



Business Forum

**PHASING IN INTO THE SINGLE MARKET
AS A POTENTIAL FOR GROWTH FOR THE
WESTERN BALKANS**

Concept Paper

2023 marks the 30th anniversary of the creation of EU's single market, and the 3rd year of the implementation of the Common Regional Market Action Plan, aimed at paving the way to a deeper economic integration of the Western Balkans with the EU market.

Since its creation in 1993, the single market has helped to make everyday life easier for people and businesses, fueling jobs and growth across the EU, and being one of the EU's greatest achievements. Today, the single market continues to be the driving force for the EU to address new challenges – helping to find solutions to tackle climate change, build up a clean and secure energy supply, and support the digitalization of European economy. The single market is also the backbone of Europe's resilience, allowing it to emerge stronger from the COVID-19 pandemic and the current energy crisis by helping companies diversify their supply chains and find new business opportunities.

Regional economic integration in the Western Balkans has not been a self-standing process - full integration into the European Union is a shared strategic objective, and in the eyes of the regional business community, this implies that in the near future, economies in the region, along with rest of the European Union will be part of one big market, with free movement of goods, service, people and capital in its foundation.

At the time the Common Regional Market Action Plan was adopted back in November 2020, the political leaders have agreed that an enhanced market integration of WB6 could bring an additional 6.7% of GDP growth to the region, and expressed their strong conviction that the Common Regional Market agenda will generate new opportunities for the citizens and business communities from the region.¹

The COVID-19 pandemic, the energy crisis and the Russian war on Ukraine have adversely affected the regional economies – but at the same time, significant benefits, which would have aided Western Balkans business deal better with the challenges and make them more resilient during the crises, have been withdrawn from them with the halt in the implementation of the Common Regional Market, and the slow pace of the WB's EU integration processes leaving them outside of the EU Single Market.

According to the volume of the GDP, the total value of all products produced in 2021 in the Western Balkans amounted to EUR 113.0 billion, which represents the nominal increase of 14.0% in compared with the previous year. Despite of this, if we look at the EU average, Western Balkans is significantly behind the EU economies. The GVA of the Western Balkans economy accounted

¹ WESTERN BALKANS LEADERS DECLARATION ON COMMON REGIONAL MARKET - A catalyst for deeper regional economic integration and a stepping stone towards EU Single Market, [f3cc2257065067cd8e2abadf9d43281d.docx](https://www.wb6cif.eu/f3cc2257065067cd8e2abadf9d43281d.docx) ([live.com](https://www.wb6cif.eu/f3cc2257065067cd8e2abadf9d43281d.docx))

nearly 86.0% of the region's total GDP and the main drivers of Western Balkans economy by activities are manufacturing, construction and real estate activities.

When it comes to goods exports, the export from Western Balkans in 2021 reached EUR 40.0 billion, which completely exceeded the volume of exports from the pre-pandemic year 2019 (EUR 33.1 billion). Region's exports are significantly increase in 2021 (by 27.8%) and constitute only 35.4% of the region's total GDP.

On the other hand, Western Balkan's imports in 2021 reached a record EUR 63.0 billion, which is 55.7% of the total GDP, which means that Western Balkans can be rated as a region highly dependent on imported components, such as raw materials and repromaterials. In 2021, the main export products of Western Balkans economy were electrical machinery and equipment; machinery, mechanical appliances, nuclear reactor; iron and steel; chemical products, mineral fuels, furniture, plastic products etc. On the other hand, the main import products in the same year were mineral fuels; electrical machinery and equipment; machinery and mechanical appliances; plastic products; vehicles other than railway or tramway; pharmaceutical products etc.

Region's service sector has been developing rapidly in recent years, and in 2021, exports reached EUR 18.5 billion, which is slightly above the level of pre-pandemic exports. It can almost certainly be said that the pandemic slowed down the exports of this region in 2020, but in the last observed year total value of export surpassed his pre-pandemic level. Region's import of services slowed down slightly during 2020 and after continuous growth since 2014, in the last observed year, it recorded nearly the record value (EUR 11.4 billion).

Since the early 2000s regional business cooperation has been on the rise, especially after local economies entered the CEFTA agreement (2006). As the surveys conducted by the WB6 CIF Regional Center for Economic Analysis show², the business community has been clearly supporting the political initiatives aimed at creating the Common Regional Market in the Western Balkans based on the four EU economic freedoms: free movement of people, goods, services and capital. While supporting initiatives that bring the regional economies closer, the business community has been relatively critical concerning the progress of said initiatives. Business people require tangible and measurable results and have been calling for a more efficient implementation in line with the given time framework (by the end of 2024)³. The implementation of the Action Plan has been deemed as too slow by the business community, which is another message to the local governments to increase the efficiency of implementation of administrative measures and policies already declared by the top officials as a matter of mutual interest.

The regional business community is aware that the EU integration of the Western Balkans is a two-sided process. The local governments have declared full EU membership as the main political and economic goal, and they committed themselves to overcome the intra-regional political

² Monitoring the Implementation of the Common Regional Market Action Plan (2021-2024) - Key Business Insights on Priority Action Points, December 2022, [WB6-CIF-KPI-analysis-2022.pdf \(wb6cif.eu\)](http://WB6-CIF-KPI-analysis-2022.pdf(wb6cif.eu)).

³ For details, see Key Survey results within the key areas of the Common Regional Market, p.16-34, [WB6-CIF-KPI-analysis-2022.pdf \(wb6cif.eu\)](http://WB6-CIF-KPI-analysis-2022.pdf(wb6cif.eu)).

disputes and to harmonize internal legislative frameworks fully in line with European standards. However, that is a very long and uncertain process having in mind that local political interests sometimes are not in line with their economic interests. On the other hand, the EU reforms and revisions of enlargement policy is a very complex topic, since there is a lack of consensus between the existing EU member states. The fact that some countries had become EU members after the fast-track procedure prompted by geopolitical interests, is discouraging for the local public which is relatively tired of a prolonged, and in the last couple of years, almost stagnant process.

The regional initiative of creating a common market based on the four economic freedoms with the final intent to bring the region closer to the EU Single Market is meaningful as a temporary solution, but it should not be a substitution for the full EU membership of all six regional economies, and full integration of the region to the EU Single Market.

Having in mind that the region is on the path to EU integration and the fact that more than two thirds of regional trade is related to the European Union, plus that the majority of foreign direct investments are coming from the EU, the Western Balkans economies need more understanding from their European partners in order to go get a credibility boost regarding the EU-perspective, as well as additional efforts from the local decision makers to ensure fruitful intraregional cooperation as a prerequisite for further joint integration processes. The essence of the mentioned credibility is that the interpretation of undertaken measures by the local governments and the EU institutions, and their results, should not differ from the market reality and broader social environment, since it is individuals that participate in the market and are aware of the economic situation in the country.

The new Growth Plan for the Western Balkans, announced by the European Commission in June 2023 opens new perspectives for the region's economies, with the aim to bring the Western Balkans closer to the EU Single Market, based on the stated premise that it is no longer sufficient to simply wait for these countries to move closer to the Union; rather, the responsibility lies with the EU to actively bring them closer.

In order to present the main achievements and stepping stones towards EU Single Market, as well as to emphasize needs and recommendations from the Western Balkans business community to fully reap the growth potentials of the region, the Business Forum in Tirana on September 26th 2023 will bring together decision makers from the region, as well as participants in the Berlin process and representatives of companies giving new momentum to increasing regional cooperation and phasing in into the EU Single Market.