

FOREIGN POLICY  
PAPERS

# STOCKTAKING OF THE BERLIN PROCESS

01/2017



**European Movement**  
Serbia  
Forum for International Relations



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## **Foreign Policy Papers 01/17**

Stocktaking of the Berlin Process

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Tel: 011/ 3640-174

office@emins.org

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### **FOR PUBLISHER:**

Maja Bobić

### **EDITOR:**

Jelica Minić

### **AUTHORS:**

Aleksandar Kovačević

Predrag Bjelić

Ana Marjanović Rudan

Marko Drajić

Jelica Minić

### **PROJECT COORDINATOR:**

Svetlana Stefanović

### **PROOFREADING:**

Duška Tomanović

### **DESIGN:**

Marko Zakovski

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## Abstract

Three years is not a long enough period for assessing the sustainability of a social process. Nevertheless, the authors of Foreign Policy Papers No.1, 2017, Stocktaking of the Berlin Process, attempted to find out how much this new initiative has contributed to the ongoing reforms in the Western Balkans related to accession to the European Union and to advancing regional cooperation.

The purpose of this collection of papers is to present a critical analysis of the Berlin Process from civil society's perspective and offer recommendations to be considered at the Trieste Western Balkan Summit, on July 12<sup>th</sup>, 2017.

The authors examined the overall context in which the Berlin Process appeared and analyzed how much dynamism it has brought to the sluggish EU-WB relations addressing several issues with systemic impact on many areas of the accession process and regional cooperation in the Western Balkans.

Special attention was paid to the Connectivity Agenda, which paved the way for some strategic opportunities in the areas of infrastructure development and transport and energy policies in the region, giving additional incentives to the adoption and implementation of the acquis in these areas. A critical assessment was made of the relevance and impact of the selected projects to date. Some strategic considerations were also raised regarding use of the dialogue established through the Berlin Process to make the Western Balkans a major beneficiary of two macro-regional strategies – EU Strategy for the Danube Region and EU Strategy for the Adriatic and Ionian Region.

A new project developed in the framework of the Berlin Process to be presented at the Trieste Summit was introduced and analyzed – the concept of a more integrated regional market. It includes coordinated efforts to improve the business climate and investment attractiveness of the region. The Western Balkan Chamber Investment Forum established at the Vienna Summit was also analyzed as highly instrumental in achieving these objectives. Special insight was provided in the trade and investment links between the WB6 and EU6 involved in the Berlin Process.

The civil society dimension of the Berlin Process was also explored, underlining the relevance of the nongovernmental actors in the adoption, implementation and promotion of different reconciliation incentives, such as addressing bilateral issues and youth cooperation in the region, but also in launching new initiatives, as well as their monitoring, evaluation and promotion.

Finally, a new issue was introduced in the debate on the Berlin Process – how to communicate the goals, activities and achievements of this innovative framework. The concept of well-structured and targeted communications was proposed in order to bring the Berlin Process closer to the decision and opinion makers, as well as the citizens in the region and increase its effectiveness.

## An Innovative Framework in Difficult Times

### Background

The Berlin Process<sup>1</sup> is one of the most recent initiatives aimed at supporting regional cooperation in the Western Balkans<sup>2</sup> and its integration in the European Union. This new initiative supplements traditional institutional integration based on the adoption of the *acquis communautaire* (step by step, negotiating 35 chapters) aiming to fulfill the key conditions for full membership. It has provided a new dynamic to the accession process in a number of specific areas.

The initiative was launched on 28 August 2014 and is limited to a four-year period. This mostly coincides with the timeframe which the President of the European Commission, Jean Claude Juncker, mentioned the same year, when he said there would be no further EU enlargement during his five-year mandate.<sup>3</sup> The Berlin Process was a major impetus to the region after this clear announcement of the marginalization of the enlargement process on the European agenda. The Summit launched a new platform aimed at supporting and enhancing specific areas of regional cooperation in the Western Balkans and giving additional leverage to its functional integration in the EU. The projects proposed by the Western Balkan leaders reflected the priorities defined by the South East Europe Transport Observatory (SEETO) in their regular mid-term plans updated on an annual basis, as well as the priorities of the Energy Community from its stock of Projects of Energy Community Interest (PECI).

The second Summit of the Berlin Process was organized in Vienna on 27 August 2015<sup>4</sup> and it resulted in an agreement on specific regional transport and energy priority projects<sup>5</sup>. In addition to hard “infrastructure”, the connectivity package also included “soft measures”, i.e. specific reforms of the transport and energy policies relevant to the successful functioning of regional interconnections in these areas. The reforms have a timeframe and will be monitored.

The third Summit was organized in Paris on 4 July 2016.<sup>6</sup> Whereas the two previous Summits led to progress in areas such as youth cooperation and connectivity in the fields of transport and energy, the Paris Summit introduced some new topics and reemphasized the importance of economic cooperation. Its participants stated that the future of the Western Balkans lied in European integration and in intra-regional cooperation. Regional cooperation was highlighted as a key element for economic growth within the Western Balkans as it leads to increased connectivity between people, and the multiplication of cross-border and multi-country initiatives, as well as of joint ventures.

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1 Final Declaration by the Chair of the Conference on the Western Balkans, Berlin, 28 August 2014, available at <https://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2014/2014-08-28-balkan.html>

2 This term refers to Albania, Bosnia and Herzegovina, Macedonia, Kosovo, Montenegro, and Serbia.

3 “In the next five years, no new members will be joining us in the European Union. As things now stand, it is inconceivable that any of the candidate countries with whom we are now negotiating will be able to meet all the membership criteria down to every detail by 2019. However, the negotiations will be continued and other European nations and European countries need a credible and honest European perspective. This applies especially to the Western Balkans. This tragic European region needs a European perspective. Otherwise the old demons of the past will reawaken”. EC President Juncker’s speech in the European Parliament, Strasbourg, 15 July 2014, available at [http://europa.eu/rapid/press-release\\_SPEECH-14-567\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-14-567_en.htm)

4 Final Declaration by the Chair of the Vienna Western Balkan Summit, 27 August 2015, available at [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20150828\\_chairmans\\_conclusions\\_western\\_balkans\\_summit.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20150828_chairmans_conclusions_western_balkans_summit.pdf)

5 Holzner, M. *Policy Options for Competitiveness and Economic Development in the Western Balkans: the Case for Infrastructure Investment*, Vienna Institute for International Economic Studies (wiiw), Policy Notes and Reports 16, Vienna, 2016, p.1.

6 Final Declaration by the Chair of the Paris Western Balkans Summit, Paris, 4 July 2016, p.2, available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20160713-01.final-declaration-by-the-chair-of-the-paris-western-balkans-summit.pdf>

According to German Chancellor Merkel,<sup>7</sup> who initiated the Berlin Process, the moment of its launching and its timeframe were supposed to represent a symbolic association with the beginning and the end of World War One (1914-1918), with an implicit message “don’t let war happen again”. She was the one who persistently warned that the refugee crisis could be dangerous for the region and revamp destabilization, crises and tensions in the Balkans, as one of the main migrant routes.<sup>8</sup>

It is also worth mentioning that one of the tracks of cooperation between the EU and the Western Balkans announced at their joint 2003 Summit in Thessaloniki<sup>9</sup> – regular top level meetings - has never materialized. Although the 2000 Zagreb Summit<sup>10</sup> and, later on, the Thessaloniki Summit gave the initial political incentive to and set the pace of the enlargement process, they have never been repeated. That is why the Berlin Process represents a kind of echo of the great plans forged at the beginning of the previous decade. Nowadays, at the time of multiple crises in the EU, which have reflected on the Western Balkans as well, it appears to be a contracted version of the Thessaloniki plans – high-level meetings of the six WB countries with six EU Member States that are the most interested in the region.<sup>11</sup>

## The Berlin Process and Regional Initiatives

There are more than 50 regional initiatives today and most of them have been functioning well and in accordance with the objectives they had been established to fulfill in different areas of interconnectedness and cooperation in the Western Balkans.

The Balkans have traditionally been perceived as a region where European security is always at risk. Hence the launch of many recent initiatives boosting regional cooperation and European integration targeting both the Western Balkans, as well as South East Europe which encompasses all Balkan countries. Although these initiatives cover different areas, they all share same goals of stability, prosperity and EU integration of the region. While some of them are primarily focused on the advancement of top-level political dialogue (the South-East Europe Cooperation Process<sup>12</sup> and the Brdo-Brijuni Process<sup>13</sup>), political commitment at the ministerial level has generally sufficed for the adoption of important decisions and documents within other regional initiatives operating at the sectoral level. For most of them, the sector they deal with has determined the scope, mode and levels of decision making and activities undertaken. Most of them operate as inter-governmental organizations (CEFTA, EnCT, SEETO, RESPA, RACVIAC, MARRI, SELEC, etc.) or as specialized government-supported operative networks (NALAS, SEEHN, BAC, etc.).<sup>14</sup>

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7 Final Declaration of the Chair of the Conference on the Western Balkans, Berlin, *op cit.*, p.1.

8 Nougayrede, N. “We should heed Angela Merkel’s warning of a new Balkans war”, *The Guardian*, Thursday 5 November 2015, <https://www.theguardian.com/commentisfree/2015/nov/05/angela-merkel-europe-unfinished-business-balkans>

9 See [http://europa.eu/rapid/press-release\\_PRES-03-163\\_en.htm](http://europa.eu/rapid/press-release_PRES-03-163_en.htm).

10 See <http://www.esiweb.org/pdf/bridges/bosnia/ZagrebSummit24Nov2000.pdf>

11 The Paris Summit was attended by the leaders of Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia, as well as high-level representatives of Croatia, France, Slovenia, Germany, Austria and Italy, the European Union and International Financial Institutions (IFIs).

12 SEECF Sofia Summit Declaration “20<sup>th</sup> Anniversary of the SEECF - Key to Regional Cooperation“, Sofia, 1 June 2016, available at <https://www.president.bg/news3242/seecf-sofia-summit-declaration-20th-anniversary-of-the-seecf-key-to-regional-cooperation.html&clang=en>

13 Brdo-Brijuni Process, General Information, Zagreb, 25 November 2015, [http://www.up-rs.si/up-rs/uprs.nsf/cc1b0c2e0c8f0e70c1257aef00442bbd/9815ea2d83e58191c1257f08003275cb/\\$FILE/Media%20Advisory%20Note.pdf](http://www.up-rs.si/up-rs/uprs.nsf/cc1b0c2e0c8f0e70c1257aef00442bbd/9815ea2d83e58191c1257f08003275cb/$FILE/Media%20Advisory%20Note.pdf)

14 CEFTA 2006 (Central European Free Trade Agreement), EnCT (Energy Community Treaty), SEETO (South East European Transport Observatory), RESPA (Regional School for Public Administration), RACVIAC (Centre for Security Cooperation), MARRI (Migration, Asylum, Refugees Regional Initiative), SELEC (Southeast European Law Enforcement Centre), NALAS (Network of Associations of Local Authorities of South-East Europe), SEEHN (South East Europe Health Network), BAC (Business Advisory Council).



Their common priorities include the development of regional cooperation and achievement of European standards in the areas within their remit, meaning that their essential function has been to instigate reforms and improve public administration in numerous areas crucial for EU integration, as well as for development and better living standards in the region. Action at the regional level and acceptance of obligations undertaken within multilateral fora had a positive effect on the fulfillment of the commitments made within the bilateral framework of the Stabilization and Association Process,<sup>15</sup> and, subsequently, Stabilization and Association Agreements. This was clearly demonstrated first by the achievements of the Stability Pact for South Eastern Europe<sup>16</sup> and, later on, by its successor, the Regional Cooperation Council.<sup>17</sup> Thanks to the Berlin Process, some of these regional structures became more visible as important supportive political processes stimulating economies and societies to speed up reforms in specific areas where they had not been properly engaged through the enlargement process technical procedures supposed to prepare them for EU membership.

At the beginning, when the great majority of regional initiatives were initiated from the outside (EU, UN, US, etc.), their agendas, direction and modalities of action were mostly formulated by the external players. As time went by, the regional actors acquired the governance skills enabling them to lead the established regional cooperation structures and to create new ones, whilst assuming greater financial and political responsibilities for their operation as well.

Today, the key role in the regional structures and mechanisms is played by the relevant ministries, or local authorities, chambers of commerce, agencies, professional associations, with greater or lesser support of the European Commission, European agencies, international organizations and financial institutions, as well as bilateral donors. These initiatives flourished the most in the 2002-2010 period, when the key issue in the region and the EU was how to politically and economically stabilize the region after the armed conflicts in the 1990s and how to direct it most effectively towards integration in the EU.

Interestingly, the existing regional organizations were greatly promoted by the Berlin Process. Starting modestly with the Regional Cooperation Council and Energy Community Secretariat at the Berlin Summit, many more organizations involving Western Balkan participants, such as SEETO, CEFTA, ECS, and the RCC,<sup>18</sup> were referred to at the Vienna Summit, as well as some other organizations important for the region like EUSDR, EUSAIR, CEI, and OSCE.<sup>19</sup> The above-mentioned SEECF and Brdo-Brijuni Process were pointed out as the top-level political for a in the Western Balkans, showing that the region, with its own high level of cooperation and networking in different areas, prepared the ground for the Berlin Process and provided the tools and structures to achieve some of its objectives.

## Questions to be Answered

How does the Berlin Process fit in this already comprehensive spectrum of regional cooperation and European integration mechanisms in the Western Balkans? What is its relationship with the objectives, mechanisms and procedures of the EU enlargement policy and with the activities of regional initiatives? To what extent do its goals, mission and mode of operation differ from those on the two well-known tracks? Is it possible to assess the effectiveness of the Berlin Process in the areas, the number of which has been growing successively from one summit to another, now, three years after it was launched? Does the strict four-year timeframe mean that the Berlin Process' primary goal was to give a strong impetus and

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15 See [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/sap\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/sap_en)

16 See [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/stability-pact\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/stability-pact_en)

17 See <http://www.rcc.int/>

18 *Supra* 14.

19 EU Strategy for the Danube Region (EUSDR), EU Strategy for the Adriatic-Ionian Region (EUSAIR), Central European Initiative (CEI), Organization for Security and Co-operation in Europe (OSCE)

encouragement to the Western Balkan countries to continue with their EU accession related reforms in accordance with the standard procedure at a time when the Union is deeply shaken and enlargement has been slipping further and further down on its agenda of priorities? Or is it a sign of the inevitable redirection of the enlargement process towards the region's partial, functional integration in the EU? Is it an indication that the Western Balkans will be integrated in some of the closer or more distant orbits in the emerging architecture of the EU, while the perspective of full membership and complete institutional integration remains postponed indeterminately?

Is the Berlin Process yet another confirmation of the growing “nationalization” of the EU enlargement policy (the increasing role of Member States compared with that of the Brussels institutions, primarily the European Commission)? Or, is it a sign of the more intensive “regionalization” of the EU in the future, entailing specific interest/territorial agglomerations of the willing partners from the EU and the Western Balkans, with the presence of France and Great Britain having only a security dimension, creating an illusion of the Union's greater interest in the future of the Western Balkans? In that case, is it meant to prepare the Western Balkan states to become an operational part of the third, external orbit of Germany, Italy and Austria, with Slovenia and Croatia in the second circle, which appears to be the “natural” constellation judging by the intensity of the existing economic and political partnerships? To what extent is the Berlin Process intended to protect the Western Balkan region, as a broader EU interest zone, from the growing political and economic presence of Russia, Turkey and China, filling the void created by the slow and unsatisfactory enlargement process?

What is the intention of introducing civil society into this story which is essentially predominantly bureaucratic? Is there appropriate outreach of the Berlin Process towards different target groups? Accordingly, is it possible to assess the prevailing perceptions of the process among its main actors and broader public in the region, the involved EU Member States and EU institutions in general?

In this issue of the Foreign Policy Papers, we tried to answer a number of these questions although some of them are just a set of hypotheses to be examined in greater detail in our future research.

## **Comparison of the Outcomes of the Three Summits**

The initial message of all three Summits was that the region had a clear European perspective and that, in addition to the individual efforts of each state, strengthening regional cooperation was the only way to reach this goal. The region is expected to deepen its economic integration by improving connectivity in the fields of transport, energy and digitalization, integrating in key European transport corridors and energy and digital markets and by developing a regional market furthering trade and transport facilitation and developing economic corridors (regional value chains, regional investment projects and special economic zones). The Connectivity Agenda led to the introduction of environmental protection and climate change mitigation as the next steps in deepening regional cooperation.

Good governance and rule of law are key preconditions for the successful implementation of the Connectivity Agenda and further market integration in the Western Balkans. That is why the necessity of faster reforms in these areas has been reiterated from one Summit to another. However, as opposed to the other raised issues, no concrete steps on how to make the “big leap” in this respect have been proposed. Economic Reform Programs are perceived as a crucial tool for improving physical and human capital, industrial structures, the business environment and trade integration, and as having important regulatory and investment guidance dimensions. Moreover, the introduction of the digitalization and digital agenda issues is helpful as a prerequisite for better governance in infrastructure development and maintenance, the implementation of agreed “soft measures” in the energy and transport sectors and the valorization of the region's potentials in the development of the ICT sector.

Each hosting country gave its special “touch” to the respective Summit agendas. Germany set the general framework by listing almost all the issues to appear later on, but introduced its social market *credo* through issues such as social dialogue, trade unions and civil society. The only side event fully devoted to regional media took place in Berlin. Austria involved civil society on a much larger scale – the Civil Society Forum was a massive side event with a rather vague agenda, but providing a stage for the dramatic rapprochement between the Serbian and Albanian leaders. It also led to the signing of a document on bilateral disputes in the region prepared by civil society representatives.<sup>20</sup> The Final Declaration included a statement on the discrepancy between the “good progress in establishing a web of regional cooperation structures over the last years” and slow progress in solving “outstanding bilateral disputes”, and inviting Western Balkan leaders to take concrete steps towards lasting reconciliation in the region.<sup>21</sup> Participation of CSOs on the margins of the main events was a novelty, compared with all the previously listed EU integration and regional cooperation tracks of action.

Austria also gave great specific weight to connectivity, the investment climate, education and science. The Paris Summit included environmental issues and climate change mitigation in its agenda, in the chapter on trade and connectivity. On the margins of the Summit, the French host launched the “Western Balkan Sustainable Charter”<sup>22</sup> stressing improved governance for energy efficiency, smart support measures improving sustainability of energy systems and fostering climate action and transparency of sustainable energy markets.

A whole chapter was devoted to young people, with particular emphasis on youth unemployment, youth entrepreneurship, education and research. Migration and the fight against terrorism and radicalization also appeared as a new and well elaborated chapter. Two CSO side events were organized during the Summit, although civil society was not even mentioned in the final document. A well-focused “Connecting Youth” conference<sup>23</sup> delivered practical conclusions and recommendations serving the purpose of the officially launched Regional Youth Cooperation Office (RYCO). The second event was a vaguely structured “Civil Society Forum”, which failed to generate relevant conclusions or appropriate linkages with the main event.

The priorities of the Italian host of the forthcoming Trieste Western Balkan Summit seem to be complex but coherent. Putting business climate, innovation and SMEs in the center of the agenda, between rule of law and connectivity, is a message in itself: connecting the region, regulating governance standards and providing legal protection to businesses and investments will create opportunities for more dynamic economic activities and greater employment (although the growth and employment impacts of the Connectivity Agenda have been already calculated and presented in the Final Declaration by the Chair of the Vienna Western Balkan Summit).

## The Greatest Successes

In which areas has the Berlin Process been the most successful? The choice of the priority areas partly coincides with the new EU “fundamentals first” approach to the enlargement process. The Trieste Summit agenda will focus on security and growth; rule of law and corruption; the business environment, innovation and SME development; and connectivity, all of which entail good governance - the main problem of all states in the region.

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20 See: <http://www.seetoint.org/wp-content/uploads/downloads/2016/09/Addendum-Western-Balkans-Summit-2015.pdf>

21 See: [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20150828\\_chairmans\\_conclusions\\_western\\_balkans\\_summit.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20150828_chairmans_conclusions_western_balkans_summit.pdf)

22 See: [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf)

23 See: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20160713-wb-youth-conference-conclusions.pdf>

However, the governance issue has not been addressed directly. Since the launch of the Berlin Process, the greatest successes of this initiative are the regionally coordinated and agreed Connectivity Agenda, supported by the EU and IFIs, and the establishment of RYCO. The launch and activities of the Western Balkan Chambers Investment Forum, can be added to this list of the Berlin Process achievements as well.

Albania and Serbia can be considered the greatest beneficiaries of the Berlin Process for the time being. Albania became the seat of two important regional organizations – RYCO and the Western Balkan Fund. Due to its central geographic position, Serbia is a major beneficiary of the Connectivity Agenda and plays the leading role in the business dimension of the process because, together with the Chamber of Commerce of Kosovo, it is interlinking the regional chambers of commerce in the structure promoting investments, tourism, etc. But, above all, the two countries together made the greatest breakthrough in advancing their bilateral relations under the umbrella of the Berlin Process.

## Recommendations

Important political decisions usually take time and a lot of work “behind the scene”. However, the appearance of the Berlin Process resembles a sudden flash on the stagnant stage of the EU – Western Balkan relations. What is its future of this initiative and who are the Western Balkan players able to influence it? Thought should be given to pursuing the following lines of action:

1. The Berlin Process should be used to further reenergize and innovate some aspects of the EU enlargement policy. It demonstrates that where there is political will, there is a way to come out of the EU-WB slow motion characterizing this decade, albeit by involving only a limited number of the EU Member States in extending targeted support to the Western Balkans;
2. The streamlining of regional initiatives already initiated by the Regional Cooperation Council has to be further enhanced by the Berlin Process in order to facilitate addressing the key issues in the region;
3. The Western Balkan countries need to be not only an object but also an active subject of the Berlin Process and influence its further priorities and modes of action.



Aleksandar Kovačević  
**Energy and Transport**

## Background

The Western Balkans have suffered a number of external shocks since 2008, including a spell of the global economic crisis accompanied by a plunge of energy prices at the international markets and the slowdown of economic growth. The region was struck by the worst drought in decades<sup>24</sup> and the severest floods in more than a hundred years.<sup>25</sup> There were a number of other disasters including floods,<sup>26</sup> forest fires, landslides, excessive air pollution, et al.

Map 1: Extent of the Floods in the Balkans in the Spring–Summer of 2014



**Legend:**

○ Cities ● Capital cities ■ Power plant — Waterways — Major rivers ■ Flood extent - - - State borders - - - Country borders

*The flood extent was produced by our Zurich flood resilience alliance member IIASA. Data was derived from Esri Disaster Response Program and is the approximate flood zone generated from available reports (esri.com). The base map was provided by openstreetmap.org and fao.org*

**Source:** “Balkan Floods of May 2014: challenges facing flood resilience in a former war zone”, Zurich Flood Resilience Alliance and Post Event Review Capability (PERC), Flood resilience review 05.15.<sup>27</sup>

24 <http://www.huffingtonpost.com/huff-wires/20120823/eu-balkan-drought/>

25 <https://www.theatlantic.com/photo/2014/05/balkans-struck-by-worst-flooding-in-120-years/100739/>

26 <http://www.bbc.com/news/world-europe-28683199>

27 Analyses also indicate over 60 fatalities, over 220,000 affected households, over 130,000 displaced persons, over 350,000 people left without electricity or water supply, 3.67bn Euros in direct damages, etc.

The region has been disproportionately exposed to the risks of climate change,<sup>28</sup> air pollution,<sup>29, 30</sup> energy poverty,<sup>31</sup> and energy security risks.<sup>32</sup> As it is less industrialized than most of Europe, it is less equipped to manage external shocks. However, it seems that widespread deforestation,<sup>33</sup> fragmented water management<sup>34</sup> and lack of enforcement of cross-border pollution regulations, as well as poor governance<sup>35</sup> and the character of cross-border trade,<sup>36</sup> have contributed to excessive risks. Informal economy, political (in)stability, lack of access to finance, high tax rates, corruption and unreliability of electricity supply have been listed as major obstacles to economic development by the local companies.<sup>37</sup>

Societies (repeatedly) exposed to events of this magnitude tend to undertake significant interventions in the structure of governance and extraordinary interventions in their infrastructure and structure of economy with massive and long-lasting impacts. Such initiatives included the New Deal (USA, 1930s), the Marshall Plan (Europe after World War II), and the establishment of the European Community (Europe after World War II). The former Yugoslavia experienced rapid reconstruction after World War II and massive reforestation from the 1950s to 1989, as well as rapid construction of hydro (1950s-1970s) and lignite fired power plants (1970s-1980s), (re) privatization of farmland (1953), the agricultural revolution (1950s), etc. These ambitious undertakings typically comprised (1) significant improvements in the utilization of the existing infrastructure (by utilization ramp-up or re-purpose), (2) introduction of new technologies, and (3) investments in new infrastructure, as well as (4) introduction of new governing institutions. In any case, responses to significant challenges tend to be disruptive both in scope and magnitude and to be of strategic relevance.

Following the conflicts in and dissolution of Yugoslavia (1991-2006), the Western Balkan countries launched a range of regional initiatives themselves and with foreign partners aiming to support regional integration, economic development and the wellbeing of the population, as well as the EU accession process. These endeavors have attracted the attention of other external players, including China, the Middle East countries, the USA and the Russian Federation. Various forms of international cooperation are now established and functioning.

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28 <http://www.climatecentral.org/news/climate-context-balkans-flooding-17468>

29 <https://www.dailysabah.com/environment/2017/03/15/air-pollution-causes-premature-deaths-in-balkans>

30 <http://www.balkaninsight.com/en/article/balkan-cities-top-air-pollution-charts-02-14-2017>

31 <http://www.euractiv.com/section/social-europe-jobs/news/energy-poverty-takes-toll-on-balkan-forests/>

32 <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/02/Towards-a-Balkan-gas-hub-NG-115.pdf>

33 [https://www.rte.ie/news/special-reports/2010/0521/131308-deforestation/;](https://www.rte.ie/news/special-reports/2010/0521/131308-deforestation/)  
<http://www.invest-timber.com/timber-investments/339/deforestation-in-the-balkans>

34 <http://www.osce.org/bih/156266?download=true>

35 “Balkan floods of May 2014: challenges facing flood resilience in a former war zone”, Zurich Flood Resilience Alliance and Post Event Review Capability (PERC), Flood resilience review 05.15.

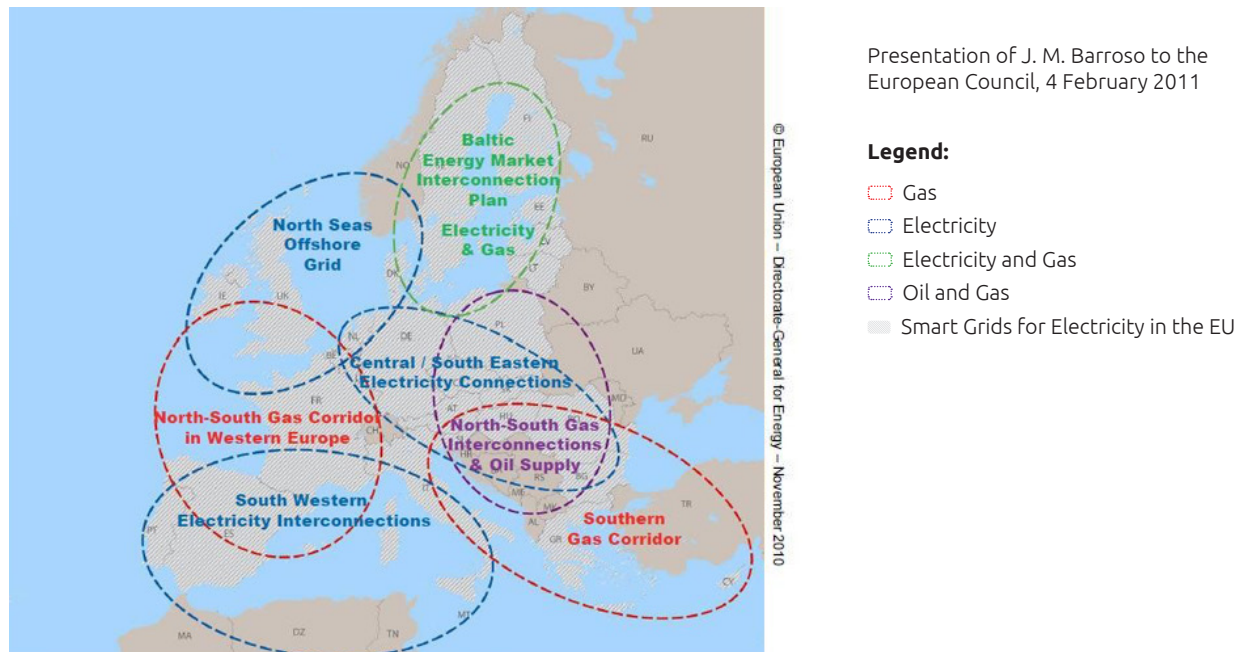
36 <http://intra.tesaf.unipd.it/pettenella/papers/Pettenella-Montpellier.pdf>

37 <http://www.ebrd.com/news/2017/what-is-holding-back-the-western-balkans-economies.html>

## Strategic Opportunities

The Western Balkan region is a strategically relevant part of the European continent. In terms of energy, it provides interesting linkages and trade opportunities, wherefore three out of seven priority energy infrastructure corridors overlap in its territory – more than anywhere else in Europe.

Map 2: European Union - Priority Energy Infrastructure



Source: Barroso, J.M. ([http://ec.europa.eu/europe2020/pdf/energy\\_en.pdf](http://ec.europa.eu/europe2020/pdf/energy_en.pdf)), page 13.

Three out of four EU macro-regional strategies<sup>38</sup> - Alpine, Danube<sup>39</sup> and Adriatic-Ionian<sup>40</sup> - converge in this region. Since the enlargement of the Suez Canal<sup>41</sup> Balkan ports have been the most economical transport route between Europe and the Far East, including China, India, Japan and other countries. The Black Sea region (linked to the Western Balkans by the river-to-sea navigation along the Lower Danube) is the world's largest exporter of cereals and fertilizers, as well as one of the greatest exporters of oil and natural gas.

However, poor governance and inadequate use of the existing infrastructure (ports, railways, inland waterways, and pipelines) have increased the effective distance<sup>42</sup> between this region and the international clusters of GDP formation. The way the existing infrastructure has been governed has effectively turned the Western Balkans into a landlocked region due to insufficient economy of scale in major ports and lack of transport between the ports and inland economic clusters. In terms of the EU macro regions, that includes inadequate use of infrastructure between the Adriatic-Ionian and Danube regions, on the one hand, and inadequate use of the Lower Danube river-to-sea navigation, on the other.

38 [http://ec.europa.eu/regional\\_policy/en/policy/cooperation/macro-regional-strategies/](http://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/)

39 [http://ec.europa.eu/regional\\_policy/en/policy/cooperation/macro-regional-strategies/danube/#4](http://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/danube/#4)

40 [http://ec.europa.eu/regional\\_policy/en/policy/cooperation/macro-regional-strategies/adriatic-ionician/](http://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/adriatic-ionician/)

41 <http://edition.cnn.com/2015/08/06/world/new-suez-canal-opens/>

42 Edward E. Leamer ("Access to Western markets, and Eastern effort levels", in *Lessons from the Economic Transition*, Salvatore Zecchini, editor, OECD, 1997) demonstrates former Yugoslavia's significant disadvantage with respect to its distance from the Western European clusters of GDP formation, as well as the devastating effects of any increase in the effective distance on the local GDP formation.

It is well known that the Western Balkans have extremely modest conventional energy resources.<sup>43</sup> Consequently, poor quality coal, gas and oil reserves only facilitate low economic productivity. Due to its geographical location, small population density, very high precipitation and geothermal resources, the Western Balkans are considered well supplied with renewable energy with over average productivity and diversity. However, the use of these resources requires appropriate economy of scale and cross-border cooperation.<sup>44</sup> The use of these resources is constrained by various cross-border disputes. It may be said that every border in the region is burdened by cross-border disputes about hydro resources, transport infrastructure and trans-border pollution.

## The Berlin Process

The Berlin Process, launched in August 2014, appears to be more of a response to the delay in the EU integration of the Western Balkans than a comprehensive solution to the actual challenges and a source of opportunities. It comprises the Connectivity Agenda in energy and transport, including a set of new infrastructure investments and a selection of soft measures aiming to facilitate regional integration. It uses the existing institutions: the South East Europe Transport Observatory (SEETO) and the Energy Community Treaty (EnCT) to streamline intervention. It serves as a prioritization mechanism to focus new infrastructure investments onto selected projects.<sup>45</sup> The projects are selected from a broader list drawn up by Western Balkan Governments that may only propose projects based on well-known technologies without any innovation or entrepreneurial restructuring.

Only one port investment and only one intermodal terminal are listed among the priority transport projects. The Port of Brčko is located on an inland waterway (Sava River) and can be qualified as irrelevant in terms of access to the sea or distance to the relevant GDP clusters. The intermodal terminal is located northwest of the City of Belgrade and lacks efficient access to the Danube Port that can be used for seagoing navigation.

In the energy sector, priority is given to four high voltage connections<sup>46</sup> and the further development of the regional electricity market.<sup>47</sup> That provides for somewhat better connectivity between the Western Balkan countries and the Italian electricity market via the submarine cable (that is under construction).

Western Balkan countries also signed the Sustainability Charter<sup>48</sup> that complements the EnCT and introduces modest sustainability goals. The EnCT Secretariat reports on progress in both connectivity projects and the Sustainability Charter and provides technical assistance to the Governments in the region.

During the previous three high-level meetings and related conferences, projects and activities, the Berlin Process set the stage for a major breakthrough in terms of the sustainability of the energy sector, better use of the available resources and massive improvement of energy efficiency. Given that critical material obligations under the EnCT (Large Combustion Plants Directive, renewable energy and energy efficiency obligations) have to be implemented during the 2018-2023 period, the forthcoming two meetings of the Berlin Process should be used to take the strategic decisions required to lift this region from energy poverty and to prevent the further escalation of risks described herein.

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43 Han, Stjepan, 'Some Economic Aspects of International Collaboration in the Production and Use of Power with Special Reference to the Southern Part of Central Europe.' Fifth World Power Conference, Vienna, 1956.

44 Even at this moment, almost all large hydro power plants in the region – among the largest and most effective in Europe – are based on cross-border hydro resources and cause of cross-border disputes.

45 [http://www.seetoint.org/wp-content/uploads/downloads/2016/09/Connectivity-Agenda-20160704\\_paris\\_package.pdf](http://www.seetoint.org/wp-content/uploads/downloads/2016/09/Connectivity-Agenda-20160704_paris_package.pdf)

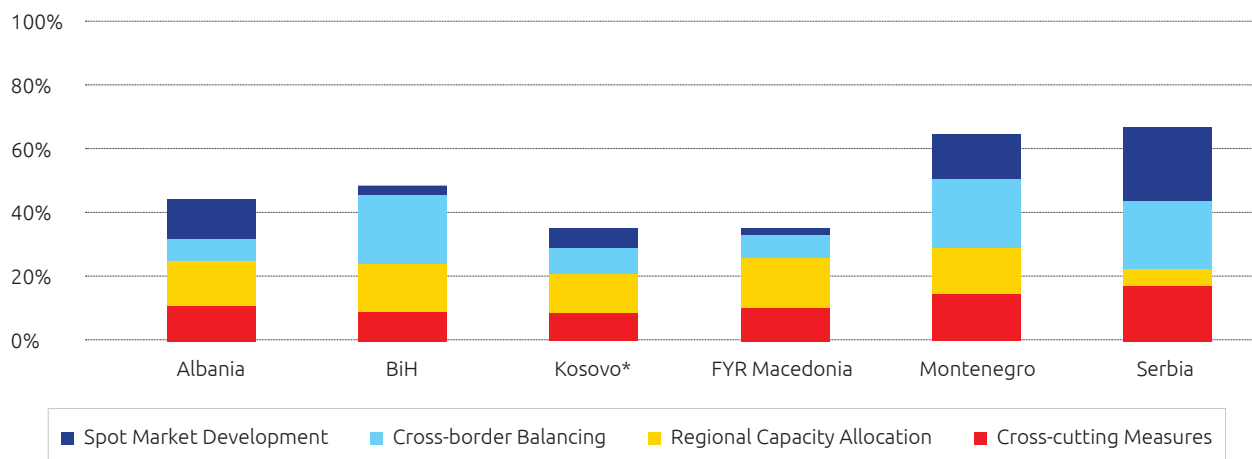
46 [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/WB6/SUMMIT](https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6/SUMMIT)

47 [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/4126415/3178C3FCD7C364E1E053C92FA8C0F233.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4126415/3178C3FCD7C364E1E053C92FA8C0F233.pdf)

48 [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/4216400/36E619039242136BE053C92FA8C06C41.pdf)



Figure 1: Progress in Electricity Market Integration



Source: [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/AREAS\\_OF\\_WORK/WB6/Monitoring](https://www.energy-community.org/portal/page/portal/ENC_HOME/AREAS_OF_WORK/WB6/Monitoring)

A recent paper prepared by the EBRD<sup>49</sup> links the Berlin Process with the cooperation framework between the Western Balkan 6 and China. It indicates the trade dynamics between the region and China and the relevance of specific Chinese transport infrastructure investments. Interestingly, the key Chinese investment (Port of Piraeus) provides for further openness of the region to maritime trade. However, the paper does not distinguish Chinese investments (or investment modes) that are not in line with the EU norms on state aid and environmental impacts or the region's obligations under the UNFCCC Paris Agreement. Nevertheless, the stage for the eventual alignment between the two (EU's and China's) development frameworks has been set and it remains to be seen how and if it is going to be used.

Further opening of the region to trade with the USA, the Russian Federation and other overseas partners remains to be considered. It may require major adjustments in the energy and transport patterns throughout Central Europe and most EU Member States.

## Recommendations

There is great level of urgency to address the major risks and challenges and make use of the opportunities in the Western Balkans. The Berlin Process is the only comprehensive framework available for that purpose. In that context, the following recommendations may be considered:

1. The Berlin Process should address effective integration between the Adriatic-Ionian and Danube macro regional strategies on energy and transport.
2. The Berlin Process should consider the initiative to enhance river-to-sea navigation between the Danube and the Black Sea & Central Asia and facilitate political arrangements to provide all countries in the region with access to the Belgrade Port and the (far more ambitious) intermodal terminal.
3. Massive forestation and integral water management are critical for preventing risks and harnessing opportunities regarding renewable energy across the region and hinge on the resolution of cross-border disputes and the introduction of a structure of trans-border responsibilities. This is a massive and urgent undertaking and has to be addressed by an efficient regional governing institution.

49 "China and South-Eastern Europe: Infrastructure, trade and investment links" Paper prepared by Oleg Levitin, Jakov Milatović and Peter Sanfey, Department of Economics, Policy and Governance, EBRD, with a contribution from Matthew Jordan-Tank, Banking Department, EBRD. June 2016.

4. The Berlin Process has to take a stand in favor of people living in the region and their basic human rights to a healthy environment, clean air, access to water and energy poverty eradication. This is prerequisite for effective forestation, use of hydro resources and development of the electricity markets.
5. Commercial and professional institutions are to assume responsibility for (1) better use of the existing infrastructure, (2) large-scale innovative investments in renewable heat and power generation (to displace the existing lignite fired power plants and eliminate problems with security of supply) and (3) introduction of innovative transport solutions by the region's Governments.
6. Given that the USA is emerging as a major exporter of energy commodities (LNG and oil products) and energy and transport technologies, the Western Balkan region needs a framework for effective access to these opportunities.

## Towards a More Integrated Regional Market

### Relevance of the EU6 for the WB6

The fourth summit of the Berlin Process will be hosted by Italy in Trieste. More economic issues will be on the agenda and the host has particularly reiterated the importance of the business environment, innovation and the development of small and medium enterprises (SMEs) for the WB6 economies. As stated in the Joint Statement issued by the WB6 Prime Ministers after their meeting on March 16<sup>th</sup>, 2017: “We propose that our representatives together with the Regional Cooperation Council and supported by the European Commission, start working on a proposal for a joint approach to furthering economic cooperation in the Western Balkans through different initiatives in order to present them at the Trieste Summit, which could include for example on circulation of goods, services and capital, free flow of skilled workforce, a common digital approach and a dynamic investment space.”<sup>50</sup>

The EU’s share in the total exports of the WB6 economies ranges from 41.3% of Montenegro’s to 62.1% of Macedonia’s exports, according to EUROSTAT data.<sup>51</sup> The EU Member States involved in the Berlin Process are the leading trade and investment partners of the West Balkan 6 economies and Serbia specifically. The share of the Berlin Process partner countries in WB6 exports ranges from 16.7% (Kosovo\*) to 59.8% (Bosnia and Herzegovina). Italy and Germany are the most relevant export markets for the WB6.

Table 1: WB6 Exports to Berlin Process EU Partner Countries in 2015 (in 000 USD)

	Exports							Total	World	Share
	DE	IT	AT	FR	SI	HR				
AL	60,951	924,923	17,839	33,115	3,775	3,910	1,044,513	1,929,657	54.1	
BA	591,858	726,064	499,002	71,783	632,747	528,333	3,049,787	5,099,118	59.8	
MK	1,990,053	181,363	40,632	39,225	55,727	80,033	2,387,033	4,489,934	53.2	
ME	16,635	44,593	2,645	5,107	13,289	3,479	85,748	353,080	24.3	
KS*	12,700	21,200	13,300	6,050	2,170	3,200	58,620	351,530	16.7	
RS	1,672,588	2,162,974	352,010	409,854	416,858	443,109	5,457,393	13,378,934	40.8	

Source: UNCTADstat, Internet, <http://unctadstat.unctad.org> and Kosovo Agency of Statistics (ASK)

Note: Data for Kosovo have been converted from EUR according to the exchange rate on December 31<sup>st</sup>, 2015, at [www.x-rates.com](http://www.x-rates.com)

The share of the Berlin Process partners in WB6 imports ranges from 23.7% (Serbia) to 53.2% (Bosnia and Herzegovina). The WB6 intraregional trade in CEFTA 2006 accounts for an important share of its imports.

50 Joint Statement – Western Balkan Six Prime Ministers meeting, Sarajevo, March 16<sup>th</sup>, 2017, p.2. [https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/joint-statement-western-balkans-six-prime-ministers-meeting\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/joint-statement-western-balkans-six-prime-ministers-meeting_en)

51 Eurostat, Key figures on enlargement countries - 2017 edition.

Table 2: WB6 Imports from Berlin Process EU Partner Countries in 2015 (in 000 USD)

	Imports								
	DE	IT	AT	FR	SI	HR	Total	World	Share
<b>AL</b>	57,976	59,109	95,669	288,358	1,308,866	29,009	1,838,987	4,320,219	42.6
<b>BA</b>	424,504	1,421,293	110,074	1,060,478	837,704	927,444	4,781,497	8,993,869	53.2
<b>MK</b>	135,637	99,161	101,750	808,937	386,005	128,917	1,660,407	6,399,823	26.0
<b>ME</b>	31,818	122,909	24,850	129,623	131,055	63,748	504,003	2,050,170	24.6
<b>KS*</b>	47,228	75,783	24,414	314,402	244,733	63,287	769,847	2,847,272	27.1
<b>RS</b>	533,334	515,786	534,029	256,268	1,922,449	549,151	4,311,017	18,210,171	23.7

**Source:** UNCTADstat, Internet, <http://unctadstat.unctad.org> and Kosovo Agency of Statistics (ASK)

**Note:** Data for Kosovo\* have been converted from EUR according to the exchange rate on December 31<sup>st</sup>, 2015, at [www.x-rates.com](http://www.x-rates.com)

EU Member States involved in the Berlin Process are some of the leading investors in the WB6, measured by the FDI stock in WB6 in 2015. The shares of the Berlin Process partners in the WB6 FDI stocks ranged from 21.5% (Montenegro) to 55.2% (Bosnia and Herzegovina) in 2012. The greatest investments have come from Austria and Italy, but Slovenia and Croatia have also played a significant role. Important investments in the WB6 have come from Greece, Cyprus and Norway as well.

Table 3: Foreign Direct Investments Stocks in WB6 from Berlin Process EU Partner Countries in 2012 (in mil. USD)

	Foreign Direct Investments, Inward Stock								
	DE	IT	AT	FR	SI	HR	Total	World	Share
<b>AL</b>	110	481	611	62	10	21	1295	3,928	33.0
<b>BA</b>	408	173	1,763	50	691	995	4,080	7,396	55.2
<b>MK</b>	111	83	583	178	479	113	1,547	4,943	31.3
<b>ME</b>	59	572	128	52	130	71	1,012	4,707	21.5
<b>KS*</b>	494	32	189	37	278	16	1,046	2,762	37.9
<b>RS</b>	752	829	3,847	933	1,173	547	8,081	22,169	36.5

**Source:** UNCTAD, FDI/TNC Database and Central Bank of Kosovo.

**Notes:** Data for Albania regard 2011. Data for Kosovo have been converted from EUR according to the exchange rate on December 31<sup>st</sup>, 2015, at [www.x-rates.com](http://www.x-rates.com)

The EU's share in the total exports of the WB6 economies ranges from 41.3% of Montenegro's to 62.1% of FYR Macedonia's exports, according to EUROSTAT data. The EU Member States involved in the Berlin Process are the leading trade and investment partners of the West Balkan 6 economies and Serbia specifically. The share of Berlin Process partner countries in WB6 exports ranges from 16.7% (Kosovo) to 59.8% (Bosnia and Herzegovina). Italy and Germany are the most relevant export markets for the WB6.

## Evolution of the Regional Market

All WB6 economies are on the road to EU membership, albeit at different stages of this process. Regional economic cooperation is the most important precondition on this road, as the EU has repeatedly emphasized. The Western Balkan economies effectively started their regional trade integration when they signed the Revised **Central European Free Trade Agreement** back in 2006 (CEFTA 2006).<sup>52</sup> The CEFTA 2006 Agreement has regulated only intraregional trade since it established a free trade area for trade in industrial goods and, later, agricultural products between the signatories. The inclusion of free trade in services between CEFTA 2006 Parties is the next step and services trade liberalization will soon be included in the CEFTA 2006 framework.<sup>53</sup>

Trade relations among the individual CEFTA 2006 economies with non-members are not regulated by the CEFTA 2006 Agreement, since it represents the free trade area a lower level of regional trade integration. This means that CEFTA 2006 Parties regulate these relations on their own, by creating different trade regimes. For example, Serbia has a preferential trade agreement with the Russian Federation. Abuse of trade preferences through re-exports of goods originating outside CEFTA 2006 is precluded by the strict application of the rules of origin procedures.

According to OECD research on non-tariff barriers in South East Europe, administrative barriers are the most obstructive barriers in intraregional trade, while technical barriers to trade are the most important obstacles standing in the way of SEE companies exporting their products to the EU market.<sup>54</sup> This is one of the reasons why CEFTA 2006 Parties have started working on trade facilitation in the region, a process that will lead to the abolition of administrative barriers to trade. Only half of CEFTA 2006 Parties are WTO members<sup>55</sup> wherefore the recently adopted WTO Trade Facilitation Agreement cannot be successfully enforced in the entire region. The newly drafted Additional Protocol 5 to the CEFTA 2006 Agreement focuses on trade facilitation in the region and enables the application of all trade facilitation measures envisaged by the WTO.

The CEFTA 2006 Parties welcomed the conclusions of the Western Balkans Summit in Paris of July 4<sup>th</sup>, 2016, acknowledging with satisfaction the deepening of economic integration between CEFTA Parties.<sup>56</sup> The establishment of a customs union has recently been proposed as the next logical step in upgrading CEFTA trade integration, inter alia by Serbian Prime Minister Aleksandar Vučić.<sup>57</sup>

Deepening of regional trade integration can pass through different stages. The first stage is a Free Trade Area (FTA) and CEFTA 2006 integration is at this stage at present. This level of integration is about liberalizing intraregional trade; trade relations with countries outside the region are not considered. The next stage would involve the forming of a Customs Union (CU), which would include the FTA but go even further in the joint regulation of trade relations with the countries outside the region. The first step towards a CU will entail the adoption of a common external tariff schedule to be applied in trade with all countries outside CEFTA 2006. This means that the CEFTA Parties have to negotiate and adopt a common tariff schedule regardless of their potentially different trade interests. The CU is the first stage

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52 Bilateral negotiations on trade preferences among the Western Balkan economies started in 2001 after the Memorandum on Trade Liberalisation in South East Europe was signed.

53 More in: Bjelić, P. "Building Competitiveness and Increasing Trade Potential in the Western Balkans: Economic Policy Making in Preparing for European Integration" in: Thomas, M. and Bojičić-Dželilović, V. (editors) *Public Policy Reform in the Western Balkans: Case Studies of Actors, Networks and Coalitions*, Springer Science and Business Media B.V. Netherlands, pp.69-89.

54 Adapted from OECD (2005), based on the Western Balkan Survey (2004), [www.oecd.org/dataoecd/25/31/43892876](http://www.oecd.org/dataoecd/25/31/43892876), Accessed 01/05/2010.

55 Serbia, Bosnia and Herzegovina and Kosovo\* are still not members of the WTO.

56 CEFTA, Ministerial Conclusions, Tenth Joint Committee Meeting, Podgorica, December 9th, 2016, p.1.

57 Vučić, A. "Moj san je carinska unija Balkana ali ne Jugoslavija" ("A Balkan Customs Union, not Yugoslavia, is My Dream"), Blic, available in Serbian at: <http://www.blic.rs/vesti/politika/vucic-moj-san-je-carinska-unija-balkana-ali-ne-jugoslavija/4ves7qh>

of integration involving the development of a common trade policy (and requiring the establishment of standing integration structures that will be in charge of designing and implementing such a policy).

The existing CEFTA 2006 structures have to be further strengthened. The adoption of a common trade policy within CEFTA 2006 would require the revision of all the trade agreements CEFTA 2006 Parties are now basing their trade relations with third countries on, including SSP Agreements with the EU, Serbia's trade agreement with the Russian Federation, which will apply in the Eurasian Economic Community in the future, etc. This is logistically and administratively a lengthy and time consuming process. The CEFTA 2006 Parties perceive this integration as a temporary playground on their way to the EU; therefore, if the EU membership is on the horizon they do not have an incentive to deepen their trade integration within CEFTA 2006. But the postponement of the integration of all CEFTA 2006 Parties in the EU for a considerable period of time will create a new timeframe for CEFTA 2006 Parties, which they can use to work on their trade integration. This process must be coordinated with the EU accession of all WB6 economies. When WB6 economies become EU members, they must follow the common EU trade policy and enforce the external EU tariff schedule. There have been discussions about the Western Balkan economies adopting the EU customs union for trade in industrial products even before they formally join the EU, since their individual tariff schedules are extremely diverse,<sup>58</sup> but such a step might obstruct the WB6's trade with third countries, especially if they suffer Turkey's fate and do not join the EU in the foreseeable future.<sup>59</sup>

On the other hand, there are some advantages of deepening regional cooperation in the Western Balkans. First, every next step in trade liberalization brings new benefits that are apparent in the rise of the regional GDPs, especially when economies in the region trade substantively. Second, deeper trade integration can remove many of the obstacles in intraregional CEFTA 2006 trade caused by different degrees of alignment of the WB6 countries' rules and standards with those of the EU. Serbia and Montenegro have to date made the greatest progress on the road to EU membership and transposed a great number of EU regulations, including many EU standards, in their national legislation. Since the WB6 countries face technical barriers to trade when they export to the EU internal market due to unaligned standards, this now creates technical barriers also in intraregional CEFTA trade between countries more advanced in the EU accession process, such as Serbia and Montenegro, and all other WB6 economies lagging behind them. This problem can be solved by their creation of regional standards as they deepen their trade integration. But this means that the WB6 will be able to join the EU only collectively since the disintegration of its highly integrated regional trade will cause major problems.

Some are of the view that CEFTA 2006 Parties should go even further in their trade integration and establish a **Common Market (CM)**. This step in regional trade integration goes beyond a customs union and includes the free movement of factors of production – labor and capital. It would lead to the creation of a single market in the region, i.e. the free movement of not only goods and services, but labor and capital as well. This level of integration would add new benefits to economic development by optimizing the use of factors of production.

The idea was launched by EU Commissioner Johannes Hahn at the WB6 summit in Sarajevo in March 2017 where he stated: "We propose a Common Market for the Western Balkans".<sup>60</sup> He said that this would remove all barriers in intraregional trade and serve as an EU internal market. This common Balkan market would be more attractive to the EU and investors from other countries. He suggested that this Balkan Common Market could be integrated into the EU internal market in the future: "It will also make clear a longer-term aim of integrating the Western Balkans Common Market into the EU's Internal

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58 Kathuria, S. (Ed.) "Western Balkan Integration and the EU: An Agenda for Trade and Growth," Washington D.C.: World Bank, 2008, p.67.

59 Bjelić, P. "Building Competitiveness...", *op.cit.* pp.69-89.

60 <http://europa.rs/speech-by-johannes-hahn-at-the-western-balkans-six-leaders-summit/?lang=en>



Market”. Similarly, the European Free Trade Association (EFTA) countries, which are not part of the EU, are connected to the EU single market through the European Economic Area Agreement.<sup>61</sup>

The key role in developing the WB6 Common Market is awarded to the Regional Cooperation Council (RCC), a regionally-owned initiative headquartered in Sarajevo, which has been implementing different programs bringing the Western Balkan countries closer together.<sup>62</sup> One of the latest RCC’s initiatives aims at establishing free movement of labor in the Western Balkan region. CEFTA 2006 Parties concluded that, in the context of the current economic situation, regional cooperation was the one and only way to face common challenges, and that regional organizations, such as the RCC, would play an important role in this process. At the WB6 summit in Sarajevo in March 2017, the RCC was tasked with developing a comprehensive Action Plan of the Establishment of a Balkan Common Market that will be presented at the Trieste Summit of the Berlin Process.

## Chamber Investment Forum

The **Chamber Investment Forum (CIF)** of the Western Balkans, established within the framework of the Berlin Process, is one of the most important steps in creating a favorable business environment in the region. CIF’s establishment was jointly initiated by the Chamber of Commerce and Industry of Serbia (CCIS) and the **Economic Chamber of Kosovo (ECK)**. **The Chambers of Commerce of the WB6 economies, as well as the Chambers of Croatia and Slovenia, are members of CIF.** CIF has been formed to ensure the involvement of companies in the development of existing and future infrastructure projects in the region. As representatives of business communities, the Chambers of Commerce rallied in the CIF have significantly contributed to the efforts to normalize relations in the region.<sup>63</sup> A regional platform, CIF encompasses around 350,000 companies, most of them SMEs. The regional market of the CIF economies is especially important for their enterprises.

Table 4: Share of Intra-CEFTA2006 Trade in the Trade of its Members in 2015 (%)

	CEFTA 2006	
	Exports	Imports
ALBANIA	14	8
BOSNIA AND HERZEGOVINA	15	12
FYR MACEDONIA	12	10
MONTENEGRO	43	38
KOSOVO*	21	4
REPUBLIC OF SERBIA	38	29

Source: CEFTA Secretariat

Serbia has a significant trade surplus in trade with CIF partner economies, which stood at around 1.7 billion EUR in 2015. Serbia’s exports in the CIF region have been rising steadily, nearing 3.5 billion EUR in 2015, i.e. accounting for 28% of Serbia’s total exports that year.<sup>64</sup>

61 Three EFTA members, Norway, Island and Lichtenstein have concluded such agreements with the EU, while Switzerland has several bilateral agreements with the EU envisaging the same level of trade preferences.

62 Regional Cooperation Council, <http://www.rcc.int/pages/2/about-us>

63 Interview with Serbian Chamber of Commerce President Marko Čadež, CorD Magazine, <https://cordmagazine.com/markets/country-in-focus/croatia/croatian-serbian-regional-cooperation/interview-marko-cadez-president-of-the-serbian-chamber-of-commerce-business-is-like-water>

64 According to Chamber of Commerce and Industry of Serbia data.

Graph 1: Serbia - Trade with CIF Partners (in mil. EUR)



Source: Chamber of Commerce and Industry of Serbia

CIF has established its standing cooperation structures, including a Management Board rallying the Presidents of the WB6 Chambers of Commerce. It has three working groups: on transport and energy infrastructure; on the improvement of the business and investment climate; and on private sector development. The ongoing CIF projects include: a regional platform for SME development with particular emphasis on sources of funding and standardization of business operations, the building of a regional investment database and the creation of a CIF web portal. EU representatives have qualified CIF as the most successful example of fruitful regional cooperation at the moment.

But for the whole of Europe, as well as the Western Balkans, the development of innovation will play a crucial role in increasing competitiveness in the world markets. Italy, which is hosting the next Berlin Process Summit, has laid particular stress on this issue, as well as on SME development. SMEs play an important role in the economy in general and also in the export sector both in Italy and the rest of South East Europe. The Italian experience is relevant for the Western Balkans since we have a similar structure of the economy. EU Commissioner Hahn emphasized in Sarajevo that the EU would announce at the Trieste summit a substantial increase in the budget of the Western Balkans Enterprise Development & Innovation Facility (EDIF), in order to help businesses, particularly small and medium-sized enterprises, to work together in order to further develop market and investment opportunities in the region.

## Recommendations

1. Deeper trade integration will significantly benefit the regional economies because they traded significantly even before their regional cooperation arrangements. Every new step in integration will bring new benefits that will increase intraregional trade and general welfare.
2. The process of deepening regional integration among the WB6 must be coordinated with their accession to the EU. The WB6 should concentrate more on regional trade cooperation if their accession to the EU is put off. However, any future progress in EU enlargement must make sure that it does not impinge on WB6 regional trade ties.
3. All WB6 economies that are not WTO members have to join this organization as soon as possible in order to further harmonize their trading standards.



Jelica Minić

## Civil Society in the Berlin Process

### Involved but without Clear Follow-Up

The civil society's methodology and mechanisms of action related to the evolving agenda and development of the Berlin Process cannot be uniform. They have to be tailored to the specific issues that are addressed.

The 2014 Berlin Summit of the WB6 focused on the Connectivity Agenda for the Western Balkans, covering transport and energy infrastructure in the region and between the region and the EU. At the Vienna and Paris Summits of the WB6, held in 2015 and 2016 respectively, the regional political leaders renewed their commitment to the realization of the upgraded connectivity package and introduced new topics.

The Vienna Summit launched two important initiatives, both of them related to civil society. The first one was the Civil Society Forum - a broad gathering of the CSOs on the margins of the summit, at which they discussed their position in the region, as well as their relations with the authorities, and which provided the setting for their dialogue with the two leaders (of Serbia and Albania), who manifested a constructive approach to the bilateral relations between their countries and a benevolent attitude towards the civil sector. Although the event did not generate any specific conclusions or guidelines, it helped improve the climate for the CSOs' activities in the region.

The second initiative addressed bilateral relations in the region - a long list of open issues lingering since the period of dissolution of the former Socialist Federal Republic of Yugoslavia and the related conflicts. The host offered a document entitled "Regional Cooperation and Solution of Bilateral Disputes",<sup>65</sup> prepared by a regional think tank and proposing a platform for a continuous pro-active approach and a reporting mechanism, which was adopted by the region's Foreign Ministers.

In addition, the leaders of the region confirmed their commitment to the initiative launched in Berlin to establish an intergovernmental center to deal with youth issues in the Western Balkans. A Youth Forum was organized at the WB6's Paris Summit and the leaders of the region signed a document<sup>66</sup> establishing the Regional Youth Cooperation Office (RYCO), the Secretariat of which is headquartered in Tirana.

How can civil society in the region contribute to the continuation and upgrading of these initiatives? With the support of the EU countries involved in keeping the WB6 Summit format operational, the regional CSOs should maintain the momentum and supply the regional civil society agenda with relevant issues to be addressed in a productive manner. Many of their initiatives have been already implemented, particularly the ones regarding the European integration process. How can they support the further work of the Civil Society Forum, the adopted platform on addressing bilateral issues, as well as the newly established RYCO, guided by the following two criteria: concrete, result-oriented actions and sustainability?

The Civil Society Forum needs to be transformed into a set of thematic debates on issues of high relevance to the Western Balkan countries. As per RYCO, the CSOs were invited to partner actively with the governments in identifying the key issues to be addressed and mechanisms or forms of action. And they have proved to be of key importance whenever they were thematically organized and participated in clearly focused actions.

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65 <http://www.seetoint.org/wp-content/uploads/downloads/2016/09/Addendum-Western-Balkans-Summit-2015.pdf>

66 <https://rycowesternbalkans.org/2016/07/05/ryco-signed-at-paris-balkans-2016-conference/>

The CSOs have also proved to be important social players in the migrant crisis, both by bearing part of the humanitarian assistance burden and in their advisory role, as well as through their spontaneous engagement, volunteering and mobilization of the general public. Their input was acknowledged both in the countries on the so-called “Balkan Route” and in EU migration related plans and policies.

Environment/climate change issues were one of the first areas in which specialized CSOs and think tanks - “green” groups, movements and professionals - started operating and cooperating in the region almost three decades ago. One of the most powerful networks active in the region is led by the Regional Environmental Center in Szentendre, which can share its experience and further extend consolidated support to civil society in addressing these issues.

As regards the platform for solving bilateral issues, launched at the Vienna Summit of the WB6, the CSOs should continue their monitoring role and contribute with their new ideas on how to address various groups of problems and by use of different modes of action.

The business dimension is becoming crucial with the focus on the rule of law, connectivity and business climate, innovation and SMEs at the upcoming Trieste Western Balkan Summit. This is where chambers of commerce, professional associations and vocational education will come into the limelight. Having addressed infrastructure development at the previous summits, the key players at the regional market – entrepreneurs and human resources - are now on center stage. This poses a new task for civil society: to provide creative input supporting innovation and social dialogue.

## Recommendations

The broad range of various problems in the region calls for different strategies, methods and mechanisms to be developed and implemented by the CSOs committed to playing an important role in effecting the social, political and economic changes in their countries and the region. These changes are also part of the European integration process where CSOs already play a visible role. In general, CSOs can:

1. Provide critical analyses and assessments of the Berlin Process, the way the adopted connectivity package, as well as the other “products”, are playing out and offer recommendations;
2. Evaluate their role in the broader enlargement/accession context;
3. Initiate or continue the systematic think tank work, consultations and dialogue on the Berlin Process with the national authorities, academia, professional associations, regional initiatives and others;
4. Initiate networking of grass-root organizations, civic movements and professionals in developing joint programs and activities supporting specific Berlin Process initiatives;
5. Develop monitoring and reporting mechanisms;
6. Disseminate information about the Berlin Process and promote its results.

Ana Marjanović Rudan and Marko Drajić  
**Communicating the Berlin Process**

## **Introduction**

The envisaged outcomes of the Berlin Process go beyond the tangible benefits of the individual projects and the initiatives stemming from it. The deepening of the regional structural and functional ties through these individual undertakings has the overall, far-reaching purpose of irreversibly linking the region with the European Union, of strengthening good governance and of increasing the region's prosperity through economic growth.<sup>67</sup>

It is in relation to the accomplishment of these long-term goals that we discuss the communications of the Berlin Process. The following questions need to be answered: (a) Have the Berlin Process events, projects and initiatives been adequately shaped, timed and targeted, so as to provide support to the overarching Process goals? (b) What would be the most effective approach to strategizing and carrying out the communications of the Process? In this context, communications are understood as an instrument of public advocacy – a tool by which information is provided and by which the beliefs, attitudes and perceptions of the relevant stakeholders are influenced.

## **Extent and Content of Hitherto Communications**

A brief analysis of the content of the hitherto communications of the Berlin Process via the mainstream media outlets across the region<sup>68</sup> indicates that the annual Summits have been well covered ever since the initial high-level meeting in 2014, mostly due to the profile of their participants. However, the background of the high-level meetings, the engagement of Germany, Austria, France and Italy, and of the European Commission, the allocation of European funds for the Process' flagship projects, the Process' role in encouraging political cooperation on top of the existing sectoral cooperation in the region, as well as information on various other aspects explaining the role of the Berlin Process in the region's integration in the European Union, are rarely provided. Consequently, the mainstream media audiences are not learning about the rationale of the Process or the implications of the agreements forged at the meetings devoted to the region's European perspective. In short, the media content offered to both the general audiences and to the more informed ones has been failing to clearly associate the yearly meetings with the EU enlargement agenda or to pinpoint the cornerstones of the Process aimed at boosting and deepening regional cooperation.

In between the Summits, presentations of occasional researches by think tanks in the region have sparked sporadic media interest in the Berlin Process follow-up meetings and related events, flagship projects and initiatives. But, apart from the Albanian Cooperation Development Institute, no other institution has been continuously analyzing and covering the Berlin Process. Lack of research has reflected on lack of media interest.

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67 Holzner, M. *Policy Options* ibid.

68 The following internet portals were covered by the desk research: WB6.info, RYCO, European Western Balkans, RCC, SEETO, Energy Community, Balkanalysis, Balkan Insight, Blic, Danas, Politika, RFE, RTS, Tanjug, Vreme, NiN, Nedeljnik, N1, B92, Al Jazeera Balkans, European Movement in Serbia, Chamber of Commerce and Industry of Serbia, Vijesti, Dan, volimpodgoricu.me, portalanalitika.me, cdm.me, Chamber of Economy of Montenegro, klix.ba, capital.ba, akta.ba, pressrs.ba, Nezavisne, kohajone.com, punetejashme.gov.al, mei-ks.net, zeriamerikes.com, lajmi.net, koha.net, shqipmedia.com, gazetaexpress.com, cdinsitute.eu, idividi.com.mk, sitel.com.mk, kurir.mk, time.mk, idscs.org.mk. The key words were also searched on facebook.com, twitter.com, google.com. The analysis did not cover other forms of communications – such as media-unrelated awareness-raising activities – panel discussions, round tables, preparation and dissemination of semi-academic and academic publications, face-to-face meetings with key policy influencers, et al.

Moreover, the brief content analysis demonstrated that the communication of the projects and initiatives stemming from the Berlin Process failed to either directly associate them with the Process (except when they were reported on within the context of the high-level meetings) or to explain the projects' and initiatives' relevance to the region's Europeanization and to promotion of regional cooperation. For instance, the connectivity projects are being reported on as major infrastructure developments, as successes implicitly attributed to the political leaders of the involved countries, with rare mentions of the broader process they are part of, together with the European Union. Such is the case the Niš-Durrës highway – although it did receive due media coverage in Albanian, Kosovo and Serbian media – it was only mentioned as a joint undertaking in media reports from the Vienna Summit event.

However, the fact that the quantity and quality of communications depend not on genuine media interest, but, rather, on the efforts of the implementers of the Berlin Process-related projects and initiatives, was corroborated by the evidence of communication of two initiatives – the Regional Youth Cooperation Office of the Western Balkans (RYCO) and the Chamber Investment Forum (CIF). The numerous communication activities through which the goals of these two initiatives were advocated (events, on-line media presence, social network campaigns in case of RYCO, and carefully targeted off- and on-line media presence in case of CIF), were also used to associate the communicators (RYCO and CIF) with the Berlin Process and its overarching meaning and goals.<sup>69</sup> The media reports reflected the association of the initiatives with the Berlin Process, but not until they were clearly articulated and presented by the communicators.

## The Instrumental Role of Communications

Both the attainment of the overall goals of the Berlin Process – the Western Balkans' Europeanization and an entrenched and functioning interlinkedness of the region's Six – as well as the realization of its flagship projects and initiatives, largely depend on political and social pre-conditions. For that reason, the long-term success of the Process is directly linked to the attitudes and perceptions of its stakeholders. These attitudes and perceptions determine the inclinations of policy makers and policy influencers and streamline the political currents; they also shape the prevailing public opinion that can either encourage or resist the reforms required in the course of the region's integration in the EU, and to regional cooperation as a tangible application of European values.

To this end, the backing of the Berlin Process stakeholders – both the support of the policy-making communities and the support of the general public across the WB6 – is instrumental both at the level of achievement of the overall goals (the Berlin Process outcomes), and at the level of concrete projects and initiatives (the Process outputs).

At the level of outcomes, sustainability can only be achieved through changes in the prevailing political culture, through the sincere adoption of the European values in societies and through the developed understanding of all the stakeholders of the need to build strong ties, both sectoral and political, cutting through the regional borders. These changes require not only the mere supply of raw information about the Berlin Process, but also the communicators' efforts and skills to advertise the link between the news-bites on the Berlin Process activities and projects and the region's European perspective, as well as the direct benefits stemming from it. Another role of communicating the Berlin Process would be the promotion of regional cooperation, as the *sine qua non* of both the Berlin Process and any future of the region in the Union. Therefore, the role of communications at the level of the Berlin Process outcomes is to influence the stakeholders' attitudes and perceptions so as to ensure the attainment and sustainability of the outcomes.

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69 Although RYCO and CIF are frontrunners in the field of communication among Berlin Process-related flagship projects and initiatives, both still appear to lack a strategic approach to target groups and not availing themselves of all the benefits of easily accessible communication channels, such as social networks.

At the level of the Berlin Process outputs (flagship projects and initiatives), the role of communications is to facilitate their implementation and maximize their immediate results. Herewith an example: support to the implementation of the connectivity projects-related “soft measures” (necessary legal and administrative steps in the course of the projects) is dependent upon the political will of the policy-makers, who are, for their part, more or less responsive to pressure groups. In order for interested publics to be able to bring the matter of “soft measures” into the public debate and advocate them, first of all, adequate communication of the highly technical projects is required. In this example, communication is instrumental for accomplishing the Process outcome, and will ideally include translation of the technical aspects of the project from the “expert” to the “layman’s” language, as well as a pro-active approach to the media and other opinion-makers (think tanks, academic community, civil society, businesses, etc.) to raise their awareness of the matter. Such an approach would familiarize the interested parties with the project’s direct economic benefits, as well as with its long-term implications for regional cooperation and integration of the regional aspirants in the European Union – and would, through their engagement, stimulate the social debate and thus increase the probability of the timely realization of the project. Of course, such examples can also be provided for projects and initiatives related to both the political and social pillars of the Berlin process – such as, for instance, the initiative related to vocational education aimed at decreasing youth unemployment in the region, or the Albanian-Serbian political dialogue.

Therefore, the answer to the first question - Have the Berlin Process events, projects and initiatives been adequately shaped, timed and targeted, so as to provide support to the overarching Process goals? - is negative. This is because, short of a few bright examples, it lacks strategically targeted, articulated and effective messages, and planned and well-positioned content. Although this assessment pertains to media-related communications, it is safe to assume that, in the absence of research and debate about the Berlin process, other communication channels (such as panel discussions, round tables, preparation and dissemination of semi-academic and academic publications, face-to-face meetings with key policy influencers and many others) remain underused as well.

## **Possible Solution to Managing Berlin Process Communications**

The importance of the role that communications can have – as support to the achievement of the Berlin Process outcomes and to the realization of the flagship projects and initiatives – brings us to the second question: What would be the most effective approach to strategizing and carrying out the communication of the Process? We argue that strategic planning of communications and advocacy of the Berlin Process results and activities, as well as technical support to Berlin Process communicators (implementers of individual projects and organizers of high-level meetings) in their communication efforts should be provided through regionally-owned and professionally-led action of civil society actors.

In the absence of central governance of the Berlin process itself, it can hardly be expected that the administrations of the region will jointly form a strategic communication/advocacy unit extending such support. On the other hand, the think tanks across the region, with the relevant experience in communicating the European Union through various awareness-raising activities, can provide the expertise and the know-how, as well as local (regional) ownership of the process. Moreover, their flexibility would allow for a pro-active approach, though which they would be the ones reaching out to the Berlin Process communicators (implementers of individual Berlin Process-related projects and initiatives and organizers of the high-level meetings), offering their support and guidance to maximize the benefits of the projects (and the Process) through strategic communications and advocacy.

We thus propose the establishment of such a communication/advocacy service unit, comprised of the think tanks from the Western Balkans Six, as a concrete measure of civil society support to the Berlin Process-related efforts of the governments in the region, within the framework of the Civil Society Forum.

## Recommendations

1. Both the implementers of individual projects and initiatives and the organizers of meetings (Berlin Process communicators) should understand communications and advocacy as instruments facilitating the attainment of the Process goals and objectives, and should apply them following careful strategic and action planning;
2. The communicators should take a pro-active rather than a reactive approach to media and other communication stakeholders, in order to be able to exercise influence over the extent and the content of communications;
3. Civil society organizations with expertise in advocacy and communications should provide strategic and technical support to the Berlin Process communicators. This can be achieved through a highly operational communications/advocacy service unit operated by professionals from civil sector organizations from the Western Balkans Six, within the framework of the Civil Society Forum.



## Biographies of the authors:

**Jelica Minić** Ph.D. has a research and policy making background in European integration affairs and regional cooperation. She was the Deputy Secretary General and Head of the Expert Pool of the Regional Cooperation Council, in Sarajevo (2008-2013) and held senior management positions in the state administration (Assistant Minister of Foreign Affairs, 2000-2004), the NGO sector (Secretary General of the European Movement in Serbia, 1994-2000) and academia (1971-2000 and 2006-2008), and worked as a consultant or team leader on projects implemented by UNDP, the German Marshall Fund in Serbia, and European Integration Fund of the European Agency for Reconstruction. She holds lectures on regional integration, EU Enlargement Policy and globalization at the Diplomatic Academy of the Ministry of Foreign Affairs of Serbia. She has published over 170 articles, essays and book chapters, around 60 conference papers and edited several books and reviews.

**Aleksandar Kovacević** is principal author of the energy–poverty analysis ‘Stuck in the Past’ (UNDP, 2004), co-author of the Western Balkans energy policy survey (IEA/UNDP, 2008) and the Public Expenditure and Institutional Review (PEIR) for Serbia and Montenegro (World Bank, 2003), and author of a number of papers, lectures, and media contributions. He was affiliated to PlanEcon before 1992, project manager for Tagarnog Development project in Russia (1992-1998), and a contributor to the Black Sea and Central Asia panel at the Harriman Institute, Columbia University. He is a member of the Advisory Board to the Russian Power Conference since 2002-2016, and of the UNECE Group of Experts in Sustainable Energy, as well as a consultant to the World Bank, USAID and private clients, contributor to the Oil and Gas Economy and Law (OGEL) network and author with the Oxford Institute for Energy Studies. He won an Innovation Award at the Power-Gen Europe Conference in 2002. He contributes to the Energy Community process in South Eastern Europe as well as the infrastructure development analyses in the region and climate change/economic development/security linkages.

**Predrag Bjelić** Ph.D. is employed as Professor at the Faculty of Economics University of Belgrade where he teaches International Trade and EU Economics (graduate studies) and International Trade Policy and Electronic Commerce (postgraduate studies). His previous employers were National Bank of Yugoslavia and Institute of International Politics and Economics in Belgrade. He is the author of several books, chapters and over 70 articles for scientific and other journals. His academic visits include: London School of Economics, UK (2004, Visiting Fellow, Chevening Fellowship), Harvard University, Cambridge, USA (2005, Visiting Scholar, Fulbright Fellow), Faculty of Economics University of Oslo, Norway (2005, Visiting Scholar, RCN Fellowship). Bjelić is a member of many domestic and international scientific associations (World Trade Organization academic co-operation, UNCTAD Virtual Institute, Economic Scientific Association (NDE), International Law Association of Serbia and Montenegro etc). He held lectures as a Visiting Professor at many domestic and international educational institutions and also works as a consultant for major domestic consulting firms.

**Ana Marjanović Rudan** is an advocacy expert with the Western Balkans 6 Advocacy Group and a consultant with Praxis Development. She served as an advisor for international cooperation for the Government of the Republic of Serbia, coordinated a regional program for Budapest-based Open Society Foundations and managed public affairs and communications for an international corporation. In her capacity of consultant, she has produced research and analyses and held trainings (in the fields of EU integration, open government and strategic communications), designed and implemented organizational development and communication strategies and plans and developed individual projects for clients, including over thirty CSOs, think-tanks and development institutions in Serbia and elsewhere. She earned her Bachelor’s Degree at the Faculty of Law and her Master’s Degree at the Faculty of Political Sciences of the University of Belgrade and attended a graduate legal course at the Central European University in Budapest.

**Marko Drajić** is a communication manager with the Western Balkans 6 Advocacy Group and consultant with Praxis Development. He is a guest lecturer at DOBA Faculty of Applied Business and Social Studies in Maribor, Slovenia, and a researcher at the European Movement in Serbia. He was an advisor in the National Assembly of the Republic of Serbia, initiator of several projects related to youth empowerment and manager of several political campaigns. As a consultant, his area of expertise is online and offline communications, and strategic planning and implementation of lobbying and advocacy. He is the author of several research papers, as well as a book *Corporate Lobbying in the European Union*. He earned his Bachelor's Degree in International Relations at the Belgrade University Faculty of Political Sciences.







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