

# Position Paper

May 2018

## EC Communication on “A credible enlargement perspective for and enhanced EU engagement with the Western Balkans” COM (2018) 65

### EUROCHAMBRES and the Western Balkans Six Chamber Investment Forum:

- Remind that EU enlargement is about fostering peace, prosperity and reconciliation;
- Strongly support EU enlargement to the Western Balkans, convinced in its mutual economic benefits;
- Underline importance of strengthened credibility of the accession of the Western Balkans to the EU as a means to improve business environment by making it more predictable and investment friendly;
- Call upon the European Commission to enhance the dialogue with the business community with a view of maximizing positive economic impact of the enlargement ;
- Call upon the Commission, as well as current and future EU member states, to work more on leveraging results of enlargement process to promote cross-border trade and investment;
- Suggest practical measures to facilitate cross-border business operations;
- Remind of important and relevant capacities and track record of the Chambers of Commerce and Industry in supporting business community to prepare for enlargement in different areas: SME competitiveness, fight against corruption, regional cooperation, application of EU rules and standards, vocational education and training, access to finance, etc;

### About us

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over **20 million enterprises** in Europe – 98% of which are SMEs – through members in 44 countries and a European network of 1700 regional and local Chambers. All the Chambers in the Western Balkans are members of EUROCHAMBRES and EUROCHAMBRES has been actively engaged in the Western Balkans, Turkey and the EU neighbourhood for more than 15 years, mainly through concrete initiatives to enhance competitiveness in the region and strengthen the dialogue and mutual understanding between Western Balkans and EU businesses. As leading business representatives, Chambers have a legitimate and significant responsibility to assist enterprises in the economic integration process.

WESTERN BALKANS 6 CHAMBER INVESTMENT FORUM (WB6 CIF<sup>1</sup>) was created in the framework of the Berlin Process as a joint initiative of the chambers of commerce and industry of Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia. The WB6 CIF represents and supports around **200,000 businesses**, mostly small and medium-sized enterprises in its mission to contribute to 1) removing obstacles to economic regional cooperation, 2) ensuring sustainable economic development in the context of EU accession and 3) improving business and investment climate.

<sup>1</sup> WB6 CIF is a part of the wider chamber initiative for promotion of regional cooperation that also includes Croatia and Slovenia.

## A credible enlargement perspective means predictability, growth and jobs

Almost 15 years have passed since the Thessaloniki Summit where Heads of States and Governments of the European Union and of the Western Balkans declared that the future of the Western Balkans lies within the EU. Apart from Croatia, who joined the EU in 2013, the accession of the rest of the region has not progressed as expected.

**EUROCHAMBRES and the WB6 CIF have wholeheartedly welcomed the new positive momentum for EU accession of the Western Balkans** as laid down in the new EC strategy from February 2018. A credible enlargement perspective for the entire region is the right approach for ensuring peace, prosperity and reconciliation. Moreover, it gives renewed hope to the societies, as they carry out ambitious reforms and provides impetus to young people to stay engaged in their countries.

**Bringing closer the Western Balkans to the EU is one of EUROCHAMBRES' priorities and is at the core of the WB6 CIF activities.** We believe that the EU enlargement to the Western Balkans will enhance economic and trade relations and strengthen stability in the region to the mutual benefit of the EU and its future Member States. With its strengthened credibility, the process brings back a more stable and predictable business environment. The EC Strategy brought desired political impetus and advanced toolbox for its implementation. **To benefit from the implementation of the Strategy, we believe that the importance of clear perspective, instruments and institutions is essential. Otherwise, the Strategy may be reduced to a mere declaration of support.**

With full understanding that EU accession is a process based on merits of the candidates, **we don't see the 2025 perspective as a promise or a date set in stone, but a political ambition and a necessary input to businesses on how to respond effectively to anticipated changes.** This "target" provides certainty of upcoming changes in legal and policy environment as well as prospects of enhanced trade and investments. It also provides a benchmark to hold all decision makers accountable for their role in the process.

In order to generate more positive spill-overs to business and investment environment, it is important to involve intermediary organisations, such as Chambers, in drawing up economic reform programs, as well as joint conclusions with specific recommendations for each country in the region. The candidate countries need stronger incentives for conducting systematic reforms and closer regional cooperation to result in fulfilment of the criteria for EU membership. EUROCHAMBRES and WB6 CIF offer their capacities for stronger engagement of the business community in policy making on the European and regional level.

## Economic development and enhanced competitiveness are key in the enlargement process

**EUROCHAMBRES and WB6 CIF welcome the priority given to economic development and enhanced competitiveness in the EC Strategy.**

While benefits of EU economic integration are significant, so far they have been downplayed by the global economic and financial crisis. Sharp decline in investment and trade flows in post-2008 has played important role in overall economic downturn in the region, interrupting the pace of the reforms and harmonization efforts of the EU candidates. As a consequence, support for EU enlargement has dropped and process has underperformed.

We strongly support the proposed six areas of priorities and believe that economic benefits of the enlargement can be boosted, provided the **Strategy's six initiatives are implemented** comprehensively and with good will from all sides and we recognize potential of each of them to generate positive impact on businesses:

- All Western Balkan economies are struggling with grey economy and corruption and they need strong *rule of law agenda*. The CCIs play a significant role in the fight against corruption in particular in raising awareness on the impact of corruption and equipping businesses with preventive tool<sup>2</sup>.
- Stronger *cooperation in security and migration matters* will yield in lower systematic risk of the region. CCIs can play an active role in the integration of the refugees in the labour market, as both business representatives and, in some countries, providers of vocational education and training<sup>3</sup>.
- Constructive approach in addressing *bilateral disputes* should open more opportunities for regional economic cooperation. In this context, the Chambers contributed to good neighbourly relations in the region, in facilitating the on-going dialogue between the Chamber of Commerce and Industry of Serbia and the Chamber of Commerce of Kosovo, facilitated and supported by EUROCHAMBRES<sup>4</sup>.
- Stronger *Connectivity Agenda* will essentially decrease transactional costs and further strengthen the regions competitiveness.
- The key opportunities, as seen by business community, are recognized in *the socio-economic and digital initiatives*. **Extending the scope and boosting Western Balkans Investment Framework**, and in particular its measures for private sector development, will provide so much needed fuel for growth. **Access to finance mechanisms should be further developed** to mirror the ones available in the Member States, both on demand and supply side. Support measures should go beyond targeting the business niches with high growth potential, to **include “average SMEs”**. This should include **support for innovation, digitalization and compliance to EU rules and standards**. Activities targeting **vocational training should provide support** to development of the work-based learning and dual systems based on the EU best practices.

## Economic benefits from EU enlargement should be enhanced and made more visible

**EUROCHAMBRES and the WB6 CIF welcome that the new EC strategy highlights the importance of the role of the civil society in the enlargement process.** The accession negotiations are in the hands of the policy-makers, however the relationship between the EU and the candidates is a matter for each and every citizen, including businesspeople. **The role of the CCIs, as key business representatives and business support organizations, is to bring the voice of the business to decision makers and provide services to SMEs to maximize benefits of the enlargement process.**

### ***Inclusive enlargement***

Enlargement process entails regulatory, policy and institutional convergence which **offer opportunities for minimizing or removing barriers to cross-border economic activities**. This can create impetus for boosting trade and investments between EU and the Western Balkans and help fostering the regional integration in the Western Balkans.

Policy approach based on the idea to use the policy and legal convergence embedded in the EU accession process to create concrete benefits for businesses and their employees is dubbed **inclusive enlargement**. It requires a mind setup in which the Western Balkan economies are seen as future links of united EU economy, instead of mere trading partners. It also suggests strong cooperation with the business community in identifying where and how it can be applied to produce the best economic and social results.

<sup>2</sup> A project led by the CCI Italy in which EUROCHAMBRES and the CCI Serbia participated, the ACTS project (Anti-Corruption Toolkit for SMEs) co-funded by the Internal Security Fund of the European Commission developed a tool to help SMEs to evaluate the areas where there is a risk of corruption and to support SMEs in mitigating that risk.

<sup>3</sup> EUROCHAMBRES has been promoting a comprehensive multi-stakeholder approach to integrate the refugees in the labour market, the so-called ERIAS initiative - European Refugees Integration Action Scheme

<sup>4</sup> This initiative has brought upon number of benefits for businesses, facilitating trade and investments between the two economies. WB6 CIF has been created, based on the initiative of the CCI Serbia and CCI Kosovo, so as to leverage up this success to the level of the entire region.

Given that the key principle of the accession negotiations is “nothing is done, until everything is done”, many barriers and costs related to cross border business persist until the day of accession, although the conditions for their removal have been met before. The negotiating parties should be able, if deemed in mutual interest, to use these achievements and transform them in concrete benefits for businesses and citizens. The Commission’s proposal to use Mutual Recognition Agreements is a good example of this approach in practice. However, other, more innovative mechanisms could be explored, on case by case basis to accommodate different challenges. In addition, vigorous implementation of the “think small first principle” should help improving the overall economic governance in the Western Balkan region and bring concrete benefits to small and medium sized enterprises in the EU and its future member States.

Inclusive enlargement would also suggest strengthening business support mechanisms, in line with practices in the Member States. **This entails more ambitious evolution of the pre-accession funds towards volumes and mechanisms envisaged in the framework of the European Structural and Investment Funds and the European Fund for Strategic Investments.** In order to boost the benefits from participation in the EU programmes and policies more technical and peer-to-peer support should be provided. The focus ought to be put on horizontal measures supporting competitiveness (e.g. digitalization, innovation, etc) and EU rules compliance (e.g. environmental and consumer protection, sector based requirements). This will strengthen competitiveness and facilitate the region’s sustainable EU accession. The EU Chambers have developed instruments to help SMEs to comply with relevant EU rules, which could be transferred to the Western Balkan Chambers.

**EUROCHAMBRES and the WB6 CIF support the EC proposal to include Western Balkans partners in different EU technical committees and Commission working groups,** in particular dealing with economic, financial and standardisation matters.

Final goal of inclusive enlargement is minimizing trade and investment diversion caused by currently different levels of economic integration in Europe. It can be a powerful tool to facilitate and promote the economic integration of the Western Balkans under the EU framework. The same logic can be applied in the context of Regional Economic Area to promote regional economic integration.

#### ***Platform for permanent business dialogue***

**EUROCHAMBRES and the WB6 CIF propose the establishment of a platform for continuous dialogue between the decision makers, both in the EU and the Western Balkans, and business community.** The platform should aim at identifying problems businesses face either in cross-border activity or in application of EU regulation and policies and suggest concrete solutions. The platform would also generate recommendations and provide valuable input to different EU policies and foster integration of the Western Balkans in EU policy-making.

This bottom-up approach will contribute to increased transparency of the enlargement process and make the businesses more informed of its real impact. Direct engagement of the business community from the Western Balkans in the dialogue on topics related to different EU policies will also contribute to improving its capacity not only to adapt to the EU policy framework, but also to meaningfully contribute to it.

#### ***Suggestions for application of inclusive enlargement on already identified issues***

**The business community has already identified number of issues to be taken into consideration.** These are barriers, costs and/or opportunities related to either cross-border activities or market access. Application of the inclusive enlargement principle could provide a way to either remove barriers or tap into opportunities.

In doing cross-border business, there are number of barriers and costs which are inherent to differences in the regulatory and policy frameworks. In the context of the EU enlargement process, they should be reduced or avoided. The EU and its candidates should not wait for full membership in the Single Market to remove market related barriers, if the regulatory requirements are met. The following paragraphs offer a number of examples:

- Sustainable limitation of roaming charges can provide boost to **cross-border communication**. This is particularly important for SMEs who are part of the European value chains, as it allows easier and cheaper communication with their partners. However, roaming free system within the Western Balkans and between the Western Balkans and the EU should be introduced at such pace to enable sustainable functioning of the telecom market. In line with EU experience it should be based on principle of gradual adaption, shared responsibility of all players in the market and respectful of the annual life cycles of the market.
- Application of **electronic identity in cross-border transactions** can lower the cost of trade and investments. Cross-border recognition of electronic identity should be applied as soon as the regulatory requirements are met by the EU candidates. This will enable effective use of e-invoices and other electronic formats of transaction documents, which will reduce the costs of cross-border business.
- **Customs formalities** should be further facilitated based on customs regulation convergence. Handling customs requirements requires time, financial and human resources. They can disturb the flow in cross-border value chains. This is why it is of great importance to step up administrative cooperation at the level of customs authorities in order to provide smooth border crossing. The example of good practice would be the application of the New Computerized Transit System in the Western Balkans. However, companies report disturbances in executing customs formalities, for different reasons, such as *different interpretation of the harmonized customs rules*, e.g. Combined Nomenclature. The same principle should be valid also for *mechanisms facilitating and simplifying application of customs rules*, such as mutual recognition of Authorized Economic Operators and integration of IT systems and electronic exchange of documents.
- **Transport** conditions play a significant role in trade integration and cross-border business cooperation. This is why recent developments that resulted in the Connectivity Agenda and Transport Community are an important step forward. However, transport industry still face certain limitations. One of such barriers is related to **visa-free stay of professional drivers from the Western Balkans in the EU (Schengen)**. This creates a significant financial burden not only to the transport sector but all actors who are parts of EU value chains.
- Existing market access arrangements can be obstructed and delayed by inefficient implementation mechanisms. Businesses report problems in exercising their market access rights in the EU, due to **lengthy and burdensome procedures**. In order to further facilitate the delivery of services from candidate country service providers, it is necessary to foster the gradual alignment of the education systems and the quality of professional training in the Western Balkans through knowhow transfer and capacity building measures. In addition, once the requirements are met administrative procedures should be facilitated.
- The question of **extended market access** itself is strongly connected to harmonization of relevant legislation and institutional set-up for its implementation. Chambers suggest a mechanism in which the market access could be granted upon the agreement of the both sides, EU and the EU candidate, when the necessary requirements related to legislation, policy and/or institutions are met. This system should not be based on existing and time-consuming instruments, as envisaged for regular trading partners from third countries, but should be “fast-tracked” taking into consideration the achievements made in the accession process, regularly monitored by the EU in the context of the accession negotiations or the implementation of the Stabilization and Association Agreements. This is of particular importance for sectorial regulation for industrial products.
- Finally, in order to address unemployment and skills mismatch, the Chambers support a better **skills forecasting** to ensure that the skills of the students and workforce correspond to the skills needed in the labour market as well as **the strengthening of Vocational Education and Training (VET)** and, in particular of work-based learning which has helped in addressing successfully youth unemployment in some EU Member States. Chambers in the EU play a key role in VET. As business representatives, they can facilitate the participation of SMEs in apprenticeships schemes through the different services they propose to their members. In many countries they are also involved in the shaping and delivery of VET. Based on this experience in the EU, we proposed to increase the capacity of the Chambers in the Western Balkans so that they can effectively contribute to develop and upgrade the skills needed in the labour market, thus reducing unemployment in the region.

**Further information:** Ms. Juliette Loppé, Tel +32 2 282 08 87, [loppe@eurochambres.eu](mailto:loppe@eurochambres.eu); Mr. Zdravko Ilic, tel +32 488 033 456, [brussels@pks.rs](mailto:brussels@pks.rs)

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WESTERN BALKANS SIX CHAMBER INVESTMENT FORUM

Piazza della Borsa 14, 34121 Trieste, Italy

Tel +39 040 6701325 • [info@wb6cif.eu](mailto:info@wb6cif.eu) • [www.wb6cif.eu](http://www.wb6cif.eu)

ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY

Chamber House, Avenue des Arts, 19 A/D • B - 1000 Brussels • Belgium

• Tel +32 2 282 08 50 • Fax +32 2 230 00 38 • [eurochambres@eurochambres.eu](mailto:eurochambres@eurochambres.eu) • [www.eurochambres.eu](http://www.eurochambres.eu)