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# ONE YEAR FROM THE CONCEPTUALIZATION OF THE REGIONAL ECONOMIC AREA TO ITS IMPLEMENTATION

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## BACKGROUND: HOW REGIONAL ECONOMIC AREA WAS BORN & THE LINKAGE WITH CONNECTIVITY AGENDA

Regional Economic Area (REA) was launched during the Trieste Summit in 2017, in the frame of the Berlin process (BP). Since the beginning, it proved to be the most dynamic regional initiative, bringing together 6 key EU member states and 6 candidate and potential candidate countries from the Western Balkans (WB6)<sup>1</sup>, by offering a new impulse to the EU enlargement perspective of the whole region. Five high-level diplomatic summits organized under the BP turned out to be an effective mechanism to keep the rhythm of WB6 enlargement path, ensuring tangible outcomes which support WB6 to comply with EU standards.

The main goal of the BP has been the integration of WB6 countries among each other as well as with the EU through the development of a **Connectivity Agenda (CA)**. It consists of complex transport, energy infrastructure projects and investments to bond the WB6 to the core European transport network<sup>2</sup>. Elements of

connectivity and regional cooperation have always been present in Enlargement strategies (ES) as they constitute the ground of the Stabilisation and Association Process (SAP). A particular attention was dedicated especially in the [ES 2018](#), when REA literally appeared. The past has proved that European Commission (EC) has repeatedly demonstrated its support for regionally-owned and -driven structures and initiatives<sup>3</sup>. But the added value of the BP consists that both connectivity and regional cooperation moved up in the strategic importance scale, from instruments at the service of Copenhagen Criteria or Thessaloniki agenda goals, to goals *per se*<sup>4</sup>. Basically, as mentioned in the last ES of 2018, connectivity and regional cooperation has become *de facto* the prerequisite for EU accession.

The commitment undertaken by WB6 under the BP primarily refers not only to the physical connectivity, but mostly to the component of human connectivity. This kind

<sup>1</sup> The 6 key EU Member States are: Austria, France, Germany, Italy, Croatia, Slovenia and the WB6 are: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia.

<sup>2</sup> Krisela Hackaj & Gentiola Madhi, "[How 'Berlin Process' will affect Albania's economic position?](#)", January 2016, p. 6.

<sup>3</sup> As regionally-owned and driven structures and initiatives we can mention for instance: South-East European Cooperation Process (SEEC), South East Europe (SEE) 2020 strategy, Regional Cooperation Council (RCC), Central European Free Trade Agreement (CETFA), Regional School of Public Administration (ReSPA), etc.

<sup>4</sup> Cooperation and Development Institute, Report "[Berlin Process Series](#)" Berlin Process/3/2018, February 2018, p. 16.

of connectivity is as important as the other one, because it is of strategic value for both EU and WB6 – keeping in mind also the improvement of neighbourhood relations in the region. Starting from the first summit, human connectivity – represented by mobility of youths, professionals, academics, and researchers – become permanent topic of WB6 summits discussions.

The role of connectivity as a driver for growth is being acknowledged by the EU via continuous financial support as well as WB6, transforming the CA in one of their highest priorities, with a special emphasis on the preparation and financing of concrete regional infrastructure projects. Translated in financial features the [total cost of the co-financing connectivity projects approved at the Trieste Summit](#) amounted to €535,8 million, of which €194.1 million were EU grants<sup>5</sup>. While for 2018, the total cost of the co-financing connectivity projects amounts to €1034,5 million, out of which €190.2 million will be EU grants<sup>6</sup>. These examples illustrate the EU univocal support in further promoting regional connectivity.

It is important to underline that the BP relies upon existing financing programmes such as Western Balkans Investments Fund (WBIF)<sup>7</sup> to support regional initiatives that enhance connectivity. Since 2009, WBIF provides technical assistance and finance support (via EU funds and/or International Financial Institutions (IFI)' loans) for strategic investments in WB6. The [statistics indicates that WBIF](#) has become a major source of finance in the region, with a total contribution of €180 million through 33 grants in 2017<sup>8</sup>. Transport, energy and environment received biggest number of

grants/projects<sup>9</sup> followed by social and private sectors.

The regional connectivity feature got a boost in the [EBRD supported WB Investment Summit](#), in February 2014. [This summit](#) delivered significant impulse, in terms of not only presenting the region as a whole investment destination, but also in transmitting strong political messages about the maturity and stability of the region<sup>10</sup>. As the forerunner of the Berlin Summit, this event paved the way towards attracting much needed foreign investments and making the regional integration a priority of the EU enlargement agenda.

### WESTERN BALKANS SUMMITS & THE WAY FORWARD REGIONAL ECONOMIC AREA

The first WB6 Summit was called by the Chancellor Merkel in August 2014 in Berlin. It set the general framework based on which the BP will operate and the discussion was mainly focused on the political commitment and institutional cooperation in WB6<sup>11</sup>. Regional cooperation, good governance and economic growth were some of the topics included the summit's agenda.

The second WB summit organized in 2015, in Vienna put a spotlight on the [Solution of Bilateral Disputes](#)<sup>12</sup> between the WB6 countries. Based on the [summit final declaration](#)<sup>13</sup>, it comes out that CA is strictly linked to *economic governance* and the *National Economic Reform Programmes (NERPs)*, implementation of which is a key factors for ensuring a sustainable growth for the region. Boosting investment in the region, through the establishment of

<sup>5</sup> Connectivity Agenda: Co-financing of Investment Projects in the Western Balkans in 2017.

<sup>6</sup> [Connectivity Agenda: Co-financing of Investment Projects in the Western Balkans in 2018](#)

<sup>7</sup> Krisela Hackaj & Gentiola Madhi, "How 'Berlin Process' will affect Albania's economic position? ", January 2016, p. 7.

<sup>8</sup> WBIF 2017 Annual Report, p.4.

<sup>9</sup> *Ibid.* p.6.

<sup>10</sup> "Western Balkans investment forum at the EBRD" 11 February 2014, retrieved 24 January 2018.

<sup>11</sup> Final Declaration by the Chair of the Conference on the Western Balkans, 28 August 2018.

<sup>12</sup> Vienna Western Balkans Summit 2015, Annex 3, Regional Cooperation and the Solution of Bilateral Disputes.

<sup>13</sup> Final Declaration by the Chair of the Vienna Western Balkans Summit, 27 August 2015.

Chamber of Investment Forums (CIF)<sup>14</sup> was one of the main issues discussed in the summit.

It was only in Paris Summit, in 2016, that regional cooperation got its first achievement with the establishment of Regional Youth Cooperation Office (RYCO). Currently, it is considered as one of the most successful accomplishments promoting youth mobility in the region and fostering human connectivity.

In the fourth WB Summit, organized in Trieste in 2017, a unanimously reaffirmation of the EU perspective for the WB6 was delivered. Special focus was placed in the regional integration through the REA Multi-Annual Action Plan (MAP), connectivity, establishment of [Transport Community](#)<sup>15</sup> and the [Joint Declaration](#) against Corruption. Private sector and SMEs development, digitalization of economic processes and connectivity of regional markets<sup>16</sup> - essential for job creation and growth - were literally mentioned in the Final Declaration of the Paris WB Summit underlining the importance of strengthening economic ties between the WB6 in terms of attracting foreign investments.

[The London Summit](#), organized on July 10<sup>th</sup> 2018 was mainly focus on *politically, economically and security-wise cooperation*<sup>17</sup>. To support these objectives the [EC is putting forward a new guarantee instrument that will be launched in early 2019](#)<sup>18</sup> under the WBIF. With an initial EU

commitment of up to €150 million in 2019-2020, the guarantee will aim to leverage up to €1 billion in investments into sustainable socio-economic development and regional integration<sup>19</sup>. [The outcomes of the London Summit – three Joint declarations](#) on (i) Regional Cooperation and Good Neighbourly Relations, (ii) Missing Persons, (iii) War Crimes<sup>20</sup> - reconfirmed the importance that human connectivity has for regional reconciliation and cooperation. The [next summit will be hosted by Poland in 2019](#)<sup>21</sup>, and till there the main goal is to reinforce the relations between the countries via infrastructural projects, economic cooperation as well as youth exchanges.

Overall, in the context of the BP, the crucial ingredient for the success of the regional cooperation is related to the strong political backing and ownership of the region in terms of shared common vision for the WB6 development and proactive role in initiating joint mechanisms and platforms. In this view, leadership and ownership of the WB countries, combined with the EU and Member States support, remain a prerequisite for yielding further success.

Literally introduced in the Trieste Summit, REA is put into operation through the instrument of MAP, as will be further elaborated, aiming to enable unobstructed flow of goods, services, capital and highly skilled labour; making the region more attractive for investment and trade; accelerating convergence with the EU thus bringing prosperity to WB citizens.

<sup>14</sup> CIF is a permanent regional platform assembling WB8 chambers of commerce (WB6+Slovenia and Croatia) under the auspices and support of Austria and Germany chamber of commerce and industry

<sup>15</sup> Treaty establishing the Transport Community, Official Journal of the European Union, 27.10.2017.

<sup>16</sup> Final Declaration by the Chair of the Paris Western Balkans Summit, 4 July 2016, pg. 5

<sup>17</sup> British Foreign Office - About the Western Balkans Summit.

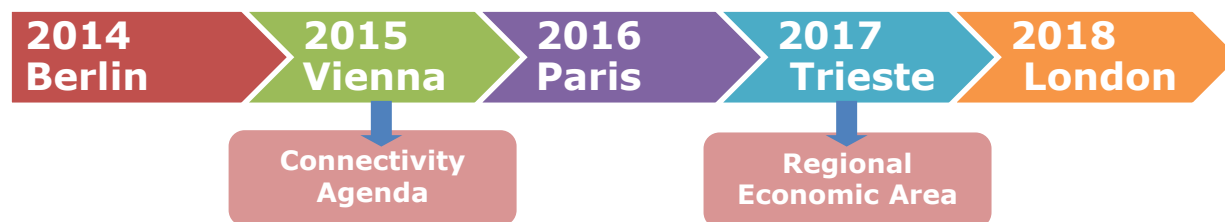
<sup>18</sup> European Commission, Press release "Western Balkans Summit in London – building stronger links within the region and with the EU", London, 10 July 2018.

<sup>19</sup> *Ibid.*

<sup>20</sup> Joint Declarations on Regional Cooperation and Good Neighbourly Relations signed at the Leaders Meeting in London.

<sup>21</sup> Chair's Conclusions of the Heads' meeting of the London Western Balkans Summit, 10 July 2018.

Figure 1: Chronological Calendar of Western Balkans Summits under BP



### WHAT IS REA AND ITS IMPORTANCE IN THE LIGHT OF EU ACCESSION

REA has been developed upon the request of the WB Six Prime Ministers to prepare a “...[proposal for a joint approach to furthering economic cooperation in the Western Balkans](#)”<sup>22</sup>. As such, the ownership on developing this economic area fully belongs to the WB6, which have noticed so far the benefits of regional cooperation initiated by the EU flagship policy in transport and energy infrastructure.

Currently, the WB countries are at an important momentum. While the previous decade had brought the region’s per capita GDP almost 8.5% closer to the EU average, this convergence has since halted to a standstill, narrowing the gap by only 1% in the first half of this decade<sup>23</sup>. Although WB6 have undertaken some efforts to address internal structural weaknesses, still they are not sufficient<sup>24</sup>, highlighting the need for setting up a framework for development of a common regional trade where barriers are removed. This is where the transformative power of REA stands. It helps the BW6 economies to strength the ties between them by transforming six small and weak

economies into one common regional market.

REA is in full compliance with all the commitments that the WB countries have taken under CEFTA Protocols and it helps in their implementation. As such, all the CEFTA measures are reflected in the economic dimension of REA Multi Annual Action Plan, represented by trade and investment pillars, described below. In addition to trade and investment, [REA MAP](#) is based also in mobility and digital components<sup>25</sup>. It is important to understand that REA is not only about the creation of a common regional market. More than that, REA aims at eliminating social barriers in terms of mobility of professionals, youths, skills and innovation. There is the social dimension that gives added credits to REA in comparison with CEFTA, which is explicitly an economic agreement.

It is worth mentioning that REA is not an alternative to EU integration<sup>26</sup>. Instead, by establishing a common regional market where trade and social barriers are pulled down, REA is contributing towards a progressive deepening of the socio-economic integration of WB6 within the region and with the EU. In this context, REA should be rightly considered as an important milestone for the preparation of WB6 EU accession.

Currently, the speed of EU accession process of WB countries has been relatively

<sup>22</sup> Statement from the WB6 Prime Ministers Meeting, Sarajevo, March 16, 2017.

<sup>23</sup> [Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six](#), 6 July 2017.

<sup>24</sup> “None of the WB6 countries is yet considered to be a functioning market economy”, European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, [EU Enlargement Strategy](#), COM(2018) 65 final, Strasbourg, 6.2.2018, p. 3.

<sup>25</sup> Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six, 6 July 2017.

<sup>26</sup> European Commission – [Fact Sheet](#), Brussels, 12 July 2017.

slow. Despite Serbia and Montenegro, identified as countries for a possible membership in 2025<sup>27</sup>, for other countries such perspective seems to be far away. In this context, REA will accelerate the economic development and EU accession process of WB6 by supporting their efforts in terms of harmonizing and complying with the EU standards.

Despite the willingness of WB6 to cooperate and move forward with the creation of REA, it is essential that EU supports and facilitates MAP implementation through currently available EU instruments/programmes as well as potential new ones. The goal - a shared future within EU - will involve more closely the WB6 in the strategic decision making, especially in the context of the new Multi-Annual Financial Framework of the EU. After all, EU already is aware of the fact that a strong and connected region is a prerequisite for a strong Europe.

In this regard, WB6 economies consider REA as a springboard towards EU membership and a milestone in meeting the Copenhagen economic criteria<sup>28</sup>. Indeed, it turns out to reconfirm the core fundamentals of the EU itself, relying first of all in an economic cooperation. More than a political declaration, REA is a tangible initiative that through untapped actions, like the setting of a single regional market, avoiding social barriers, mutual recognition agreements of professional qualifications and removing obstacles to mobility of students, brings the WB6 closer to the EU accession.

More concretely, the MAP - instrument materializing in practice REA - relied upon four key components:

- **Trade** - aims to create a regional economic area on the basis of the EU compliance to support efforts to attract more investment, reduce the cost of the trade transaction and eliminate market access barriers in order to optimize the cost of production. Its objective is to transform the region into an **area where goods, services, investments, and skilled people move freely without tariffs, quotas or other unnecessary barriers** aiming at recognition of all border documents, procedures, and programmes related to trade.
- **Investment** - consists in promoting the region as a **unique investment destination**. This includes exchanges of information and best practices on investment policies and identifies policies that could be harmonised for all WB6 countries with the aim of attracting more foreign investment in the region. The objective of this component is to stimulate private sector development in order to maximise the benefit of the REA to the local economies, thereby fostering the integration of companies from the region in international value chains.
- **Mobility** - aims to remove obstacles to mobility of skilled people and professionals, through regional mutual recognition agreements of professional qualifications and removing obstacles to mobility of students, researchers and academics. The Mobility Agenda should be underpinned by enhanced collaboration between science and industry, including technology transfer and start up creation, platforms for the education of young scientists and engineers etc.
- **Digital Integration** - consists in transforming the way of doing business. The WB6 Digital Agenda aims to facilitate the integration of regional economies in the European digital single market. DA covers roaming and development of

<sup>27</sup> [‘The hurdle race’ to Eu Membership: Is Albania a laggard and why?](#) Eu Policy Hub, pg. 12.

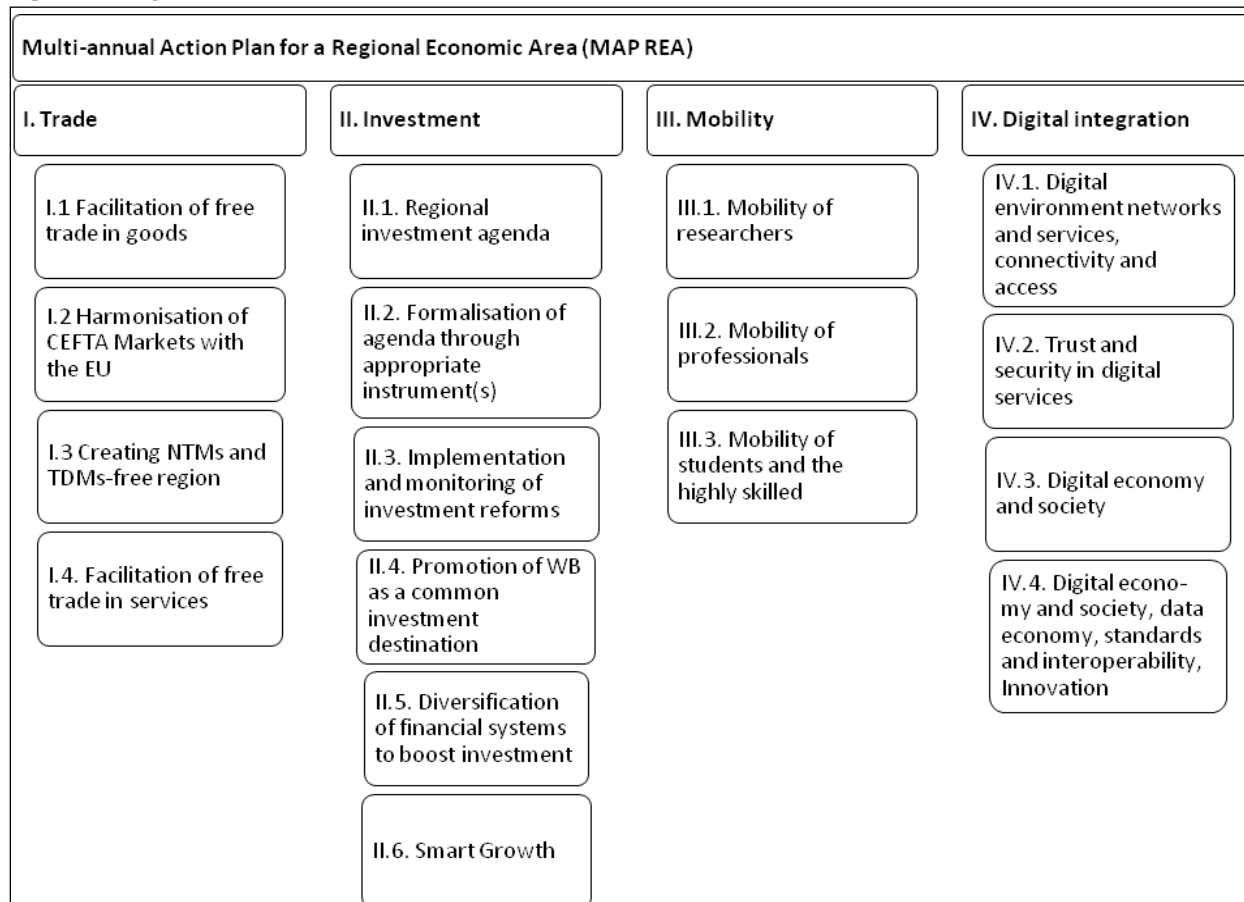
<sup>28</sup> [Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six](#), 6 July 2017.



broadband infrastructure, cybersecurity and data protection, digital skills and

development of smart technologies in our region.

**Figure 2:** Regional Economic Area Multi-annual Action Plan



Source: Consolidated Multi-Annual Action Plan (MAP) for a Regional Economic Area in the Western Balkans Six

The MAP stems from the commitments undertaken within the framework of CEFTA, SEE 2020 Strategy and is based on EU rules and principles as reflected in the Stabilization and Association Agreements (SAA), foreseeing the implementation of actions at the level of each of the participating economies<sup>29</sup>. The above chart outlines the policy areas and objectives set forth for each of the [MAP components](#)<sup>30</sup>.

### OVERVIEW OF INSTITUTIONAL FRAMEWORK

The successful implementation of the MAP and consequently the delivery of concrete achievements ask for consolidated communication within a wide range of stakeholders and regular monitoring of progress achieved so far. MAP implementation does not foresee establishment of any new institutions or organizations. On contrary, its implementation, coordination and monitoring is based on two-fold existing institutional structure:

<sup>29</sup> [Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six](#), 6 July 2017.

<sup>30</sup> *Ibid*

- First, **MAP National Coordinator**, a senior official appointed by each of the National Authorities (NAs) leading the MAP implementation at national level<sup>31</sup>. At national level, are established the **Component Contact Point** - per each of the MAP components.

- Second, the existing regional structures such as:

**CEFTA Secretariat** – responsible for the Trade pillar of MAP

**RCC Secretariat** – responsible for three other pillars

The role of both Secretariats is to coordinate MAP implementation, monitor its implementation process, and regularly informing PMs' Sherpas<sup>32</sup> and reporting to the Annual WB Summits on the progress made.

Despite the NAs, the implementation of MAP requires a strong partnership with private sector in each of the WB6, regional organizations such as the CIF, the EU as well as active donors providing support in the policy areas of MPA (i.e. World Bank and ERBD). Reporting on MAP implementation will be done in biannual cycles:

- the **Annual Progress Report** prepared mid-year to include a detailed annual assessment of progress made in each of the policy areas against the predefined objectives and timelines;
- an abridged **Interim Progress Report** developed at the end of each calendar year .

<sup>31</sup> [Draft Guidelines on Governance, Coordination and Reporting for Consolidated Multi-annual Action Plan for a Regional Economic Area in the Western Balkans Six](#), 18 December 2017.

<sup>32</sup> The Sherpas are the representatives of Heads of State and of Government of the G7 Group ((Canada, France, Germany, Italy, Japan, the UK and USA) for all matters connected with the Summit's working agenda. They are responsible for the preparatory process preceding the Summit and oversee negotiations regarding the drafting of the Final Communiqué. They are mainly known as chief negotiators.

Reports will be prepared by RCC Secretariat based on inputs provided mainly by NAs as well as experts through the existing regional working groups/ platforms, which operates under the auspices of regional and international organizations. It seems that the circle of having a 'say' in the MAP implementation is limited only to NAs, regional organizations, the EU and active donors. MAP implementation, coordination and monitoring is an exercise shedding lights on benefits and cost deriving from the establishment of a single common regional market.

### POTENTIAL BENEFITS & COSTS OF REGIONAL ECONOMIC AREA

The lesson learned from the BP is that EU integration and regional cooperation work when they deliver tangible results impacting directly the citizens' life. REA offers an opportunity for the citizens, and mainly the private sector, in the WB6 to see concrete benefits from the process of EU integration and regional cooperation. There are a number of benefits which stem from the creation of such an economic zone in the region.

Firstly, REA fosters the adoption of policies that enhance growth and promote the connectivity between regional economies and the EU. The establishment of a regional market reduces the inequality that exists between regional and EU societies. It is an initiative to accelerate regional economic cooperation which will progressively allow an increased free movement of goods, services, investment and skilled workers, in full coherence with each country's path.

Secondly, greater economic integration will make the region more attractive and competitive. Creation of REA transmits a powerful message that WB6 is a market of some 20 million consumers<sup>33</sup> with enormous

<sup>33</sup> European Commission - [Fact Sheet](#), Western Balkans: Regional Economic Area, 12 July 2017.

untapped potential, attracting more Foreign Direct Investment (FDI) and leading to higher economic growth and job creation. Such area would also generate new opportunities for EU and WB companies by developing value chains over the region. In addition, it would guarantee both integration within the region and with the EU and at the same time, and foster the region's EU approximation since REA requests the adoption of additional CEFTA protocols.

By promoting innovation and DA, regional economic integration is transforming the current growth model in such a way that it fits with the area of digitalisation we are living in. In each of the WB Summits a particular emphasised is dedicated to human connectivity enabled by mobility of professionals, innovation infrastructure projects, and economic and society digitalisations. This means that REA will contribute towards further strengthening of human capital as the engine, moving forward the whole social mechanism.

In addition, the establishment of such economic area will improve the access of regional goods to European markets through the improvement of the capacity of regional producers to adopt EU standards and technical barriers to trade. Moreover, REA will help the region to attract project financing from other donors. With the BP and the development of REA, the EU political ambition for the region has been increased and this should be reflected into adequate financial resources to support tangible projects.

Finally, REA will institutionalize the WB's commitment to economic integration and EU principles by adopting an approach that imposes on regional economic relations the same principles that they would have to abide by, if they were members of the EU. In particular, expanding CEFTA agreement in terms of adopting a dispute resolution mechanism, including harmonization of standards and nontariff barriers, free trade

in services, capital, and labour will accelerate the WB6 readiness for EU accession.

The implementation of the MAP calls for significant policy reforms, national ownership, close donor coordination, and greater cooperation with private sector, in particular with the CIF and business associations in each WB6 economy, which would support the region to achieve the goals towards REA.

However, development of such a free area, even though strongly supported, might have some costs, which, if not managed properly, may have spillover effects for the WB6 national economies. In this view, the private sector, through different association of businessmen in Albania, is currently drawing the attention on the impact that REA may have on local producers<sup>34</sup>. It is true that connectivity and regional cooperation in WB6 are happening in a globalizing framework, but the government should be careful and take the necessary measures to protect its own producers from phasing out with the opening of such a market. Even though, WB6 governments are engaged on ongoing reforms, their markets are far away of EU standards. The productive structure in the region is dominated by small companies, comparative advantage is frequent in products with medium-low or low technological intensity, and they are specialize in low- value added products<sup>35</sup>. In the SEE region, out of [100 biggest companies](#), only 11 are from WB6<sup>36</sup>. Therefore, characterized by a fragile economic environment, beyond the

<sup>34</sup> "[Industria përpunuese, një vit të vështirë edhe për 2018](#)", interview with Arben Shkodra, General Secretary of the Association of Albanian Producers, Monitor Magazine, 19 January 2018.

<sup>35</sup> Gazmend Qorraj, "[Towards European Union or Regional Economic Area: Western Balkans at Crossroad](#)", Reviewed paper, February 2018, p. 13.

<sup>36</sup> "[Top 100 companies South East Europe 2017](#)", retrieved 12 January 2018.



insignificant degree of WB6 individual efforts there is a need for joint regional incentives.

### ONE YEAR FROM THE CONCEPTUALIZATION OF THE REGIONAL ECONOMIC AREA TO ITS IMPLEMENTATION

On 4<sup>th</sup> of July 2018, at the ministerial panel of the Economy Ministers' Meeting of the London WB Summit, Secretary General of the RCC presented the annual report on MAP implementation by emphasising the notable progress achieved so far. As indicated in this [report, the main achievements from MAP implementation](#) are presented below:

REA MAP PILLARS	ACHIEVEMENTS FOR 2017 – 2018
TRADE	<ul style="list-style-type: none"> <li>- CEFTA <b>Additional Protocol 5</b> on Trade Facilitation ratified and entered into force (April 2018);</li> <li>- Agreement <b>to launch negotiations on a trade dispute settlement mechanism</b> – Additional Protocol 7;</li> <li>- CEFTA <b>Trade Statistics portal</b> populated with data and operational</li> </ul>
INVESTMENT	<ul style="list-style-type: none"> <li>- Endorsement of the <b>Regional Investment Reform Agenda (RIRA)</b>, joint/regional investment promotion agenda;</li> <li>- Establishment of a <b>regional capital markets platform</b> and development of a regional program for diversification of capital markets;</li> <li>- <b>Online Investment Platform</b> prepared and launched;</li> <li>- Advanced preparation of <b>Smart Specialization (S3) strategy</b>: establishment of S3 working platforms and process for drafting of S3 Roadmap started.</li> </ul>
MOBILITY	<ul style="list-style-type: none"> <li>- Agreement to open negotiations on <b>Mutual Recognition Agreement (MRA) on Professional Qualifications</b> for selected professions; National negotiating team officially appointed.</li> <li>- Agreed Principles for the <b>Model of Recognition of Academic Qualifications; Joint Exercise on Recognition</b> under implementation;</li> <li>- <b>Joint position of WB6 on Horizon Europe</b> (draft) to establish network of WB6 EURAXESS centres; and</li> <li>- Integration of WB6 in EU's work <b>on Open Science</b>.</li> </ul>
DIGITAL AGENDA	<ul style="list-style-type: none"> <li>- <b>Launch of a Digital Agenda</b> for Western Balkans;</li> <li>- Establishment of <b>structured high-level regional political dialogue</b> on digital transformation through WB6 Digital Summits; First WB6 Digital Summit organized in 2018.</li> <li>- Agreement to <b>continue the processes of lowering the roaming costs</b> for the full coverage of WB6 and implementation of a Roadmap to facilitate lowering roaming WB6-EU;</li> <li>- Strengthened <b>cybersecurity capacities and extended capacity building</b> to WB6 Computer Security Incident Response Teams network;</li> <li>- Launch of the <b>annual Western Balkans-European Commission ICT regulatory dialogue</b>;</li> <li>- Increasing <b>integration of the region in EU digital frameworks</b>;</li> <li>- Launch of the fully fledged feasibility study on broadband infrastructure within September, through the support of WBIF/IPA;</li> <li>- Scaled-up <b>regional interventions on digital literacy and skills</b>.</li> </ul>

Although significant progress is achieved, there are still many tasks<sup>37</sup> ahead of it, needed to be addressed in the near future, such as:

- liberalization in trade services;
- RIRA further promotion and implementation;
- Finalization of negotiations on mutual recognition agreement on professional qualifications and agreement upon the model for recognition of academic qualifications;
- Removal of roaming costs for WB6 consumers;
- Advancement of the implementation of WB Digital Agenda.

The actions introduced in the MAP REA are important to be fully implemented until 2020, with some extensions until 2023, as indicated in the annual report in terms of making the regional economic area a reality for the WB6 citizens. Despite of the timeframe, REA is a fundamental aspect of the regional cooperation leading towards more stability, unity, economic growth and prosperity for the region.

Therefore, to make it a success story a closer cooperation at domestic level amongst MAP National Coordinators, MAP Contact Points, line ministries and relevant institutions, is needed<sup>38</sup>. Since the implementation, coordination and monitoring of MAP implementation is done through all the already mentioned actors, a better coordination and close cooperation amongst them would contribute towards a better promotion of REA to the public at

large and implementation in practice. In addition, a sense of national ownership on MAP actions for implementation is of utmost important in terms of embedded them in the policy making process. In this context, each of the six countries should take all the necessary domestic actions in order to develop an enabling environment for the REA to “happen”.

### RECOMMENDATIONS

Enlargement is about connecting markets. In this context, WB6 enlargement means integrating the 6 economies of the Western Balkan countries into the EU single market. As such, REA represents an integral part of the EU Integration process and catalyst for the region economic growth. But, the industries of the WB6 are still to become able to withstand competition, which results in trade deficits, foreign debt, and lack of financial space for public investment.

Therefore, below recommendations might be necessary to be including in the ‘next agenda’ so that the Regional Economic Area become a tangible reality for the WB6:

- The results in the context of the REA have to be accelerated and the six countries have to deepen their integration into a level of similar-to-common market for the WB. This is a homework task for the WB6 governments to feed their economic reforms with the sake of being able to adhere to a single common regional market. This is the only way to present and transform the region into a unique attractive investment destination for the foreign companies.
- a dedicated EU WB Regional Funding Instrument, in terms of pushing forward the integration of six small economies into a single common regional market and ensuring the successful implementation of REA Plan, is needed. It

<sup>37</sup> [Svilanovic: Notable progress achieved in the implementation of Multi-Annual Action Plan on Regional Economic Area in the Western Balkans](#), 4 July 2018.

<sup>38</sup> [Annual Report on Implementation of the Multi-Annual Action Plan for a Regional Economic Area in Western Balkan Six](#), June 2018, pg. 9

should be clearly understood that the investment in the development of the WB is a win-win choice that is clearly in our common European interest. Thus, the future EU support to the region has to correspond to the political ambition that the EU sets itself for the region, keeping in mind that with the BP such political ambition has increased. From the practical and efficiency point of view a dedicated EU Regional Funding instrument might be more convenient in terms of implementation, coordination and monitoring, instead of several instruments (like IPA, WBIF, ERBD, etc.) as the current situation is presented.

- Also, it is of foremost importance that WB6 governments should prepare

domestic trade policies in order to facilitate the readiness of each economies to be adopted in the context of "getting ready" to operate in a free market. As such, it is important to conduct a mapping of all the producing industries, which could help identify what exactly is being produced in each of WB6 countries, as well as what products could be considered a competitive advantage for each of economies in both national and regional level. The goal is to become more efficient in terms of production, so that the countries can compete at the same level with each other's, as well as with EU, once the market is open.