Additional Protocol 5	Simplify all clearance procedures inspections, reduce formalities, exchange data between customs authorities, mutually recognise national Authorised Economic Operators' Programmes in line with EU acquis				
	Extension of the Scope: On data exchanged electronically for border control and customs				
	Risk Management				
	Notifications for Enhanced Controls or Inspections				
	Publication of Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties				
	Formalities Connected with Importation, Exportation and Transit				
	Common Border Procedures and Uniform Documentation Requirements				
	Rejected Goods				
	Temporary Admission of Goods and Inward and Outward Processing				
	Freedom of Transit				

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
	Specific Provisions Related to Exchange of Data Security of Connection Software and Hardware Complex for Information Exchange Electronic payment				
	Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges Post-clearance Audit				
	Perishable Goods				
	Authorised Economic Operator (AEO)				
	Notification of New Inspections and Formalities – 60 days				
	Prohibitions or Restrictions on the Import, Export or Transit of Goods – general exceptions				
	Implementation Body – Joint Committee				
	Dispute Settlement – CEFTA 2006				
	Discrepancy				
Additional Protocol 6 Services	Scope: measures affecting trade in all services sectors, except: air traffic rights or measures affecting services directly related to exercise of air traffic rights; government procurement; subsidies				
	MFN, Market Access, NT				
	Movement of Natural Persons: domestic level				
	Transparency requirements				
	Recognition: non-discrimination and due consideration				
	Monopolies and Exclusive Service Suppliers; Business Practices: competition principles				
	Payments and Transfers: do not apply restrictions				
	Restrictions to Safeguard the Balance of Payments: GATT Art XII				
	General & Security Exceptions				

CEFTA WB1+6	Scope and Coverage	Common Regional Market (CRM) WB6	Scope and coverage	Open Balkan Initiative (OBI) WB3	Scope and Coverage
	Cooperation on Electronic Commerce				
	Annex I - Temporary Entry and Stay of Natural Persons for Business Purposes; Annex II - Regulatory Principles Regarding Telecommunications; Annex III - Consolidated Schedule of Specific Commitments on Trade in Services of CEFTA Parties.				

Annexe 4: Comparative RTA Table: The EU acquis, CEFTA, CRM, OBI, EFTA/EEA

(including: gaps and issues that could be addressed by a new framework)

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 1: Free movement of goods	Free movement of goods in CEFTA focuses on removing obstacles to trade including: Abolition quantitative restrictions on imports and exports, abolition of custom duties on exports, standstill on custom duties on import at ratification, application of MFN duties on agricultural products, abolition of custom fees etc.	<p>Note that this is governed broadly by the Western Balkans Leaders Declaration on Common Regional Market. There is a commitment to the free movement of goods, services and capital.</p> <p>Item 1 states: 'Extend Green Corridor and Green Lanes to all BCP/CCPs in WB6, including the EU and the neighbouring EU Member States, so that we expand the Green Corridors/Green Lanes concept beyond intra WB6; and expedite implementation of trade facilitation measures so as to cut waiting times to 70% of the current ones'</p> <p>(Green Lanes, enabling faster crossing for certain types of goods, have been implemented and extended to all crossing points in CEFTA.)</p> <p>Other points to note: Mutual Recognition Programmes (MRPs); System of Electronic Exchange of Data SEED+. This is the electronic exchange of pre-arrival data between the administrations. The system IS now available 24/7 to all services/ agencies involved in the clearance of goods.</p>	<p>Note that this is governed by an MOU: Memorandum of Understanding for the facilitation of imports, exports, and the movement of goods in the Western Balkans, 2021.</p> <p>Ambition: to achieve full free movement by 1/1/23</p>	See the next entry i.e. Part II of the EEA Agreement	See Part II of the EEA Agreement which governs the establishment of the free movement of goods in the EEA. It covers basic rules such as prohibition on customs duties on imports and exports including any charges that could have equivalent effect, prohibition of quantitative restrictions on imports and exports between EEA States and the prohibition of the discriminatory internal taxation of the products of an EEA member State. The arrangement is further enhanced through the elimination of technical barriers to trade in the EEA such as through harmonised product requirements or the mutual recognition of products.	<p>Note that the decision on mutual recognition of the Authorized Economic Operators came into force with very limited scope. Moldova, Serbia and North Macedonia have undergone validation procedures, preceding full implementation. Montenegro and Albania are expected to follow by the end of the year.</p> <p>In addition, proposal to extend the Green Lanes to crossing points with the EU is under negotiations. Greece and Italy are expected to participate in the initiative.</p> <p>Furthermore, negotiations on amending the Dispute Settlement Mechanism with the aim of enhancing the transparency of trade issues.</p> <p>are ongoing. A methodology and timeline have been agreed to accomplish task.</p> <p>The Regional Supply Chain Protocol and the mapping of the existing regional automotive cluster are ongoing.</p> <p>Also, common Rules of Origin within CEFTA and Regional Disciplines on Domestic Regulation have not yet been implemented.</p>

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 2: Freedom of movement for workers	There is no provision on free movement of workers in CEFTA	There is a commitment to free movement of people. Item 3 of the declaration states: 'Implement freedom of movement for students, researchers and professors and for individuals based on IDs and remove work permits for inter-company transfers and service providers'	Agreement on Conditions for Free Access to the Labour Market in the Western Balkans, 2021 (Limited access applicable; in Albania, North Macedonia and Serbia, not a single Labour market.) Ambition: to achieve full free movement by 1/1/23	EFTA Convention guarantees the free movement of people/workworn between the Member States.	This extends the Acquis provision to the 30 EEA countries. This is supplemented by Article 30 of the EEA Agreement covering mutual recognition of diplomas, certificates and other evidence of formal qualifications. Also related is Article 29 on social security, also necessary to facilitate free movement of persons.	The West Balkans Agreement on Freedom of Movement and Stay, including coordinated removal of visas for third party citizens is yet to be realised.
Chapter 3: Right of establishment and freedom to provide services	CEFTA Additional Protocol 6 (AP6) on Trade in Services, adopted in 2019 and entered into force on 11 January 2021. The protocol extended the principle of free trade in CEFTA to the service sector.	In the context of Chapter 3 right, the Declaration, item 2 'expand the network of Mutual Recognition Programmes to other goods and services including certificates and testing results for industrial and agricultural products; professional qualifications; and licenses in tourism, selected financial services and other key services sectors;' The Regional Roaming Agreement has been implemented, with telecommunication services offered free of charge across the region. Discussions and consultations on a roadmap to lower roaming costs between the WB and the EU are ongoing.	Trade-facilitation agreements and other arrangements to implement the EU's Four Freedoms in the region are in progress.	Article 77 of the EEA Agreement to a large extent facilitates the exercise of the right of establishment. The EEA Agreement guarantees the freedom to provide services on a non-discriminatory basis anywhere in the European Economic Area.	See the EEA provision, previous entry.	Discussions conducted on the CEFTA Framework for Trade in Tourism, but no agreement reached yet. In absence of implementation with respect to institutional cooperation with regard to the exchange of good practice in the field of digital transformation, in particular e-government. Common Regulatory Framework for the financial market and the the Development of Fintech and integration has not been achieved.
Chapter 4: Free movement of capital	See next column on CRM. CEFTA has the responsibility for the implementation of the four freedoms via the CRM.	Development of a modern payment system. A regional investment promotional page has been created, with an additional facility for the exchange of information between Investment Promotion Agencies. In addition, a review of COVID-19 measures in light of Investor-State Dispute System risks has been done.	Proposal to develop a modern payment system within Free Movement of Capital pillar of the Common Regional Market Action Plan (CRM AP). See Common Regional Market (CRM) 2021-2024 Action Plan https://www.rcc.int/pages/143/common-regional-market	Free movement of capital is covered by Articles 40 - 45 of the EEA Agreement and Annex XII to the EEA Agreement. This is one of the four fundamental freedoms that underpin the Internal Market. There are exceptions to the free movement of capital. The exceptions are mainly related to taxation and public policy considerations.	See the EEA provision, previous entry.	The proposal for a Regional Early-Stage Innovation Funding Scheme, providing financial assistance to start-ups, has not been achieved.

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 5: Public procurement	CEFTA requires the State Parties to undertake certain commitments including to progressively open their government procurement markets. (Article 2.4)	Regional cooperation within the CRM agenda: 'Established intra-CEFTA regulatory cooperation in the public procurement and first instance appeal bodies ; enhanced transparency in public procurement and other regional measures based on the EU acquis;' See Common Regional Market (CRM) 2021-2024 Action Plan https://www.rcc.int/pages/143/common-regional-market	No specifics at this stage.	Article 65 (1) of the EEA Agreement covers public procurement. Pursuant to Annex XVI of the EEA Agreement, the Working Group on Public Procurement is responsible for legislating on procurement issue as provided in Article 65(1). The procurement rules sets out minimum harmonised requirements. Protocol 2 to the Surveillance and Court Agreement make provisions for the role of EFTA Surveillance Authority (ESA) in procurement matters. Note also the roles of European Commission's Expert Group on Public Procurement (EXPP), the Expert Group on eProcurement (EXEP) and the Economic and Statistical Working Group (ESWG).	See Previous entry on EFTA.	
Chapter 6: Company law	Company Law is not covered under CEFTA. However, see CEFTA Additional Protocol 6 (AP6) on Trade in Services was adopted in 2019 on market access and provisions related to discrimination of companies in the market.	Not covered.	Not covered.	See Article 77, EEA Agreement on freedom of establishment. The Working Group on Company Law is responsible for legislation contained in Annex XXII of the EEA Agreement in accordance with Article 77. Though contained in various instruments a large part of European Company law is now codified in Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (Text with EEA relevance.)	See previous entry.	Suggest working towards a 'company law' modelled after EU Company .

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 7: Intellectual property law	CEFTA requires the State Parties to undertake certain commitments including effectively protect intellectual property rights. (Article 2.5).	Discussion ongoing on adoption of a regional framework on IP within the CEFTA framework.	Nothing specific.	Article 65 (2) of the EEA Agreement covers intellectual property rights. The Working Group on Intellectual Property is responsible for the legislation contained in Annex XVII (in Accordance with article 65(2)) and Protocol 28 of the EEA Agreement.	See previous entry.	Recommend adoption of a regional framework on IP within the CEFTA framework.
Chapter 8: Competition policy	CEFTA includes a range of specific provisions regarding competition policy/regulation. See Article 1(c) competition objective, Article 19 security & competition, Article 22 competition rules, Article 23, state aid	Nothing specific but references CEFTA (see previous entry).	Nothing specific.	Articles 53 - 60 of the EEA Agreement covers competition matters. The Working Group on Competition Policy is responsible for the legislation contained in Annex XIV and Protocols 21-25 of the EEA Agreement. The EFTA Surveillance Authority (ESA) and European Commission (in cases with wider EU implications) are responsible for ensuring that these rules are applied within the EEA EFTA States.	See previous entry.	
Chapter 9: Financial services	Broadly seeing as part of the objectives of CEFTA.	Nothing specific.	Nothing specific.	See Annex IX to the EEA Agreement on Financial Services. The Working Group on Financial Services is responsible for the legislation contained in the annex and is also responsible for ensuring that that all EEA relevant EU legislation in the field of financial services is incorporated into the EEA Agreement. Such legislation include CRR/CRD regimes in the banking sector, the Solvency II regime in the insurance sector, the MiFID/MiFIR regimes in the securities sector, and IORP in the pensions sector.	See previous.	Explore sector specific initiative to be compliant with EU such as passporting, insurance, fintech . Develop a region wide Financial Stability Memorandum of Understanding.

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 10: Information society and media	Not directly addressed. However, Additional Protocol 6 (AP6) is relevant.	Note in this respect: The Regional Roaming Agreement, 2021 (appears to stand alone)	Note in this respect: The Regional Roaming Agreement, 2021 (appears to stand alone)	See Article 36 of the EEA Agreement and relevant EU law incorporated into Annex XI and Protocol 31 of the EEA Agreement. The Working Group on Electronic Communication, Audio-visual Services and Information Society (ECASIS) is responsible for legislation in this area.	See previous entry.	Develop a region wide electronic communications and media regulatory framework .
Chapter 11: Agriculture and rural development	Chapter II of CEFTA covers agricultural products originating from parties to the agreement and include provisions on concessions, safeguards and SPS measures. In accordance with the provisions of the Article 10 Para 3 of the Annex 1 to the Agreement on Amendment of and Accession to the Central European Free Trade Agreement (CEFTA 2006) Parties explored the possibilities of granting each other further concessions in agricultural trade.	Acceleration of flow of agricultural product within the context of free movement of goods	The Agreement on cooperation in veterinary; phytosanitary; and food and animal feed safety allow control free movement of agricultural products in the three signatory countries.	Trade in agriculture is covered by Article 19 of the EEA Agreement. Protocol 3 to the Agreement regulates preferential trade in processed agricultural products. The Working Group on Processed Agricultural Products usually meets once a year to review the trade in processed agricultural products. Note that most trade agricultural products are not included in the EEA Agreement, however the EEA Agreement determines preferential trade arrangements for certain processed agricultural products. Parties have agreed to make efforts towards achieving progressive liberalisation of agricultural trade.	See previous entry	
Chapter 12: Food safety, veterinary and phytosanitary policy	This is covered broadly in Chapter II of CEFTA but not with the same level of details compared to the Acquis. CEFTA has the Subcommittee on Agriculture including Sanitary and Phytosanitary Issues which coordinates policies on agriculture and the protection of plant health, animal health and food safety.	Not covered.	The three signatory countries have harmonized all necessary documentation regarding phyto and veterinary certificates, procedures, lists of plant and animal diseases as well as laboratory analyses.	Legislation are fully harmonised with the acquis with respect to food and veterinary matters. Veterinary Issues are covered by Annex I, Chapter I of the EEA Agreement. Feedingstuffs are covered by Annex I, Chapter II of the EEA Agreement. Foodstuffs are covered by Annex II, Chapter XII of the EEA Agreement. Maximum Residue Limits (MRLs) are covered by Annex II, Chapter XIII of the EEA Agreement.	See previous entry on EFTA.	

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 13: Fisheries	Broadly seeing as part of the objectives of CEFTA.	No specifics but could come under free movement of goods/agricultural products.	No specifics but could come under free movement of goods/agricultural products.	The EU Common Fisheries Policy (CFP) is outside the ambit of the EEA Agreement. Principally subject to bilateral agreements and Protocol 9 . Agreement contains provisions on various aspects of trade in agricultural and fish products On Trade In Fish And Other Marine Products.	See previous on EFTA	
Chapter 14: Transport policy See also: Treaty establishing the Transport Community signed on 9th of October 2017 by all partners (Council Decision (EU) 2019/392).	WB 6 participation in the Transport Community facilitated. The introduction of green lanes.	Related to previous: Western Balkans Transport Community Agreed the core transport network for the Western Balkans with a view to its inclusion in the core network EU: trans-European core transport network 'TEN T' . See Regulation (EU) 2016/758 which amends annex III of Regulation (EU) 1315/2013)	No specifics. See broadly previous entry.	See Annex XIII (parts 1, 2 and 3) and Protocols 19-20 of the EEA Agreement. All mode of transport is covered in Annex XIII of the EEA Agreement including road, rail, aviation, maritime, inland waterway transport and horizontal transport issues. The Working Group on Transport is responsible for developing legislation on transport. Transport market is harmonised and open up for competition. Agencies have been established to ensure safety. Passenger rights and security are also provided for in the framework.	See previous entry	Inclusion of the Western Balkans in the Trans-European Network for Transport (TEN-T)? Effective integration of Western Balkans in the transport Community. See https://www.transport-community.org/about/
Chapter 15: Energy	No specifics, could be read as part of the broad objectives.	Sofia Declaration On The Green Agenda For The Western Balkans, 2020 incorporating elements of European Green Deal.	Agreement in principle to establish joint working group for cooperation in the energy crisis and on strategic projects.	Energy is covered in Chapter IV, Annex II & IV of the EEA Agreement. The Working Group on Energy Matters legislates on these matters.	See previous entry.	

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 16: Taxation	Article 17 of CEFTA on internal taxation provides as follows: '1. The Parties shall refrain from any measure or practice of an internal fiscal nature establishing, whether directly or indirectly, discrimination between the products originating in the Parties 2. Products exported to the territory of one of the Parties may not benefit from repayment of internal taxation in excess of the amount of direct or indirect taxation imposed on them.	Not currently covered.	Memorandum of tax co-operation on 8 June 2022 (unable to locate copy)	The EEA agreement does not cover direct or indirect taxation.	See previous entry.	
Chapter 17: Economic and monetary policy	Part of the objective of CEFTA.	Not specific.	Not specific	Not covered.	Not covered.	Potential to develop region wide fiscal rules.
Chapter 18: Statistics	Compare: System of Electronic Exchange of Data SEED+. This is the electronic exchange of pre-arrival data between the administrations. The system IS now available 24/7 to all services/ agencies involved in the clearance of goods.	Not covered. However, support for statistical systems provided by Eurostat/ European statistical system (ESS).	Not covered. However, support for statistical systems provided by Eurostat/ European statistical system (ESS).	Cooperation in statistics is covered by Article 76 of the EEA Agreement. Protocol 30 contains specific provisions in relation to statistics cooperation. As provided in the protocol, EEA EFTA States can participate fully, without the right to vote. The Working Group of the Heads of National Statistical Institutes is responsible for legislating on relevant matters contained in Annex XXI . Note also Regulation (EC) 223/2009 on European statistics as amended by Regulation (EU) 2015/759 which provided for the framework, governance and code of practice.	See Previous	

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 19: Social policy and employment	Part of the broad objective of CEFTA see Article 1		At the level of dialogue e.g. Ministerial meeting on employment and social affairs and stakeholder conference (2019)	This is contained in Protocol 31 to the EEA Agreement. EEA EFTA States are members of the EURES network. Member State cooperate informally with the Employment Committee (EMCO) and the Social Protection Committee (SPC)	See previous entry on EFTA	
Chapter 20: Enterprise and industrial policy		Part of broad objective around industrial innovation & infrastructure. See The Economic and Investment Plan for the Western Balkans: (no specificity).	Part of broad objective around industrial innovation & infrastructure . See The Economic and Investment Plan for the Western Balkans: (no specificity).	Enterprise and Industrial Policy is covered by Annex X to the EEA agreement (Services in General). The Working Group on Enterprise Policy and Internal market Affairs has the responsibility for policy, legislation and coordination on this matters. Aspects of this area are also covered in Protocol 30.	See previous entry on EFTA.	
Chapter 21: Trans-European networks	See entry on Chapter 14: Transport policy	Agreement on the extension of the Trans European Transport Networks Regulation (EU) 2016/758 which amends annex III of Regulation (EU) 1315/2013)	Agreement on the extension of the Trans European Transport Networks Regulation (EU) 2016/758 which amends annex III of Regulation (EU) 1315/2013)	Incorporated into the EEA Agreement by a Joint Committee Decision (JCD). See Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU	See previous entry.	
Chapter 22: Regional policy and coordination of structural instruments	N/A	N/A	N/A	N/A	N/A	
Chapter 23: Judiciary and fundamental rights	N/A	N/A	N/A	Compare: Judiciary and fundamental rights established by the The Surveillance and Court Agreement (Note has limited jurisdiction) See https://www.efta.int/Legal-Text/Surveillance-and-Court-Agreement-2214	See previous entry	
Chapter 24: Justice, freedom and security	N/A	N/A	N/A	See above	See above	

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 25: Science and research	N/A	See generally Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport	See The Working Group on Open Science (WGOS): https://www.rcc.int/working_groups/30/working-group-on-open-science See also Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport	See broadly research and innovation addressed in Protocol 31 to the EEA Agreement and under Subcommittee IV. The policy area is overseen by the Working Group on Research and Innovation.	See previous.	
Chapter 26: Education and culture	N/A	See generally Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport	See generally Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport	See The Youth in Action Programme: https://www.efta.int/eea/eu-programmes/youth-in-action	See previous entry	
Chapter 27: Environment	N/A	Establish regional cooperation regarding environmental issues related to trade (for example CO2 measurement) See The Action Plan for Common Regional Market (2021-2024)	Nothing specific but note Participation in the EEA-Eionet strategy 2021-2030 which enable the Western Balkan countries to deliver data to the EEA on a regular basis in areas such as air emissions and water quality.	The preamble to the EEA Agreement states that the contracting parties commit to preserving, protecting, and improving the quality of the environment and to ensure prudent and rational utilisation of natural resources on the basis of the principle of sustainable development. Furthermore, Annex XX to the EEA Agreement contains specific provisions on the environment including water, air, waste, chemicals, industrial risk and biotechnology. The Working Group on the Environment is responsible for the legislating on these issues.	See previous entry.	

EU Acquis	CEFTA	Common Regional Market (CRM) (2020 under the Berlin process)	Open Balkan Initiative (OBI) (2021) (formerly mini Schengen - Albania, North Macedonia, Serbia..)	EFTA	EEA	Examples of gaps that could be addressed.
Chapter 28: Consumer and health protection	Nothing specific.	Establish regional cooperation regarding consumer protection and market surveillance, public procurement; See The Action Plan for Common Regional Market (2021-2024)	Not specific.	Consumer Protection is covered by Article 72 EEA. See also Annex II and XIX to the EEA Agreement. The Working Group on Consumer Affairs is responsible for consumer protection legislation and policies. However, the EFTA TBT Working Group is responsible for product safety. Also note developments with regard to new consumer policies and laws under the European Commission's Green Deal, the Circular Economy Action Plan, and the new Consumer Agenda (2021).	See previous entry.	
Chapter 29: Customs union	Not applicable.	Not applicable.	Not applicable.	Not covered.	Not covered.	
Chapter 30: External relations	Not applicable.	Not applicable.	Not applicable.	Since 1990, EFTA has a third-country policy that mirrors the European Union's external economic relations.	See previous.	
Chapter 31: Foreign, security and defence policy	Not applicable.	Not applicable.	Not applicable.	Not covered.	Not covered.	
Chapter 32: Financial control	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	
Chapter 33: Financial and budgetary provisions	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	
Chapter 34 - Institutions	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	
Chapter 35 - Other issues	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	

Selected Bibliography

Publication	Commentary
<p>Laure, Delcour. & Kataryna, Wolczuk. (2013) Approximation of the national legislation of Eastern Partnership countries with EU legislation in the economic field. This study was requested by the European Parliament's Committee on Foreign Affairs and published by the Policy Department Directorate B of the Directorate-General for External Policies of The Union.</p>	<p>With the launch of the Eastern Partnership in 2009, the EU stepped up its involvement in Eastern Europe and the South Caucasus. The offer of a closer relationship with Eastern neighbours is contingent upon partner countries converging with EU norms and standards. Effective regulatory approximation in the economic field is critical to anchoring the reform process in partner countries and to fostering further progress in EU's relations with its Eastern neighbours. This briefing paper reviews the achievements to date in regulatory approximation in the economic field in Eastern Partnership countries. This paper discusses the current position and general assessment of the legal approximation process in two key sectors in Eastern partnership countries (II), the assessment of the work of the platform on economic integration and convergence with EU policies and its impact in assisting the partners' efforts (III), proposals to the Euronest ECON Committee on how to improve legislative approximation in the economic field in partnership countries (IV), and country allocation for Eastern partners under the ENPI (€ millions) (Annex I).</p>
<p>Analysis of Value Chains in the Western Balkan Economies - Enriching the Potential for Regional Cooperation in Priority Areas. Edited by Matusiak, M., Radovanovic, N., Rakhmatullin, R. for the European Commission (2022)</p>	<p>This report considers value chains in energy, agriculture, textiles, automotive and tourism. It provides detailed sectoral analysis of the current situation and the drivers of sectoral growth and consideration of sectoral prospects. Agriculture is a large employer in the region but trade is strikingly limited as is progress up the value chain. Industries such as automotive and IT are potential areas for dramatic progress but only with considerable changes in underlying conditions. The energy section is perhaps the most politically strategic. This paper is a key source for the study.</p>
<p>Michael, Emerson. Steven, Blockmans. Denis, Cenus. Tamara, Kovziridze. & Veronika, Movchan. (2021) Balkan and Eastern European Comparisons Building a New Momentum for the European integration of the Balkan and Eastern European associated states. This paper was published by CEPS.</p>	<p>CEPS first published in 2018 a comparison of how the Balkan and Eastern European associated states fared in their progressive alignment on EU laws and norms. This attracted considerable attention, notably because the detailed research showed that the two groups of states were becoming increasingly comparable in their alignment on the EU acquis. A more recent suggestion that this work should be updated and deepened for its policy implications has led to this study, which was encouraged by Andrius Kubilius, former Prime Minister of Lithuania. This study illustrates a comparative picture of progress among the Western Balkan and Eastern Partnership EU associated countries. It reveals solid and converging similarities of development and achievements in the EU south-eastern and eastern neighbourhood region. This paper discusses why it relevant to compare the Balkans and Eastern Europe (I), provides a comparison of the SAA and AA processes and chapters (II), the methodology of comparisons (III), reviews the major sources and their findings (IV), commonalities of EU policies and instruments (V), myths and realities (VI), and includes a statistical Annex.</p>
<p>OECD Estimating Ad Valorem Equivalents of Non-Tariff Measures Combining Price-Based and Quantity-Based Approaches Economics Department Trade Policy paper no 215.</p>	
<p>Estimating economic benefits of the Single Market for European countries and regions. Bertelsmann Stiftung Policy Paper Giordano Mion Dominic Ponattu May2019.</p>	<p>Modelling to assess impact of EU membership on Accession countries</p>
<p>Stefani, Weiss. (2020) Pushing on a string? An evaluation of regional economic cooperation in the Western Balkans. This paper was published by Bertelsmann Stiftung in cooperation with The Vienna Institute for International Economic Studies (wiiw).</p>	<p>This study evaluates the success of the EU's strategy of regional cooperation in the Western Balkans over the last two decades from an economic perspective. The findings lead to two main conclusions. First, regional cooperation efforts should continue, but more effort should be focused on securing the maximum possible level of economic integration with the EU. Second, economic development and EU accession in the region are severely hamstrung by territorial disputes and constitutional deadlock. Without a breakthrough on these issues, and especially the normalisation of relations between Serbia and Kosovo; no amount of regional cooperation initiatives can fundamentally change the situation. This paper discusses the historical roots of regional cooperation and whether EU accession is even still possible (III), the theoretical prerequisites for regional cooperation and their existence in the Western Balkans (IV), the EU strategy for economic integration: implementation and results (V), taking stock: the state of play in 2020 (VI), explores alternative options: another way? 'EU integration max' (VII), and the way forward (VIII).</p>
<p>European Commission. (2020) Communication From the Commission to the European Parliament, the Council, the European Economic And Social Committee and the Committee of the Regions Enhancing the accession process - A credible EU perspective for the Western Balkans. This paper was published by the European Commission.</p>	<p>The European Union and its Member States have consistently, since the Feira and Thessaloniki Summits in 2000 and 2003, expressed their unequivocal support for the European perspective of the Western Balkans. The Council conclusions adopted at the General Affairs Council in June 2019 has also reaffirmed its commitment to enlargement, which remains a key policy of the European Union, in line with the renewed consensus on enlargement approved by the European Council in 2006 and subsequent Council conclusions. At the Council in 2019, there was a common understanding of the usefulness of examining the effectiveness of the accession negotiation process. This paper discusses reinvigorating the accession process and how the EU could address potential problems in several ways (II), and includes a technical Annex of the clusters of negotiating chapters.</p>

<p>Eleanor, Doorley. (2021) Enlargement Ennui EU inaction threatening Western Balkans accession prospects. This article was published by The Parliament, Politics, Policy and People Magazine.</p>	<p>This article discusses challenges surrounding the West Balkans Six potential accession to the EU, including mounting ethnic tensions in Bosnia and Herzegovina, violence in northern Kosovo, coalition squabbles in Montenegro, mass protests in Serbia, and the resignation of the North Macedonian Prime Minister. Amid such turmoil, the EU's hopes of enlargement in the Western Balkans appear to be as distant as ever. Although EU leaders have repeatedly highlighted their commitment to granting EU membership to the Western Balkans states if they carry out certain social, political and economic reforms, evidence of tangible progress on enlargement remains minimal. If the EU is serious about moving forward with its integration efforts and working with candidate countries to help secure regional stability, it may need a fresh approach.</p>
<p>European Commission (2023 website) EU-Ukraine Deep and Comprehensive Free Trade Area</p>	<p>Explanation of terms of EU Ukraine agreement, outlining where trade has been liberalised and where it has not yet. Explanation of adjustment periods</p> <p>https://trade.ec.europa.eu/access-to-markets/en/content/eu-ukraine-deep-and-comprehensive-free-trade-area</p>
<p>IMF Finance and Development 2022 and Breugel Institute “Europe can manage without Russian LNG” June 2023</p>	<p>IMF assessment of adjustment challenge and options to solve it in EU energy market</p>
<p>European Commission. (2021) Commission Staff Working Document, Serbia 2021 Report Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2021 Communication on EU Enlargement Policy. This paper was published by the European Commission.</p>	<p>The European Council granted Serbia the status of candidate country in 2012. Since the opening of Serbia's accession negotiations in 2014, 18 out of 35 chapters have been opened, including all chapters in Cluster 1 on the fundamentals. Two chapters have been provisionally closed. Serbia accepted the revised enlargement methodology and a first political inter-governmental conference was held in 2021. This revised methodology focuses on the following aspects: (i) a stronger focus on the fundamental reforms, (ii) a stronger political focus, (iii) an increased dynamism, and (iv) the predictability of the process. The paper states that the overall pace of negotiations will continue to depend in particular on the pace of rule of law reforms and on the normalisation of Serbia's relations with Kosovo. The paper is split into 6 clusters which discuss the fundamentals of the accession process (I), the internal market (II), competitiveness and inclusive growth (III), the Green agenda and sustainable connectivity (IV), resources, agriculture and cohesion (V), external relations (VI), and relations between the EU and Serbia (Annex I).</p>
<p>André, De Munter. (2021) The Western Balkans. This paper was published by the European Parliament.</p>	<p>The EU has developed a policy to support the gradual integration of the Western Balkan countries with the Union. In 2013, Croatia became the first of the seven countries to join, and Montenegro, Serbia, the Republic of North Macedonia and Albania are official candidates. Accession negotiations and chapters have been opened with Montenegro and Serbia, and Bosnia and Herzegovina and Kosovo are potential candidate countries. This paper discusses the legal basis, objectives and the contextual background (I), instruments relevant to the process (II), the current status of each country respectively (III) and the role of the European Parliament in the process (IV).</p>
<p>Arbëresha, Loxha. (2018) Regional Economic Area for the Western Balkans: broader trade implications and implementation challenges for Kosovo. This paper was published by the Group for Legal and Political Studies.</p>	<p>In 2017 the Trieste Summit took place between the representatives of EU and the six Western Balkan countries. The Trieste Summit provided an opportunity to progress on the achievements of previous Summits (Berlin, Vienna, Paris). The summit reaffirmed the EU's commitment to the eventual EU accession of the WB6, at a time when the EU further enlargement is widely questioned both in candidate countries but also inside the EU. This paper discusses whether the Regional Economic Area is an extension or advancement of CEFTA or whether it is simply CEFTA phrased differently (I), the expected benefits and challenges for Kosovo arising from the Regional Economic Area (II), the implications for Kosovo arising from the Western Balkan Customs Union as an extension of REA (III), and includes CEFTA trade statistics for 2015 and 2016 for the WB6 according to their main trade partners (Annex 1).</p>
<p>Andi, Hoxhaj. (2021) The EU rule of law initiative towards the western Balkans. <i>Hague Journal on the Rule of Law</i>, 13(1), 143.</p>	<p>This article examines the latest enlargement policy developments from 2018–2020 by conceptualizing how the EU promotes the rule of law in the Western Balkans through its new enlargement policy package. There is an in-depth analysis of the case of Albania, where the EU has experimented with some of its latest enlargement-policy ideas in regard to the rule of law. The article also offers some proposals and insights on how the EU rule of law initiative of 2018 can be improved, in order to become more transformative in strengthening the rule of law in countries of the Western Balkans. This paper discusses the latest EU enlargement policy developments from 2018–2020 (II), the new 2020 accession talks framework for Albania and North Macedonia (III), the 15 preaccession conditions for Albania (IV), the EU Rule of Law Initiative and Policy Experimentation in Albania (V), and lessons learned from Albania and improving the Rule of Law Initiative (VI).</p>
<p>Zuzana, Kittova. & Dusan, Steinhauser. (2018) The International Economic Position of Western Balkan Countries in Light of their European Integration Ambitions, <i>Journal of Competitiveness</i>, 10(3), 51.</p>	<p>The Western Balkans are considered of interest due to the possibility of their incremental EU accession. Progress concerning the economic preparedness and competitiveness of the Western Balkan countries is uneven. The paper argues that the best economic positions belong to FYROM and Montenegro, while Serbia belongs among the worst, despite its advanced accession progress. This paper discusses the theoretical background (II), research objectives and methodology (III), and results based on the global competitiveness index, the index of economic freedom, and the composite index of international involvement (IV).</p>
<p>Jan, Mus. (2020) Deepening CEFTA Integration. This paper is published by the Instytut Europy Środkowej.</p>	<p>Greater competitiveness and attractiveness of the region will positively affect trade with EU countries, especially with Germany and Italy, but also Russia, China, and Turkey. CEFTA experts indicate that further regional economic integration may generate an additional 6.7% of GDP. CEFTA will play an active role in the creation of the Regional Trade Area. It will reduce waiting time on BCPs/CCPs by 30% and extend Green Lanes, as well as simplify procedures supported by the Systematic Conclusions. The adoption of the plan is an important signal of the will for economic cooperation in the WB6 region. This paper discusses regional integration (II), commercial trends within CEFTA (Exports & Imports) (III), and obstacles and challenges (IV).</p>

<p>Balkans Policy Research Group (BPRG). (2021) Kosovo's Contested Representation in CEFTA a Political and Legal Overview. This paper was published by the BPRG and is supported by the Royal Norwegian Embassy.</p>	<p>Kosovo continues to depend on the United Nations Mission in Kosovo (UNMIK) when it comes to its participation in the Central European Free Trade Agreement (CEFTA). The proliferation of regional initiatives in the past few years, starting from the Berlin Process MAP REA, CRM and other agendas like the Mini-Schengen (or Open Balkan), have further increased the necessity for Kosovo's equal treatment. This paper argues that engaging the EU is the most promising channel that Kosovo can use to successfully remove UNMIK as its designated representative in CEFTA. To this end, recommendations include launching a discussion with "non-recognizers" Serbia, Bosnia and Herzegovina, and Moldova and seeking for the implementation of the Agreement on Regional Representation and Cooperation (2012 Agreement), and at EU level demands the implementation of the 2012 Agreement and pressurise Serbia, Bosnia and Herzegovina and Moldova to accept and ratify Kosovo's change of representation in CEFTA. This paper discusses Kosovo in CEFTA (II), a legal overview and the role of the EU (II), and a list of regional initiatives and organisations which have been notified on the modalities of the Agreement on Regional Representation and Cooperation (Annex 1).</p>
<p>Ometa, Barbullushi. (2021) Without an enhanced engagement strategy, the EU risks losing relevance in the Western Balkans. This paper is published by the London School of Economics (LSE).</p>	<p>Ahead of the 2021 EU-Western Balkans summit in Slovenia, the author outlined four key steps the EU should take to ensure it continues to hold relevance for Western Balkan states. This paper discusses that the EU must keep its promises (I), that it is necessary to prepare for the long term, as accession negotiations continue the EU will need to create and revamp its package of incentives for cooperation and help deliver on reforms for the WB6 (II), the region must be helped to 'build back better', not only regarding infrastructure and the economy but also, critically, the human resources and human capital of the region (III), and the EU must engage politically with the region (IV).</p>
<p>OECD. (2020) Public Governance Fundamentals and European Integration: Towards Convergence for the Western Balkans?, in Government at a Glance: Western Balkans. This paper was published by OECD Publishing.</p>	<p>This publication responds to the EC's strategic emphasis for a merit-based approach based on objective criteria for accession to the EU, as expressed in the EC Communication in 2020. For the first time, governments and citizens in the Western Balkan region can directly compare their policies, practices and outputs with OECD and OECD-EU counterparts across a wide spectrum of public governance areas. This chapter presented the size of the "convergence gap" in specific areas of public governance based on objective, comparable data, as seen through the lens of the EU Integration fundamentals. Overall, in line with the qualitative assessments in the EU progress reports (Figure 2), evidence shows that the largest gap between the situation in the Western Balkans and the OECD-EU countries is in the area of rule of law. Judiciary and law enforcement institutions in the region are not trusted by their populations, corruption is a systemic and pervasive problem, and equality before the law and fundamental rights has yet to be fully achieved. This paper discusses the functioning of democratic institutions and public administration reform (II), the rule of law (III), and economic growth and competitiveness (IV).</p>
<p>Spyridon, Plakoudas. (2020) The Limits of the EU Enlargement in the Western Balkans. This paper was published on E-International Relations.</p>	<p>The outlook for the Western Balkans is bleak. In 1999, the EU adopted a policy that post-communist countries in the Balkans should accede to the EU and NATO. Despite ongoing crises, officials in Brussels were imbued with millennial-fashion optimism. The armed uprisings by Albanians in south Serbia and north-western Macedonia rang the first alarm bells. In 2003, the EU deployed its first-ever peacekeeping mission in North Macedonia. The Western Balkans were the domain of the Common Foreign and Security Policy (CFSP) and the European Commission. Greece was the most ardent supporter for accession of the Western Balkans to the EU. The Bosnian Issue deserves a closer attention. Nationalism would prove a far bigger force than federalism in the Western Balkans. The existence of hundreds of volunteers amidst the ranks of ISIS from Bosnia underlined the potential for homegrown terrorism and renewed sectarian violence. The prevalence of organized crime in the Western Balkans is intrinsically connected to rampant corruption and, by extension, political opacity. Populist leaders assumed power in Albania, Bosnia-Herzegovina, Montenegro and North Macedonia and adopted policies in defiance of the sanctions by the EU. The „European Dream" for the Western Balkans was conceived and implemented by the pro-EU Balkan elites and officials in Brussels. This article discusses the 1999-2004 period as shattered world past, high hopes (I), the 2004-2010 slow progress period, and the way ahead (III).</p>
<p>Veljko, Milonjic. (2022) Witnessing Ukraine, Watersheds in the Balkans. This paper was published by PONARS Eurasia.</p>	<p>WB6 is constituted of countries with burdensome pasts. The only common denominator for each is their European perspective. It is not because of their deep knowledge of the structure, procedures, or EU institutions but because of what the EU symbolizes: freedom, prosperity, and stability. Diplomatic and economic links between the six Western Balkan countries and the EU should be based on common interests. Clear goals and strong institutional structures endorsed by all in the WB6 reduce the space for ambiguity and possible manipulations. Unfortunately, there has been much internal politics reflected in all initiatives. Open Balkan is presented as a model of cooperation that will not be a substitute for EU membership but serves to accelerate it. The many agreements seem beneficial, but the only problem is that most if not all of them are already crafted regional agreements and initiatives. It is not suitable to be skeptical and a priori negative toward profound initiatives. The familiar aim is that economic cooperation within the WB6 makes EU integration simultaneously part of the Berlin Process. The WB6 states are in very different places when it comes to the EU negotiation process. The Ukraine crisis has banished many illusions in the region, bringing the WB6 to a watershed. It is time to take a closer look and reconsider the Open Balkan initiative. Review existing alignments, initiatives, and achievements, setting a straight course toward EU membership. This article discusses, perspectives from the Dinaric Alps (II), where we are today (III), the "Open Balkan" initiative (IV), the EU wheel's inertia (V), and challenges to address (VI).</p>
<p>André, De Munter. (2021) The Western Balkans. paper published by the European Parliament.</p>	<p>The 'European perspective' was reaffirmed in the Commission's February 2018 Western Balkans Strategy and in declarations following successive EU-Western Balkans Summits. In 1999, the EU launched the Stabilization and Association Process (SAP), a framework for relations with countries in the region. The Stability Pact was replaced by the Regional Cooperation Council in 2008. The SAP is a strategic framework supporting the gradual rapprochement of the Western Balkan countries with the EU. The accession process must fulfil the Copenhagen political criteria. A candidate country must adopt and implement all EU legislation (the <i>acquis Communautaire</i>). An SAA was negotiated and signed in June 2008 but its entry into force was frozen, mainly owing to the country's failure to implement a key ruling of the ECtHR. Only Kosovo remains excluded from visa liberalization, as some EU Member States continue to have reservations. Serbia's future EU integration remains closely linked to the EU-facilitated high-level dialogue between Serbia and Kosovo. Parliament is fully involved in SAP. Its consent has been required for the conclusion of all SAAs (Article 218(6) of the TFEU). Parliament must also consent to any new accession to the EU (Article 49 of the TEU). This paper discusses legal basis, objectives, and backgrounds (II), legal Instruments (III), assesses the current status of the Western Balkans individually (IV), and the role of the European Parliament (V).</p>

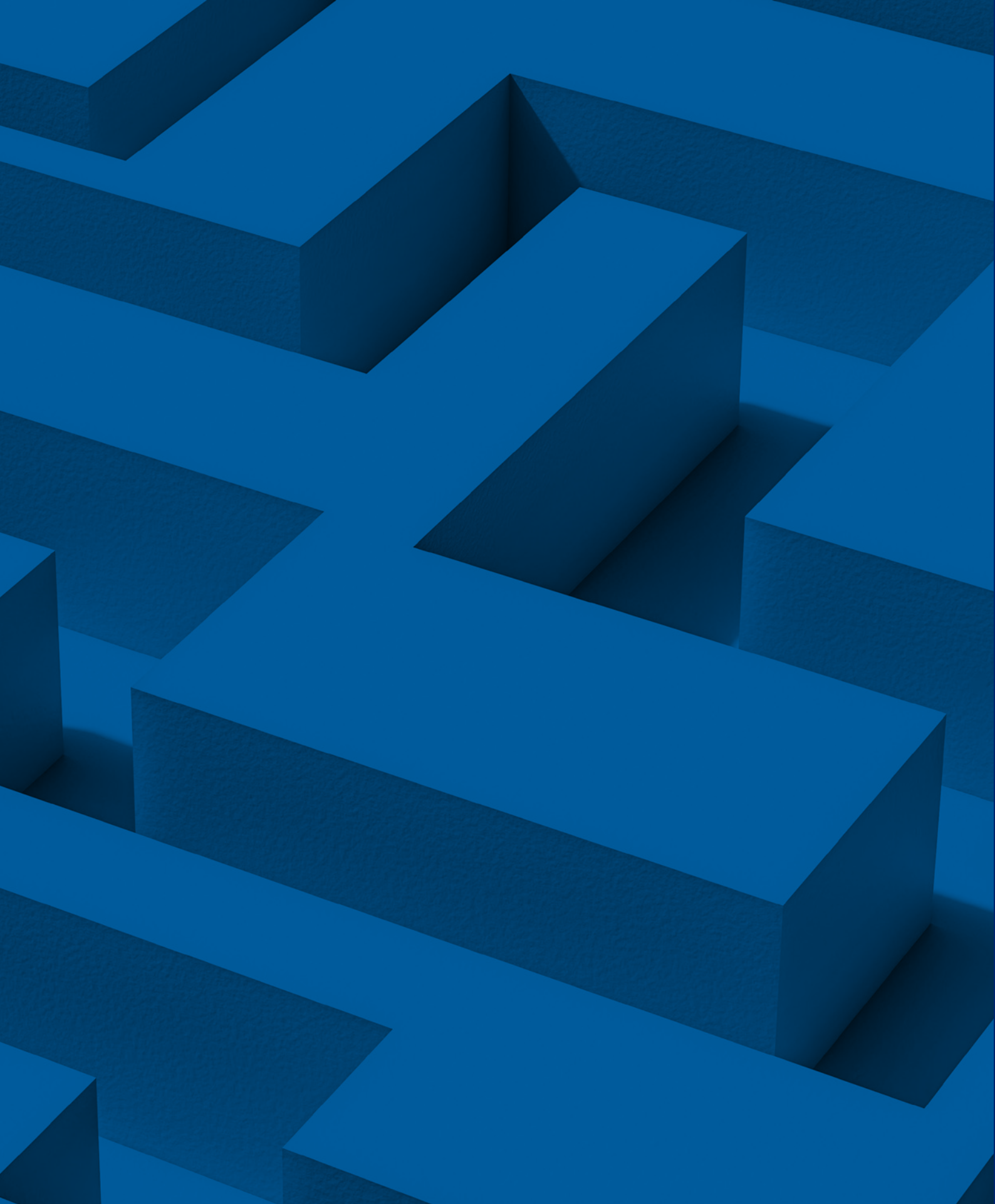
<p>Belina, Budini. (2021) 'Open Balkan' and/or European integration: An answer or a diversion? This paper was published by the University of Oxford, South East European Studies at Oxford (SEESOX).</p>	<p>On 2 December 2021 SEESOX in cooperation with the European University of Tirana hosted an online panel discussion. Speakers included Albin Kurti, Prime Minister of Kosovo, Dritan Abazovic, Deputy PM of Montenegro and Zef Mazi, Albania's Chief Negotiator to EU. Kosovo's PM Albin Kurti argued that any regional initiative must be within the EU agenda and bring the aspiring countries closer to EU membership. Deputy Prime Minister of Montenegro, Dritan Abazovic argued that corruption, state capture or problems with the rule of law were among the issues facing his country. Albania's Chief Negotiator to the European Union, Zef Mazi, started by laying his hopes that by the end of the year, there would be good news on the accession path. Jessie Hronesova highlighted some pros and cons of the initiative.</p>
<p>Sailing on High Seas: Reforming and enlarging the EU for the 21st Century Report of the Franco-German Working group on EU Institutional reform</p>	<p>Franco-German proposals for managing the expansion of the EU. This envisages a multi-tier Europe with countries gradually moving into closer integration.</p>
<p>Balkans Policy Research Group (BPRG) Regional Cooperation in the Western Balkans; An overview of the Regional Economic Area and the "mini-Schengen". This paper was published by the BPRG.</p>	<p>Many regional initiatives have been built up in the past years, and they continue to pop up every few years. However, their structures remain weak, vulnerable to shocks and occasional breakdowns. They bring very limited change to regional cooperation and benefits for the citizens of all countries. The Regional Cooperation Council (RCC) presented the Multi-annual Action Plan for a Regional Economic Area in the Western Balkans (MAP REA) during the Berlin Process Summit in July 2017. In October 2019, Serbian President Aleksandar Vučić, Albanian Prime Minister Edi Rama and North Macedonian Prime Minister Zoran Zaev launched the so-called 'mini-Schengen'. The so-called „mini-Schengen” seeks to establish the free movement of people, goods, services and capital in the Western Balkans using only ID cards by the end of 2021. Kosovo had refused to join due to its non-recognition by Serbia and Bosnia and Herzegovina. The European Union and the Regional Coordination Council (RCC) are to take a more proactive role in the Western Balkans. This follows the launch of the Regional Economic Area (REA) and the „mini-Schengen” initiatives, both of which were backed by the US. This report discusses the regional economic area (II), the “Mini-Schengen” (III), the common regional market (IV), EU led integration and US led initiatives (V).</p>
<p>Regional Cooperation Council. (2013) South East Europe 2020, Jobs and prosperity in a European Perspective. This project was funded by the EU.</p>	<p>The SEE 2020 Strategy outlined in this document reflects the determination of all the governments in South-east Europe to embrace the bold policy approaches required to attain the levels of socioeconomic growth necessary to improve the prosperity of all its citizens and to facilitate eventual integration with the EU. The past two decades have seen much progress in Southeast Europe and many significant achievements; however, the region still faces some formidable challenges. The SEE 2020 Strategy clearly demonstrates recognition on the part of governments in the region that close cooperation in selected areas can overcome some of these challenges and accelerate the attainment of goals in key sectors. The adoption of the SEE 2020 Strategy is a significant step forward in a process aimed at political and economic cooperation that was launched by the countries of the region in 2011. The overriding principles that have guided its development are the need to boost prosperity and job creation and to underscore the importance of adopting a European perspective to the region's future. The Strategy pursues a holistic pattern of development for the region and seeks to stimulate the key long-term drivers of growth such as innovation, skills and the integration of trade. Like the Europe 2020 Strategy, it is centred on a set of interlinked development pillars, providing a framework to assist governments in the region to implement their individual development strategies, including EU accession related goals, by enhancing national efforts through focused regional cooperation on those specific issues that can benefit from a shared approach. The five pillars are interlinked: an action in one pillar is likely to have an impact on issues in most of the other pillars. This is particularly true for the Governance for Growth pillar. Key objectives have been identified for each pillar and where possible specific measures to be undertaken have been outlined. This paper discusses changing gears: a new pathway for South East Europe (I), targeting job growth and prosperity for the region (II), the pillars of the new development model (III), delivering the strategy commitments: implementation and governance (IV), and that by joining forces, South East Europe will succeed in its revival and drive towards Europe (V).</p>
<p>Beáta, Huszka. (2020) The Power Of Perspective: Why EU membership still matters in the Western Balkans. This paper was published by the European Council on Foreign Relations.</p>	<p>Aspiring EU members must resolve outstanding disputes as part of the membership process. This has proved a powerful tool over the years. Resolving bilateral problems, including border disputes, is especially crucial in the Western Balkans, where they are numerous. France's October 2019 veto of accession talks for North Macedonia and Albania has already weakened Western Balkans publics' trust in the EU. Should the EU's influence wane, nationalist leaders will exacerbate tensions with neighbouring countries. The future of North Macedonia's Prespa Agreement with Greece is under threat, and the Serbian Orthodox Church in Kosovo and Montenegro could also prove a potential flashpoint. The EU should demonstrate its commitment to the Western Balkans by encouraging countries there to resolve their outstanding disputes, both to make them better candidates and to strengthen security in the region. This paper discusses whether EU influence in the Western Balkans is strong or weak (II), bilateral disputes in profile (III), and includes recommendations for restarting the Belgrade Pristina dialogue (Appendix).</p>
<p>Sandra, Cvikić, Simonetta, Silvestri, Ena, Kazić-Cakar, et al. (2022) The Western Balkans Cooperation, Geopolitics and Economic Transitions and Relations. This paper was edited by Muhidin, Mulalić, Emel, Topcu, & Jahja, Muhasilović, and published by the International University of Sarajevo.</p>	<p>A continuous association of the Balkans with negative metaphors reflected in the destruction, ethnic hatred, divisiveness, backwardness, and radical nationalism, significantly inhibit the future of the region. More than a century-long construction of the Western Balkan's negative image by the local and international actors and constructivists also shape the future agenda, the local mentality and the public sphere. In this regard, most of progressive initiatives and agendas, such as the Euro-Atlantic integration process, have been framed by the Western Balkans negative image and ethno-nationalism. Instead of using the European goals and values in framing the Western Balkans socio-political and economic realities, these progressive initiatives have fallen into the ethno-nationalist trap, which in turn has corrupted these progressive initiatives. Perhaps, this could be an essential reason why the Euro-Atlantic process in the Western Balkans is being questioned. Therefore, this book explores the democratization process, reconciliation, regional cooperation, and integration, economics, trade, commerce and socio-cultural transitions as inevitable alternatives to nationalism, extremism, radicalism, divisiveness, and hostility. Ultimately, the idea is to change the public discourse from a predominant focus on the past wars, divisions, and hostilities to start constructively thinking about the common Western Balkans future, which draws inspiration from the common culture, heritage, democratic values, cooperation, and integration. Also, the book will prepare readers to encounter the constructively present-day “balkanization” and “ethno-nationalism” that seriously threaten the peace, order, stability, prosperity, and security in the region. This paper discusses peace, transnational justice, and security (I), geopolitics, EU Enlargement and Western Balkans cooperation (II), economics, trade and commerce (III), socio-cultural and educational transitions (IV).</p>

<p>Alison, Hook. (2014) Mutual Recognition Agreements in Professional Services and CEFTA Services Integration. This report was created for, and published by the World Bank.</p>	<p>The parties to the Central European Free Trade Agreement (CEFTA) are preparing to start negotiations on services trade liberalization. In the first instance these negotiations will focus on encouraging greater mobility in professional services and Mutual Recognition Agreements (MRAs) are likely to be an important component of the negotiations as they have been a cornerstone of many regional agreements designed to improve market access in professional services in many different parts of the world. These negotiations, however, need to take place within the wider context of the objective that most CEFTA members share, of ultimately joining the European Union. This study therefore considers how MRAs in professional services may be designed in such a way in order both to advance regional integration and convergence on European Union norms. It begins by setting out how MRAs work and how their use has evolved within the European Union over time. It then goes on to provide a detailed analysis of the specific EU MRA regimes which govern accountancy, architecture, engineering, and legal services – their requirements, their impact since implementation and the on-going issues that remain. This paper discusses the main report on a MRA, the key components of a MRA in professional services (II), practical international experience of MRAs: the EU approach (III), the regimes for key regulated professions: the EU approach (IV), the impact of the EU approach (V), other international experience of MRAs (VI), benefits and lessons for CEFTA from existing MRAs (VII), a CEFTA professional services MRA action plan (VIII), and recommended actions (VIII).</p>
<p>Oleg, Levitin. & Peter, Sanfey. (2018) Regional cooperation in the Western Balkans. This paper was published by the European Bank for Reconstruction and Development (EBRD).</p>	<p>The Western Balkans Investment Summit, held at the EBRD's in 2018, was designed to promote the region as an attractive investment destination. It aimed to bridge the gap between the high level of political commitment among the regional leaders and concrete, truly regional, projects on the ground. The historic first Western Balkans Summit at the EBRD in February 2014 brought together, for the first time in such a format, prime ministers of all Western Balkans countries, effectively launching the new process of regional cooperation: "Western Balkans Six at the level of Prime Ministers". The Summit contributed to the strengthening of regional stability and improving regional cooperation. In particular, it strongly promoted the need for better prioritisation and coordination of major regional connectivity projects among the beneficiaries, as well as between the European Commission (EC), international financial institutions (IFIs) and bilateral donors, and the importance of inclusive partnership and the need to bring the EBRD and other IFIs on board at the earliest stage in the consideration and design of major regional projects. The plan was to discuss ways to further the "soft connectivity" agenda. A key element is creating a single investment space, which includes harmonising legislation, removing non-tariff barriers, improving both the depth and horizontal links of capital markets, strengthening the business environment in the region, and facilitating foreign investment. Compared with the remaining obstacles to regional integration, such as infrastructure and the uneven business environment, the purely political obstacles are much less significant. Indeed, politically, the region is ready more than ever to assume greater ownership of regional cooperation, which is key for stability and sustainable development. Within the framework of the new Regional Economic Area, the focus should be on additional efforts in a few areas crucial for the success of this agenda and for sustainable long-term economic development of the region – such as: removing trade barriers, highlighting investment opportunities and synergies, enhancing regional mobility and developing digital integration. This paper discusses political aspects of regional cooperation (I), and economic aspects of regional cooperation (II).</p>
<p>European Bank for Reconstruction and Development Regional Energy Efficiency Programme (REEP)</p>	<p>Funding Plan to reshape Western Balkans energy sector through efficiency improvements</p>
<p>OECD. (2021) Multi-dimensional Review of the Western Balkans: Assessing Opportunities and Constraints, OECD Development Pathways. This paper was published by OECD Publishing.</p>	<p>The Western Balkans have come a long way over the last two decades. Today, the six economies have a combined gross domestic product (GDP) of close to USD 309 billion (in purchasing power parity terms), up from USD 106 billion (PPP) in 2000. The region's 17.6 million inhabitants enjoy an average GDP per capita of about USD 17 000 (PPP) up from USD 6 000 (PPP) in 2000. The region's location and deep relationships with Europe and many parts of the world present multiple opportunities. Similar historical development patterns have endowed the region's economies with the relatively solid infrastructure, industrial experience, a skills base and academic tradition that can be levers of future development. EU integration is a central driver of many of the region's opportunities and recent migration flows and centuries of being at the crossroads of South East Europe have bestowed the region with deep relationships with many countries of Europe and the world. As geographical distance seems to shrink with digitalisation, these relationships can be leveraged for further dynamic development. Geographical proximity to important European markets and production networks also offers economic opportunity, if the appropriate skills, infrastructure and business environments can be provided. Yet, developing the region's potential will require new sources of dynamism and transformation to overcome deep-seated social, institutional and environmental challenges. To this end this report combines multi-dimensional assessments of five economies of the region to distill a regional perspective on shared opportunities, challenges and suggestions for priorities. This paper discusses a assessing opportunities and constraints in the Western Balkans: regional overview (I), assessing opportunities and constraints in Albania (II), assessing opportunities and constraints in Bosnia and Herzegovina (III), assessing opportunities and constraints in Kosovo (IV), assessing opportunities and constraints in North Macedonia (V), and assessing opportunities and constraints in Serbia (VI).</p>
<p>OECD. (2022) Multi-dimensional Review of the Western Balkans: From Analysis to Action, OECD Development Pathways. This paper was published by OECD Publishing.</p>	<p>Three strategic priorities to create new opportunities and improve the quality of life in the Western Balkans The Western Balkan economies – Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia – are at important crossroads on their development pathways. After significant achievements during their socio-economic transitions of the last decades, pressing challenges still remain. Faltering growth has stressed the urgency of finding new sources of productivity growth and new engines for economic and structural transformation. Underperforming labour markets leave many without attractive opportunities, pushing them to migrate outward. Inequalities and large pockets of poverty persist. High levels of air pollution, on the back of unsustainable energy mixes, degrade the quality of life. In order to make the region an attractive place to live, work and invest in, this report focuses on three strategic priorities. This paper provides an overview of making the Western Balkans an attractive place to live, work and invest in, and discusses boosting education and competencies in the Western Balkans (I), fostering social cohesion in the Western Balkans (II), a Green recovery in the Western Balkans (III). Each aforementioned Part provides a holistic overview and also addresses each Western Balkan country respectively.</p>

Data Sources

Description	Source	Country coverage
Ad-Valorem Equivalent of Non-Tariff Measures (NTMs)	The Vienna Institute for International Economic Studies (wiiw)	Western Balkans
Ad-Valorem Equivalent of Non-Tariff Measures (NTMs) outside Single market	OECD Policy paper 215 Cadot, Gourdot, and Van Tongeren (2018).	UK, but relevant to Western Balkans
Competitiveness Measures	Doing Business World Bank Web resource (discontinued)	All countries
Country information aggregators	Worlddata.info Economist Intelligence Unit , Lloyds Bank Trade Service	All countries
Corruption Perception index	Transparency International	All countries
Economic Complexity Rankings by countries and products	Observatory of Economic Complexity (OEC)	All countries
Economic Freedom (Role of state)	Heritage Foundation	All
Electricity trade international	Observatory of Economic Complexity (OEC) (UNCTAD/ World Bank)	All
Electricity trade regional	Electricity Monitoring Report May 2019 est Balkans Six Energy Community	Western Balkans
Energy: de-carbonisation of electricity cost estimates	McKinsey 2020 The socioeconomic implications of decarbonizing Europe	EU
Energy market analysis and country reporting	International Energy Agency (OECD)	Most upper income countries
EU budget allocation after Accession	Brookings Institute	All EU members+WB6 and Ukraine, Georgia, Moldova
EU tariffs and other trade barriers	Europa Access to Markets https://trade.ec.europa.eu/access-to-markets/en/content/western-balkans	Western Balkans
FDI statistics	World Development Indicators (WDI), The World Bank UNCTAD World Investment Report 2023 Annexe 2	All countries
Global Investment Competitiveness Report	World Bank	all
Information on Trade Agreements and Regional Cooperation	CEFTA Secretariat	CEFTA Parties
Inward FDI data by Country	IMF database	All countries
Kosovo data	Kosovo Statistical Agency https://ask.rks-gov.net/Themes/ForeignTrade	Kosovo
Labour and Employment Indices	International Labour Organisation (ILO)	All countries
Mineral reserves	EU RESEERVE https://reeseerve.eu/results/west-balkan-mineral-register-of-primary-raw-materials	Western Balkans
Non-Tariff Measures	GIZ 2022 Western Balkans Report on Non- tariff measures	Western Balkans
Mineral reserves West Balkan Mineral Register of primary raw materials	Reeseerve.eu	Western Balkans
National priority sectors,	National Development Agencies	Nation by nation
Structural Business Statistics (Eurostat Database, online)	European Commission	EU Member States
Survey on Non-Tariff Measures (NTMs)	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Western Balkans
Tariff and Non tariff measures	European Commission DG Trade. My Trade Assistant	EU and Western Balkans

Trade data	UNCTAD COMTRADE via World Bank's WITS database and via country information aggregators	All countries
Trade Flows, Tariffs, NTMs, FDI	World Bank, World Integrated Trade Solutions database (WITS)	All countries
Trade Visualizations.	Observatory of Economic Complexity (OEC) and Trading Economics.com	All countries
Western Balkans Regular Economic Reports	World Bank	Western Balkans
World Bank Open Knowledge repository	Wide range of internationally comparable data sets	All countries
UNIDO Industrial Analytics	UNIDO Industrial Analytics Platform	Some sectors and countries



Regional Center for Strategic and Political Initiatives