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# Economic cooperation in Western Balkans: Solo play will bring us nowhere

*[Original answers to Radio Free Europe questions, provided by RCC's Secretary General, are available further below in the text]*

In mid-April 2020, International Monetary Fund (IMF) estimated that due to the issues brought about by COVID-19 pandemic some economies in the Balkans region will record a drop in their GDP of up to 10%.

## Why does hope lie in regional cooperation?

So far all Western Balkan countries announced individual actions to help their economies, while a wider economic context is pushed into the background.

“Implementation of initiatives to strengthen cooperation amongst the [Western] Balkans Six economies would create conditions for better life of our citizens. What might save us from pains is for the political leaders and experts to say, because coronavirus pandemic is an abnormal situation that comes with abnormal risks. Cooperation is vital and I believe we all got the idea that solo play will bring us nowhere,” says Majlinda Bregu of Regional Cooperation Council (RCC) headquartered in Sarajevo.

Regional cooperation could be the salvation for the Western Balkan economies once the coronavirus pandemic is over, underlines Bregu speaking for Radio Free Europe.

## What are 'Green Corridors'?

The first result of cooperation amongst the former Yugoslav countries in the lockdown circumstances caused by COVID-19 are the so-called Green Corridors, international transport routes for transport of essential and other necessary goods which became operational on 13 March.

The countries participating in the Central European Free Trade Agreement (CEFTA), which since 2006 includes Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Moldova and Kosovo\*, agreed on and approved the list of food, medicines and medical equipment which are transported across the borders by fast-track procedure.

“This is an example that everyone can get organised in finding common solutions so that economic life runs smoothly. It has been shown that after the pandemic and in addition to the basic functioning of the supply chains, Western Balkan countries should find more points of cooperation for recovery of their in general interdependent economies,” Nenad Đurđević, Advisor to the President of the Serbian Chamber of Commerce (SCC), said for RFE.

## How much is the crisis affecting Western Balkan economies?

The IMF experts voiced the precise extent to which Western Balkan economies are threatened by the coronavirus, forecasting that Serbia’s GDP will be minus 3 percent points in 2020, Croatia’s will be minus 9 percent points, and the same drop is forecasted for Montenegro, half as much for Kosovo\* -5%, the same as for Albania, while North Macedonia’s GDP projection for 2021 stands at -4%.

IMF forecasts growth of roughly between 5% and 8% for these countries in 2021, with forecast for Serbia for the next year being at 7.6%, Albania 8%, Kosovo\* 7.5%, North Macedonia 7%, Montenegro 6.5% and Croatia 4.9%.

According to the RCC’s data, out of 350,000 companies in the region as many as 99.7% are small and medium-sized, such as restaurants, bars, manufacturers, and all of those will be the first ones to feel the immediate consequences of this crisis caused by coronavirus.

Furthermore, RCC states that tourism, which accounts for 10% of all of the GDP in the region, is hit the hardest, adding that 42% of travel agencies and tour operators confirmed they were cutting costs by, among other things, laying off their employees.

“Once the pandemic is over, unemployment will hit the weakest, living standards will decrease and business will be less profitable. It is important to harmonise joint actions of post-pandemic initiatives for economic recovery but also a regional framework in

order to establish a functional EU-like single market in the Western Balkans. Innovations coming from private sector could help in this,” says RCC’s Majlinda Bregu.

## What is ‘mini-Schengen’ initiative?

With Joint Declaration on establishing free movement of people, goods, services and capital in Western Balkans, Serbia, Albania and North Macedonia committed in October 2019 to work on improving regional cooperation with the aim of greater economic growth and attracting investments.

The three countries described this initiative, which was unofficially dubbed ‘mini-Schengen’, as mutual assistance on their paths towards the EU membership; however after the December meeting in Tirana and subsequent COVID-19 pandemic, it has been put aside.

Nenad Đurđević of Serbian Chamber of Commerce says that business is interested in intensifying connections, but countries’ politics decide the direction to go in.

“There is a lack of sectoral analysis of what Western Balkans, as a single economic area, can offer, whether in agricultural sector, energy or something else. Each country has its advantage and it would be good to find a common denominator which would, for example, be modelled on the European Coal and Steel Community, which was the predecessor of the European Union. Currently it seems that cooperation can firstly take root in food production and standardisation of medical laboratories and quality procedures for medicines,” says Đurđević.

On top of all this, according to the **assessment presented by** Kristalina Georgieva, IMF Managing Director, two weeks after the World Health Organisation declared a pandemic, the global economy entered a recession. She expects that the recession could potentially be worse than 2009 one, which followed the financial crises; however, she expects recovery in 2021 provided that governments take adequate and coordinated measures.

Original article: <https://www.slobodnaevropa.org/a/ekonomija-zapadni-balkan-korona-virus/30586982.html>

## **Original answers to Radio Free Europe questions, provided by RCC's Secretary General**

### **1. How important is regional cooperation in overcoming economic crisis after the pandemic?**

Regional cooperation is always important, but in the times like this it becomes even vital. Grappling for the economic recovery will not be an easy call.

And I will give you a recent example where regional cooperation once more delivered. When the lockdown started early March, borders were closed, planes landed for long and new measures imposed, the trucks carrying essential goods, like food, medicine and medical equipment got stuck at the borders in long waiting hours. Some were stuck because of the curfew hours, some others because to drives the quarantine was asked. Sanitary measures differentiate between the countries and the drivers lost additional time in being checked, several phytosanitary controls in border crossing points. In some case it took drivers a week to get from their starting point EU to their destination in the WB.

We are glad the Green corridor or green lanes of foods and medicines are now a reality. When RCC initiated the coordination among all stakeholders to make this happen, the first meeting we organized with WB6 representatives, CEFTA Transport community, with the support of EU, took place on 12 March;-the situation was that discouraging picture I presented above.

In couple of weeks situation changed. Green corridor is functional, the transport of essential goods is going mostly smoothly, waiting time is between 5 to 60 minutes, and 82% of the trucks are using green corridor crossing points. Only in the first day, almost 2000 trucks passed through it. It means our citizens do not have to fear on receiving food, medicine and medical equipment, and this is a serious positive development in times of pandemic.

So, just as there is no substitute for the European Union, there is no substitute for regional cooperation, especially in overcoming this. No one will be able to pull out of this crisis on its own. You see that even the big ones struggle to cope with the

onslaught of this pandemic, and it will not be any different with recovery. And we are big just if we are together.

**2. What should be the most important post-corona economic projects at the regional level?**

**3. Does RCC work concretely on this and what should be done first and in which areas – what should be the first on the “agenda” of the economic recovery?**

As a first step, everyone has been deeply involved in trying to save lives and trying to limit the number of infected, and subsequently the casualties of this pandemic. Now, the second phase that has already started is the economic recovery plans. Severe lockdown measures are easing down slowly, recovery plans being launched, and fiscal packages introduced from respective governments to minimize the problems that our fragile economies will have to face in the post corona phase. It is human nature to seek insurance after a disaster hits. Once out of this pandemic situation, the economic challenges will be the biggest ones.

Harsh times are in ahead of us. I know somebody might not like it, there are people hoping for the best, but as the saying continues, prepare for the worst. Somebody might not like to hear these days how gloomy the situation might be, but I think that denial helps nobody so we have to be clearheaded that it's not going to be an easy game once this pandemic is over. Economic growth will shrink, business will be less profitable, unemployment will hit the weakest, and living standards will decrease.

I don't know what might save us from pains. The experts and political leaders have to say that.

What I know is that this is an abnormal situation that comes with abnormal risks.

We have to harmonize joint actions of post-pandemic initiatives for economic recovery but also a regional framework in order to establish a functional EU-like single market in the Western Balkans.

I do hope that private sector can spark innovations as well, or that digital networks can bring us closer and save a good part of social capital that is of high importance for our societies.

I am aware that our agendas will be quite difficult to be completed or fully endorsed because priority now lies on saving lives. But focus with shift in time, and now we have to rearrange ourselves, not fall in a dangerous spiral of difficulties and retaliations of these situations. That's why at RCC we are reweaving our thoughts and trying to find out how to fit with the new reality this pandemic has brought in.

We know that tourism, for example, is one of the areas that are going to be hit the hardest and we all know that 10% of all the GDP in the region comes from tourism – that's how much the tourism contributes to the GDP of the region. Immediately we asked travel agencies and tour operators how they see the situation, how this situation is affecting them. 42% of them confirmed they are cutting the costs and some of them even sacked some employees. There are almost 350,000 companies in the region, of which 99.7% are small and medium-sized, so restaurants bars, manufacturers, all of those will be the first ones to feel the immediate shortcuts from this crisis. Unemployment is expected to be higher. The growth that was projected for the region is expected to be zeroed. Real GDP is expected to decline in Albania, Kosovo\* and Bosnia and Herzegovina by -5%, in North Macedonia by -4% and in Montenegro as much as -9%. So I will be a harsh hit, even though economies are expected to bounce back in 2021, the level of GDP will still be below the pre-virus trends.

In this context, it is well-timed to build on achievements of Multi-Annual Action plan for Regional Economic Area (MAP REA), carefully review lessons learnt and offer a new vision for the region – a vision which would entail deepened sustainable economic integration that rests, among others, on climate resilience, digitally-driven innovations, new regional value and supply chains, upskilling, connectivity, circular economy, and enhanced intra-regional trade.

In principle I would say the region has got the idea that solo play will bring us nowhere. We have to stay next to each other, connected and we all have to face the problems or the hostile situations coming as for this pandemic, together. I think that this understanding is already present. We want more regional integration, then fragmentation. We would like to have in place more good neighborhood relations and more cooperation which will be kind of a guarantee in an international system that not

only has been developed a lot from the WWII I would say, but it will be changed in a near future. So we need to be interconnected and stay close to each other.

#### **4. Should we count on so-called mini-Schengen between Serbia, Albania and North Macedonia?**

Well, the Durres meeting was the last one we had been invited to as RCC on this topic, and it has been put aside due to other, more pressing issues, obviously. Therefore, no one knows what the situation will be like in the world, or in the region for that matter, in a couple of months. However, our goal remains the same - strengthening regional cooperation, which proved to be indispensable.

Still, I do think that proposals coming from the region are always welcome and more so if they are aligned with the necessities expressed by all economies. Our task is clear – strengthening regional cooperation, including all participating economies in the process and we will welcome and support all ideas and initiatives coming from the region that would be beneficial for the six economies of the Balkans and bare tangible results for the citizens.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.