

KEY POINTS FROM THE WB6 CIF IMPULSE STATEMENT



Western Balkans Summit: Business Forum

30 June 2021 – online

KEY POINTS FROM THE IMPULSE STATEMENT DELIVERED BY MARKO ČADEŽ,
PRESIDENT OF THE MANAGING BOARD OF THE WB6 CIF

I - Brief overview of MAP REA/CRM AP (non) fulfilment

- The Berlin Process has succeeded in moving the Western Balkans 6 region into a good direction, especially concerning regional economic cooperation.
- From 2014 to 2020, regional GDP increased by 28.0% (**average annual growth of 4.2%**) including the 2020 decrease due to COVID. In absolute figures, the regional GDP amounted to EUR 98.6bn in 2020 (peaked at EUR 100,9bn in 2019) compared to EUR 77.0bn in 2014.
- GDP per capita in 2020 amounted to EUR 5.583 which is a 30.8% increase compared to the beginning of the observed period (EUR 4.267 in 2014). **This is still only 35.6% of the EU 27 average.**
- However, according to estimates by international financial institutions, **the Western Balkans is below its economic potential**, while regional foreign trade is still not satisfactorily integrated into the global value chain.
- **Actual GDP growth rate of WB6 economies and the region combined could be higher 1.5 to 2 percentage points** if the Western Balkans was fully integrated in terms of free movement of people, goods, services and capital.
- Last year we noted that the 3-year implementation of MAP REA has provided, unfortunately, less than the desired level of clear and tangible benefits for the businesses and people of the region. From the business perspective, one of the rare noted benefits of this document was the Roaming agreement.
- That is why the WB6 CIF was actively engaged in drafting of CRM AP. We advocated for concrete measures, fully in line with the needs and requests from the business communities of the region and based on EU 4 freedoms:
 - Free movement of goods (Mutual recognition of sanitary and phytosanitary documents for fruits and vegetables and veterinary certificates, Enhanced Border Crossing Point (BCP) Infrastructure, 24/7 working hours for all border agencies, extension of WB Green Corridors to EU..),
 - Free movement of services (Mutual recognition of professional qualifications, introduction of no permits system for intracompany WB6 transfer, mutual recognition qualified electronic signatures and other trust services..),
 - Free movement of people (Enabling mobility of students, scientists, and researchers, Mutual recognition of professional qualifications, Removal of visa requirements for tourists...) and
 - Free movement of capital (Harmonizing the approach towards the EU regulatory framework for financial market...).
- The effects of the full implementation of the four EU freedoms could reap even more benefits utilizing the potentials of nearshoring, as was concluded in the joint study WB6 CIF did with the Vienna Institute for Economic Studies (wiiw), with the support of DIHK and the KVP project (Getting stronger after COVID: Nearshoring potentials in the Western Balkans).

II – What is WB6 CIF working on?

- Some of our suggestions have been accepted in full, some only partially, some were not.
- WB business community has a high expectation regarding the progress in the implementation of the Common Regional Market Action Plan
- We note that the adopted CRM AP is an improvement when compared to MAP REA but is still vague, without clear responsibility lines, without sanctions if implementation fails ... thus making it hard to measure and hard to implement;
- We will be closely monitoring the implementation of the Common Regional Market Action Plan (CRM) hoping that we will see the first results this fall pending on the decisions we are yet to see signed.
- The progress will be measured through general Key Performance Indicators in key areas defined in the CRM.
- So far, we have established a core sample of 400 companies of different sizes and sectors, and conducted a short preliminary survey for this year's WB Summit, focusing on six overall indicators for the first key area (four freedoms).

Key takeaways from the preliminary survey:

1. *73% of interviewed companies face trading problems regarding non-tariff measures.*
2. *Top 3 Non-tariff barriers are: Rules of Origin, Technical Barriers to trade, and Export related measures.*
3. *76% of interviewed companies face problems regarding administration and procedures.*
4. *Majority of them report a lack of publicly available information, problems related to formalities connected with importation, exportation and transit, problems related to the release and clearance of goods and problems on fees and charges imposed on relation to trade, and penalties.*
5. *The companies raised the question of unique standards as an issue of most importance for the creation of a regional market.*
6. *Also noted is the problem of obtaining work permits for employees engaged on project realization in other countries of the region.*
7. *70% of interviewed companies are engaged in foreign trade and around 5% of companies are interested in trading but report barriers to trade.*

- In September we will conduct a detailed survey of companies using the sample we developed and building on the preliminary findings, with the first report published in the last week of October.
- Aside from the survey we are monitoring closely key issues with our Business Council.
- We have set a baseline for waiting times at the borders for all key border crossings. For example, the average waiting times in April were between **5** (Merdare border crossing) and **79** minutes (Bozaj border crossing):

APRIL		AVERAGE WAITING TIME - in minutes
AL-ME	Han i Hotit (Bozaj)	60
ME-AL	Bozaj (Han i Hotit)	79
AL-KO	Morinë - Vërmicë	58
KO-AL	Vërmicë - Morinë	62
	Qafë	
AL-NM	Thanë (Kjafasan)	27
	Kjafasan (Qafë	
NM-AL	Thanë)	49
BH-RS	Rača (Sremska rača)	17
RS-BH	Sremska Rača (Rača)	12
KO-NM	Hani I Elezit (Blace)	53
NM-KO	Blace (Hani I Elezit)	25
NM-RS	Tabanovce (Preševo)	48
RS-NM	Preševo (Tabanovce)	32
ME-RS	Dobrakovo (Gostun)	16
RS-ME	Gostun (Dobrakovo)	79
ME-BH	Ilino Brdo (Klobuk)	17
BH-ME	Klobuk (Ilino Brdo)	27
ME-KO	Kula (Kulla)	24
KO-ME	Kulla (Kula)	26
RS-KO	Merdare	5
KO-RS	Merdare	25

- The Green Lanes have helped lower waiting times within the WB, there is still work to be done **but these times are still very low compared to the waiting times our companies face at the WB-EU borders.**
- We keep measuring the highest waiting times at the following border crossing with EU member states:
 - Horgoš border crossing from Serbia to Hungary – 496 minutes (almost 8 1/2 hours)
 - Kelebija border crossing from Serbia to Hungary – 425 minute (7 hours).
 - Batrovci border crossing from Serbia to Croatia – 371 minutes

- Šid border crossing from Serbia to Croatia – 270 minutes
- Gradiška border crossing from B&H to Croatia – 97 minutes
- **We urge the EU and EU member states to help solve this recurring problem which affects WB and EU companies alike.** We support the joint CEFTA and TCT Secretariat proposal as a step in the right direction and urge the EU member states that border the region to join the pilot.
- We have been active in creating online tools that will help our companies' access new markets and join EU and global value chains.
- I would like to shortly present to you two online platforms we are developing: the Market Access platform whose main part is the Suppliers database; and the Market Intelligence platform.
- **The Market Access platform** has four modules that will bring companies together and help them to network: event management, B2B, supply chain and supply and demand module.
- The supply module will be open for companies from all sectors, they will be able to open their profile and join the WB supplier's database. The database will be online next week (market-access.wb6cif.eu) and all companies that wish can open their profile and join the first regional database of suppliers.
- We will, however, focus on specific sectors every year, find and inform all companies for said sector and call them to join the database. This year the focus is on the automotive, light manufacturing and agro food sectors.
- During 2021 more than 2000 WB6 companies, potential suppliers will be mapped in the focus sectors (light manufacturing, automotive industry, circular economy and agro-food) and included in the regional database. The mapping of the automotive industry is already underway (at this moment we have 300 full profiles from companies that want to join).
- Also, mapped WB6 companies will receive concrete technical assistance for digital transformation and access to finance, as well as the opportunity to participate in networking events and tailor-made trainings
- **The Market Intelligence platform** is developed with the goal to enhance competitiveness of WB companies by providing them with an online data visualization platform.
- The platform features country profiles showing economic complexity and trading information for each WB6 region country through over 1000 indicators grouped in the following domains:
 - Macroeconomics
 - Doing Business
 - Science; R&D
 - Foreign Trade
- The pilot version of this platform will be online in mid-September, and the full functionality of both platforms available in December.

III - In order for the CRM AP or any subsequent plan to yield results a shift in the regional economic integration paradigm is needed

- Establishing a common market in the Western Balkans 6 and progressively approximating the EU economic policies **goes much beyond the outlined CRM AP.**
- **We need a change in the paradigm if we are to see results**, both concerning the regional integration but also the integration of the WB into the EU single market.
- **Regional cooperation agenda needs to be a result of jointly recognized interests** of all regional stakeholders addressing the development priorities of each economy and putting them in the context of regional development with an aim to create globally competitive economic area. **Political will and commitment are prerequisites for any fruitful cooperation.**
- To accelerate the process of regional economic integration, **we call on the regional governments to show much more commitment and to transfer words into actions** and establish a dynamic and homogeneous integrated market, based on common rules and equal conditions of competition and equipped with the means necessary for its implementation.
- We need to build on synergies and not fight on similarities, thus in depth economic regionalism now more than ever needed as a tool to accelerate the sustainable growth, address the challenges related to energy production, storage and distribution based on climate neutral and/or low carbon emission technologies and further improve competitiveness of the region for nearshoring opportunities.
- This requires strengthening the legal and institutional framework to safeguard the homogeneity of rules and to achieve the free movement of goods, services, capital and persons, as well as to broaden cooperation in flanking and horizontal policies, such as investment, energy, environment, research and development, education policies.
- Compared to the free trade agreement (CEFTA) which currently exists between the WB6 countries as a binding international treaty, the establishment of a common regional market entails much deeper integration and requires a significant step forward in the regional integration by forging a closer and more structured association with the EU Single Market.
- It took EU 6 years to draft and implement a very complex Internal Market Project in 1992 compared to **already spent 7 years in integrating the market of WB6 without almost any success.**
- We therefore argue for a **coherent approach and coordinated action of the Berlin Process stakeholders to support reforms more effectively** and **assist the WB6 with know-how** (experts in writing treaties for EU Internal Market), **political support, and assistance in setting up the process** (needed structures to implement the treaties) that would result in the WB6 Common Market Agreement and its implementation all in line with EU standards and thus making the EU Inclusive Enlargement approach more realistic.

Therefore, WB6 CIF calls for:

- **Adoption of an effective legal framework agreement** with the aim to integrate the rules governing the free movement of goods, services, persons, and capital, and confirm the target date for completion of the internal market as per model of the Single European Act in the EU;
- **Strengthening intergovernmental cooperation and corresponding structure** for managing the implementation of the agreements (e.g. **WB6 Intergovernmental Council**) and to ensure the proper enforcement of the common market principles;
- **Setting up a more structured framework for cooperation between the EC and the WB6** to achieve the closest possible association with the EU Single Market (WB6 access to EU Single Market prior to full membership i.e. “Inclusive Enlargement”) and give a new dimension to a common European outlook with establishment of certain joint bodies to facilitate cooperation in areas covered by the Single Market.

In order to achieve the above, WB6 CIF calls on the Berlin Process stakeholders and the WB6 governments to:

- **Take a wide range of coherent and complementary measures to ensure continuous political commitment** and through that the responsibilities for further efficient implementation of CRM AP but also gradual agreement on policies and regulations that will enable Single Market in the WB6 as per the model of the EU Single Market.
- **Transfer full responsibility for the implementation of the Common Regional Market to the Intergovernmental Council**, i.e. the governments of the WB6 while the institutions such as CEFTA, RCC, Transport Community provide continuous, administrative, and expert support to the process;
- **Establish a supervising body providing a guarantee of credibility as an independent and efficient surveillance body with highly qualified staff** to ensure the application of the same set of rules and regulations in the WB6 (a role which mirrors the supervisory role the Commission has towards the EU Member States or the EFTA Surveillance Authority)
- **Provide technical support from the EU member states and the European Commission** in transferring experiences from the process of creating Single Market in EU (1992) and implementation of the European Economic Area (EEA)
- **Elaborate to details the implementation of the EU four freedoms principle** – free movement of goods, services, people, and capital – in the WB6 through adopting the policies, regulatory frameworks that will enable that these principles as per the model of the EU are fully and functionally implemented simultaneously in the whole WB6 with a clearly defined deadline (EU Single Market had been agreed and implemented in a total of 6 years);
- **Secure technical support for the implementation of the regulatory and technical norms** as a precondition for successful implementation of the Single Market in WB6 as per EU model like ACAA Agreements on Conformity Assessment and Acceptance of Industrial Products;
- **Ensure that the opening of the EU Single Market for the WB6 countries is preconditioned with clear and measurable indicators of adoption and implementation of the four freedoms principle by the WB6 Governments and the EU Commission (step by step Inclusive Enlargement for sectors that are fully in compliance with the EU norms and standards).**

IV – The above states is not only a prerequisite for a efficient regional integration but also for the effective implementation of the Green Agenda which is in the interest of both the EU and the Western Balkans

- We also stress the importance of enhanced cooperation in:
 - **Diversifying energy sources and routes** with viable projects that will enable maximum possible reliance on domestic resources of a clean and sustainable energy. We call on the Governments in the region to use the opportunity of the EU Green Agenda for the Western Balkans to invest in improvement of the energy connectivity and efficiency that will provide platform for the regional companies, educational and research centers to partner with the counterparts from the highly developed countries;
 - **Operationalising a decarbonisation** agenda across all relevant policies as it has been recognized as a key aspect of the fight against climate changes and environmental protection. We have recognized the importance and the potential of hydrogen as a fuel and medium for energy transfer and its preservation in the future. We urge establishing cooperation with *inter alia* the National Hydrogen Council of the Government of the Federal Republic of Germany to facilitate the exchange of experts, knowledge, and experiences of German institutes and companies for the development of innovative or pilot projects of CO₂ capture, utilisation, and storage. agreeing on the **common ground level of joint investment promotion** including agreements on antitrust laws, corporate taxation, and even minimum wages in order to prevent a race to the bottom.
- By signing the Sofia Declaration on the Green Agenda for the Western Balkans, on 10 November 2020, the countries of the region recognized the European Green Deal as the EU new growth strategy towards a modern, climate neutral, resource –efficient and competitive economy.
- One of the significant elements of the Declaration refers to the Economic and Investment Plan, which envisages EUR 9 billion for the period 2021–2027, for support to competitiveness and inclusive growth, sustainable connectivity and dual green and digital transition
- The Chamber of Commerce and Industry of Serbia (CCIS) actively follows the strategic topics regarding the energy through the National Association of Mining and Energy.
- The Environment Centre, and Centre for Circular Economy operate within CCIS, which actively monitor and are involved in the creation of legislative solutions, particularly from the aspect of the EU Green Agenda.
- Decarbonisation has been recognized as the key aspect of the fight against climate changes and environmental protection.
- We have recognized the importance of hydrogen as a fuel and medium for energy transfer and its preservation in the future.
- The Republic of Serbia adopted the Law on Climate Change on 23 March 2021.

- The Government of the Republic of Serbia, with the Ministry of Mining and Energy at the head, has started the activities on drafting a Strategy of Energy Development of the Republic of Serbia by 2040, with the projections by 2050.
- Through consultations with the Ministry of Mining and Energy, CCIS as a professional business organization has been entrusted with the task to organize the groups of local experts in hydrogen, with the aim to draft the segment of the Strategy of Energy regarding the strategy of use of hydrogen.
- By tracking the global trends, the Chamber of Commerce and Industry of Serbia has established a contact with the National Hydrogen Council of the Government of the Federal Republic of Germany.
- Upon successful presentation of the key elements of the Energy Strategy, with special emphasis on hydrogen, to the members of the CCIS Assembly, the activities on formalization of the part of the Strategy regarding the hydrogen have begun.
- It is necessary to ensure a support of the German Government in order to establish formal (project) cooperation with the National Hydrogen Council. This cooperation would be reflected in the exchange of experts, knowledge, and experiences of German institutes and companies, mentoring processes and the funding of the creation of the Hydrogen Strategy of the Republic of Serbia.
- It is necessary to establish a Hydrogen Council within the institutions of the Republic of Serbia, whether at the level of the Government of the Republic of Serbia or the Chamber of Commerce and Industry of Serbia (with the participation of businesses, relevant institutions, and experts).
- **Serbia is ready to harmonize the elements of its Hydrogen Strategy with other EU countries, as well as to give this strategy a regional dimension in cooperation with the WB6 CIF.**
- Many activities are ahead of us to solve the issues of municipal waste. The successful system is to burn that waste and turn it into energy (waste to energy project). Germany has extensive experience in it, as well as technologies, knowledge, funding methods, and the like. Currently, we are making one such power plant in Vinča in Serbia with partners from France and Japan.
- It would be very helpful for us to have the view and opinion of Germany on the matter regarding the development of innovative or pilot projects of CO₂ capture, utilisation, and storage. The International Energy Agency has recognized these projects as the key ones: “Carbon capture, utilisation and storage, or CCUS, is an important emissions reduction technology that can be applied across the energy system.”