

A Proposal for a New Approach to the Western Balkans-EU Relationship

This paper proposes a novel approach to strengthen the partnership between the Western Balkans and the EU, with a view to accelerating the EU accession process and enhancing regional integration. Such change is essential to drive the reforms needed for improved economic prosperity in the region.

This practical and pragmatic approach builds upon the positive aspects of EU Accession and regional integration while proposing necessary adjustments. Referred to as the SAP+ approach, it seeks to complement and enhance the existing Stabilisation and Association Process (SAP) fostering more effective collaboration among political leaders in the Western Balkans and the EU.

The significance of this proposal is underscored by the adoption of the European Commission's New Growth Plan (NGP) for the Western Balkans on November 8, 2023. It not only contributes to shaping the implementable approach of this initiative but also critically evaluates past models for regional cooperation that have proven ineffective over the years.

Recognizing the limitations of old models of regional economic cooperation, which have proven unsuccessful over time, this approach proposes a new, adaptable model aligned with current economic and political dynamics. This strategic shift is crucial to unlocking the full potential of the New Growth Plan and achieving tangible results.

Key Components of the SAP+ Approach:

1. Governance Enhancement:

At the core of the SAP+ approach lies the establishment of a robust structure designed to effectively empower, oversee, and drive progress in implementing both the Common Regional Market and EU Single Market accession. To accelerate both processes, it's crucial to improve governance by establishing a **High-level Political Committee** as the supreme authority. Comprising heads of government or senior government ministers from the Western Balkan countries, this Committee is tasked with setting strategic objectives, resolving political challenges, and providing overall direction for the integration process. It also empowers a new Technical Implementation Body dedicated to supporting the effective implementation of the decisions.

This is a significant advantage over the existing inter-governmental committee within CEFTA composed of Ministers of Economy – a committee with a limited portfolio focusing solely on the economy or trade in their respective countries. Instead of a narrow focus, the High-level Committee facilitates the coordination of policies across diverse government structures, ensuring that a country's approach to regional and EU integration is both coherent and aligned with its overarching objectives.

2. Synchronizing EU Accession and Regional Integration Efforts

In contrast to the EU New Growth Plan that conditions the benefits of the EU Single Market on the successful implementation of the Common Regional Market within Western Balkan countries - with CEFTA as a key governance mechanism - the **SAP+ approach merges these two processes in**

parallel and coordinated efforts. It aligns the Common Regional Market with access to the EU Single Market and eliminates the complexities within the stagnant CEFTA framework. The practical benefits are evident, allowing countries to align with EU regulations in both markets without facing additional challenges posed by the existing regional framework.

Presently, regional integration within CEFTA is a very complex and slow process with a substantial risk of coming to a complete standstill as evidenced over the past three years. This complexity stems from the necessity for consensus-based regional decisions on every topic related to the introduction of EU-compliant rules within the regional framework. Simultaneously, each country is aligning identical rules with the EU within their Stabilization and Association Agreement (SAA) framework.

The opportunity to amend the existing SAAs, as outlined in the New Growth Plan, opens doors to **establish a direct link between adopting EU rules and their automatic extension in the Western Balkans once a particular country achieves and confirms EU alignment.** This strategic move not only eliminates the need for an additional intermediary procedure for the same rules within the region but also guarantees a more successful implementation of both the Common Regional Market and EU Single Market processes. Furthermore, this approach empowers each country to advance on its own merits toward EU accession while eliminating the risk of being blocked by countries not demonstrating sufficient commitment to EU and regional integration.

3. Sector and Topic-Specific approach:

The SAP+ approach is based on the existing legal framework, supplemented by agreements to cover specific sectors. Unlike traditional emphasis on SAP chapter negotiations, SAP+ progress is measured on a topic and sectoral basis against agreed criteria in the additional agreements. The EU has already engaged in several different forms of advanced integration (such as the Energy Community, Transport Community, and the European Civil Aviation Area). The substance of these ideas is generally covered by the clusters and chapters of the formal enlargement process. However, applicant countries can advance as fast as they wish, or are able to, in adopting the EU acquis, irrespective of whether the chapters in question have been opened or not.

To implement this approach effectively, the High-level Committee should **establish Regional Technical Committees (RTCCs) for each priority area**, tasked with executing the specific action plan. The RTCCs, equipped with specialized expertise and well-defined responsibilities play a crucial role in ensuring effective implementation. Collaborating at expert levels, the RTCCs will collectively address complex cross-border challenges, encompassing physical, technical, and fiscal dimensions. This structured approach ensures a comprehensive and coordinated effort in tackling the complexities associated with sector and topic-specific advancements.

4. Enhancing Collaboration between the Western Balkans and the EU:

The fourth component underscores the importance of fostering closer working-level partnerships between the Western Balkans and the EU, addressing challenges arising from limited expertise and funding in the region. Collaborative efforts at the working level between the governments of the Western Balkan countries and the Commission are key to establishing a shared purpose, speed up reform implementation, reduce risks, thereby contributing to a credible, and impactful reform process.

I. Introduction

This paper is dedicated to advancing two key objectives: accelerating the accession process of the Western Balkans (WB) to the European Union (EU) and enhancing regional cohesion and cooperation. It introduces a new perspective on both objectives by critically evaluating the existing EU-Western Balkans integration framework, uncovering its limitations.

Currently, regional economic cooperation takes place through several parallel initiatives for economic integration, including the Central European Free Trade Agreement (CEFTA) for the six Western Balkan economies and Moldova, the Berlin Process with the Common Regional Market Action Plan (CRM AP) for the Western Balkan economies and the Open Balkans Initiative (OBI) for three Western Balkan countries – Albania, North Macedonia and Serbia.

The CEFTA, signed in 2006 as a joint preparation for EU membership, has evolved from a temporary to a permanent arrangement. Despite expanding its agenda, CEFTA's institutional and governance framework has remained unchanged leading to challenges in adapting to new dynamics. The implementation of CEFTA, which integrates the largest part of the Common Regional Market Action Plan, faces political challenges, leading to a stagnation in regional integration, especially in the last three years. This stagnation underscores the framework's outdated nature and its struggle to address current challenges. Moreover, with UNMIK acting as a signatory for Kosovo in the CEFTA since its signing in 2006, no longer aligns with reality, significantly impacting its functionality.

Furthermore, the decision-making system within CEFTA poses substantial challenges, involving technical agreements in various bodies before final decisions at the Joint Committee level. While these technical endorsements may not challenge the decision's content, they contribute to delays, consuming time and resources. This structure has proven to be rigid and slow, hindering its ability to adapt quickly to changing circumstances.

Recognizing the limitations in the existing regional framework, an in-depth analysis of alternative EU and other international agreements was conducted, including the **Deep and Comprehensive Free Trade Agreements** (DCFTA) with Ukraine, Moldova, and Georgia; the **EFTA/EEA model** with Iceland, Liechtenstein, and Norway; the **EU-Türkiye Customs Union**, the **Swiss model**, and the **Indo-Pacific Economic Framework**.

Based on experiences and lessons learned from the current regional framework and successful international models with similar integration objectives, we propose a new approach to accelerate the EU accession process and deepen regional integration.

The adoption of the European Commission's New Growth Plan for the Western Balkans underlines the significance of this proposal, as it has the potential to shape the practical dimensions of an initiative committed to expediting the accession process and reinforcing regional integration.

II. Defining the New Approach

The New Approach, termed SAP+, is built on the strengths of existing Stabilisation and Association Agreements (SAAs) while introducing substantial improvements. It includes formalizing a Regional Agreement for the automatic extension of the EU rules within the Common Regional Market.

The fundamental principles of the New Approach for the integration of the Western Balkans into the EU include:

- **Accelerating Single Market Benefits:** The approach focuses on expediting access to the Single Market, a direct route to a significant portion of the economic advantages associated with full EU membership. This involves opening relevant sectors and areas for access to the EU Single Market, based on the alignment of regulations, standards, and practices in specific sectors with those of the EU.
- **Strong Focus on Integration within the Western Balkans:** The approach strives to establish the four freedoms within the Western Balkans based on alignment with the EU rules. It aims to foster regional cohesion, emphasizing the importance of countries within the region working together to unlock their development potential and enabling swifter accession to the EU as the ultimate goal.
- **Reforming Governance for Implementation:** It emphasizes the necessity of making significant changes to the governance framework to facilitate reform and drive rapid progress. The existing framework falls short in fostering regional collaboration.
- **Deepening Strategic Partnerships between the Western Balkans and the EU, starting with Energy:** It advocates for strategic partnerships, particularly in priority areas such as energy, sustainable raw materials, and critical materials. Those partnerships lead to strengthening ties between the EU and the Western Balkans, fostering mutual interests. Both the WB6 and the EU face massive energy sector adjustment challenges. The region needs to decarbonise, modernise, and strengthen its electricity system, while the EU faces similar challenges compounded by the strategic need to end dependency on natural gas from Russia. While the region is currently a net energy importer and still uses coal and lignite as part of its generating capacity, the renewable energy potential of the Western Balkans is huge, across solar, wind, biomass and hydroelectricity. Of these the energy source of greatest strategic importance to the EU is likely to be hydroelectricity, as its reliability enables it to generate when other renewables fluctuate, which require gas or coal back up. These initiatives pave the way for a more secure, resilient, and interconnected cross-border electricity market. This, in turn, has the potential to serve as a catalyst for deeper and more extensive regional cooperation.
- **Upgrade of Stabilization and Association Agreements (SAAs):** The legal basis remains Article 49 of the Treaty on European Union (TEU), the existing SAPs with each Western Balkan country and further agreements to be negotiated to govern specific sectors. The aim is to progressively extend the rights and obligations of the EU acquis to the Western Balkans once predetermined conditions are met.
- **Increased Financial Assistance and Support:** The proposal underscores the significance of increased technical and financial support that adapts to the evolving needs of the proposal, especially focusing on energy cooperation in enabling sustainable, resilient, and decarbonized production and supply to the businesses and citizens alike.

The SAP+ approach introduces a crucial improvement - synchronization of EU accession and regional integration through **extended recognition frameworks within the Western Balkans** as the

main strategy for linking the EU accession and the regional integration in a coordinated effort. Currently, the regional integration within the Western Balkans faces considerable challenges, characterized by its slow pace and a substantial risk of stagnation as evidenced since 2020.

The complexity arises from the need for consensus-based regional decisions on every aspect related to introducing EU-compliant rules in the Common Regional Market. Simultaneously, each country aligns its rules with the EU within the framework of their Stabilization and Association Agreement. This dual alignment process not only adds layers to the complexity of overall integration efforts but also emphasizes the importance of adopting a more effective approach to address these challenges.

To overcome these challenges, as mentioned above, the SAP+ proposed solution involves formalizing a **Regional Agreement endorsing the automatic extension of EU rules within the Common Regional Market**. In practical terms, when a country aligns with EU regulations in a specific Common Regional Market area and receives EU validation of alignment, it gains benefits in both the Common Regional Market and the Single Market for that area. This approach aims to break deadlocks and enable countries to progress based on their own efforts.

To effectively implement this strategy, it is essential to establish a **regional instrument designed to validate and notify Western Balkan countries about each country's alignment with the EU** on specific topics or sector/product bases. This instrument serves as a crucial mechanism for streamlining the process and providing a structured framework for demonstrating compliance with EU requirements. A centralized system for validation and notification ensures transparency and efficiency in the regional integration process, allowing countries to showcase their alignment with EU standards systematically. This not only fosters collaboration but also enhances the overall effectiveness of the approach towards EU accession and regional integration.

III. Implementing the SAP+ Approach

The SAP+ approach requires a strong institutional framework to ensure successful implementation. It provides the structure for decision-making and prioritization of common interests among the Western Balkan countries and the EU. This framework requires strong leadership for political support and guidance. It's crucial to improve accountability for the diverse agenda related to the Common Regional Market and accessing the EU Single Market, emphasizing coordinated efforts across ministries. A dedicated governance body is essential to align topics with their respective responsibilities. Therefore, the highest leadership level within the Western Balkans countries should directly oversee and guarantee effective implementation.

Essential elements of SAP+ Governance include:

SAP+ High-level Political Committee

The SAP+ approach incorporates a High-level Political Committee, comprising heads of government or senior level government ministers from the Western Balkan countries. The Committee will allow for the most senior members of the Western Balkans countries to take decisions across a wide range of policy areas. This provides a significant advantage over an inter-governmental committee within CEFTA composed of Ministers of Economy, as it goes beyond a narrow focus on the economy or trade. The high-level representation enables the SAP+ approach to address regulatory measures

related to all four of the EU freedoms: goods, services, capital, and labour. This ensures coordination across diverse government departments and agencies, aligning a country's approach to regional and EU integration with its overarching objectives.

To coordinate the implementation and expand the coverage of the SAP+ framework, it is crucial to have regular high-level meetings between Western Balkans leaders and the EU Commission. While the existing platform for high-level cooperation within the Berlin Process serves as a foundation, more frequent meetings are needed than the current annual practice. This increased engagement allows the EU to align with the newly introduced NGP assessments of progress and disbursements, conducted quarterly. The NGP's payment system, tied to quantitative and qualitative benchmarks from 2024-2027, occurs bi-annually in Q2 and Q4. This structured approach ensures accountability and facilitates effective execution of the Action Plan. It serves as a vital policy coordination tool, fostering a more coherent approach to economic governance across the region.

Technical Implementation Body (Regional Technical Cooperation Committees - RTCC)

The SAP+ High-level Political Committee is responsible for advancing and broadening the SAP+ framework. It sets a clear timeline, a detailed action plan, and establishes Regional Technical Cooperation Committees (RTCCs) for each priority area, overseeing their specific plans. Appointed by the High-level Political Committee, the RTCCs, with specialized expertise and clear responsibilities, play a crucial role in effectively carrying out the action plan. They hold decision-making authority within the scope of their mandate and responsibilities and may decide to set up any special committee or body in specific areas necessary for the implementation of the agreed action plan.

The RTCCs facilitate technical collaboration at expert levels and work together to addressing complex cross-border challenges, encompassing physical, technical, and fiscal dimensions. Their efforts are directed towards identifying and overcoming barriers to the Common Regional Market. This includes challenges associated with border controls and procedures, exchange of data and documents, regulatory issues, and any other internal regional issues not directly covered by the EU acquis.

Operationally, the RTCC would consist of technical representatives from the participating WB6 countries collaborating with EU officials to assess criteria (Comprehensive Monitoring and Verification - CVM benchmark) for each sector or topic. Progress will be evaluated on a sectoral, topic-specific basis against the CVM benchmark in additional agreements.

The EU plays a key role as a core partner, responsible for offering a decisive opinion in case of a deadlock in the process. This is crucial to prevent breakdowns in the process due to disagreements and ensure a smooth and continuous progression.

IV. SAP+ Approach vs. The New Growth Plan for the Western Balkans

The SAP+ approach closely aligns with the New Growth Plan for the Western Balkans, sharing common goals in providing incentives for EU accession and fostering regional integration. Key focus areas include improving Stabilisation and Association Agreements, prioritizing economic integration

with the EU Single Market, emphasizing increased financial assistance, and fostering strategic partnerships between the EU and the Western Balkans.

However, although both the SAP+ and NGP proposals aim for alignment with the Common Regional Market and access to the EU Single Market, their differences lie in their operationalization and the required governance framework for implementation.

New Growth Plan Proposal:

Common Regional Market as a precondition for the New Growth Plan: The NGP introduces a specific precondition, establishing a clear link between regional economic integration and the realisation of opportunities within the EU's Single Market. According to this condition, the benefits will only come to fruition if the Western Balkans region effectively implements the Common Regional Market (CRM), with CEFTA acting as a pivotal governance mechanism for a substantial part of the CRM. It is noteworthy, however, that the NGP acknowledges that the results of the CRM AP have yet to materialize, since its implementation is blocked by the political disputes among the WB6 countries. The current state of CEFTA reveals a significant gap between its intended objectives and the reality of regional integration.

Lack of Clear Remedies: Despite emphasizing the link between CRM delivery and Single Market benefits, the New Growth Plan lacks solutions for cases where one or more countries hinder the CRM Action Plan or fail to fully commit. This challenge highlights the need for effective measures to ensure the success of regional integration.

In conclusion, the NGP, while acknowledging the significance of the CRM in unlocking Single Market benefits, confronts significant challenges within the existing regional governance framework. The lack of clear remedies poses a risk to the effective implementation of the CRM, calling for comprehensive solutions to enhance the agility and responsiveness of the regional governance framework.

SAP+ Approach:

Improved Institutional Framework and Enhanced Governance: The SAP+ proposal distinguishes itself by advocating for a departure from traditional approaches, introducing an enhanced institutional framework that recognizes bilateral political challenges beyond the CRM and Single Market. The SAP+ proposal addresses several key factors:

- **Dynamic Regional Integration:** Focusing on accelerated integration into the Single Market, the SAP+ approach goes beyond CEFTA's mandate. It allows updates to SAAs to align with evolving EU legislation or broaden the scope of economic integration, emphasizing flexibility.
- **Mechanisms for Political Commitment:** To ensure high-level political commitment, the SAP+ proposal introduces a High-level Political Committee. Comprising heads of government or senior ministers, it empowers decision-making across diverse policy areas, surpassing the limitations of CEFTA.

Simultaneous Integration Processes: The SAP+ approach integrates the processes of establishing the Common Regional Market and gaining access to the EU Single Market simultaneously. This

eliminates the need for additional regional decisions and intermediary procedures within the CEFTA framework.

The opportunity to amend the existing SAA with the WB6 countries, as outlined in the NGP, provides a significant chance to incorporate provisions fostering the synchronization and harmonious integration of rules with both the EU Single Market and the Common Regional Market.

In summary, the evident limitations of existing regional framework, coupled with the NGP's precondition linking Single Market benefits to CRM success, highlight the pressing need for change. Successful regional integration depends on competent regional structures capable of managing the complex process effectively.

It is hard and unrealistic to expect tangible results from the New Growth Plan if relying on old models of regional economic cooperation, which have proven unsuccessful through long experience. Advancing successful cooperation experiences to produce a new adaptable model of regional integration aligned with current political dynamics is crucial to unlock the full potential of the New Growth Plan.

V. Conclusion

This proposal advocates a collaborative partnership, both between the countries of the Western Balkans and between the region and the EU. It must yield visible progress in the short term if it is to convince politicians, businesses, and citizens that the benefits of advancing towards Single Market access, a crucial step toward EU membership, outweigh the costs, and that significant, rapid, progress is indeed achievable.

Delivering our novel approach will not be easy but offers a realistic route to speed up the EU accession process and foster regional integration, regardless of specific geopolitical conditions in other countries. By demonstrating that Western Balkans and EU interests align and showing that a substantial acceleration in reforms and expedited Single Market membership is achievable with adjustments to reform architecture, prioritization, and enhanced collaboration. The changes offer the best prospect for frictionless access to the Single Market, which generates economic benefits faster. This contributes to prosperity and provides incentives for lasting peace in the region.