

Regional Economic Integration in Southeast Europe: To Many Initiatives to Little Effects

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Abstract

In this paper, the authors analyze the patterns of regional economic integration in Southeastern Europe and their effects. The aim of this work is to point out the importance of economic cooperation between the countries of the region, in order to accelerate economic development and achieve better results with the advantages of joint projects and access to third markets, as well as to accelerate European Union accession process.

During the past years, many regional initiatives have been created in Southeastern Europe, and they continue to appear. Initiatives for regional economic integration have mostly come about through the efforts of states to increase the degree of cooperation and avoid the slow process of international trade liberalization. However, their synergies remain weak, vulnerable to political fluctuations and occasional conflicts. The structures are underdeveloped while bringing very limited change in regional cooperation and benefit to citizens of all countries. Here we can include CEFTA 2006, the Regional Economic Area, the Common Regional Market, and the Open Balkans. Most of the countries of the region do not have a functional market economy, which directly affects the implementation of actions related to the smooth flow of goods, services, capital and highly qualified labor force. The main prerequisite for progress in regional cooperation is solving numerous bilateral issues and improving international relations, but also improving the capacity for implementing cooperation. Apart from these difficulties, it should be noted that the results are uneven also because the countries are in different stages of the EU integration process.

The modest effects of all the analyzed integrations encourage the questioning of their expediency, and the questioning whether they contribute to the liberalization of international trade and the increase in the well-being of the member countries.

Keywords: regional economic integration, Southeastern Europe, international trade, CEFTA, Open Balkan, EU, regional cooperation

1. Introduction

Region of Southeastern Europe, also referred to as Western Balkans, since 2000 had many initiatives to liberalized intraregional trade. Regional trade liberalization began in 2000 with the Memorandum of Understanding on Trade Liberalization and Facilitation, resulting in the formation of a network of 32 bilateral Free Trade Agreements (FTAs). Apart from many regional trade initiatives in the region of Western Balkans most significant is Central European Free Trade Agreement (CEFTA), with the agreement revised in 2006 (CEFTA 2006). In 2019 a subregional trade liberalization and facilitation initiative was created, so-called Open Balkan, where only three CEFTA 2006 signatories are involved: Albania, North Macedonia and Serbia.

The countries of the Western Balkans are of different sizes, have unbalanced economies and unbalanced trade. The consequence is that the Open Balkans initiative does not have the same effects on their production, labor and capital markets. Three countries of the region, namely Montenegro, Bosnia and Herzegovina and Kosovo, negatively evaluate the invitation to join this alliance. Montenegro focuses on overlapping initiatives and highlights the negative discourse of activities already included in previous regional projects.

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Even if there is many regional trade liberalization and facilitation initiatives many obstacles remain in intraregional trade, and we will point to them in this paper, especially from a view from Serbia and Montenegro.

2. Regional Trade Initiatives

2.1. CEFTA 2006

Poland, Hungary and Czech and Slovak Federative Republic in 1992 created the **original Central European Free Trade Agreement (CEFTA)** as a tool to facilitate their integration into the EU. CEFTA agreement established a free trade area between its signatories for 40% of industrial products exchanged, while for other industrial product the liberalisation was postponed until 1998 when the free trade area in CEFTA was completed for industrial products. Concerning the agricultural product the liberalisation was not that effective and referred to only around 20% of these products exchanged between participating countries (Bjelić, 2018, 406). Even if CEFTA is a single trade undertaking trade concessions were exchanged between parties on a bilateral basis. Conditions for membership, apart from bilateral trade agreements with CEFTA signatories were that candidates are in European Union (EU) integration process and have World Trade Organization (WTO) membership. Since 1994 CEFTA started to accept new members, like Slovenia (1996), Romania (1997), Bulgaria (1999), Croatia (2003) and North Macedonia (2006). But with the EU membership many parties have left CEFTA since EU represents a highly integrated trade block with the Common Trade Policy which excludes membership in some other regional trade groupings.

After the EU integration of most CEFTA parties this block membership was reduced to include Romania, Bulgaria, Croatia and North Macedonia. The CEFTA agreement was revised in 2006 (**CEFTA 2006 agreement**) and under new membership criteria adopted by the Zagreb Declaration in November 2005, requiring: that candidate countries should have free trade agreements with all CEFTA member states and solve the bilateral disputes resulted from their implementation; candidate countries should develop institutional relations with the European Union, namely to initiate the negotiations for the conclusion of an Association and Stability Agreement (SAA); and the candidate countries should be members of the World Trade Organization or to be firmly committed to the WTO rules and procedures. (Bjelić et.al, 2022, 251-259) This enabled most of Western Balkan economies to become signatories of revised CEFTA agreement from 2006. Since Romania and Bulgaria left CEFTA membership in 2007 and Croatia in 2013, present CEFTA 2006 signatories are North Macedonia, Albania, Bosnia and Herzegovina, Montenegro, Republic of Moldova, Serbia and Kosovo*.

Since intra-regional trade liberalisation began in 2000 with the Memorandum of Understanding on Trade Liberalization and Facilitation, resulting in the formation of a network of 32 bilateral Free Trade Agreements (FTAs), and all concessions from this agreements have been incorporated into CEFTA 2006 framework. Liberalisation of intraregional CEFTA trade started with goods and all obstacles was removed by the end, creating free trade area. Next step in intraregional trade liberalisation was liberalisation of trade in agricultural products with the adoption of Additional Protocol in 2011. Service trade liberalisation in intra-regional Western Balkans trade is enabled with **CEFTA Additional Protocol 6 (AP6) on Trade in Services**, adopted in 2019 and entered into force on 11 January 2021. Further intraregional liberalisation in CEFTA 2006 region included removal of administrative barriers to trade (trade facilitation). For the removal of non-tariff barriers CEFTA 2006 has established a special Committee on Non-tariff Barriers.

Further development of CEFTA 2006 went into direction of Creation of Common Regional Market (CRM), with very ambitious plan that included many more areas of cooperation. But this action plan is still not implemented. During the global pandemic the good initiative was the

adoption of the green lines that enabled the swift crossing of intraregional borders for products connected to fighting the global COVID-19 pandemic. The latest initiative from 2022 envisaged introduction of same facilitation on the border with EU, so-called blue lines.

CEFTA 2006 economies taken together has a export of goods around 51 billion USD in 2011. This represent only 0,23% of global exports in 2021. Serbia as the largest economy has a high share of 50% in total CEFTA2006 exports in 2011. Apart from Serbia two most important exporters from CEFTA 2006 group are North Macedonia and Bosnia and Hercegovina with export around 9 billion USD. Third group of CEFTA 2006 parties are countries with export in a vicinity of 3 billion USD, like Albania and Moldova. The export below 1 billion USD in 2011 recorded only two of CEFTA 2006 signatories, Kosovo*³ and Montenegro.

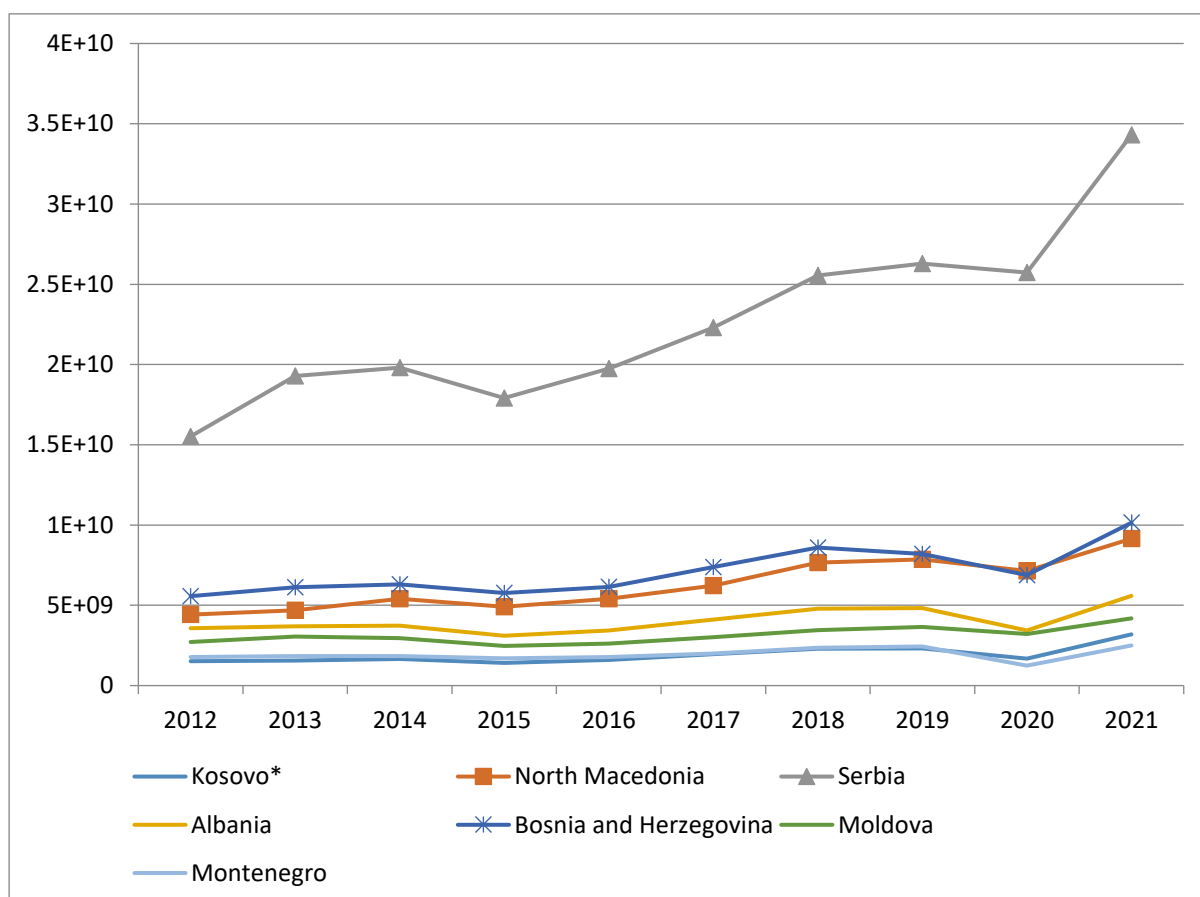


Figure 1: Global export of goods and services of CEFTA 2006 Signatories, 2012-2021 (USD)

Source: World Bank, World Development Indicators, Internet,

<https://databank.worldbank.org/reports.aspx?source=2&series=NE.EXP.GNFS.CD&country=XKX,MKD,SRB,ALB,BIH,MDA,MNE>, 15/09/2022.

2.2. Open Balkan

In 2019, the initiative launched under the name Mini Schengen for more intensive cooperation in the Western Balkans was launched by three leaders – President of the Republic of Serbia, Aleksandar Vučić, and Prime Ministers of the Republic of Albania and the Republic of North Macedonia, Edi Rama and Zoran Zaev, with the aim of free movement of goods, services, people and capital according to the EU model. The Open Balkan is, as stated, a support to the current regional initiatives, their implementation, and a response to the requirements of the

³ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

companies, but also a result of non-functioning of CEFTA 2006. The has been renamed the Open Balkan Initiative, and it is open for all other economies from the region.

In the period of 2019 to 2021, a series of meetings were held (in Novi Sad, Tirana, Ohrid, Skopje, Belgrade, Niš, and Tirana), within which many declarations and agreements were signed, thus giving the Open Balkan the legal framework and foundations for concrete activities and facilities.

At the Summit, which was held in Tirana on 21. December 2021, the following trilateral agreements were signed:

- Agreement on conditions for free access to the labour market in the Western Balkans,
- Agreement on the interconnection of schemes for electronic identification of the citizens,
- and
- Agreement on cooperation in the field of veterinary, phytosanitary, and food and feed safety,
- Agreement on cooperation of accreditation bodies in the Western Balkans.

Also some of bilateral agreements were signed, like:

- Agreement on mutual recognition of authorised economic operators for security and safety (AEOs), signed by the Government of the Republic of Serbia and the Council of Ministers of the Republic of Albania,
- Agreement on mutual recognition of authorised economic operators for security and safety (AEOs), signed by the Government of North Macedonia and the Council of Ministers of the Republic of Albania.

These documents will become effective in the first quarter of 2022, and their implementation will enable businesspeople and citizens to trade, travel more easily, as well as to employ the staff they lack and economically get integrated faster. (Chamber of Commerce and Industry of Serbia) Most of the initiatives have come through the work of regional Chamber of Commerce. The idea is to introduce the four freedoms that will enable the creation of the common market between countries in this initiative.

3. Problems in Regional Integrations

3.1. View from Serbia

Main problems in the functioning of CEFTA 2006 institutions came from unsolved political problems, especially in relations to Serbia and Kosovo*, since there have been a lot of blockades and the mechanism of trade dispute settlement was not functioning very well. This stalled the process of further trade liberalization initiatives in CEFTA. This was a reason for the establishment of open Balkan initiative, which went even further in liberalisation of certain trade areas. But the main obstacle that remains in intra-regional trade are non-tariff barriers, applied by all CEFTA 2006 signatories.

We will present the result of latest research of non-tariff barriers in CEFTA 2006 region but only in part of replies by Serbian companies. *The findings presented here are the result of empirical research conducted over June-August 2021 within the framework of the EU Funded Project: Support to the Regional Economic Integration, implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).* The project dealt with whole of Western Balkan region, including 6 economies of CEFTA 2006 (GIZ, 2021), but in this paper we will present only the results obtained for Serbia. There has been twelve trade sectors identified as relevant for the empirical research in Serbia. These sectors include primary sectors, like Animals and Animal products, Fresh fruits and Vegetables, Processed foods and Mineral Products, as well

as industrial goods sectors, like Chemicals, Plastics, Wood products, Footwear, Metals and Machinery.

Concerning export of Serbia in 2021 to CEFTA 2006 partners, as shown on Figure 2, we can observe that the most important trade partner of Serbia in this group is Bosnia and Herzegovina, amounting to 43% of Serbia exports. Right after Bosnia and Herzegovina are North Macedonia and Montenegro with 22% of exports of Serbia in 2021.

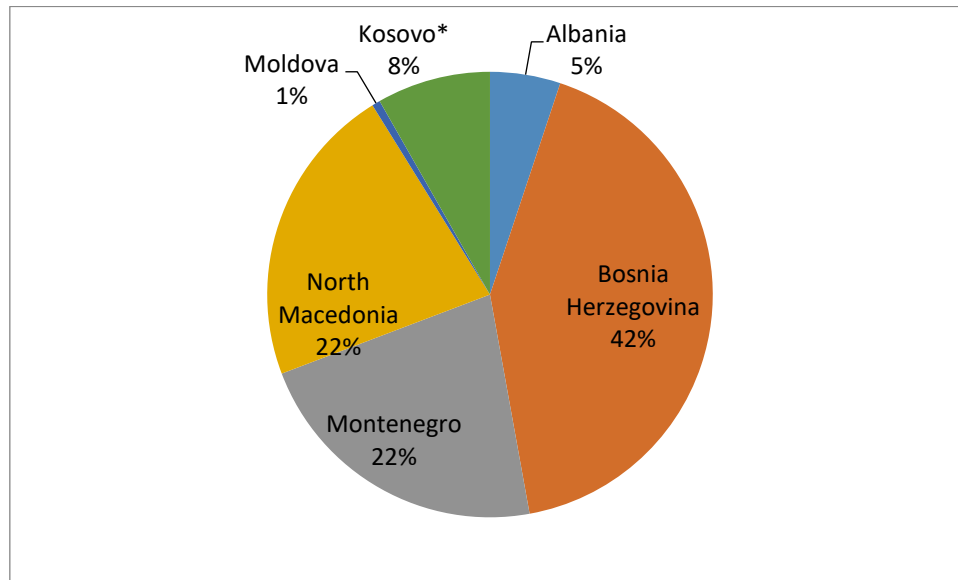


Figure 2: Serbia export of goods to CEFTA2006 partners in 2021 (percentage)

Source: UN-COMTRADE data, Internet, <https://comtrade.un.org/Data/>, except for Kosovo* data in EUR are from Agency of Statistics (ASK) and calculated in USD using average rate for 2021 from Euro to US Dollar Spot Exchange Rates for 2021, Internet, <https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2021.html>.

During our research on a project mentioned above, conducted in Serbia during June-August 2021, 59 business entities in total were interviewed, including companies and business associations. Out of this 59 entities 11 reported no barriers at that time. Other interviewed entities have raised their concerns in trade flows, which included both export and import. We have identified in total 37 general non-tariff barriers (presented in the first panel of the Figure 3) and 36 trade facilitation problems (presented in the second panel of the Figure 3).⁴

⁴ Data obtained in company interviews in Serbia on *EU Funded Project "Support to the Regional Economic Integration"*, implemented by GIZ, July-August 2021.

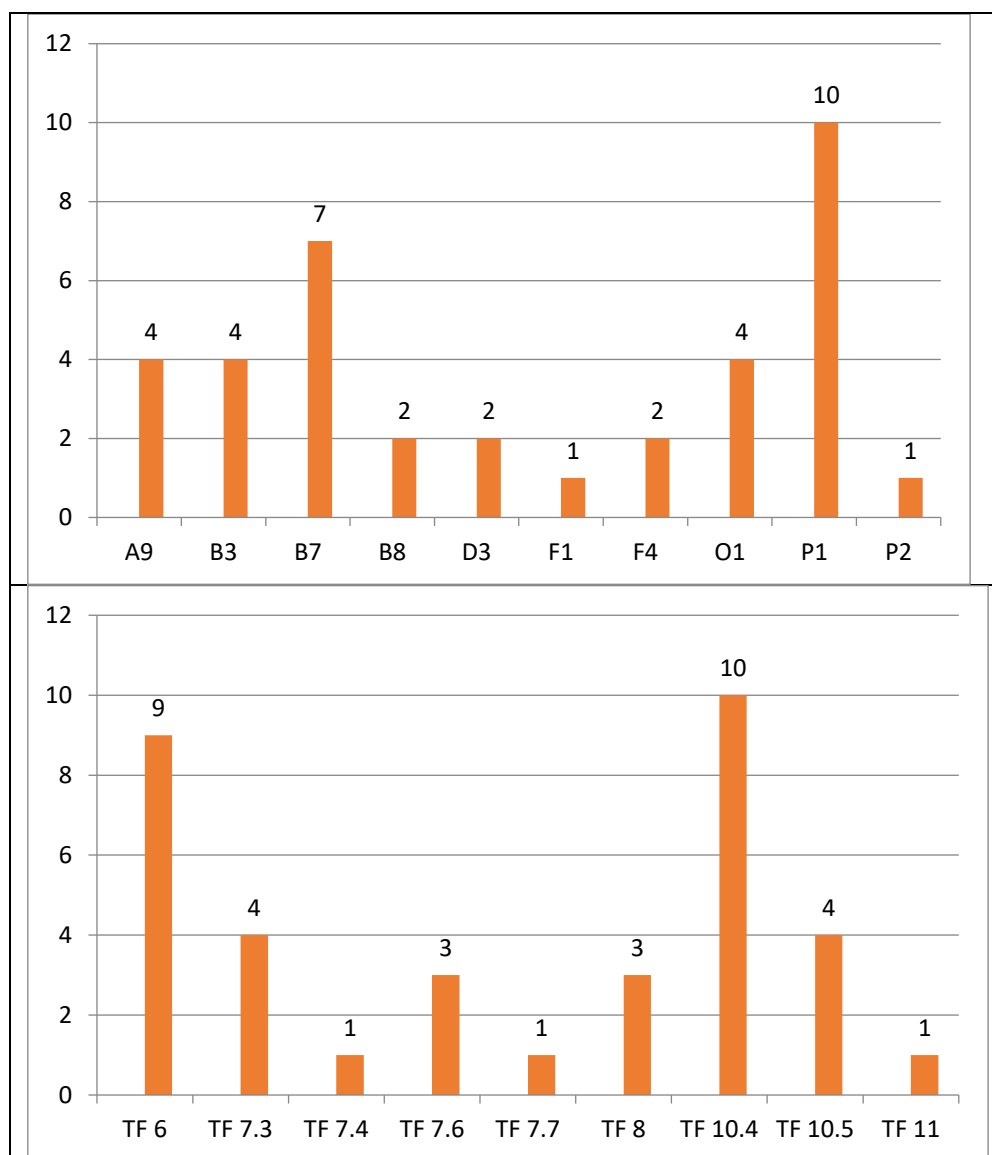


Figure 3: Non-tariff barriers and Trade facilitation issues reported in Serbia's trade, 2021

Source: Data obtained in company interviews in Serbia on *EU Funded Project "Support to the Regional Economic Integration"*, implemented by GIZ, July-August 2021.

Out of 37 recorded general non-tariff measures in trade of Serbia, most evident are Export measures related to SPS and TBT (P1), with 10 of this measures reported, while Product quality, safety or performance requirements (B7) have been recorded 7 times. Preferential rules of origin (O1), Sanitary and phytosanitary measures not elsewhere specified (A9) and Labelling, marking and packaging requirements (B3) have been identified 4 times each in 2021. Conformity assessment related to technical barriers to trade (B8), Safeguard measures (D3) and Customs surcharges (F4) have been recorded 2 times each in the researched period. Administrative measures affecting customs value (F1) and Export formalities (P2) have been noted only once, each.

From Trade facilitation issues mostly recorded problems are Common Border Procedures (TF 10.4) with frequency of 10 measures identified in the research in Serbia. Fees and Charges Imposed On or In Connection with Importation and Exportation, and Penalties (TF 6) have recorded 9 measures in complains by business sector in Serbia. Four measures each have been

identified in the following groups: Risk Management (TF 7.3) and Other Formalities Connected with Importation, Exportation and Transit (TF 10.5). Perishable Goods (TF 7.6) and Border Agency Cooperation (TF 8) have 3 measures identifies in each of these group in 2021. Only one measure recorder was in these groups: Authorised Economic Operators (TF 7.4), Other Release and Clearance of Goods measures (TF7.7) and Freedom of Transit (TF 11).

Very important information is who was the party imposing the non-tariff barriers in trade of companies in Serbia. Even if cited research have been focusing on intraregional CEFTA 2006 trade, companies have reported also measures that was introduced by other trade partners of Serbia, and even some measures affecting external trade of Serbia that are introduced by Serbian institutions. Most measures affecting Serbia trade was introduced by Bosnia and Herzegovina, 26% of all measures that we observed in our research. This is logical since Bosnia and Herzegovina is the most important trade partner for Serbia, in a CEFTA2006 group. Second position is taken by North Macedonia, also very important trade partner of Serbia with 18% share in measures imposed, recorded by our survey. EU and Kosovo* share the third place, ranked by number of measures introduced in trade of Serbia (16% of all measures). Also all CEFTA2006 parties have joint measures in place and Serbian institution applying measure obstructing trade, with share of 10% each. Montenegro and Russia have both 2% share in non-tariff measures applied to trade of Serbia, individually.⁵

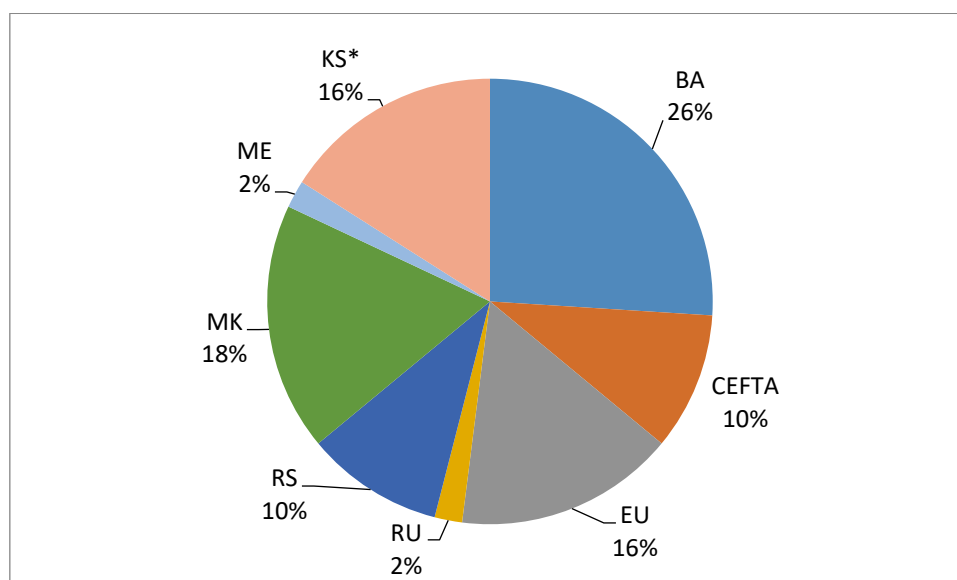


Figure 4: Share of trade partners and institution introducing non-tariff barriers to trade of Serbia, 2011 (percentage)

Source: Data obtained in company interviews in Serbia on *EU Funded Project "Support to the Regional Economic Integration"*, implemented by GIZ, July-August 2021.

3.2. View from Montenegro

On 6 October 2020, the European Commission adopted the Economic and Investment Plan for the Western Balkans (EIP) . It aims to boost economic growth and development, support a green and digital transition, promote regional integration among the six Western Balkan countries – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – and foster their convergence with the European Union’s (EU) standards of living. The EIP aims at mobilising up to EUR 9 billion from the Instrument of Pre-Accession Assistance III (IPA) package for the period 2021-2027 and attract additional investments worth EUR 20 billion from

⁵ Data obtained in company interviews in Serbia on *EU Funded Project "Support to the Regional Economic Integration"*, implemented by GIZ, July-August 2021.

the European development banks and other international financial institutions backed up by the Western Balkans Guarantee Facility. Although the Western Balkans have received substantial EU and international financial assistance during the past 20 years, the scale and ambitions of the EIP and its 10 Flagship projects are unprecedented. They pose unique challenges not only in terms of the EU’s ability to coordinate the EIP and ensure political conditionality of the IPA funding, but also the Western Balkan governments’ capacity to absorb the funds and implement the proposed Flagships. These tasks are particularly demanding if we consider that the EIP aims to include the Western Balkans within the EU’s green and digital transition. (Bartlett et.al 2022)

As an effort by the countries of the Western Balkans to speed up their process of joining the European Union on the one hand, and as an expression of support for the EU on the other hand, the CEFTA agreement was established. It was signed directly under the auspices of the European Union, and had a preparatory character for countries that are candidates for membership in the European Union. Later, since the launch of the Berlin Process in 2014, CEFTA has become one of the most important segments of that regional initiative.

Concerning trade flows to non-EU markets, we found that CEFTA 2006 represents the highest contributing factor to WB intra-regional trade. This is expected since these countries are natural trade partners with convergent economies at the same level of competitiveness. (Dragutinović-Mitrović et.al,

Complementing the enlargement process, the Berlin Process produced new regional initiatives and projects. The signing of the Declaration on Regional Cooperation and the Settlement of Bilateral Disputes, the Investment Forum of the Western Balkan Chambers of Commerce, the Regional Youth Cooperation Office (RYCO) and the signing of the Transport Community Agreement (TCT) stand out. At the annual summit of the Berlin Process, in Trieste in 2017, the Multi-Year Action Plan for the Regional Economic Area (MAP REA) was adopted. MAP REA aims to enable the smooth flow of goods, services, capital and highly skilled labor throughout the Western Balkans in four segments: trade, investment, mobility and digital integration table 1.

Table 1: Multi-year action plan for the regional economic area

MULTI-YEAR ACTION PLAN FOR THE REGIONAL ECONOMIC AREA			
I TRADE	II INVESTMENTS	III MOBILITY	IV DIGITAL INTEGRATION
Facilitating free trade in goods	Regional investment agenda	Mobility of researchers	Digital environment networks and services, connectivity and access
Harmonization of the CEFTA market with the EU	Formalization of the agenda through appropriate instruments	Mobility of experts	Trust and security in digital services
Establishing regions without NTM and TDM	Implementation and monitoring of investment reforms	Mobility of students and highly skilled workers	Digital economy and society
Facilitation of free trade in services	Promotion of ZB as a common investment destination		Digital economy and society, data economy, interaction standards, innovations
	Diversifying financial systems to increase investments		
	Smart growth		

Source: <https://ascg.me/wp-content/uploads/2022/02/Analiza-otvoreni-balkan-za-sajt.pdf>

Montenegro decided not to join the initiative, highlighting the existence of the same or similar regional initiatives, as well as a large number of undefined issues that follow this one. At the same time, she expressed a high degree of mistrust towards what is being offered, especially due to the erasure of borders. It is a particularly sensitive topic for a country that recently fought for its sovereignty and territorial integrity.

There are important differences between CEFTA/Berlin Process and the Open Balkans. CEFTA, i.e. the Berlin Process, takes place under the auspices of and in cooperation with the European Union, while this is not the case with the Open Balkans. If we are talking about Montenegro, the institutional framework for the development of regional cooperation has already been established through the legal basis of the CEFTA 2006 agreement, the Multi-Year Action Plan for the Regional Economic Area, the Connectivity Agenda, the Development Strategy of South-Eastern Europe 2020, the rules and principles of the European Union that resulted from the Agreement on stabilization and association of the individual economies of the Western Balkans, as well as the latest initiative on the Common Regional Market. Unlike the Open Balkans, there are appropriate mechanisms for the implementation of each of the above-mentioned initiatives, through regional dialogue with the Council for Regional Cooperation, which is of course supported by the European Commission. The open Balkans did not bring anything new in the freedom of movement of goods, services, capital and labor. Traveling with an ID card to other Balkan countries was already possible in the earlier period.

The Open Balkans has another shortcoming compared to CEFTA, which is that within the framework of the agreement, a dialogue has already begun on expanding the initiative to neighboring countries. This gives an advantage and facilitates the direction of the countries of the Western Balkans towards the European Union. The action plan for the Regional Economic Area has a plan for investments, digital development and infrastructure, and the Open Balkans does not have an adopted plan for these areas. An important thesis in a critical assessment of the benefits that the countries of the Western Balkans would receive within the framework of the Open Balkans is that there is no demand for reforms of the existing systems. Larger markets will further develop and expand to the detriment of smaller ones, and the degree of freedom of movement of workers would have a negative impact on smaller labor markets. Production-uncompetitive countries would be in a subordinate position in relation to larger partners.

In order to accept the standards for harmonization with the system of integrated border management, Montenegro has adopted and is implementing the Strategy of Integrated Border Management of the European Union. The open Balkans implies the abolition of border controls, which represents a systemic setback and a risk for the rule of law and the fight against transnational organized crime. This integration is designed along the lines of the EU. This also means the establishment of supranational institutions. But it is not defined whether this implies the establishment of a supreme court that will resolve disputes arising during the implementation of the initiative. Several Montenegrin laws are not harmonized with interstate agreements, namely: trade frameworks are not harmonized with Montenegrin laws, regulations on the recognition of diplomas, laws in the field of access to the labor market, inspection services, and so on.

Economically most profitable for Montenegro to remain within the process of European integration and that for its underdeveloped economy, even in comparison with other countries in the region, it would be very dangerous and harmful to open abruptly. *On the other hand, Montenegro has implemented some of the standards that other countries in the region have not yet adopted, such as those in the food safety area, where more than 5,000 directives have been*

*adopted. Joining an initiative, such as the Open Balkan, would essentially mean a step backward for Montenegro.*⁶

When we talk about the advantages of the Open Balkans, we can highlight the Agreement on Conditions for Free Access to the Labor Market. According to it, citizens of the contracting parties can freely work and reside in the territories of other contracting states. It is not necessary to obtain a work permit and a residence permit, and the duration of the stay is limited to a period of two years.

The Open Balkans is still a political initiative that carries many undefined issues, which has no budget and basic assumptions for functionality. Montenegro decided negatively on this initiative, emphasizing the overlapping of the agreement and the announced reforms. She initiated the question of what these new values are and why resources would be spent on projects that are already foreseen in the Multi-Year Action Plan for the Regional Economic Area. In this context, in addition to Montenegro, Bosnia and Herzegovina and Kosovo also expressed their opposition to joining the initiative. This political union primarily corresponds to the countries that have problems with accession, and certainly not to Montenegro.

After the declaration of independence, Montenegro began to participate in regional projects and cooperation. Gaining independence also coincided with a strong economic recovery. Due to the great economic crisis, there was a drop in economic activity. Increased integration and openness towards the EU contributed in particular to this. This crisis revealed some specificities and weaknesses such as foreign trade imbalance, high unemployment, and structural maladjustment. It became a member of the WTO in 2012 as a small and import-dependent member. The economic growth of Montenegro took place in several stages, which are graphically shown in the following picture number 5.

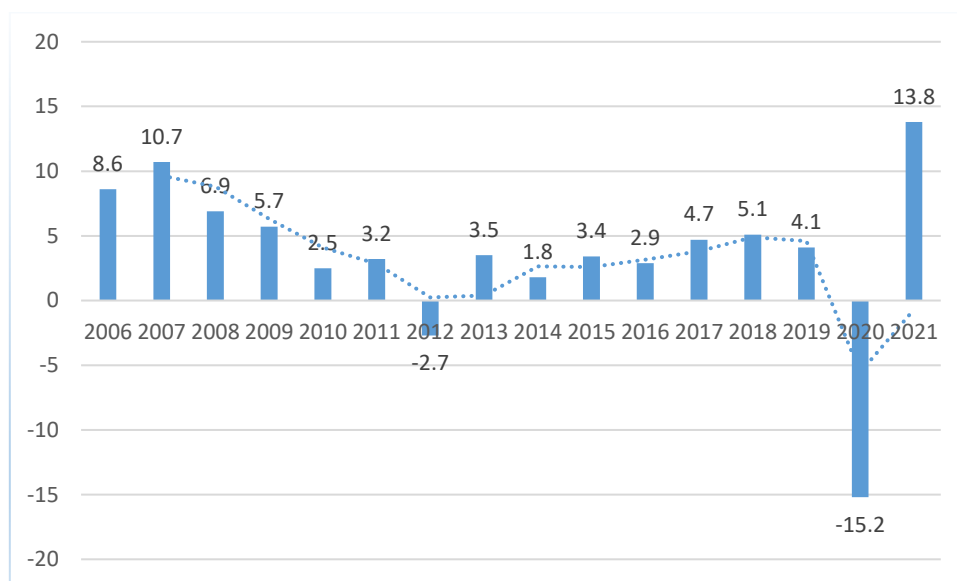


Figure 5: Economic growth of Montenegro, 2006-2021 year

Source: Authors presentations of MONSTAT data for 2006-2021

In the period of dynamic development and large inflow of foreign direct investments, and in the period after the declaration of independence, Montenegro has high growth rates. The global financial and economic crisis causes negative GDP rates. After that, a new investment cycle begins, which is finally stopped again due to the COVID pandemic and the global recession.

⁶ Internet, <https://cgo-cce.org/en/2022/07/17/open-balkan-cannot-be-an-alternative-for-european-integration/>, accessed 15/10/2022.

As we have already mentioned, there is a high import dependence, service orientation, which causes a constant negative trade balance.

The liberalisation of foreign trade regimes since 2001 led to a much faster increase in imports (mainly from the EU) than exports, due to the limited competitiveness of Western Balkan products on external markets.

During the global economic crisis, the WB and the CEE countries experienced different results in bringing their balance of trade towards equilibrium. Most significant impact on the trade imbalance is that provided by domestic and foreign demand, real interest rate, credit activity and the level of a country’s development. (Rajković et.al, 2020)

External imbalances reached their peak in 2009, when the Western Balkan countries had some of the highest trade and current account deficits among all countries in Central and Southeast Europe. Highly euroized Montenegro continued to struggle with a high deficit.

Trade exchange in the period 2020-2021 with CEFTA countries is shown in the table number 2:

Table 2. Trade exchange between CEFTA countries, 2020-2021

Trade partners	Import (000 eur)				Export (000 eur)				Balance of trade	
	2020		2021		2020		2021		2020	2021
CEFTA	606,694	27%	713,411	28%	165,074	45%	188,850	43%	-441,620	-524,561
AL	39,726	9%	42,783	6%	12,969	23%	19,954	26%	-26,757	-22,829
BA	119,352	20%	128,892	18%	22,364	2%	33,386	3%	-96,988	-95,507
MD	336	0%	325	0%	38	3%	0	5%	-298	-325
MK	25,708	4%	31,835	4%	5,117	0%	4,661	0%	-20,591	-27,174
RS	414,899	68%	500,831	70%	100,997	1%	107,291	1%	-313,902	-393,540
KS	6,674	1%	8,745	1%	23,589	14%	23,558	15%	16,916	14,813

Source: Authors presentations of MONSTAT data for 2020-2021

As can be seen in table 2. Montenegro has a trade deficit with all CEFTA members. It does not belong here in Kosovo, and that is because of the significant export of wood. The most significant foreign trade exchange is with Serbia, while it is very small with Moldova. Of the total Montenegrin imports in 2021, 28% were made with CEFTA members, while 43% of exports were made.

Finally, it is also important to mention issue of non-tariff measures (NTMs). Working together on removing existing NTMs is common goal of WB6. Numerus measures are incorporated in the Action plan for Common Regional Market 2021-2024. In fact, NTMs are an issue across the whole CEFTA. In the recent regional survey for exporter and importer in the WB6 conducted by the GIZ in 2021, out of the total number of interviewed companies, the 161 companies highlighted 796 NTM incidents.²⁴⁶ In term of sectors, 74% of the companies reported NTMs in the manufacturing sector, 19% of the companies reported NTMs in the agriculture sector and the 7% remaining companies either reported NTMs in other sectors or did not precise their sector. Key recommendations regarding existing NTMs given by the business in this survey are the following: recognise conformity assessments procedures across the CEFTA region; conformity assessment bodies need to be re-strengthened; reduce waiting times by expanding business hours; develop a private-sector led trade obstacle alert mechanism; facilitate the release and clearance of goods; further institutional coordination to facilitate trade; enhance a risk management system for inspecting cargo; and establish One-Stop-Shops across CEFTA. (Djurović et.al, 2022)

Regardless of the existing difficulties, the importance of CEFTA in the mutual effort for increased, faster and safer flow of goods, services and capital cannot be disputed.

4. Conclusion

There were many initiatives that promoted the improvement of regional cooperation and integration of the countries of the Western Balkans. The memorandum on liberalization and facilitation of foreign trade flows was signed in 2001, in 2006 and CEFTA, and after that various joint projects through the Council for Regional Cooperation. Striving to keep the countries of the Western Balkans on the European path, to speed up the approach of the Western Balkans to the European Union, to reduce the increase in the influence of third parties in the region, but also to prevent the further growth of Euroscepticism in the Western Balkans, the Berlin Process was launched at the initiative of Germany. It was designed as a diplomatic initiative that will deepen sectoral cooperation, accelerate the development of regional infrastructure and increase cooperation in the field of security, but also deal with other economic issues. After that, at the summit of the Berlin Process 2017, the Regional Cooperation Council presented a multi-year action plan for the establishment of a Regional Economic Area. The plan envisaged activities that would enable the smooth flow of goods, services, capital and highly qualified labor force, making the region more attractive for investment and trade, accelerating the approach to the EU.

At the next summit of the Berlin Process 2020, the leaders of the Western Balkans presented a new regional initiative, Mini Schengen, which was subsequently renamed Open Balkans. In order to revive the initiative, the leaders of three countries, namely Serbia, North Macedonia and Kosovo, signed three documents: Memorandum of Understanding on cooperation to facilitate import, export and movement of goods in the Western Balkans; The Memorandum of Understanding on cooperation regarding free access to the labor market in the Western Balkans, and the Agreement on cooperation in disaster protection in the Western Balkans, which will facilitate trade in the region and enable a single labor market, but also mutual assistance in emergency situations.

After this, the specificity of the cooperation of the Balkan countries and the asymmetry of their European path come to the fore. Montenegro, Bosnia and Herzegovina, and Kosovo refused to join this initiative. Montenegro assesses this initiative as negatively competitive with the Berlin process, where both address the same area of activity, namely the freedom of movement of people, services, goods and capital. The overlapping of initiatives is apostrophized, and the question arises as to what is new that the Open Balkans initiative offers, and that is not already included in the previous integration frameworks. The anticipated degree of liberalization would have negative effects on smaller labor markets as well as an insufficiently competitive domestic economy. No regional alliance should be an alternative to EU membership.

Finally, it remains unclear whether the Open Balkan Process initiative is complementary or opposed to the process of European integration. The great mistrust that is present among the neighbors in the Balkans can perhaps be overcome only with the encouragement and support of foreign partners, primarily the USA and the EU. Although cooperation in the Western Balkans is very necessary, the future will show whether this project will come to life or be one of a series that did not produce significant results.

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