

## **Position of the Chamber Investment Forum on the Regional Economic Area**

### **One Year from the Trieste Summit and ahead of the London Summit**

One year from the Trieste Summit and ahead of the London Summit that will take place on 10 July 2018, we at the Western Balkan 6 Chamber Investment Forum would like to examine the progress of all of us involved in the Berlin Process and implementation of the Regional Economic Area (REA).

Creation of the fully functional REA is the most important goal of the Berlin Process and the one that the business community of the region, represented by the Chamber Investment Forum, eagerly awaits as it would make the region more competitive on the global investment map, and it would enable much needed economic growth and thus bring stability and development. To support this, the last year's IMF and World Bank study showed that if the measures of the regional integration were put in place, growth in the region would be above 4% per year, in the period 2018 – 2022, which would result in EUR 15-17 billion more in nominal GDP regionally with a further growth tendency even after 2022.

We salute the progress achieved so far especially the appointment of the Coordinators for regional economic cooperation within the Prime Ministers' Offices; the progress achieved towards adoption and implementation of all CEFTA protocols; the progress achieved in enabling introduction of electronic documents to allow minimum stoppage time of trucks within the region; the progress achieved in adoption of recognition of qualifications within the region.

However, we at WB6 CIF, representing the business community of the region, note lack of real progress that brings tangible benefits to businesses.

We are aware that the results in infrastructure development, changing regulatory framework, enhancing the rule of law, building trust and working relations among the government institutions takes time. However, for the process of regional economic integration to be fully implementable, the governments in the region need to take ownership of the planning and implementation of the regional cooperation agenda, taking into consideration the current stages of harmonisation with EU regulation and its implementation, still fragile political relationships in the region and different levels of economic development.

The regional cooperation agenda needs to be a result of jointly recognized interests of all the regional stakeholders addressing the development priorities of each economy and putting them in the context of the regional development with an aim to create globally competitive economic area. Further, joint approach is needed on the regional level to push for accession policy dialogue with the EU institutions that would result in business-friendly enlargement policy, as set out in the joint position by EUROCHAMBRES and WB6 CIF.

The Chamber Investment Forum through its Secretariat and the network of member Chambers representing more than 350,000 companies in the region, appeal to all the stakeholders – WB6 Governments, European Commission, EU member states in the Berlin Process, Regional Cooperation Council and all other interested parties– to take into consideration the following recommendations:

- To enable better coordination and implementation of the policies that should lead to creation of one economic area, we urge establishment of Ministries for regional cooperation in all the WB6 governments; this measure would provide more political leverage and will ensure implementation of the agreed policies, and in addition it will contribute to building trust among the political stakeholders in the region.
- To work jointly on making the region more competitive in attracting FDIs and encouraging intra-regional investments by reducing barriers and simplifying procedures and regulations.
- To foresee implementation obstacles when envisioning policies and strategies in order to cut time between defining policies and having them fully implemented.
- To allow faster and lower cost of trade of goods in the region and remove long lines of trucks on crossings by removing all non-tariff barriers, allowing mutual recognition of certificates and speeding up the process of adoption of EU standards and introducing electronic documents.
- To enable better and easier access to finance for SMEs in the region as a means of enabling faster growth and job creation. More should be invested in lowering barriers to access bank loans and in promoting alternative forms of financing (equity, quasi-equity, crowd-funding, leasing, etc.).
- To work on the digital agenda, to provide quality education accessible to all, including vocational education training, and to allow mobility of people to enable well-educated citizens to remain and work in the region.

The business community of the WB6 offers its full commitment to working together with the decision makers in the framework of the continuous, structured and interactive private-public dialogue.

The WB6 CIF Permanent Secretariat, established last year during the Trieste Summit, is the first instrument we have created to articulate the voice of our business community and deliver it to decision makers. We launched online investment platform [www.investinsee.com](http://www.investinsee.com) in late February this year that presents the region of WB6 as one investment destination, and provides all the necessary inputs, facts and figures investors need when deciding where to invest. It also provides a regulatory toolbox that presents and compares all the relevant regulatory policies in the region.

We want to guide the implementation of REA the way that it will maximize the benefits for our business communities. We want to be there to feed the process with input of what really troubles companies when doing business in the region.

We use this opportunity to remind everyone of our publicly stated mission last year, in Trieste, we still stay committed to:

**1. Advocating the creation of effective institutional and political structures on the highest political level by WB6 governments to support and enable implementation of the Regional Economic Area.**

Institutional cooperation is the key to success of the Regional Economic Area and more needs to be done to improve capacities in the institutions to tackle issues and challenges. The institutional and political structures should establish a framework for cooperation (meetings to be organized quarterly) with the business community to enhance public private dialogue as the tool for successful implementation of any measures aimed at better regional cooperation. The Chamber Investment Forum as a regional association of chambers of commerce and industry, as the only regional body representing the entire business community in the region, is the right platform to facilitate such a dialogue.

**2. Advocating free movement of goods/ services throughout the region to cut costs and make goods and services more competitive on the global market.**

- Make all the customs procedures publicly available on Customs Offices websites throughout the region and thus make them transparent, accessible and predictable.
- Unification of all customs declarations, procedures (also allowing full accumulation of origin and duty drawback) and standardization of all inspections including sanitary, phytosanitary, veterinary, etc., on the regional level, in alignment to EU standards, so that each country recognizes the same border declarations, documentation for certain type of products from certified labs, agencies, etc.
- Design and implementation of a regional IT system to connect all the customs within the region to support harmonized and EU aligned regional customs documentation and inspection procedures to result in zero-time waste at the borders (estimate is that optimal time a truck spends on the border should be 7.5 minutes). The check of documentation and goods should be on the first border of the Regional Economic Area of WB, like it works in the EU.
  - i. All documentation should be applied electronically, distributed immediately through IT system to all the customs within the region, all the customs duties paid accordingly, and when approved, the goods allowed to travel throughout the region without border checks of goods.
  - ii. Border checks of goods to be applied only based on risk analysis. Risk management should be coordinated on the regional level.
- Removal of all non-tariff barriers throughout the region (customs origin guarantees, additional ad hoc analysis, special labels, etc.). Putting a system – Governmental working group - in place in every country to monitor, detect and eliminate non-tariff barriers with the obligation to react within 15 days from the claim from the business community.
- Improved infrastructure on border crossing to allow more gates for trucks to differentiate between trucks with T license and others, etc.
- Eliminate market access barriers throughout the region to allow better production costs.
- Liberalization of trade in services especially in finance, insurance, transport (for example licenses for road transport), tourism; liberalization of electronic commerce, liberalization in cross-border data transfer, etc.

- Coordination and cooperation of Statistical offices within the region to measure the trade indexes on regional level and to ensure better regional statistics.
3. **Jointly promoting the region as a unique investment destination by** pooling funds and efforts in presenting the region's investment potential, creativity, food and cuisine, tourist attractions, with the emphasis of the needs of the businesses.
- Joint booths at the international fairs presenting the regional supply when possible.
  - Joint promotion of an integrated tourism supply of the region.
  - Prime Ministers, Presidents going jointly to visits to third markets with a delegation of regional business representatives.
4. **Advocating free movement of people** – allowing people from the region to travel, study and work within the region without extra paperwork (travel without passport, only with ID card) and too much administration. This would potentially allow common labour market, solve to a certain extent regional unemployment issues (high unemployment rates in WB from lowest being 15% in Serbia and Albania to highest being 32.5% in Kosovo in 2016), and make a move towards prevention of brain drain from the area (all countries in the region have very low ranking on ability to retain talent) as it would open more opportunities within the region.
- Removing obstacles, bureaucratic and administrative (no work permits, no discrimination for nationals of any regional country) to allow mobility of professionals throughout the region by allowing regional mutual recognition agreements of professional qualifications in jointly identified sectors of key importance for regional economies. This should be under the consideration that cooperation between the countries should be conducted in such a way as to support the measures taken by each individual country to guarantee the harmonious development of employment, and to ensure that migratory movements between the countries do not create any imbalance in the labour market and that, it is beneficial for the economic and social development of those countries.
  - Allow automatic recognition of quality assured academic qualifications for all professions within the region.
  - Allow multilateral agreements on social security and pension funds recognition for certain sectors to allow more flexibility and mobility of working people within the region.
  - Remove obstacles to mobility of students, scientists and academics throughout the region to allow knowledge transfer, cooperation within academic community in the region to allow more innovation, R&D, etc.
  - Remove visa requirements for tourists visiting the region to allow more mobility of tourists within the region.
  - Work on regional strategy on harmonizing education system with anticipated future labour market needs.
5. **Calling for a joint digital transformation strategy** that would lead to transformation of companies, business models and entire industries. If utilized timely, digital transformation will contribute to the economic growth, job creation and improve competitiveness and business prosperity of the region. Digital transformation will relate to the ICT industries and it will lead the comprehensive changes within the traditional industries (e.g. automotive, electricity, consumer goods). The number of the connected devices to the Internet are expected to rise to 1 trillion by 2030, which creates room for growth of connectivity, data economy and fast forward

to stronger utilization of the advanced technology (connected devices (IoT), robotics and artificial intelligence).

- To encompass the value of this industry revolution, the WB6 region should create harmonized regulatory baseline that will support data economy (e-Commerce, e/mID, e/m Government solutions, etc.) and stimulate value creation through digitization of the operations of the traditional industries. This transformation process should also encompass the societal benefits of the digitization process like environmental impact through reduced CO<sub>2</sub> emissions and improved healthcare systems.
- Allow cross border data transfer within the region in accordance with the security policies of the countries.
- Install a role of Chief Information Officer in each of the Governments in the region to ease the coordination and implementation of digital transformation and cooperation in digital matters to facilitate the integration process into the EU's Digital Single Market.

6. **Calling for joint regional energy strategy** especially in the domain of electricity production/trade could result in making the region more sustainable and thus energy secure as it would rely on its own resources. Further focus on renewable energy to make the region greener and energy sustainable.

- Adopt a strategy on optimization of resources and production facilities but also investment into production facilities on the regional level.
- Liberalization of the regional electricity market.
- One of the priorities should be standardization on the regional level for investments in renewable energy sources (in line with the EU practices) that would result in attracting more investments in this segment in the region and making the region greener and energy sustainable.
- Incentives for electric vehicles and chargers to ensure faster development into green region.