

### III.6. Serbia's economic cooperation in light of recent regional initiatives - Dragan ĐUKANOVIĆ<sup>270</sup>, Predrag BJELIĆ<sup>271</sup>

#### Abstract

In this paper, the authors analyse the economic cooperation of Serbia with the most important trade partners and research recent initiatives on regional integration, especially Regional Economic Area, Regional Common Market and Open Balkan. Serbia as a small European economy is very open to international economic exchange with the rest of the world. But the most important trade partners of Serbia are situated in its vicinity. The most important trade partner is European Union (EU), a very developed customs union close to Serbian borders. Also, important trade partners include neighbouring countries of Serbia, especially those which were the part of the single Yugoslav market in the past. Other important trade partners include: Russia, or Eurasian Economic Union (EAEU) now, China, countries of European Free Trade Association (EFTA), the USA. The paper examines the launch of three regional initiatives deriving from the Berlin Process and analyses their prospects in the Western Balkans vis-à-vis its wider European integration. In addition to implementing reforms, regional cooperation is also one of the prerequisites for a successful European accession. While the countries in the Central and Eastern Europe and the Baltic countries were encouraged, and not required, to cooperate with their neighbours, the Western Balkan Six have had to achieve benchmarks in terms of their mutual relations, along with their bilateral accession process with Brussels.

**Key words:** Serbia's trade, EU, CEFTA, Regional Economic Area, Regional Common Market, Open Balkan.

#### 1. Introduction

Serbia is a developing European country that, as most of East European countries, has gone through the process of economic transition to full market economy. But Serbia was also faced with legacy of political conflict and sanctions that have significantly influenced its foreign trade sector. This is why Serbian foreign trade is not fully comparable to East European economies, countries in transition and now European Union members.

**Most important and dominant trade partner of Serbia is the EU** since it includes most important trade partners of Serbia, like Germany and Italy but also Croatia and Slovenia. Other important trade partners are countries of former Yugoslavia that are grouped in the revised Central European Free Trade Agreement from 2006 (CEFTA 2006).

Two decades since the start of **Stabilization and Association Process for the Western Balkans**, the EU accession of the region is tied to the internal dynamics, willingness, and political decision of the EU. Negotiations are an open-ended process and the EU has refrained from announcing a

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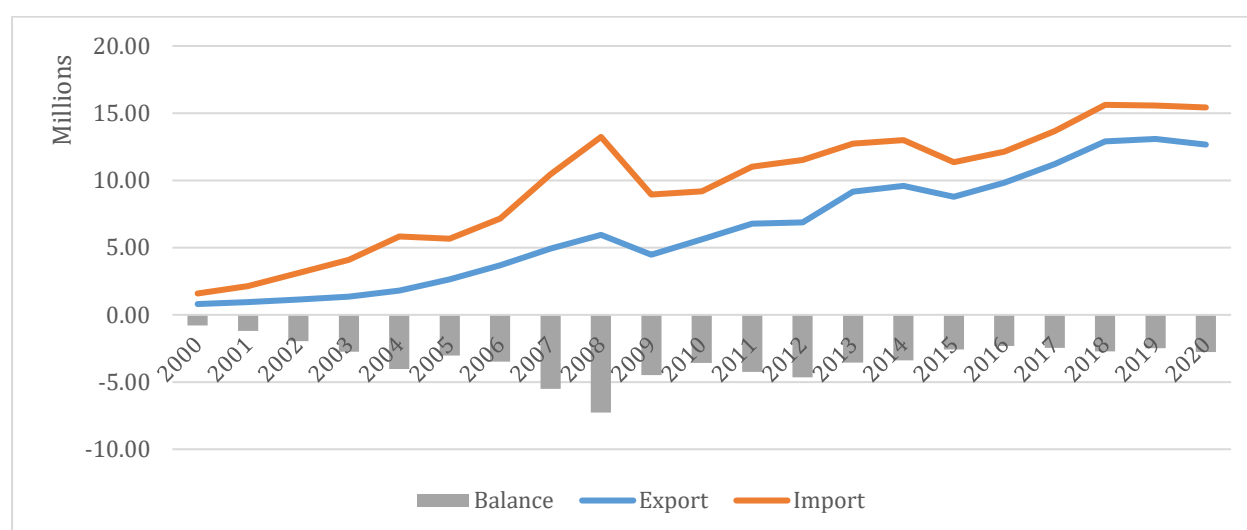
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time frame for potential accession of the Western Balkan countries. On the other hand, candidate countries are late in delivering reforms they promised. In economic terms, the region lags behind as well, and it will take decades to catch up to average standards of living in the EU. In light of the growing scepticism towards enlargement, EU has also tried to foster regional economic integration, launching the Berlin process in 2014, which is meant to lead to a regional market. Three regional cooperation initiatives stemming from the Berlin process: Regional Economic Area, Open Balkan (formerly Mini-Schengen) and Common Regional Market aim to facilitate the free flow of people, goods, capital and services, and not to substitute the EU membership of WB6 as the ultimate goal.

## 2. Serbia Trade

**Total goods trade of Serbia was around 45 billion USD in 2020**, according to official Serbian Statistical Office data<sup>272</sup>. Export of goods was 19.5 billion USD in 2020 while total goods import was 26.2 billion USD, so Serbia recorded deficit of 6.7 billion in goods trade in 2020. Export of service was around 7.1 billion USD from Serbia in 2020 according to National Bank of Serbia data<sup>273</sup>. Imports of Services for Serbia was around 5.8 billion USD in 2020, so Serbia recorded service trade surplus in 2020 around 1.3 billion USD. This surplus in service trade corrected the goods deficit significantly.

Figure 33. Serbia Trade with the EU, 2000-2020



Source: Author representation of Statistical Office of Serbia data

**Major trade partner of Serbia are countries members of the European Union (EU)** which we perceive as one subject of international trade since it has customs union established between its members. EU is a dominant trade partner of Serbia since EU has a share of more than 50% in both export and import of Serbia. Trade between Serbia and the EU follows the dynamics of total EU Serbia. It is rising significantly from 2003 since EU started to apply unilateral trade preferences (known as Autonomous Trade Measures – ATMs). Later these trade preferences were transferred to trade agreement that is a part of the Stabilization and Association Agreement

<sup>272</sup> Statistical Office of Serbia database, Internet, [www.stat.gov.rs](http://www.stat.gov.rs).

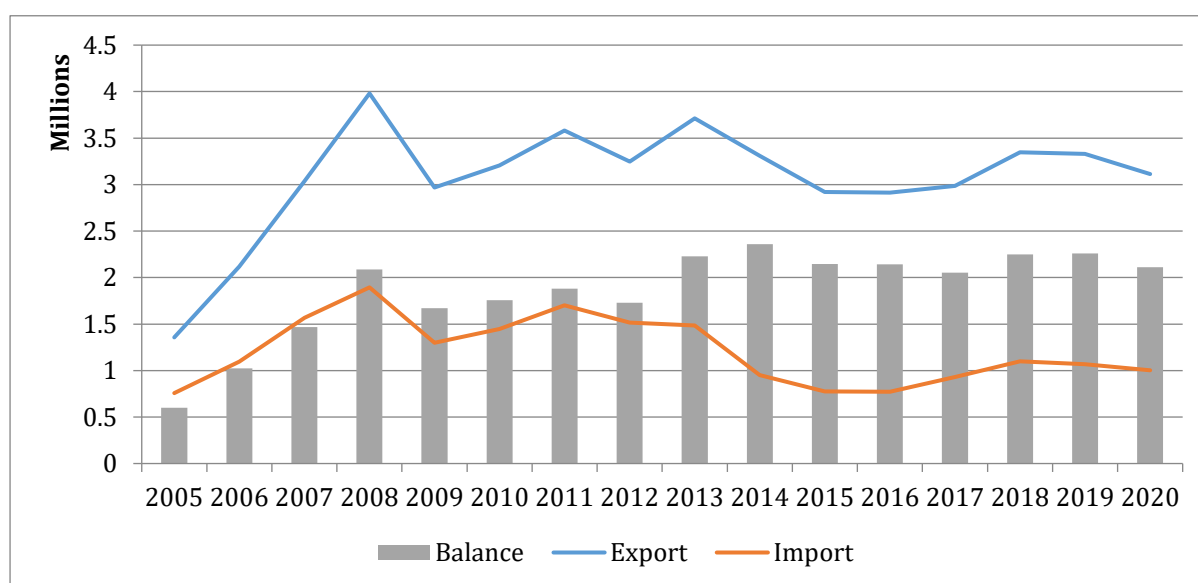
<sup>273</sup> National Bank of Serbia data, Internet, [https://nbs.rs/sr\\_RS/drugi-nivo-navigacije/statistika/platni\\_bilans](https://nbs.rs/sr_RS/drugi-nivo-navigacije/statistika/platni_bilans).

(SAA). But important stimulus to trade between Serbia and the EU was inclusion of Serbia in **Euromed** rules of origin cumulation scheme.<sup>274</sup>

EU as a more developed economy has a constant surplus in trade with Serbia, but positive is that this surplus is narrowing in last years, which can be observed in Graph 34.

The second group of trade partners of Serbia, by importance, is former Yugoslav economies that are signatories of the **CEFTA 2006**. Important is that Serbia has surplus in trade with all CEFTA 2006 partners, now when Croatia is no longer CEFTA 2006 signatory.

Figure 34. Serbia Trade with the CEFTA-2006, 2005-2020



Source: Author representation of Statistical Office of Serbia data

In recent years export of Serbia to CEFTA 2006 signatories is not rising more and became constant. Reasons are applied non-tariff barriers that these economies apply against Serbia<sup>275</sup> but also diminishing trade potential of exports to these economies.

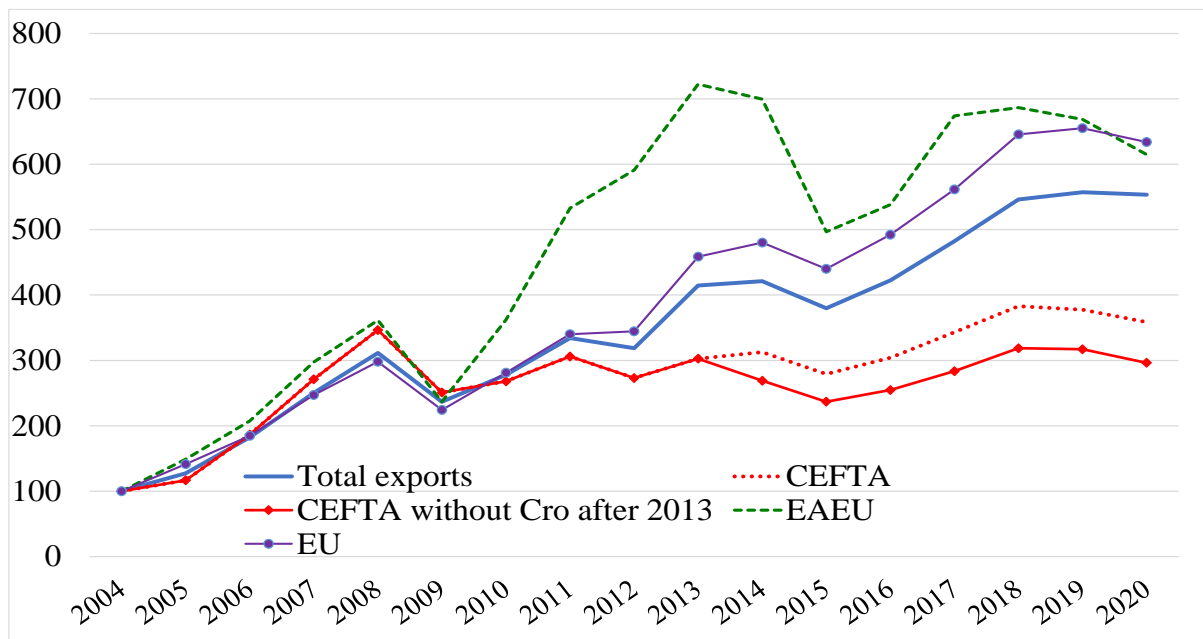
Other trade partners of Serbia include **the Eurasian Economic Community (EAEU)**, with Russia as a largest member country, EFTA countries, Turkey, China and USA. When dynamics of Serbian export was researched<sup>276</sup>, comparing the dynamic of Serbia's exports by destinations: EU, CEFTA 2006 and EAEU, we can observe that the fastest growth in the whole observed period (2004-2020) was towards the EU followed by EAEU: average growth rates were 12.2% and 12%, being above total Serbia's export growth (11.3% annually). On the other side, Serbia's exports to CEFTA 2006 grew by 7% annually. From 2009 larger differences in Serbia's export growth toward CEFTA 2006 on one side and to the EAEU and the EU on the other side were registered (Graph 3).

<sup>274</sup> More in: Predrag Bjelic, "Pravila o poreklu robe kao nova granica spoljnotrgovinske liberalizacije" *Revija Kopaoničke škole prirodnog prava*, No.1/2019, str. 295-307.

<sup>275</sup> See: Ivan Marković, Ivana Popović Petrović, Predrag Bjelić, Elimination of Non-Tariff Barriers in Regional Trade Integrations: The CEFTA 2006 Experience, *Teme*, Vol. XLV, No 2, 2021, pp.601-620.

<sup>276</sup> Radmila Dragutinović Mitrović, Serbia between the European Union and the Euroasian Economic Union: What does trade statistics demonstrate?, Proceedings of the 12th SCF International Conference on "Contemporary Issues in Social Sciences" Antalya, Turkey, 07 -10 October 2021, pp. 120-132.

Figure 35. Serbia's export dynamics towards the EU, CEFTA and EAEU, 2004-2020



Source: Radmila Dragutinović Mitrović, Serbia between the European Union and the Euroasian Economic Union: What does trade statistics demonstrate? Proceedings of the 12th SCF International Conference on "Contemporary Issues in Social Sciences" Antalya, Turkey, 07 -10 October 2021, Figure 4, p. 127.

But at the end, the dynamics of Serbian export to the EU surpassed all other export destinations demonstrating a **strong trade potential in trade between Serbia and the EU**. When we analysed<sup>277</sup> the effects of trade measures, such as ATMs, SAA and CEFTA 2006 on Serbia's bilateral trade, we found that preferential trade regimes are important determinant of Serbia's trade and that significant liberalization of trade regime with the USA as untraditional trade partner, even asymmetrical to Serbia's favour, didn't diverted trade flows from traditional partners in the long-run.

But variations and asymmetry in trade regimes play also very important role, as research<sup>278</sup> has demonstrated. Trade regime variations from asymmetry to reciprocity had impact not only on Serbia's bilateral exports, but on all Western Balkan (WB) candidate countries. Asymmetrical trade preferences granted to the WB acceding countries were significant in boosting their bilateral exports, but later variations in trade regime introduced by SAA were not significant at least in the early period after introducing reciprocity. This implies that gradual introduction of symmetry in EU-WB trade regime in the initial period lower their bilateral exports, due to their smaller international competitiveness.

### 3. Trade with Višegrad-4

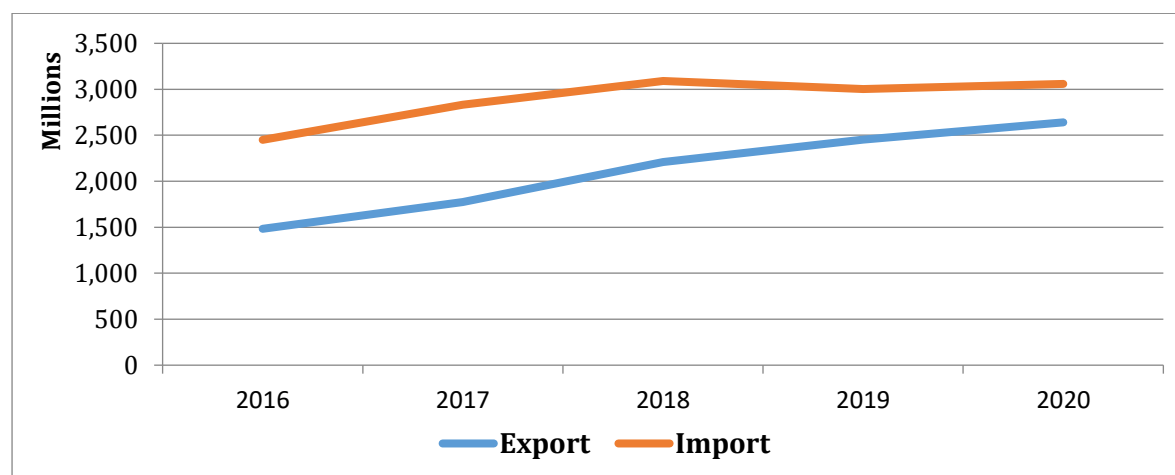
Main trade partner in the group of EU members for Serbia are traditionally Germany and Italy. Other EU partners include France, but also former Yugoslav republics Croatia and Slovenia. Serbia

<sup>277</sup> More in: Bjelić P. and Dragutinović Mitrović R. (2012), The effects of competing trade regimes on bilateral trade flows: Case of Serbia, *Proceedings of Rijeka Faculty of Economics: Journal of Economics and Business*, Volume 30, Issue 2, pp. 267-294.

<sup>278</sup> More in: Dragutinović Mitrović R. and Bjelić P. (2015), Trade regimes and bilateral trade in the EU enlargement process: Focus on the Western Balkans, *Acta Oeconomica*, Vol. 65 (2), pp. 249-270.

trade with four **Visegrad countries**, Hungary, Poland, Czechia and Slovakia, was around 4 billion USD in 2016, rising to more than 5.5 billion USD in 2020. Serbia records deficit in trade with these countries. Trade of Serbia with Višegrad-4 has become more prominent when these countries joined the EU.<sup>279</sup> Reason is that these countries started to apply EU trade preferences toward Serbia.

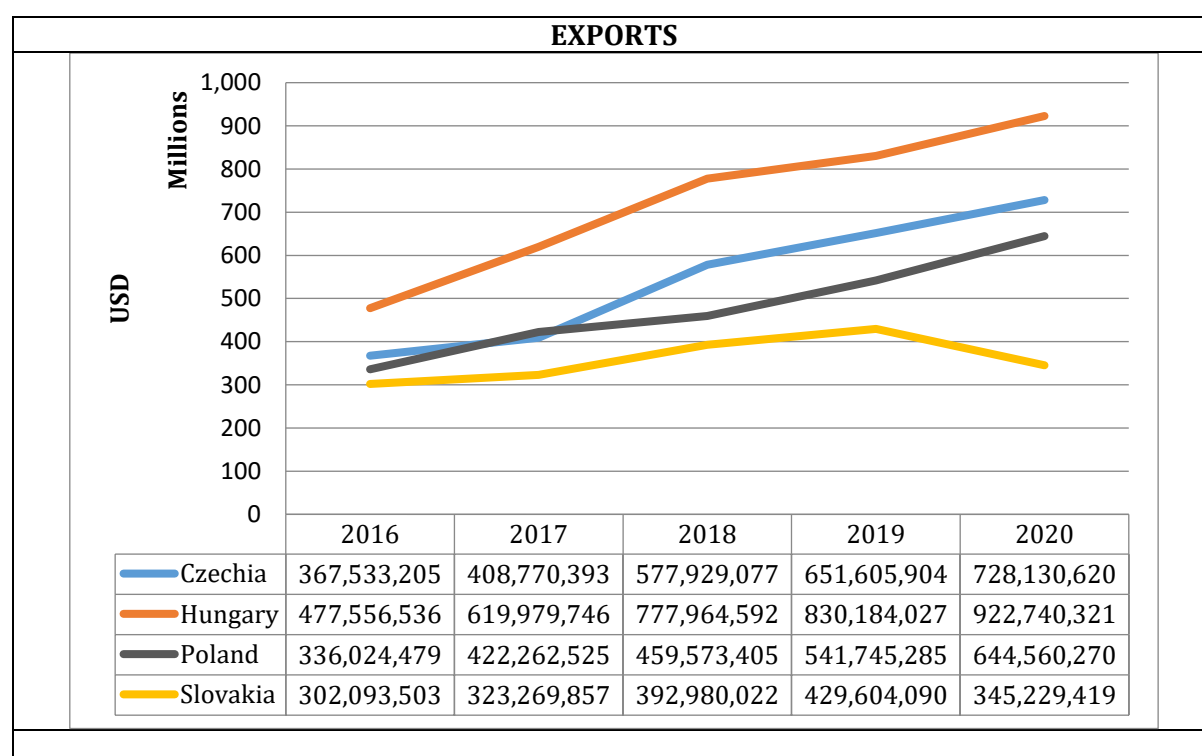
Figure 36. Serbia trade with Višegrad-4



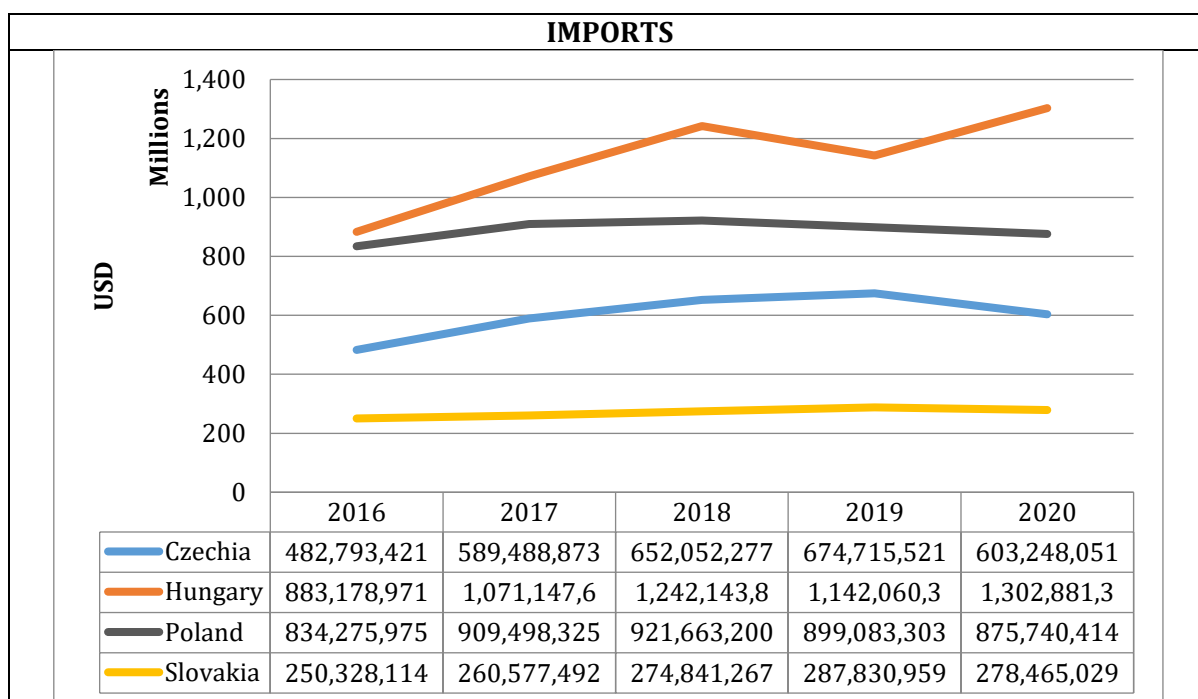
Source: Authors representation of UN/COMTRADE data

Main trade partner in the group of Višegrad-4 is **Hungary**, since Serbia exported nearly 1 billion USD and imported more than 1.3 billion USD in 2020. On the second position is Czechia in export of Serbia and Poland in import of Serbia from this group.

Figure 37. Serbia trade with individual Višegrad-4 countries



<sup>279</sup> This was researched in detail in: Dragutinović Mitrović R. and Bjelić P. (2015), Trade regimes and bilateral trade in the EU enlargement process: Focus on the Western Balkans, *Acta Oeconomica*, Vol. 65 (2), pp. 249–270.



Source: Authors representation of UN/COMTRADE data

#### 4. Regional Cooperation in the Western Balkans

Ever since Croatia became the EU member state in 2013, the political climate for further enlargement has dramatically changed. In spite of some reform efforts, the Western Balkan countries face a difficult period because of confusion over the future development of the EU itself. Paradoxically, further enlargement appears less forthcoming than in 2003 when the EU declared that *“the future of the Balkans is within the European Union.”*<sup>280</sup> Two decades later, EU accession is tied to the internal dynamics, willingness, and political decision of the EU. In other words, negotiations are an open-ended process and the EU has refrained from announcing a time frame for potential accession of the Western Balkan countries.

In 2018, European Commission came up with “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans,”<sup>281</sup> which stated that **Serbia and Montenegro could join EU in 2025**, while other Western Balkan countries could catch up, but it has remained highly ambitious best-case scenario proposed by the European Commission, and not endorsed by the Council. Any further enlargement is dependent upon institutional reform of the EU, and the geopolitical circumstances. This has significantly reduced appetite for necessary reforms in candidate countries, opening the doors to the so-called “third actors”, namely China, Russia, Turkey and some Arab countries, which try to fill the gaps in economic development of Western Balkan countries, as well as to exert political influence whenever possible. Despite billions of Euros the EU has either donated or invested in the Western Balkans, this region faces a major convergence challenge — it will take decades to catch up to average standards of living

<sup>280</sup> EU-Western Balkans Summit Thessaloniki, 21 June 2003, Declaration, at [https://ec.europa.eu/commission/presscorner/detail/en/PRES\\_03\\_163](https://ec.europa.eu/commission/presscorner/detail/en/PRES_03_163)

<sup>281</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans”, 6 February 2018, at [https://ec.europa.eu/info/sites/default/files/communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/info/sites/default/files/communication-credible-enlargement-perspective-western-balkans_en.pdf)

in the EU — even in optimistic scenarios.<sup>282</sup> Large scale outward migration indicates a lack of hope for future economic prospects among many Western Balkan citizens and bears testament to the generally disappointing results of the last two and a half decades of the transition.<sup>283</sup>

In addition to implementing reforms, **regional cooperation** is also one of the prerequisites for a successful European integration of the Western Balkan countries, as well as a powerful tool for the overall relaxation of political tensions. The EU promoted this policy not only in the Western Balkans, but also in Central Europe and the Baltic countries both before and after they joined the Union (Benelux, Nordic Council, V4, etc.). But for those countries regional cooperation was encouraged, and not required. Western Balkan countries have also had to achieve benchmarks in terms of their mutual relations, along with their bilateral accession process with Brussels.<sup>284</sup> Keeping the balance between the regional cooperation and bilateralism has proved to be challenging. The foundations and the main directions of regional cooperation have so far been either exclusively or predominantly established by EU or some of its member states, and the USA, and while the awareness of the genuine need for regional cooperation of all countries in the region has been raised, it has not yet been transformed into consistent action. Regional cooperation tended to be viewed as an imposed requirement that, if dealt with sufficiently or even to a bearable extent, would lead to a faster integration into the EU. Regional cooperation has often been seen as a substitute for EU integration, which is still the biggest fear of the Western Balkan countries.<sup>285</sup> The EU has constantly been reiterating that regional cooperation is not an aim in itself — *“The EU is built on a foundation of regional cooperation...Integration in the EU is only possible if future members can demonstrate they are willing and able to interact with their neighbours as EU member states do.”*<sup>286</sup> What has not been accentuated and perceived sufficiently is the fact that regional cooperation is a need of the countries in the region themselves, regardless of their stage of integration to the EU, and that good neighbourly relations are indispensable to their national interests.

## 5. Regional Initiatives

Although the number of initiatives in the region exceeds the number of critical analyses on them, we could say that the international community took a good strategic course towards the long-term preparation of the Western Balkan countries for membership in the EU. Creation of the Stabilization and Association Process (SAP), and the formation of **the Stability Pact for South-Eastern Europe (SPSEE)** in 1999 to *“foster peace, democracy, respect for human rights and economic prosperity”*<sup>287</sup> for stability in the region, marked the arrival of “new regionalism” to the Western Balkans. In 2008, this internationally driven framework of the Stability Pact was

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<sup>282</sup> Sanfey, Peter and Milatovic, Jakov. 2018. “The Western Balkans in Transition: diagnosing the constraints on the path to a sustainable market economy”, *Background Paper for the Western Balkans Investment Summit*, hosted by EBRD, 26 February, 2018

<sup>283</sup> Leitner, M. Sandra, “Net Migration and its Skills Composition in the Western Balkan Countries between 2010 and 2019: Results from a Cohort Approach Analysis”, *Working paper No. 197*, March 2021, The Vienna Institute for International Economic Studies, at <https://wiiw.ac.at/p-5695.html>

<sup>284</sup> Bertelsmann Stiftung. 2020. *Pushing on a string? An evaluation of regional economic cooperation in the Western Balkans*, at <https://www.bertelsmann-stiftung.de/en/publications/publication/did/pushing-on-a-string-en>

<sup>285</sup> North Macedonian PM Zaev: “Regional Cooperation Not Substitute for EU Membership”, European Western Balkans, at <https://europeanwesternbalkans.com/2017/07/23/zaev-regional-cooperation-not-substitute-eu-membership/>

<sup>286</sup> Brussels 03.04.2002, COM(2002) 163 final, Report from the Commission, The Stabilization and Association Process for South East Europe, First Annual Report.

<sup>287</sup> European Commission, “Stability Pact for South Eastern Europe”, at [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/glossary/stability-pact-south-eastern-europe\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/glossary/stability-pact-south-eastern-europe_en)



transformed into **the Regional Cooperation Council (RCC)**<sup>288</sup>, coordinated by the South-East European governments in cooperation with the South-East Cooperation Process (SEECp).<sup>289</sup> This transformation from an externally driven to an internally driven approach was celebrated by the international community as an important step in the region's assuming ownership over its own affairs.<sup>290</sup> This wave of the "new regionalism" in the Western Balkans has resulted in abundance of regional initiatives in the last two decades — it is estimated that there are over 60 — in which the Western Balkan countries were expected to actively participate.<sup>291</sup> Meanwhile, some of those initiatives have transformed into multilateral intergovernmental organizations on a contractual basis (CEFTA 2006, Energy Community Treaty, Transport Community Treaty, Regional Cooperation Council, etc.).

The new additional qualitative change in the area of regional cooperation has come with the **Berlin Process**. It is a diplomatic initiative linked to the future accession of the Western Balkans Six (WB6) to the EU, initiated by former German Chancellor Angela Merkel in 2014, in the light of increased Euroscepticism and serious slowdown of the accession process. Two of its main objectives are to intensify regional cooperation and to increase prosperity through sustainable economic growth. The latter is expected to be achieved via strengthened transport and energy infrastructure, as well as the more efficient use of EU pre-accession funds in the WB6.<sup>292</sup> To support this initiative, the European Commission in 2015 set the Connectivity Agenda<sup>293</sup> and earmarked an additional 1 billion Euros from pre-accession funds<sup>294</sup> to key infrastructure investments. The Berlin Process provided high-level framework enforcing many previous achievements of regional initiatives, and instigating new ones. Although it was initially designed for a period of four years (ending in 2018), it has persevered to this date, as there is a need for the continuation. But it is yet to be seen whether the new German Government will view it as a priority, given the departure of Angela Merkel who was personally behind the Berlin Process, hosting the last (virtual) Summit in July 2021.<sup>295</sup>

One of the most important outcomes of the Berlin Process was the creation of **Regional Economic Area (REA)**, presented by RCC at the Summit in Trieste in 2017, which Multiannual Action Plan (MAP REA) has opened the doors for a closer regional cooperation in the areas of trade, investment, labour market, and digital integration. The MAP REA aims to "*enable the unobstructed flow of goods, services, capital and highly skilled labour.*"<sup>296</sup> Within the Regional Economic Area (REA), the roaming charges were firstly progressively reduced in 2019 and then eliminated in July 2021. The Regional Investment Reform Agenda (RIRA) was launched in 2018 with the aim of harmonizing WB6 investment policies with the EU standards and best practices, within the framework of CEFTA and the EU pre-accession process.<sup>297</sup> The implementation of MAP REA has experienced many challenges, proving that regional cooperation cannot substitute for the resolution of bilateral issues, such as the Belgrade-Pristina (Serbia-Kosovo) dispute and the

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<sup>288</sup> Regional Cooperation Council, at <https://www.rcc.int/>

<sup>289</sup> South-East European Cooperation Process, at <https://www.seecp.info/>

<sup>290</sup> Friedrich Ebert Stiftung. 2009. *Dialogues: Ownership for Regional Cooperation in the Western Balkan Countries*.

<sup>291</sup> Cooperation and Development Institute, Tirana, at: <https://cdinstitute.eu/orc/orc-database/>

<sup>292</sup> The Berlin Process, at: <https://berlinprocess.info/about/>

<sup>293</sup> Western Balkans Investment Framework (WBIF) Connectivity Agenda, at: <https://www.wbif.eu/sectors/connectivity-agenda>

<sup>294</sup> Ibid.

<sup>295</sup> Chancellor Merkel hosts Berlin Process Leaders Summit: <https://www.berlinprocess.de/en/chancellor-merkel-hosts-berlin-process-leaders-summit>

<sup>296</sup> RCC, *Multi Annual Plan for Regional Economic Area*, full document at: [https://www.rcc.int/priority\\_areas/39/multi-annual-action-plan-for-a-regional-economic-area-in-the-western-balkans--map](https://www.rcc.int/priority_areas/39/multi-annual-action-plan-for-a-regional-economic-area-in-the-western-balkans--map)

<sup>297</sup> Ibid.



complexity of Bosnia and Herzegovina. For example, the Mutual Recognition of Professional Qualifications was not acceptable to Serbia and it was removed from the agenda of the Summit in Poznan 2019,<sup>298</sup> whereas the then Kosovo government did not consider that regional cooperation is in full line with European integration, and such a position has continued to this date. Unresolved border issues and visa barriers remain at the centre of disagreements in the region.<sup>299</sup> On top of political, there are also administrative and technical obstacles which are impeding the full implementation of MAP-REA. The Berlin Process also generated the Regional Youth Cooperation Office (RYCO), the Transport Community Treaty (TCT) and Common Regional Market (CRM). It has promoted “green corridors” in the Western Balkans, the cooperation during the COVID-19 pandemic, digital transformation, migration issues, Roma integration, education, research and innovation, reconciliation and the fate of the missing persons from the conflicts in the 90’s, etc.<sup>300</sup>

**The Mini-Schengen initiative** was launched in October 2019 in Novi Sad by Serbian President Vucic, Albanian Prime Minister Rama and North-Macedonian Prime Minister Zaev, aiming to enable the free movement of people, goods, services and capital in the Western Balkans.<sup>301</sup> The initiative was supported by the former U.S. Special Envoy for the Western Balkans Richard Grenell. Meetings were held in November 2019 in Ohrid, North Macedonia, and in December 2019 in Tirana, Albania, discussing proposals to implement “the four freedoms” of the EU, and adopting the agreement for civil emergencies, known as the Durres Protocol.<sup>302</sup> Although in the White House Summit in Washington in September 2019, Kosovo agreed to take part in the Mini-Schengen, the new government refused to join the initiative, as well as Montenegro and Bosnia-Herzegovina. In November 2020 at an online summit, three leaders signed a Memorandum of Understanding enabling border crossing with ID cards, and providing free care for citizens in any of the three countries if they are infected by COVID-19.<sup>303</sup> At the Skopje Economic Forum on Regional Cooperation held on 29 June 2021, leaders of North Macedonia, Albania and Serbia unveiled a new name for what was known as Mini-Schengen, which will be officially called **the Open Balkan initiative**.<sup>304</sup> They signed one interstate Agreement and two Memorandum of understanding, deepening political and economic ties between three countries, enabling joint response to natural and other disasters, allowing citizens to work in one another’s countries and helping goods move without delays.<sup>305</sup> Next meeting was held in Belgrade on 4 November 2021, and the leaders signed a joint statement “The future of enlargement – a view from the region.”<sup>306</sup> The last summit was in Tirana, on 10 December 2021, which ended with signing several agreements on the free access to labour market, electronic identification, the lifting of non-tariff

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<sup>298</sup>Western Balkans Summit Poznan, Chairs Conclusions, <https://www.gov.pl/web/diplomacy/western-balkans-summit-poznan-chairs-conclusions>

<sup>299</sup> The movement of Western Balkans’ citizens inside the region continues to be challenging due to passport restrictions as in the case of travelling between Kosovo and Serbia, and visa regime between Bosnia-Herzegovina and Kosovo.

<sup>300</sup>Djukanovic, Dragan, Dasic, Marko, “Modeliranje regionalne saradnje na Balkanu nakon 1999.godine: evropska iskustva i njihova primena”(Modeling regional cooperation in the Balkans after 1999: European experiences and their application) in: *Medjunarodni problemi/International Problems*, Beograd, No. 4/2021. Vol. LXXIII, pp. 617–637.

<sup>301</sup> The President of the Republic of Serbia official page: <https://www.predsednik.rs/en/press-center/news/president-vucic-meets-the-prime-minister-of-the-republic-of-north-macedonia-and-the-prime-minister-of-the-republic-of-albania>

<sup>302</sup> Government of the Republic of North Macedonia: <https://vlada.mk/node/19500?ln=en-gb>

<sup>303</sup> European Western Balkans, “North Macedonia, Albania and Serbia signed a memorandum to fight coronavirus” November 9, 2020 at: <https://europeanwesternbalkans.com/2020/11/09/north-macedonia-albania-and-serbia-signed-a-memorandum-to-fight-coronavirus/>

<sup>304</sup> Government of the Republic of North Macedonia, *Joint Statement of the Leaders of Open Balkan*: <https://vlada.mk/node/26063?ln=en-gb>

<sup>305</sup> Ibid

<sup>306</sup> Government of the Republic of North Macedonia, *The future of enlargement – the view from the region*: <https://vlada.mk/node/26945?ln=en-gb>

barriers for business, collaboration in the field of food safety, among other things.<sup>307</sup> They had previously agreed to abolish customs controls as of 1 January 2023.<sup>308</sup> But going ahead without all six Western Balkan partners taking part might backfire and create new divisions in the region.

The Open Balkan initiative builds on an already achieved level of regional cooperation established with the implementation of **the Common Regional Market (CRM)**,<sup>309</sup> but offers a substantial contribution to further regional integration. CRM was endorsed by the leaders of WB6 at the Berlin Process Summit in Sofia on 10 November 2020.<sup>310</sup> It builds upon the achievements of the Regional Economic Area (REA), which had mixed results in implementation. Action Plan for CRM should be implemented by the end of 2024, in the areas of trade, investment, digital and industry and innovation.<sup>311</sup> At the Sofia Summit, **the Green Agenda for the Western Balkans** was also endorsed, which will be supported by the Economic and Investment Plan for the Western Balkans, previously adopted by the European Commission on 6 October 2020.<sup>312</sup>

## 6. Conclusion and recommendations

The EU is the most important and dominant trade partner of Serbia and trade potential for Serbian exports remains strong to this export destination. Other important partners are the neighbours grouped within CEFTA 2006. Trade with Višegrad-4 countries is significant and has become important after these countries joined the EU. CEFTA 2006 is a regional agreement on free trade at the level of free trade zone. But there are several initiatives that envisage deepening of the cooperation in the Western Balkans. Serbia has a free trade agreement with the EU, creating a free trade zone between the two, and it is on the path of EU integration.

These three latest regional initiatives — **Regional Economic Area (REA)**, **Open Balkan** and **Common Regional Market (CRM)** try to implement the “four freedoms” of the European Union, and to ensure the free flow of goods, services, investments, and skilled people without quotas, tariffs, or any other barriers. **None of them should become just a substitute for the lack of commitment of the EU**, an alternative to accession of all WB6, or a consolation prize. They should make the Western Balkans’ annoyance with the slow European integration process more bearable, particularly Albania and North Macedonia, which cannot start the accession negotiations, despite the several recommendations by European Commission.

Even with only three countries involved, the Open Balkan initiative brought the issue of regional cooperation back to the public discourse, since the CEFTA or the Berlin Process have

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<sup>307</sup> The Government of the Republic of Serbia: “Several agreements signed at Open Balkans Summit in Tirana”, at <https://www.srbija.gov.rs/vest/en/182854/several-agreements-signed-at-open-balkans-summit-in-tirana.php>

<sup>308</sup> European Western Balkans, “Rama, Zaev and Vucic sign multiple agreements at the Open Balkan summit in Albania”, at <https://europeanwesternbalkans.com/2021/12/21/rama-zaev-and-vucic-sign-multiple-agreements-at-the-open-balkan-summit-in-albania/>

<sup>309</sup> Privredna komora Srbije/Serbian Chamber of Commerce, “Western Balkans Leaders Declaration on Common Regional Market”, at <https://api.pks.rs/storage/assets/Western%20Balkans%20%20Leaders%20Declaration%20on%20Common%20Regional%20Market%202021-2024.pdf>

<sup>310</sup> European Commission: “Western Balkans Summit in Sofia: important steps taken to advance regional cooperation to boost socio-economic recovery and convergence with the EU”, at [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_2051](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2051)

<sup>311</sup> RCC, Common Regional Market Action Plan, 9 November 2020, at <https://www.rcc.int/docs/543/common-regional-market-actionplan>

<sup>312</sup> European Commission, *Guidelines for the Implementation of the Green Agenda for the Western Balkans*, 6 October 2020, at [https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/green\\_agenda\\_for\\_the\\_western\\_balkans\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/green_agenda_for_the_western_balkans_en.pdf)

never had the necessary attention. It remains opened to Kosovo, Montenegro and Bosnia-Herzegovina to join anytime soon, as the Western Balkans is a small region, roughly the size of Romania in terms of population and territory, with the GDP which equals the one of Slovakia, and it needs **no further fragmentation**.<sup>313</sup> Ultimately, regional economic integration initiatives can only provide part of the answer on the Western Balkans. The resolution of **open issues**, including the agreements on territorial questions, and the normalization of relations between all WB6, is key prerequisite to effective regional cooperation. Without political breakthroughs, no amount of regional cooperation initiatives can change the situation for the better.

Taking into account that **the “clear perspective” of EU membership** represents the strategic goal of Western Balkans, thus providing ground for the commitment of local political elites to the necessary reforms for a sincere transformation of the region, development of a comprehensive enlargement strategy with a roadmap to the EU membership, becomes the main priority. Genuine local ownership of the regional cooperation process, helping the region become self-sufficient, could be realized only if there is a speeding up of the Western Balkans’ association to the EU.

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