

ROUND TABLE DISCUSSION GLOBAL COMPETITION CHALLENGES FACING THE SINGLE MARKET AND ITS IMPLICATIONS FOR THE WESTERN BALKANS

Organized by Faculty of Economics, University of Montenegro

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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 combined crisis effects have caused immeasurable damage, and it will take years to rebuild macroeconomic stability even in the short to medium term, particularly in terms of restoring jobs. Faced with this tremendous economic damage, there is evidence of substantial democratic backsliding at the same time.

The Western Balkan countries have implemented numerous economic and institutional reforms since 2000, searching for the ideal model of a market economy in the region. Over time the region achieved a measure of macroeconomic stability, including through fast growth rates based on large inflows of the international capital, and the introduction of price and trade liberalization, as well as the privatization of state companies and banks. However, despite the evident progress, regional companies still face damaging corporate governance practices, where competition policy is often ineffective. The positive developments in the region have been associated with the implementation of the EU Stabilization and Association Process (SAP), that offered trade preference status to the regional economies, as well as quite generous financial assistance from EU member states.

The GFC hit the Western Balkans economies hard in 2008, by reducing inflows of foreign capital (notably bank credits, foreign investment, workers' remittances and donor assistance) and the demand for the region's exports. The weakened economic and political situation of the region have been additionally challenged by the COVID-19 crisis and the evident geopolitical tensions in the region. It has become more than evident that the region cannot overcome the current situation alone, and that a joint, strong and dedicate economic and political approach is needed.

In the new economic, social and geopolitical reality, the Western Balkan region could offer temping 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 resources. When discussing new development opportunities in the region, it is important to keep in mind the existing problems. These include the evident external trade imbalances, social problems regarding inadequate labour market structure, and the strong dominance of service sector over industrial production.

The pandemic could be a stepping stone for the region to finally address a *new* model of development that will balance economic, social, political, geopolitical and green goals. This new development strategy should focus on specific sectors, in order to strengthen the pre-existing national comparative advantages.

The aim of the round table discussion is to start debate and examine potential solutions and policies which can support the region in achieving these goals. At the same time, the event should also start a debate about how to turn the consequences and disruptions of Covid-19 into potential opportunities for the business sector in the Western Balkans. Would it result in a *new* positioning of the region's companies in the EU's *new* supply chains, that could be mutually beneficial for the region and the EU? On the other hand, the region's economic involvement and engagement could also reduce the EU's dependence on suppliers from Asia, and provide a stable supply chain that would reduce the damaging effects of any future crisis.

The round table event will try to address the following questions:

- How might the economic criteria, as an integral part of the "fundamentals' cluster", speed up the EU accession negotiations in the region?
- The challenges and opportunities for the Western Balkans that have emerged from the crisis (GFC, Covid-19, war)
- Is it true that foreign investors and capital are still the main drivers of the changes and growth in the region in the post Covid landscape?
- Are political reforms essential for the further (economic) development of the region?
- How can we deal with unemployment in the post Covid world, particularly in relation to youth unemployment?