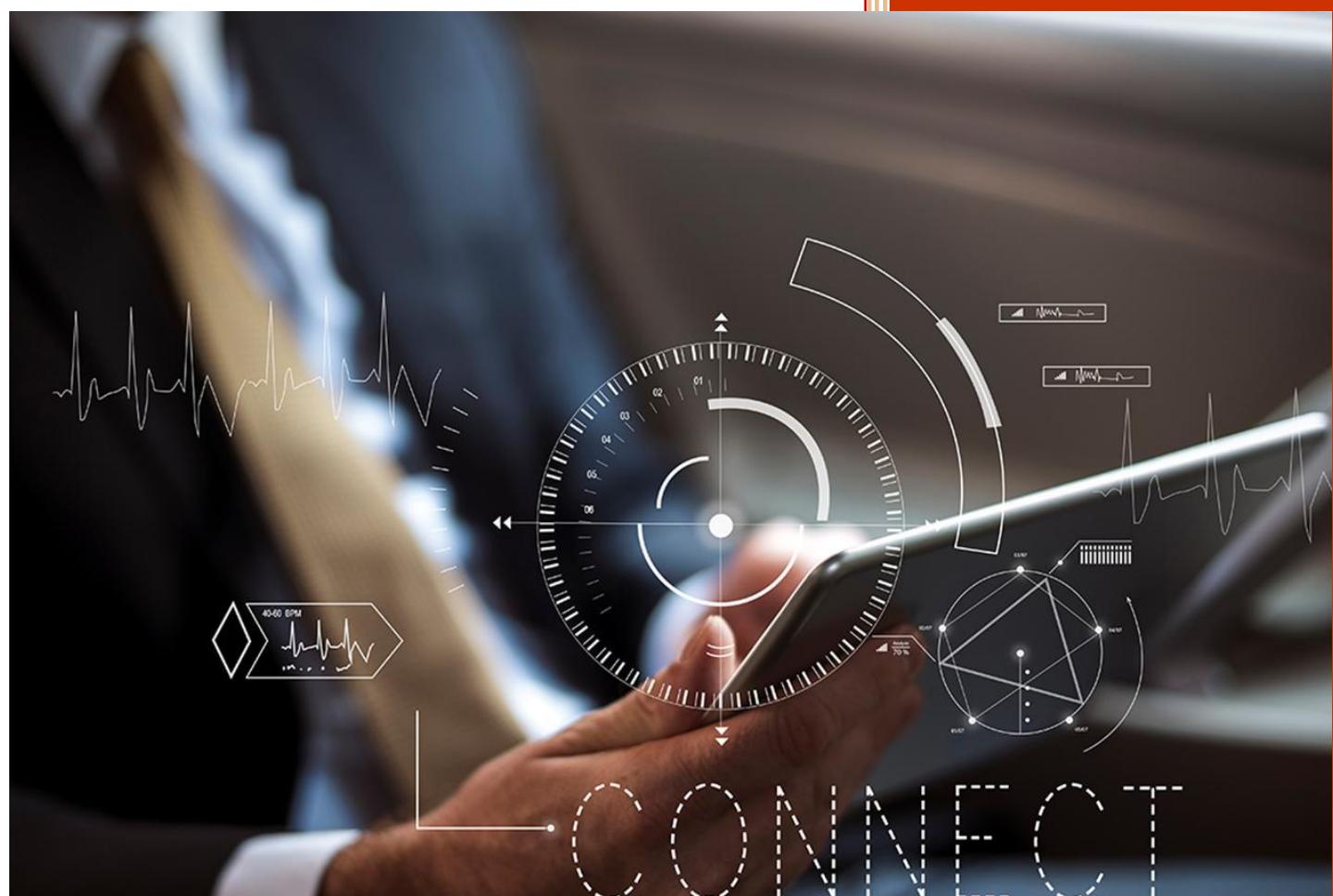




POSITION OF THE WB6 CIF ON THE BERLIN PROCESS OUTCOMES AND IMPLEMENTATION OF THE CRM AP



JUNE 2021

**POSITION OF THE WESTERN BALKANS 6 CHAMBER INVESTMENT FORUM
ON THE BERLIN PROCESS OUTCOMES AND IMPLEMENTATION OF THE CRM AP**

BERLIN SUMMIT, JULY 2021

Taking into account and being supportive of all the final declarations of the respective participants of the Berlin process aimed at creation of stronger and deeper economic integration in the WB, we are appealing to all stakeholders to ensure that the Berlin Process legacy is maintained, further developed, and implemented by the Western Balkans 6, with an intensive overview of the adopted benchmarks by the EU Commission, EU member states, and Germany in particular as its initiator. With the present position paper, WB6 CIF points towards a number of critical issues that need follow-up in the years to come.

WB6 CIF highly welcomes the commitment of the WB6 governments to advancing regional integration through implementation of the Common Regional Market Action Plan (CRM AP). However, the establishment of a common market in the Western Balkans 6 and progressively approximating the EU economic policies goes much beyond the outlined CRM AP as it only provides a plan to progress towards the common market but not the plan to complete the single integrated market free of restrictions on the movement of goods, services, capital, and persons.

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.

The proposed suggestions are primarily aimed at strengthening the legal and institutional framework in order to make the implementation of the common market more efficient and effective and to ensure consistent application of the rules.

Acknowledging the needs from the business communities of the region and also, the political urge to get the benefits from the EU accession process in the region, we advocate for a changed concept to regional economic integration. 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.

Legacy of the Berlin Process and Lessons Learned

- The Berlin Process was launched back in the summer of 2014, pledging the support of Germany and other founding members to *inter alia* the EU membership of the WB6 countries upon meeting the conditions of accession; intensifying regional cooperation and underlying a need to resolve all bilateral issues in a good neighbourly manner contributing to the regional stability; strengthening good governance by reinforcing independence of judiciary, guaranteeing and strengthening freedom of media and guaranteeing legal certainty and predictability, zero tolerance for corruption that are the prerequisites for sustainable economic development and growth for the benefit of all WB6 citizens . Since then, once a year the Berlin Process “members” convene to discuss regional economic integration and support to the WB6 from the EU countries;
- In 2017, the regional economic integration was penned down in a three-year plan (MAP REA) adopted by the Prime Ministers of WB6. Regional Cooperation Council was tasked with a role of a coordinator of MAP REA implementation with Governments being the real implementation responsible entities. CEFTA has been a supporting coordinator in the process. WB6 CIF supported the 3-year plan although clearly advocating for a more substantial plan that provides tangible benefits for companies in the region. WB6 CIF has been publishing position papers in the wake of the annual gatherings of the Berlin Process stating that there is no real progress in implementation of the MAP REA and providing arguments and ideas on what needs to be done;
- In 2019, political leaders of Serbia, Albania, and North Macedonia launched an initiative branded “mini Schengen” to push for more concrete cooperation to model the Schengen agreement in the EU zone. WB6 CIF supported the initiative as the interest of the business community is to ease the burden on companies for doing business in the region to make the region and its products and services more competitive on the global market;
- In 2020, the MAP REA was succeeded with CRM AP – a new 4-year action plan signed by Prime Ministers of WB6 in Sofia Summit (Nov 2020). WB6 CIF took an active role in providing inputs for the AP, organized discussions with the business community, and actively worked in merging the ideas of four freedoms (based on EU model-free movement of goods, services, people, and capital) from the “mini Schengen” initiative into the CRM AP. 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;
- For a more credible and transformative approach towards completion of the internal market there is a need to replace CRM AP with a wide-ranging legal act defining provisions for diverse areas covered by the Single Market and confirms the target date for completion of the internal market (e.g. Single European Act);
- Completion of the common market requires much more than a plan and approval of the Western Balkans leaders if it is to become a reality. Nor can the task be left to the national institutions alone. Therefore, the essential aim should be to set up an adequate intergovernmental mechanism for the accountability of the implementation of respective agreements;
- The so-far outputs of the Berlin Process have moved the Western Balkans 6 region into a good direction on the EU accession path through regional collaboration. However, it is evident that the Berlin Process in its current mission has been exhausted in its effort without any real effect in supporting the WB6 to economically integrate and thus ensure swifter joint accession to the EU. Responsibilities for that are on both sides;

- Therefore, we suggest the change in the paradigm that would enable creation of the real common regional market of the WB6 and its swifter alignment with the EU.

Priority Issues and Recommendations

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. 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, it 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.

Reaffirming the high priority attached to a harmonious development of the WB6, we have been urging the governments to take full responsibility for the implementation of the regional agenda and to establish **ministries for regional cooperation** in all the WB6 governments with a mandate to coordinate and drive this process in an organized and regular manner in behalf of their respective governments.

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 centres 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.

We need to build on synergies and not fight on similarities, thus in depth economic regionalism inspired by the Nordic model is 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.

In the light of the above-mentioned considerations, we underline the necessity of the changed approach to the regional integration with a view to addressing substantive issues and associated legal and institutional aspects. In this respect we are proposing the following measures:

- **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 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 that monitors compliance with European Economic Area (EEA) rules in Iceland, Liechtenstein, and Norway). The Authority should ensure that WB6 respect their obligations under the Agreement and can investigate possible infringements of the provisions, either on its own initiative or on the basis of complaints;
- 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) which benefits Norway and Iceland enjoy today (and significantly facilitated accession of Finland, Sweden, Austria in 1995). 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).

WB6 CIF's Role in Regional Economic Integration

Western Balkans 6 Chamber Investment Forum represents more than 350,000 business throughout the region. The WB6 CIF Permanent Secretariat, established during Trieste Summit, is the first instrument we have created to articulate the voice of our business community and deliver it to decision makers. Through its online investment platform www.investinsee.com launched in 2018 with the support of EBRD, WB6 CIF presents the region as one investment destination.

We are working closely with CEFTA, RCC, Transport Community and Governments of the region through our EU funded project to facilitate more public private dialogue and encourage more opportunities for regional SMEs to grow and act regional. We established the Business Advisory Council made of 16 most prominent companies from the region to provide real time inputs on the implementation of the regional economic area and advices on how challenges could be overcome. Through the Business Advisory Council private sector of the region will be directly engaged with the Head's of State/Government's chief of staffs, Sherpas and CEFTA contact points and the EU Commission on the progress in implementation of Common Regional Market and the Four Freedoms initiatives.

In addition, on the eve of the Berlin Summit we are launching the database within the Regional Supplier Development Program, with more than 2000 WB6 companies' potential suppliers being mapped during 2021. By the end of the year WB6 CIF Market access and Market intelligence databases will be fully completed, offering all necessary information for companies interested in entering new markets, joining regional supply chains and cooperating with potential partners from the region and abroad. WB6 CIF has also set up a clear KPI system (indicators with time frame of implementation) to measure the impact of the CRM AP implementation on businesses such as mutual recognition of trade documentations, quality and cross border documentation, movement of labour, regional infrastructure projects, non-tariff barriers removal, etc.