

CUSTOMS UNION FOR THE WESTERN BALKAN COUNTRIES

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Abstract

The Balkan has a talent for "self-destruction" and that seems to be seriously frustrating even though the strongest center of power in the world, is forced to do everything in its power to prevent the explosion of evil. The United States is preparing to convince leaders of the Western Balkans that their mutual integration in the region is not only beneficial for regional economic development but also for keeping the world peace. Creating an economic or customs union would have multiple positive effects. The goal is to open a market of about twenty million people, which would vividly revive industry, commerce, agriculture, livestock, tourism and many other spheres. It would also greatly increase foreign investment. Above all, nations will have to come together in order to boost the region's economic development, as well as regional peace and stability. Given the real conditions in the region, which are specific by their nature, the key questions arise: "To what extent is this possible, what are the means and ways of achieving this and in what dynamics is it likely to occur?"

Keywords: Mini-Schengen, Western Balkan, regional security, integration

1. Introduction

In a world with dynamic integration, the connection and the mutual dependence between nations is growing, that is why the conscience for the need of dialogue and tolerance between people, cultures and religions has to grow also because that is what the future of all human kind will depend on. Everything that was local or regional some time ago has become integral - the economy has become integral, culture has become integral, environmental pollution has become integral, telecommunications and transport as well. Hence, all events, political, cultural, economic, religious, cannot stay trapped into small local or regional boundaries. Many local societies have fallen into a deep crisis, which is not only a crisis of the institutions, the social state, the federalism, the nationalism, etc but a crisis of ethics, coexistence of orientations, of the system of values, etc.

According to all analyzes, the EU is the natural destination for the six Western Balkans countries that are still outside the Union such as: Albania, Bosnia Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, and their path towards European integration - at varying speeds according to each case - will be defined and determined by a series of political, economic, social and institutional reforms set down by the European Commission in its "EU-Western Balkans Strategy" (Published at the beginning of February 2018). To a certain extent it is not so easy to implement the *acquis communautaire*, without the influence of the European Union, that is, unless the Union itself provides clear and tangible incentives to do so" (Trauner, 2009, p.3).

The Balkans is a European and global neuralgic point, which has been witnessed in the past. Therefore, pacifying this region means preserving regional and world peace. Now the US has appointed a special US envoy for the Western Balkans, he will have a difficult task to solve the

enormous internal problems in the region. Here, they should first insist on finding a solution to relations between Serbia and Kosovo, perhaps some correction of the Bosnian's Dayton status. The Western Balkans has to create a common market, a common economic union, a common energy policy, a common policy in telecommunications and transport, all of which would be complemented by the development of human rights, democracy and the rule of law because in the Western Balkans, processes are going very slowly with CEFTA.

It is a fact that the six Western Balkan countries are at different stages of the EU integration process. Serbia and Montenegro are in the negotiation process, while North Macedonia and Albania are likely to get negotiations date by the end of the March this year, while Bosnia and Herzegovina is a potential candidate, and Kosovo is still at an early stage. It is also a fact that the EU is tired of expanding with new member states, so this directly affects the Western Balkan countries, which will need many years to negotiate with the new EU membership negotiation methodology. This could lead to collective outbursts in this region, but also to increased geopolitical appetites of other countries, such as Russia and China. This region is more than ever faced with two choices: cooperation and integration in the face of conflict and war.

The Multi-annual Action Plan for a Regional Economic Area in the Western Balkans (MAP) puts forward a structured agenda for regional economic integration, along the lines proposed by the Leader's Meeting, namely: promoting further trade integration, introducing a dynamic regional investment space, facilitating regional mobility and creating a digital integration agenda. The MAP stems from the commitments undertaken within the framework of the Central European Free Trade Agreement (CEFTA) and South East Europe 2020 Strategy (SEE 2020) and is based on CEFTA and EU rules and principles as reflected in the Stabilization and Association Agreements (SAAs). It foresees implementation of actions at all levels in the period between 2017 and 2020 (with some actions extending until 2023). Here the rule of law should be understood as the "foundation upon which every other dimension of democratic quality ultimately rests" (Magen and Morlino, 2008, p.7).

But initiating of the process of regional co-operation is not at all a simple task and it remains to be a challenge. The last Western Balkan wars have greatly affected the internal economies of the Balkan countries, the international trade, and in some cases social and political international cooperation. The lack of economic cohesion, the high rate of the "grey economy", the slow democratic transition process and the ethnical nationalism have all been identified as obstacles for efficient regional cooperation. The EU attempts of promoting stability and regional co-operation have only had partial success. EU had success only in the use of its economic and political capacities in its purpose to encourage the domestic reforms. In this way, the EU probably succeeded less than NATO in overcoming the bilateral character of its relations with the Western Balkan countries and in encouraging multilateral regional form of co-operation.

In any case the role of the Alliance was not only to defend its members but to "contribute to peace and stability on a global scale through the development of partnerships and through peace and stabilization operations" (Wioeniewski, Bartosz, 2010, p.16). On a military-political level, what should be emphasized are the modes that the new "common European defense" can use in promoting the regional co-operation in the Western Balkans by involving aspirants in various educational programs of the European Union (Ringsmose, 2011, p.15). The Western Balkan countries have different level of approach to NATO institutions, i.e. to the military expertise that the Alliance is able to provide due to the fact that part of them are NATO member countries and part of them are not. The Alliance, for instance, can provide a great amount of financial support for its members and PfP/EAPC activities in the region and to encourage the dialogue

about the security non-military aspects (such as the economic and cross-borders co-operation, and thus contributing to decreasing ethnical tensions).

However, the regional co-operation will have a limited effect in a long-term period if the countries that in fact are the biggest source of instability and conflicts in the region are excluded from NATO. Alliance in spite of the burden and the obligations “is still of vital importance for regional peace” (Alcaro, 2010, p.1). Although NATO is able to do more in order to improve the regional co-operation, the progress of the regional co-operation cannot be separated from a broader political and safety regional development. But Pridham thinks that NATO did not succeed in developing an efficient strategy of facing the abovementioned reasons for regional problems, caused by the defects during the process of democratization and violent nationalism (See, Pridham, 2008, p.56-70). From the practice so far, it can be concluded that the EU has neither got sufficient power to induce democratization, nor to build states. However, the Commission and the member states should acknowledge that the main goal of the EU’s external relations is promoting regional stability more than changes.

2. Mini-Schengen and the Berlin Process?

The Berlin process is a diplomatic initiative linked to the future enlargement of the European Union by strengthening regional integration in the Western Balkans. It was initiated by Chancellor Angela Merkel in order to sustain the dynamics in EU integration process in the light of increased euro skepticism and a serious slowdown of the accession process. It began with the 2014 Conference of Western Balkan States in Berlin, and was followed by the 2015 Vienna Summit, the 2016 Paris Summit, the 2017 Trieste Summit, the 2018 London Summit and the 2019 Poznanj Summit. The goals of the Berlin process were outlined in the Final Declaration by the German Chair in 2014: “To make additional real progress in the reform process, in resolving outstanding bilateral and internal issues, and in achieving reconciliation within and between the societies in the region”, as well as to enhance “regional economic cooperation and lay the foundations for sustainable growth” (Anastasakis, Bennett, Sanfey, 2018, p.1).

Presenting the format of the WB6 in July 2017, the Vice President of the European Bank of Reconstruction and Development, EBRD, Pierre Heilbronn, announced that the WB6 would “form a regional economic area, getting rid of non-tariff trade barriers and harmonizing laws in order to attract more investment” (Balkan Insight, October 10. 2019). But lack of progress in reducing corruption, and improving security and the rule of law in Western Balkans countries, were seriously affecting the scale and impact of foreign investment in the region.

The creators of the Berlin Process were of the opinion to place greater emphasis on other issues as well, such as education, entrepreneurship, inequality, and youth development. Under the Multilateral Action Plan (MAP) for a Regional Economic Area (REA) agreed at the Trieste Summit in 2017, efforts are to be focused on:

- (i) the promotion of further trade integration;
- (ii) the introduction of a dynamic regional investment space;
- (iii) the facilitation of regional mobility; and
- (iv) The creation of a digital integration agenda (see:

https://www.rcc.int/priority_areas/39/multi-annual-action-plan-for-a-regional-economic-area-in-the-western-balkans--map). So, the region needs Europeanization. A process of change in national institutional and policy practices “that can be attributed to European integration”, can be called “Europeanization” (Olsen, 2002, p.937).

It should be noted that labor mobility within the region was seen as important in order to ensure that the right skills were available to support the investments undertaken. However, the most damaging mobility is the emigration out of the region of the most skilled workers. The large displacement from the region, in particular of the vital and professional youth, represents a historic handicap for this part of Europe. In fact, there can be no sustainable development without this generation. Potential returnees would bring with them not just their skills, but their “social remittances” and new ideas in the application of political economy earned and acquired while abroad in Western Europe and elsewhere. Ways therefore need to be found to make it easier and more attractive for the region’s Diasporas.

The countries of the Western Balkans need to implement determinations of Action Plan's Area in the common trade policy in order to achieve the objective of creating an efficient regional economic area based on EU compliance to support efforts to attract more investment, to reduce trade costs and eliminate barriers to market access in order to optimize production costs. Western Balkan’s Regional Economic Area will help unleash the vast potential of the region by creating better and more sustainable economic opportunities for all, and attract greater volumes of Foreign Direct Investment than the current individual efforts.

On October 10, 2019, leaders of Serbia, Albania and North Macedonia have signed a so-called “Mini-Schengen” deal, which, modeled on the passport-free zone of the EU, envisages free movement of people, goods, capital, and services among the three countries. Officials of the three countries said they expect all six countries of the Western Balkans to join the area soon (See Balkan Insight, October 10. 2019). In a nutshell, the idea is to create a Balkan version of the European Union’s border-free Schengen area (See Ćipa, 2019). Many diplomats are still wondering what’s behind the initiative of Albania, North Macedonia and Serbia, who decided to advance regional cooperation by forming a so-called “Mini-Schengen” in the Western Balkans. The Prime Minister of Albania Edi Rama have said that the goal of all three countries was to be part of the European family, “while this family has its own problems, we can’t be hostages of the past” (Balkan Insight, October 10.2019).

The fact is that the common market and the customs union in the Western Balkans Six would enable uncontrolled movement of goods, services, capital and highly skilled labor, making the region more attractive for investment and commerce, accelerating convergence with the EU and bringing prosperity to all its citizens. But, “the countries of the region need to adapt to European standards as there is still a large gap between the spirit of the EU directives and the facts on the ground” (Renner, 2009, p.12). However, the regional countries in integration processes are also “challenged by high domestic adoption costs in terms of opposition and resistance to compliance with EU conditions” (Zhelyazkova, Damjanovski, Nechev, and Schimmel fennig, 2018, p.11). The aim is to transform the Region in which goods, services, investments, and skilled people move freely without tariffs, quotas or other unnecessary barriers. The removal of barriers to regional investment offers the opportunity for economies of scale, geographically diversified businesses, and an overall more efficient allocation of resources within a regional market, thereby fostering the integration of companies from the region in international value chains.

The Western Balkan countries are all individually very small and economically underperforming and they have tight markets and tight markets are inefficient. Today among themselves approximate these countries have similar level of development and no West Balkan country can have drastically different sustainable development from the others. So, increased economic openness in this area can be of benefit to all (See, Bjelić, Dragutinović Mitrović and Petrović, 2016). Although the frequent meetings between regional prime ministers have given impetus to the idea of creating the Western Balkan Custom Union, not all of them are

enthusiastic about it. However, the business people in the Balkans readily welcome the idea. Countries in the region, already signatories to the CEFTA treaty, are gradually removing all barriers to the free and accelerated flow of people, goods and capital, instead of having trucks waiting on their borders for hours or days. (See Gligorov, 2017).

The US is hoping to bring the Western Balkan countries back to the negotiating table and nudge them toward a genuine solution to their years-old disagreements. According to Daniel Serwer, US doesn't want to abandon the region and leave it open to Russian influence - which has already become very strong (DW, 10.Sept.2019). Negotiations on regional integration are indispensable because the Western Balkans still have "lack state capacities and is even still pronounced and exacerbated by the contentedness of borders and political authorities" (Ricca, 2011, p.8).

The first thing that needs to be done is to equalize all customs clearance rates and procedures, and to establish good cooperation between the customs administrations in the region. Reforms are also needed in investment policy to ensure transparent and fair competition among the economies. The ultimate goal is to improve the attractiveness of the region for foreign and intra-regional business, and hence facilitate higher inflow of investments and generate higher entrepreneurial activity, trade, and ultimately jobs. Finally, the Western Balkan economies will need to develop a common platform for investment promotion and work jointly on presenting the region as a sound investment destination to the foreign business community. Such a project is strongly supported by those who are aware that the common market enables the strengthening of the competitive positions of the national economies of the member states. At the same time, proponents of this idea are of the view that economic rapprochement will neutralize much opposition among regional states. This would be in favor of regional peace and beyond.

Logically there are also many contradictions that arise either out of fear of the hegemony of the larger peoples, or from the many prejudices and stereotypes in the perpetually troubled Balkans. Serbian opponents oppose this as a trap to create a Greater Albania. Albanian oppositionists think that Serbian economy is stronger and will dominate. They also fear that Kosovo may remain an unresolved issue. Bosnia and Herzegovina too has its many reasons; while North Macedonia fears it will not feel strong in that association (See, Beqiri – 2018). Kosovo, although participating in the Regional Economic Area, which aims to create a joint economic zone for the six Western Balkan countries, refuses to participate in the Mini-Schengen funds, arguing that Serbia is continuously obstructing its independence. And despite the fact that Montenegro are participating as a guest, they say their negotiations with EU is a priority for them.

Opponents of Mini-Schengen think that Serbia would be the biggest beneficiary of this customs union, as it is the country with the largest export. At first glance, judging by the fact that Serbia has a trade surplus with other countries, it should be most appropriate for it. But it's a narrow view. How much a country benefits from free trade depends not on its size but on the economic environment. If such logic were to be followed, then the EU as a common interest should not exist as Germany has more exports. Counting how much a country is suited to such a union can easily end up in sovereignty and nationalist rhetoric. According to this logic, it can also be concluded that Albania and Montenegro will have the most benefits as countries that have the sea, or Kosovo that would benefit from traffic transit. The fact is that all regional countries would benefit from a possible Western Balkans customs union. Even Serbia and Kosovo would easily find solutions to their problems. Therefore, the common market and the customs union of the Western Balkans would be a salvation for the entire region, which is risking to be emptied of its population, and the various disparities can be settled by agreement to balance the interests of the member states. At the same time, this would be a quick training for all countries in the region to join the EU together.

3. Conclusion

- For the first time in the recent history the countries of the region are able to recognize the common goal that unites them all. Their main goal is to achieve regional integration and membership in the European and Euro-Atlantic institutions and organizations. Key elements for reaching these goals are integration, democratization, enforced good neighbor relations and political and economic reforms.
- Above all, due to the advantages of the geographical vicinity of the countries, it will create and improve the opportunities for improving trade and economic contacts and for communicational, transport and energy networks. Furthermore, the regional co-operation will also bring to improvement of good neighbor relations among these countries. Simultaneously, regional co-operation and integration into NATO and EU are complementary processes.
- It is assumed that about half a million companies operating in the Western Balkans will have a better environment in which they can grow, invest, employ and utilize the benefits of the Regional Economic Area as an outlet for external markets. The purpose of the integration is to create conditions for all European countries to take part in building new architecture and the avoidance of creating new hostile separation lines.
- The various disparities to the trade and customs relations among a Member States can be settled by agreement to balance the interests of the member states. Therefore the common market and the customs union of the Western Balkans would be a salvation for the entire region, which is risking to be emptied of its populations. At the same time, this would be a quick training for all countries in the region to join the EU together.

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