

THE STRATEGIC IMPORTANCE OF BERLIN PROCESS FOR THE WESTERN BALKANS: A VIEW FROM ALBANIA

- Non Paper -

an initiative of Cooperation & Development Institute / ShtetiWeb

in partnership with Friedrich Ebert Foundation, Hanns Seidel Foundation and Konrad Adenauer Foundation

I. THE CONTEXT

Under the leadership of the German Chancellor Angela Merkel, it was called in Berlin in August 2014 a High Level Conference on the Western Balkans. It aimed to show the unwavering political commitment of the European Union to its future enlargement towards the Western Balkans.

The Berlin Conference was the starting point of the official coming to existence of the so-called “Berlin process”. This new initiative aims to enhance joint regional economic governance - in the framework of the European perspective of the Western Balkan countries - by laying the foundations for higher and sustainable growth. The process would contribute to the reinforcement of a sound economic environment and reliable political, legal and societal structures in these countries.

The Berlin Process has a proper agenda - known as the “Berlin Agenda” - which focuses primarily on economic governance and infrastructure connectivity projects. It uses existing financing programmes such as Western Balkans Investments Framework, and already established institutions and mechanisms such National Investment Council, Sector Working Groups, Single Project Pipeline, etc. to identify, select and financially support regional initiatives. Those initiatives include infrastructure projects and soft measures. The connectivity regional investments are harmonised with respective EU policies through existing EU initiatives such as TEN-T, SEETO or PECL.

However, the Berlin process remains a thinly documented development. There are very few official documents, studies, assessments that offer a comprehensive view on this extremely important initiative.

Against this setting, CDI / ShtetiWeb, in partnership with Friedrich Ebert Foundation, Hanns Seidel Foundation and Konrad Adenauer Foundation, aims to cover this gap. The methodology of CDI / ShtetiWeb work is based on the identification, and subsequent analysis and assessment of: *a)* official declarations, joint statements, public speeches, political statements, and press releases of the main EU and WB6 institutional actors; *b)* related impact and developments in Albania and in Western Balkans region; completed with, *c)* semi-structured interviews with beneficiaries and implementing stakeholders. The research phase is followed by conference - as a public debating platform- with

stakeholders organised in autumn of every year. The proceedings of the Conference complete the research results and are published in the form of a Monitoring Report.

II. ALBANIA IN THE BERLIN PROCESS: CURRENT ACHIEVEMENTS & UPCOMING CHALLENGES FOR THE PARIS SUMMIT, 2015

The Report 2015 “*Albania in the Berlin Process: Current Achievements & Upcoming Challenges for the Paris Summit*” focused on the historical roots of the process, definition(s), approach, goals, actors, mechanisms and funding opportunities. It followed the description and analysis of the institutional, legal and policy framework at the EU, regional and national level; provided an assessment of connectivity argument with reference to its contribution to growth and prosperity in the region; and was complemented with an overview of the existing regional initiatives that directly or partially affect the Berlin Agenda. Finally, specific recommendations were drawn for each category of the involved stakeholders, on the way they interact, the national and regional mechanisms along with the monitoring component. The available evidence was used to perform a comparative analysis (where applicable), so as to identify overlaps and synergies among difference regional initiatives.

The research work was enriched with some of the key messages delivered by the panelists during the Conference of 5 November 2015.

Amongst the sector-specific recommendations of the 2015 research and conference debate, we can mention the following:

- the Berlin process offers a *unique opportunity* for the WB6 to be better prepared and coordinated, so as to increase their weight in different negotiations, not only with EU, but also with other IFIs or international organizations;
- a simplistic strategy of promoting the construction of the WB6 necessary infrastructure in transport and energy will not succeed fully, unless it is complemented by a strategy to support local small and medium enterprises. To fully profit from connectivity, the WB6 countries need to produce locally;
- to this goal, it is needed a *regional industrial policy* that supports the local productive tissue, that encourages the establishment of innovative and high value-added economic activities - that embeds the WB6’s enterprises in the EU value chain.

The challenges in the region have been rather politically related - such as the turbulent political situation in Macedonia or in Bosnia and Herzegovina, the justice reform in Albania, etc., compounded with the external ones - namely the current deep European economic, political and identity crisis, intertwined with the global security challenges, i.e. terrorism and migration flows, Brexit, as well as the national elections next year in some EU member states, which have raised some concerns over the credibility of this process.

III. FROM PARIS TO ROME: REGIONAL COOPERATION AND EU INTEGRATION OF WB6, 2016

In view of the present developments, and in the aftermath of the Paris Summit, it is of utmost importance to reflect over the progress achieved so far in the framework of the Berlin process, as well as to substantially contribute with contextualized recommendations on the further enhancement of regional cooperation in the Western Balkans. To this goal, we continue with the research and organisation of the upcoming conference “*From Paris to Rome: Perspectives from Albania on Regional Cooperation – Fall 2016*”. This conference and the research paper proceeding it, aim to:

- document the main institutional, legal, procedural, administrative and financial developments up to October 2016;
- perform a mid-term assessment of the Berlin process’ achievements, through the identification and analysis of drivers and threats affecting the process’ credibility and its future development related to EU integration;
- identify potential synergies between the Berlin Agenda and European Union Strategy for Adriatic and Ionian Region; and ,
- delineate concrete policy recommendations in view of the next Summit of Italy in 2017, the fourth in the framework of the Berlin process.

The research paper will **initially** provide a summarized background on the Berlin process, followed by an analysis of the achieved progress in the main connectivity areas, and novelties introduced by the last summit in Paris, as of 4 July 2016. The **second section** will focus on the extent to which the ambitions settled by the Berlin agenda reflect and make good use of the available capacities, mechanisms, financial instruments and political situation on the ground in the Western Balkans countries. In this regard, it will also provide an overview of the drivers and threats affecting the credibility of the Berlin process, considered both from the perspective of the WB6 countries and the EU. The **third section** aims to analyse Italy’s specific potential contribution to further strengthening the Berlin process in view of the Summit of 2017. Considering the importance of economic connectivity in the region, this section focuses on the identification of converging priorities and mutually reinforcing activities undertaken both in the framework of the Berlin process and EUSAIR strategy. This allows for the establishment of synergies and better coordination between these two cooperation mechanisms. A particular attention will be devolved to the analysis of the Italian small and medium enterprises’ experience in raising economic growth and employment, widely known as a successful best practice for endogenous development. **Finally**, the authors will provide some concrete policy recommendations that can further improve Western Balkans’ regional integration.

The October 2016 conference is composed by four panels over two days. In the high level segment, it will be discussed the added value of political cooperation among the Western Balkans countries, and how it interacts with their EU negotiation/integration path. In the wake of the EU Commission opinion on the opening of the accession negotiations with Albania, the Minister of European Integration and the ambassadors of Germany, Austria, France and Italy to Albania will have the opportunity to lay out the context and dynamics

that are determining that decision. The panel will be followed by a plenary discussion with representatives of civil society, academia, media and other stakeholders.

The second day will be composed by three panels. In the **connectivity panel**, the Minister of State for Innovation and Public Administration will present the importance that Albania devolves to the digital market and digital connectivity, as well as its policies to promote it. The energy connectivity will be the next component to be touched upon, which will be followed by the presentation of "Business connectivity", analysed from the perspective of inclusion of Albanian enterprises in the EU value chain.

In the **migration panel**, representatives of the Albanian government, German Embassy, local government, as well as international and local NGO will reflect on the current situation of Albanian emigration wave to the EU (with a specific focus on Germany), the national policies and measures for the re-integration of the returnees, the factors that push Albanian youngsters to emigrate and how to mitigate them, as well as the main EU policy measures to deal with this phenomenon.

In the **youth cooperation panel**, representatives of the "Road to RYCO" and "Team RYCO" will lay out the progress made until now, the challenges ahead and the milestones for 2017. Youth organisation representatives from WB6 will explain the situation of youth organisations in their country, and how RYCO is expected to deal with them.

IV. CDI/ SHTETIWEB ANALYSIS OF THE BERLIN PROCESS - FALL 2016

a) The entangled web of WB6 and EU relations, and then more

The Berlin process was initially conceived as a temporary replacement for the "slowing / stopping" of the enlargement process, as epitomised in the Juncker's speech. Gradually, it became a process constituted by different cooperation platforms (political, technical & financial), through different levels of collaboration, such as communications / meetings / negotiations amongst EU, International Financing Institutions and WB6 partners.

Moreover, under the newly-established Berlin process, WB6 would be called to contribute to the treatment of newly-appeared EU concerns, namely migration from Middle East and North Africa, and other war / social unrest areas. Previously those issues have not been included in the roadmap of the EU integration of candidate countries.

b) Anchoring Western Balkans to European Union

The Berlin process is crucially strategic at three levels, namely:

- When it concerns the issue of "*physical connection & anchoring*" of WB6 to EU. More than the size of the market - which is rather modest, we consider this more as a geo-political issue. Due to the increasing Chinese presence in the WB6 region, through infrastructure investments and massive acquisitions of transport and energy

infrastructure, the need for an EU integrated approach becomes apparent and of utmost importance;

- For the "*anchoring to EU dynamics of social & democratic development processes of WB6 non-state actors*". The innovative component of the Berlin process regarding: (i) institutionalisation of the involvement of the CSOs in democratic processes; and, (ii) establishment and functioning of Youth Connectivity. Both these components are extremely important and of mutual benefits for the EU and WB6 societal actors, especially after the Brexit shock, the rise of extremism in Europe, as well as the need to tackle the phenomenon of detachment of the national elites from the masses;
- The Berlin process becomes ideologically important because of the increased attention it places to infrastructure. This may indicate a shift towards growth through Keynesian capital investment / public works *away from the dominance neoliberal market-only measures*. However, due to the cost of infrastructure and almost inexistent fiscal space of most of WB6 countries, this instrument may have reached / will reach very quickly its limit.

c) Connecting what counts

Berlin process allows for an increased attention and appropriate methodology in linking structurally and inextricably the Western Balkans and European Union through:

- *connecting strategic infrastructure* (i.e. transport, energy, digital);
- *connected in security* by ensuring Europe southern borders vs. migration (through the creation and protection of the joint external borders of the EU and tasking the WB6 countries to manage the migration flux);
- *connecting people* through the establishment of Regional Youth Cooperation Office and the structuring of civil society cooperation and participation in the summits;
- *connecting businesses* through the inclusion of WB6 businesses in the EU value chain.

d) The Zeitgeist: Berlin process complements the classic EU integration approach

In this optic, taking into account the EU political, economic and institutional developments, as well as Europe's-external challenges (such as the migratory pressure), today the Berlin process allows for:

- keeping alive the integration perspective of WB6. In an ever-changing internal and external EU context, the "connecting & anchoring" strategy may reveal complementary to the accession negotiations. Full EU membership remains the only option for WB6 but the ever-extending accession period needs to be filled with tangible outputs for the WB6 citizens. The Berlin process makes the accession process relevant when compared to the destination of a "full membership" in the hypothesis of a long accession negotiation perspective. Depending on intra-EU developments, this process is also compatible with the often mentioned scenario of "two speed Europe" by means of connecting the WB6 to the EU second tier;

- allowing the WB6 to progress towards EU following their own pace, and through concrete infrastructure and people-to-people connectivity. By being concrete and highly visible, those projects impact directly the WB6 citizens and complement the progress made in the fields of rule of law, democratisation, etc.;
- directly supporting WB6 growth through capital investment and development of value chains. The Berlin process allows the WB6 to modernise their production capacity / structure in order to get included in the regional and EU value chain and promoting, as well as valorising their comparative advantages;
- increased regional integration at political level through regular summits of Heads of State / Government and other high level structures.

e) Sheer luck or extreme political foresight?

So, by sheer luck or extreme political foresight, today the Berlin process complements the traditional EU integration approach, by extending it to:

- *political actors*: regular summits and role of the Prime Ministers in the National Investment Committee during the approval of the Single Project Pipeline;
- *democratic base/simple citizen*: through the CSOs summits and RYCO;
- *parliamentary involvement*: through the participation of the members of the national and European Parliament in the CSOs' summits. This dimension needs to be further developed, so as to fully unleash its potential.

- The end -

prepared by Cooperation & Development Institute / ShtetiWeb

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**This non-paper is prepared in the wake of the conference
“From Paris to Rome: Perspectives from Albania on Regional Cooperation – Fall 2016”.**

The opinions, findings, conclusions and recommendations expressed in this document lie entirely with the authors and do not necessarily reflect those of Friedrich Ebert Foundation, Hanns Seidel Foundation and Konrad Adenauer Foundation.