

## ONLINE PAPER 2

# GLOBAL COMPETITION CHALLENGES FACING THE SINGLE MARKET AND ITS IMPLICATIONS FOR THE WESTERN BALKANS

Dear all,

On June 3rd, 2022, a round table entitled ***"Challenges of global competition faced by the single market and its implications for the Western Balkans"*** was held at the Faculty of Economics in Podgorica, in the "Mediterranean" hall.

The round table was organized within the Erasmus + project ***Jean Monnet Center of Excellence: Enlargement Policy Challenges: EU versus China's diplomacy in the Western Balkans.***

In this edition, we have papers written by:

1. Prof. Mojmir Mrak, School of Economic and Business, University of Ljubljana, titled "How might the economic criteria, as an integral part of the "fundamentals cluster" speed up the EU accession negotiations in the region?";
2. Dr Nikoleta Djukanovic, Teaching Assistant at the Faculty of Humanistic Studies, University of Donja Gorica, Podgorica, titled "Are political reforms essential for the further (economic) development of the region?"
3. Prof. Srdjan Redzepagic, Director of Balkan Institute of Science and Innovation of the University Cote d'Azur in Nice, France, titled "The challenges and opportunities for the Western Balkans that have emerged from the COVID crisis" and
4. Prof. Danijela Jacimovic and Suncica Rogic, MSc, Faculty of Economics, University of Montenegro, titled "Are the foreign investors and capital still the main drivers of the changes and growth in the region in the post Covid landscape?".

Prof. Mrak sheds a light on the EU's enlargement methodology, spanning from criteria established at the Copenhagen European Council in 1993 to the new Enlargement methodology based on clusters, whose implementation began in 2020. He explains that these criteria were not an issue before the fifth wave of EU enlargement in 2004, but have become increasingly important from 2014 Enlargement Strategy to this day. More importantly, Prof. Mrak explains how the new enlargement methodology has put the economic criteria as a top political priority in the ongoing accession negotiations and what does it mean for all the countries that are now a part of the process.

Dr Djukanovic explains the importance of the EU and its role in the democratization and europeanization of the Western Balkans. The Union makes the acceding countries respect its values, with the intention of minimizing the possibility of accepting any politically or economically

unstable members. On the one hand, this has opened the possibility of other global powers to increase their presence in the Western Balkans region, and on the other has shown the EU's enlargement fatigue.

Prof. Redzepagic breaks down the effect of the COVID-19 pandemic on the region, that experienced a serious decline of GDP, as the result of the still ongoing pandemic. He describes how the sudden halt of economic activity affected the Western Balkans economies and which problems arose from such situation.

Prof. Jacimovic and Suncica Rogic, MSc analyze the effect of the global financial crisis caused by the COVID-19 pandemic, as well as Russia's invasion on Ukraine and what can the countries of the Western Balkans learn from multiple crisis happening at the same time and how can they use it to enhance their development model, simply by focusing on sectors in which they have a comparative advantage. She emphasizes the energy security problem in Europe and the need for transition onto the renewable energy which is possible in the whole region, which could encourage FDI inflow. Furthermore, she also explains the importance of enlargement with all its problems and opportunities.

Prof. Nikola Milovic

## **Economic criteria as an integral part of the "fundamentals' cluster" in the EU accession negotiations**

### **Mojmir Mrak**

Under the 2020 Enlargement Methodology, the concept of the EU accession negotiations was changed from the »chapter-by-chapter« logic to the clusters«. The overall objective of this contribution is to discuss how to effectively integrate economic criteria, becoming a part of the »fundamentals' cluster« into these negotiations. More specifically, the contribution has three objectives:

- to briefly present the concept of economic criteria as articulated by the 1993 Copenhagen European Council,
- to provide an overview of how economic criteria for the EU accession evolved from being a "non-issue" in the Eastern enlargement accession negotiations to the current situation with the economic criteria becoming one of the most important and politically sensitive segments of the negotiations process, and
- to discuss what economic criteria being a component of the "fundamentals' cluster" actually mean for a candidate country under the 2020 Enlargement Methodology.

Before 1993, there was no formal framework for accession of candidate countries to the EEC and then the EU. With the prospective Eastern enlargement of the EU becoming a reality, the EU

member states decided to articulate explicit criteria that need to be met by a candidate country to become an EU member. The criteria that must be fulfilled for admission (known as the Copenhagen criteria as they were established at the Copenhagen European Council in 1993), include economic criteria. It specifies that a candidate country needs to be *a functioning market economy*, and that it has *the capacity to withstand competitive pressure inside the EU single market*. The European Commission has been providing on an annual basis its an assessment of a candidate country's progress towards meeting the economic criteria.

There is no generally accepted definition or explanation what is to be included under the term "economic criteria". For the purpose of the EU accession, the process of meeting this criteria is being assessed by the European Commission. Through annual reports, it assesses progress (or the lack of it), a candidate country makes in each of the following economic criteria areas: (i) macroeconomic stability, (ii) welcoming business environment, (iii) functioning labour market, (iv) functioning financial markets, (v) good levels and quality of education, (vi) good level of infrastructure, (vii) research, development and innovation, (viii) economic integration with the EU and the world, and (ix) social inclusion including the health sector.

Over the almost 30-year period since the Copenhagen European Council, the subject of economic criteria has made a big transformation as a subject of the EU accession negotiations. The subject has actually gone through three very different stages:

*Stage No. 1: Economic criteria as marginal issue in the EU accession negotiations;* In the decades prior to the 2010 global financial and EU financial crisis, the subject had rather limited impact on the EU accession process of the candidate countries and was largely limited to the macro-economic and fiscal area. As far as the EU accession negotiations are concerned, meeting of Copenhagen economic criteria were at that period considered as rather "light" and uncomplicated negotiations subject. Acquis in this area was very limited and largely focused on the Stability and Growth Pact and on central bank independence issues.

*Stage No. 2: 2014 Enlargement Strategy made economic criteria a more visible subject of the EU accession negotiations;* The 2014 Enlargement Strategy articulated a new approach for the candidate countries to tackle the economic fundamentals and to meet the economic criteria. Within this Strategy, meeting the economic criteria was already constituted as one of the "fundamental first" pillars. The European Commission explained this decision with two arguments. First, the progress of Western Balkans countries towards meeting Copenhagen economic criteria is too slow. The second argument was the broad legislative framework introduced by the EU / euro-area member states in order to make the integration more resistant to future crises. The reformed EU economic governance trickled down to the EU accession process through two main channels. One was broadened scope for *acquis* harmonization and implementation within the Chapter 17 of the EU accession negotiations, and the other one was broadened framework for consultation on economic policy coordination based on ERPs.

*Stage No. 3: The 2020 Enlargement Methodology puts the economic criteria among the top political priorities of the forthcoming EU accession negotiations;* Even though incorporation of the

economic criteria among the “fundamental first” pillars under the 2014 EU Enlargement Strategy made this area more visible and formally more important within the EU accession process, the subject remained in practical terms a rather stagnant segment of the EU accession negotiations. The 2020 EU Enlargement Methodology is therefore, yet, another and the most recent attempt to bring the economic criteria in the forefront of the EU accession negotiation process.

By formally integrating the economic criteria into the “fundamentals’ cluster” within the process of the EU accession negotiations, the area of meeting Copenhagen economic criteria will be among the top political priorities that will govern the overall process of the forthcoming EU accession negotiations. Under this “fundamentals’ cluster” approach of the negotiations, progress of a candidate country with respect to Copenhagen economic criteria issues will be among the key areas determining the overall tempo of the negotiations with all negative and positive conditionality triggers.

Similarly as in the case of Montenegro and Serbia, the content of the forthcoming EU accession negotiations will consist of two components. The first one is the *acquis focused component* dealing with Chapter 17 negotiations. This component will not be very different from the past though the volume of the *acquis* is much broader. The second component is the *policy oriented component* of meeting the economic criteria. Its contents will consist of a significantly enhanced dialogue / consultation with the EU on economic policy coordination in all the nine economic criteria areas presented in chapter II of this text. .

In contrast to the *acquis focused component* of meeting the economic criteria (Chapter 17 negotiations), its *policy oriented component* is a concept that, on the one hand, goes well beyond the narrowly defined legal approximation with the EU, and on the other hand, typically requires strong involvement of the higher levels of economic policy hierarchy. It is for at least these two reasons why meeting the economic criteria will deserve special attention in the forthcoming EU accession negotiations. There is another aspect that needs to be underlined within this context. By formally integrating the economic criteria into the “fundamentals’ cluster” within the process of the EU accession negotiations, the area will be among the top political priorities that will govern the overall process of the forthcoming EU accession negotiations. Under this “fundamentals’ cluster” approach of the negotiations, progress of a candidate country with respect to Copenhagen economic criteria issues will be among the key areas determining the overall tempo of the negotiations with all negative and positive conditionality triggers.

## Are political reforms essential for the further (economic) development of the region?

**Nikoleta Đukanović**

Among numerous other international actors that play a significant role in the process of democratization and democratic consolidation of third countries, the European Union occupies a special place, which has been shown in the process of democratization of Southeast European countries, including the Western Balkans. (Kubicek 2003, Grugel 1999: 33). The process of Europeanization, which consists of all institutional, strategic, and normative processes caused by the process of European integration (Palier and Surel 2007: 39), has been of paramount importance for the democratization and political stabilization of all Eastern European countries (Pridham, 2005; Lippert and Umbach, 2005). Therefore, many authors explain that the processes of Europeanization and democratization are inseparable, while Fink-Hafner (2007: 5) points out the "*cordial link*" between democratization and Europeanization processes, explaining that in post-socialist countries the direct link between the process of Europeanization and democratization is established by the EU conditionality policy.

However, special attention needs to be paid to the current impact of the European Union on the internal processes in the countries joining the Union, given that " a surprising number of slow-burning issues on which the EU is chronically divided" (Glencross, 2010), which have become particularly important due to the COVID -19 crisis. Namely, regardless of the previous role of the European Union and the process of Europeanization in the transformation of the countries of the region, many countries in the Western Balkans have stagnated in recent years, while some are falling behind in the reform process. This is also indicated by *Freedom House* data, since according to the report "Nations in Transition", some countries in the region have left the category of Partially Consolidated Democracies and become Transitional or "Hybrid regimes" (Freedom House 2020). And in the report "Democracy Index 2019 – A year of democratic setbacks and popular protest", many countries in the region have been classified as "hybrid regimes" (The Economist, 2020). In addition, according to the Bertelsmann Transformation Index, the value of indicators of overall consolidation and political transformation of many countries in the Western Balkans for 2020 is categorized as "defective democracy" (Bertelsmann Stiftung, 2020).

On the one hand, despite numerous crises, the European Union continues to be a "democratizing factor in the region", and obliges the acceding countries to respect democratic standards, norms, and values, with the promise of full membership and material assistance (Đukanović, 2019:149). The mechanisms by which the European Union influences the Europeanization of countries aspiring to its membership are diverse, from defining normative and institutional arrangements to be achieved or implemented, through financial and technical assistance, to defining benchmarks in the negotiation process, and evaluating their fulfillment, as well as conditioning the progress in the negotiation process by pre-meeting benchmarks, etc (Grabbe, 2006). On the other hand, with its policy of conditionality, the EU seeks to minimize the possibility of new

members being politically unstable and economically burdensome for the Union (Grabbe, 2006: 10). Precisely because of the great differences between the new and old members, as well as due to the long process of transition of the Western Balkans countries, the European Union has developed and to a large extent tightened the criteria for membership (Đukanović, 2019:148). Thus, the EC initiated a new enlargement methodology "Enhancing the accession process - A credible EU perspective for the Western Balkans" (COM 2020), in order to dynamize the EU enlargement process to the Western Balkans. A credible accession perspective is a key tool to promote democracy, rule of law and the respect for fundamental rights, which are also the main engines of economic integration and the essential anchor for fostering regional reconciliation and stability (COM 2020).

In 2021, an idea was gaining ground that a system of accession to the EU in stages was needed, as the best incentive for the Balkan countries to strengthen the process of European integration and restore confidence in the further enlargement of the Union (Emerson and al. 2022: 1). However, the new negotiation methodology did not yield the expected results in intensifying relations between the countries of the region and the EU, nor in implementing reforms and advancing in their accession process until the policy of conditionality itself loses its power to sanction the countries due to the lack of concrete results in their process of implementing reforms. Then, the insufficient presence of the EU in the region opens the possibility for greater influence of the great powers: China, Russia, Turkey, and other countries. The stagnation and decline of candidate countries in the process of negotiation/accession to the European Union, the European Union's enlargement fatigue and sluggishness in strengthening enlargement policy, and increasingly visible security challenges and destabilization trends (Lazarevic, Subotic, 2022: 1), threaten the support and trust of the region's citizens in the EU but also point to the need to revise the current situation and revise the EU's approach to the region. It is essential that the European Union intensify its role in promoting the rule of law in the Western Balkans and take responsibility for the delays in the democratization process that have been visible in all countries in the region in recent years. In addition, the EU needs to improve mechanisms for monitoring and evaluating the results achieved in the process of meeting political and economic criteria (Lazarević, Subotić, 2022: 2; Esch, Yannic, 2017). All the more so as EU integration and the accession process for the Western Balkan countries are crucial in the recovery process in the post-COVID period. Namely, economic integration and the rapprochement of the countries of the region with the Union, as well as the financial assistance that the Union provides in the recovery process, represent a significant incentive for political integration. On the other hand, establishing the rule of law and meeting other political criteria is a necessary condition for the region's economic recovery and economic integration into the EU.

## **The challenges and opportunities for the Western Balkans that have emerged from the COVID crisis**

**Srdjan Redzepagic**

This analysis aims to show how the Covid-19 pandemic has negatively affected the economies of the entire Western Balkans. A recent studies find that improvements in the education, health and housing sectors in the Western Balkans could contribute to economic resilience and halt the outflow of human capital from the region. It is clear that Western Balkans countries results show that the Covid-19 pandemic had a negative impact on the entire Western Balkan region, which entered the recession with a real GDP decline of about four percent on average. It is visible, in Wester Balkan countries, that each wave of pandemics combined with a slower vaccination campaign could put health systems in the region at risk, with the effects of the pandemic likely to last longer in the Western Balkans compared to the EU.

At the beginning of 2020, the Western Balkan countries have decided to impose strict restrictions on social and economic life in order to curb the virus pandemic COVID-19 situation. In the first half of 2020, the world experienced an explosive growth of deadly infections virus. Given that one state at a time, was forced to close large areas of social and economic life in order to slow down the spread of the contagion, the countries of the Western Balkans have not been spared either. First cases were reported beginning 2020. In response to such a situation, all Western Balkan countries have introduced isolation and strict measures of social distancing. International airports in all countries are closed to passenger traffic, and isolation measures have been introduced the beginning of the crisis were prolonged. Also, key economic sectors, such as restaurants, tourism and retail outlets that do not sell basic groceries, were closed. Travel and social gatherings are restricted or prohibited, and schools and universities were closed. The Western Balkans, as other worldwide economies entered the particular situation. The crisis caused by the COVID-19 virus has serious consequences for the economies of the Western Balkans, because total supply and total demand decrease at the same time. Not just restrictions imposed by the state, but also the reactions of households and businesses place an incredible burden on the region's economies. Lower economic activities also complicated public finances and expand the financial needs of states in Wester Balkans. Total demand has been stopped and decreased significantly. Consumers were trying activities that could expose them to infection. On the other hand, the consumption that did not refer to basic groceries, as well as investments were postponed until the uncertainties related to the crisis were resolved. Similar problems with key trading partners for Wester Balkan countries, such as the European Union countries, have had an impact on exports. The total supply has also decreased. Governments of Western Balkan countries have introduced and forced restrictive measures related to non-essential businesses and companies that couldn't met the requirements of social distancing to close or reduce the volume of business to mitigate the possibility of infection. Although some companies continued to operate online sales or networking, for most productivity has declined. Really complicated period it was!

Some workers have had to stay home, cared for children whose schools were closed or socially distanced to avoid infection. Break in global and domestic supply chains damage production, in Western Balkans. Falling commodity prices reduced extractive margins industry. Liquidity constraints has caused further disruptions in production. It was big risk for the economies of Western Balkans. Services, especially those that required physical interaction, were likely to be most affected. Government restrictions forced the closure of most catering, retail and personal services. Travel restrictions, among others, that wanted to avoid passengers sharing small spaces with others, such as on buses, trains and planes, severely disrupted travel. In those economies, tourism has collapsed for all practical reasons. So it has taken time to revive even when the crisis was under control. Production was affected by protective measures of social distance, collapse of orders and problems in the supply chain. In Western Balkans, they were relatively stronger key sectors such as medicine, food supply chains, the public sector and sectors that could more easily switch to online work, such as professional services related to the digital economy.

In Western Balkans, the length and depth of the crisis has depended on how much there were effective measures to combat the virus, how well health systems were able to cope with the epidemic and successful development of effective treatment and vaccination against this disease. Secondly, economic policy alone hasn't ended this crisis, but it has had a crucial role to play: to protect livelihoods by preserving jobs and strengthening the social safety net. Also a quick economic recovery was possible – but not guaranteed. All depended on evolution of the situation in Western Balkans and the measures undertaken by the governments of these countries. Reducing of isolation measures has freed up spending and investment, which has encouraged a speedy recovery in economic activity. But in that one the extent to which economic freezing and lack of liquidity forced fundamentally sustainable companies to close, disrupted productive relationships in supply chains or led to layoffs of workers who have built up significant knowledge and skills about the job itself, that shock has probably jeopardize medium-term productivity. To the extent that the crisis affected public and private financial protection layers, influenced to consolidate and restore the balance sheet that could burden the recovery. Recovery in Western Balkans might be overshadowed by concerns about a recurrence of the epidemic and protection measures.

In conclusion, the Western Balkans have done all possible, applied significant measures and undertaken necessary steps to avoid pandemic disaster. They have succeeded to save economic but also social dimension of the systems of their countries. Comparing to some advanced worldwide economies, we can see that Western Balkan countries have well managed their position, saved lives as much they could and have taken measures to protect their economic system. Not bad at all, what there have been done. Someone will say "it could be better", yes it could always, but the essential was to ensure stability, citizens health and the whole systems. Western Balkan continue their way to the European integrations, as they have started, well determine to join European family as soon as possible. The way is too long, this pandemic crisis has influenced a lot their "trip" but it is visible that these Western Balkan countries are on their road to European union (especially those countries who are not yet full members of the EU). All elements, previously mentioned here, bring us to the conclusion that during the pandemic crisis,



there have been many challenges and opportunities for the Western Balkans, that these economies have emerged from the COVID crisis, and go further as the whole Balkan region.

## **What are the main drivers of the changes and growth in the region in the post Covid landscape?**

**Danijela Jacimovic and Suncica Rogic**

The ongoing COVID-19 crisis, with its prolonged effects associated with the Global Financial Crisis (GFC) have affected the economic and political environment globally. The severe effects of Russia's invasion of Ukraine have compelled us to simultaneously deal with multiple crisis at the same time. The crisis are becoming a new reality, where the fragmentation of the international economy into geopolitical blocs with separate trade and technology standards, payment systems, and reserve currencies, is complicating the ability to deal with them.

In the new economic, social and geopolitical reality, the Western Balkan region (WBs) could offer tempting regional and national comparative advantages to the Single Market, most notably related to its proximity to that market, its skilled and affordable labour force, and its agricultural and natural (energy) resources.

The pandemic and the Ukraine conflict may serve as stepping stones for the region to finally adopt a new development model that balances economic, social, political, geopolitical, and environmental interests. The *new* model of development should be focused on specific industries, that could establish a new and mutually beneficial connection between the EU and the Western Balkan nations, particularly in the area of energy, but also in other areas such as food supplies. The Balkans has the potential to reduce the EU's reliance on third-country suppliers and create a reliable supply chain, reducing the negative consequences of any future crises. Thus, Western Balkan countries could find their new market niches. By focusing on specific sectors like raw materials, semi-conductors, food and potential renewable energy (hydropower, solar and wind) sources, the region may be able to strengthen its pre-existing national comparative advantages. The potential growth will strongly impact the unemployment rate and increase employment opportunities, particularly in terms of youth employment, where young people have been vulnerable to the pandemic (in both finding and retaining their jobs). Young people might thus be important pillars of any new development strategies.

This *new* regional development strategy should focus on *new* sectors, where the development and strengthening of the digital technology industry, innovation and support for start-ups are additional potential sources of growth. However, at same time, the region should take advantage of the available momentum, as nearshoring is becoming certain, particularly bearing in mind the

general increase in transport costs. Thus, Serbia, North Macedonia, Bosnia and Herzegovina and Albania could be seen as attractive sources of raw materials, as well as new destination for supply chains (particularly for semi-conductors or food). In addition to this, the stable electrical energy position of the region will impact the relatively stable electricity price in the short and medium term, that could be currently an additional and very important source for boosting the development of other sectors, and supporting overall growth in the Western Balkans.

Montenegro, Kosovo and Albania are more service oriented countries, where tourism plays an important role, but the further development of the sector should take in account sustainable and inclusive growth in the future. The growth sources could be accompanied by relative stable financial sectors that could be a good basis for the development of Fintech.

However, the development of the renewable energy sector has enormous potential and could provide an extra boost to the growth dynamic in the Western Balkans. The region is known for its abundance of rivers, both large and small, especially in Bosnia and Herzegovina and Montenegro, which offer tremendous hydro potential for energy production. Furthermore, there is enormous potential for the use of solar energy in the region (notably in Montenegro and Albania), as well as the greater spread of wind energy.

The energy security is becoming essential for growth in our new environment. With the conflict in Ukraine and increase geopolitical tensions, the European Union will work intensively on phasing out its reliance on Russian gas, oil, and coal imports as soon as is practicable, as is stated in the Versailles Declaration. As a result, the European Council anticipates the Commission's comprehensive and ambitious plan, which will be submitted by the end of May 2022 and developed in close collaboration with Member States.

A regional transition towards renewable energy could be achieved relatively easily and quickly, and more importantly the region could be an exporter of green energy to the Single market. At the same time, the energy sector might be an important source for the diversification of economies in the Western Balkans. There is also the pre-existing built infrastructure, such as the "first energy bridge with the Balkans," a high-voltage electric interconnection between Montenegro and Italy (through an undersea cable) with the purpose of exporting energy from renewable sources produced in the Balkans to Italy. The cable is part of the wider Italian ambition to make Italy the "energy centre of Europe" and meet EU requirements for a higher renewable energy output share. The significant energy export can be noted, and in recent months, various investment in domestic electricity companies have been announced, while the resources of the European Investment Fund would be effective catalisators of additional private investing in the energy sector in the region. On the other hand, policymakers should be aware of this momentum and offer favorable investment and business conditions to attract European private investors.

Hopefully, all of this might result in an increase in the currently weak European business interest in the region and encourage foreign direct investment (FDI). Investment inflows into the Western

Balkans remain significant, but major FDI inflow from the EU is still missing. In addition, the region should count on its own resources as well. Speeding up economic transition and full alignment would save a significant part of the regional GDP that could be invest in new industries.

It's difficult to discuss any future Western Balkans development without mentioning EU enlargement. The wider European project has been viewed as a solution to all problems in the Western Balkans and indeed beyond. However, enlargement weariness has set in for the Western Balkans, both in the EU and in the region as a whole, where the region has been waiting for years and people are losing faith in the prospect of ever joining.

Simultaneously, issues around the rule of law in member countries, notably in several recent member states, has raised serious concerns about the future nature of EU membership for existing members, as well as potential future ones. Unfortunately, the Western Balkan countries have been considered as less friendly/ welcoming to reforms in the rule of law dating back years. The new democratic reality has forced the EU to working on a new Eastern European structure as well as on the potential for a new enlargement structure, too. But currently, the EU's enlargement programme in-tray appears to be rather full, with Ukraine, Moldova, and Georgia all joining the WB countries in seeking to obtain candidate status. It appears that a balance must be struck between the Western Balkans and these new applicants, where the paradigm must change, but hopefully with the awareness that the Western Balkans cannot be left waiting any longer. In finding the new balance, economic integration could be seen as a priority, rather than political issues, a situation which might suit all parties.

The debate about a new enlargement architecture started in France and Italy. This involved discussion on creating a large, but light Europe, where the Western Balkan countries might have Associate Member status, or perhaps even more. However, it will be a promising, encouraging, but demanding process associated with chapters and will not too dynamic. Of course the German position will be vital to the future of the debate.

In this scenario, where economic integration will move forward despite *enlargement fatigue*, regional integration is becoming vital. There have been numerous regional initiatives in the Western Balkans, with some specific results. Most of these regional initiatives have been supported by the EU, while the most recent idea of the Open Balkans, has been offered as the third pillar of American foreign policy in the Balkans.

The positive effects of free trade are studied in the first classes of the International Economic course, and later special attention is paid to the emergence and effects of regional integration, where the free movement of goods, services, people and capital bring the greatest benefits, where the EU is a real and great example. However, economic theory points out that the most favorable distribution in favor of free trade is when countries are approximately equal in both size and economic strength. While regional integration might offer great potential of growth, at some point it will have its own growth limits, too.

*To summarize*, when considering new development opportunities in the region, region economic involvement could reduce the EU's reliance on other third-country suppliers and provide a stable supply chain, reducing the potentially damaging effects of any future crisis. In this new reality, the finalization of transition, and the development of new, modern and competitive sectors could be the foundation for further growth, and for finally abandoning the old sectors. A new enlargement architecture that will be more suitable for the integration in the decades to come is more necessary than ever, and should focus on economic integration, which will act as a precondition for political integration, where all countries have to be aware of the serious obligations that accompany those commitments. Fostering economic integration towards the larger European space, driving more regional integration, will be needed, and the region needs to engage more closely with the debate about the EU and US approaches, or else become lost in the decision of these world powers.

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