

Policy Study No. 40

INTEGRATING WB6 TOWARDS INTEGRATED EU - A VIEW FROM NORTH MACEDONIA



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ABSTRACT

The EU accession of any country of Western Balkan Six is still uncertain. Each country follows its own EU path populated with social, political and economic obstacles. The idea for a common regional market for the Western Balkan Six (WB6) presumes deeper regional economic integration and interdependence that should simultaneously help to all WB6 countries to merge into the EU Single Market. This chapter analyzes the complementarity of the Common Region Market (CRM) initiative with the EU integration looking through the lenses of North Macedonia. Additionally, it discusses the role of CRM in overcoming the political obstacles present in the WB6. Finally, it identifies the main challenges and risks arising from the deeper economic integration of WB6.

Keywords: *Common Regional Market, Western Balkan, EU integration, regionalism*



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INTRODUCTION

INTRODUCTION

The initiative for Common Regional Market (CRM) for the Western Balkan Six (WB6) countries represents a step forward towards further deepening of the regional economic integration which started with CEFTA 2006 and should culminate with the EU integration of WB6. The intention is to extract the benefits of increased market size and improved product/service quality making the region more attractive for foreign investors. The deep (rather than shallow) integration generates substantial economic benefits and productivity gains (e.g., Campos et al., 2014; Campos et al., 2021). However, does the CRM represents deep integration? Deep integration exists when countries delegate some political control over selected policies to supranational institutions (Campos et al., 2014). Still, the CRM relies on intergovernmental (voluntary) coordination of countries' domestic policies and its implementation remains under the discretion of public institutions in each WB6 country.¹ Yet, the CRM is heavily grounded in the EU rules and standards implying that it is a stepping-stone for each country towards EU integration. Thus, the CRM could be treated as '*deep integration in disguise*,' however to what extent CRM helps in the EU integration of North Macedonia apart from its unilateral compliance with the EU accession requirements remains to be explored first in this chapter.

Moreover, the connection between the CRM and the EU integration of WB6 should be viewed through the political lenses. The EU enlargement largely depends on EU's capacity to absorb newcomers (Baldwin, 2007).

¹ Since deeper cooperation between the members of regional blocs does not involve binding alignments of national policies and may be suboptimal for one or several members, it should not be treated as deep (policy) integration (Schiff & Winters, 2003).

The unity among EU members could be distorted as more members join the club, especially if the newcomers have unresolved bilateral issues with the existing or new members. The existence of political tensions between WB6 and EU countries such as the case between, Serbia and Kosovo, North Macedonia and Bulgaria, and Bosnia and Herzegovina and Republic of Srpska, is generally known. Obviously, the **breaking of the political “ice”** would be crucial in opening the accession processes of WB6 towards EU. Could CRM help in reducing political frictions between antagonistic neighbors? Economic integration and intensified trade among the countries improve the political cohesion among the integrating partners through increase in economic interdependence, greater interactions between peoples and governments and greater trust (Schiff & Winters, 2003). Once the liberalization starts, it induces further liberalization changing the political landscape (Baldwin, 2008). The breadth of CRM presumes liberalizations in many domains and requires significant political will to be implemented. The recent initiative for creating political and economic zone, so-called Mini-Schengen Area or Open Balkan, between Albania, North Macedonia and Serbia could be viewed as an effort towards liberalization limiting the influence of political issues among all WB6 members. Hence, in the next step, we discuss the role of Open Balkan and CRM in resolving the political frictions between WB6 countries.

Finally, besides the formal and political dimension, we need to consider the economic constraints of the CRM project. The CRM presumes that there is a significant potential to trade within WB6, welfare improvement of all members after the implementation and collective agreement over building strategies for attracting FDIs. However, the potential to trade may be constrained by the structural characteristics of manufacturing sectors and the limited size of the region. Moreover, further liberalization may cause unequal distribution of gains and losses among the members if agglomeration forces arise. Lastly, the current competitive environment in attracting FDIs may be favorable for some countries, so they may resist to enter negotiations for integrated regional policies. Do these challenges make the CRM project **‘a hard nut to crack’**? We discuss in the final part of this chapter.

IS CRM A STEPPING -STONE?

IS CRM A STEPPING-STONE?

CRM is built upon four main pillars which are embedded in the Action Plan for a Common Regional Market 2021-2024. The first pillar is directed towards creating a regional trade area through the elimination of unjustified trade barriers and securing free movements of goods, services, capital and people. The second pillar targets the establishment of regional investment area where WB6 countries would coordinate their investment policies and align with the EU standards and international practices. The third pillar refers to the integration of WB6 into the pan-European digital market. Finally, the fourth pillar aims to improve the competitiveness of industrial sectors and stimulate research and development activities across the region. Evidently, CRM is designed in the spirit of EU's Single Market and is anchored to the EU principles and regulations. However, each WB6 country is facing with the same natural question whether CRM process and EU integration are complementary. To assess the extent to which the progress in CRM means progress in EU accession for North Macedonia, we conduct qualitative analysis of the scope of CRM Action Plan 2021-2024 and of Progress report (for 2019) of the multi-annual action plan for a regional economic area (MAP REA) in comparison with the scope of European Commission (EC)'s annual progress report for North Macedonia (for 2019).

Table 1 shows the coverage of CRM and MAP REA in comparison with EC's progress report on North Macedonia. CRM and MAP REA directly touch upon 20 out of 33 chapters on the criteria for accession of North Macedonia to the EU. The red cells designate that no or limited progress has been identified by the EC in the given chapters for the given year. Generally, those are the chapters where the CRM would play crucial role in altering the status-quo and moving the processes forward. The implementation of CRM would prompt the process for free movement of good and workers, improve certain aspects in competition policy and strengthen the efforts for environmental considerations and consumer and health protection. Additionally, the green cells show that some progress has been reported in the assessment report. North Macedonia has made important advancements with regard to MAP REA on different venues (green cells), especially in building digital environment (connectivity and access) and those have been recognized in the EC's report. Finally, the CRM action plan predicts reduction of trade costs and further liberalization which would positively reflect on several chapters covering public procurement, intellectual property laws, statistics, customs union and external relations.

Table 1: Scope of coverage of CRM and MAP REA

| EC's 2019 progress report on North Macedonia | WB6 Common Regional Market (CRM) Action Plan (2021-2024) | Progress report (2019) of the multi-annual action plan for a regional economic area (MAP REA) |
|--|---|---|
| Chapters | Components | Regional assessment |
| Chapter 1: Free movement of goods | Free movement of goods | Facilitation of trade in goods (region score: moderately prepared); |
| Chapter 2: Freedom of movement for workers | Free movement of people | Removal of obstacles to mobility of researchers (region score: moderately prepared); Removal of obstacles to recognition of professional qualification (region score: some level of preparation); Removal of obstacles to recognition of academic qualifications (region score: good level of preparation) |
| Chapter 3: Right of establishment and freedom to provide services | Free movement of people | |
| Chapter 4: Free movement of capital | Free movement of capital | Planned in CRM Action Plan (2021-2024) |
| Chapter 5: Public procurement | Cross-cutting trade measures | Harmonization of CEFTA markets with the EU (region score: good level of preparation); Creating NTMs and TDM-free region (region score: moderately prepared) |
| Chapter 7: Intellectual property law | Cross-cutting trade measures | |
| Chapter 8: Competition policy | Cross-cutting trade measures | |
| Chapter 9: Financial services | Free movement of services | Facilitation of free trade of services (region score: moderately prepared); Diversification of financial systems (region score: moderately prepared); |
| Chapter 10: Information society and media | Infrastructure and connectivity; Skills and competence; Digital economy | Digital environment networks and services, connectivity and access (region score: some level of preparation); Digital skills (region score: some level of preparation); Digital economy and society (region score: moderately prepared); Smart growth (moderately prepared); Progress in all WB countries with respect to harmonizing the legislation with EU acquis regarding digital transformation |
| Chapter 11: Agriculture and rural development | Agro-food industry development | Planned in CRM Action Plan (2021-2024) |
| Chapter 12: Food safety, veterinary and phytosanitary policy | Agro-food industry development | Planned in CRM Action Plan (2021-2024) |
| Chapter 18: Statistics | Cross-cutting trade measures | Harmonization of CEFTA markets with the EU (region score: good level of preparation); Creating NTMs and TDM-free region (region score: moderately prepared) |
| Chapter 20: Enterprise and industrial policy | Automotive industry value chain; Agro-food industry development; Creative industry; Metal-processing industry; Sustainable tourism; Digital economy | Digital economy and society (region score: moderately prepared); Smart growth (moderately prepared); Progress in all WB countries with respect to harmonizing the legislation with EU acquis regarding digital transformation |
| Chapter 22: Regional policy and coordination of structural instruments | Regional investment promotion; Regional investment policy; Regional industry development | Promote WB6 as a unique investment destination (region score: some level of preparation); Develop and establish RIRA (region score: well advanced); Formalize RIRA through appropriate instruments (region score: good level of preparation); implement and monitor investment reforms (region score: well advanced) |

| | | |
|--|------------------------------|---|
| Chapter 24: Justice, freedom and security | Trust and security | Trust and security (region score: some level of preparation) |
| Chapter 25: Science and research | Innovation | Planned in CRM Action Plan (2021-2024) |
| Chapter 27: Environment and climate change | Green and circular economy | Planned in CRM Action Plan (2021-2024) |
| Chapter 28: Consumer and health protection | Cross-cutting trade measures | Harmonization of CEFTA markets with the EU (region score: good level of preparation); Creating NTMs and TDM-free region (region score: moderately prepared) |
| Chapter 29: Customs union | Cross-cutting trade measures | |
| Chapter 30: External relations | Cross-cutting trade measures | |

On the other side, we observe sections where the progress in MAP REA does not necessarily mean progress in the EU integration (yellow cells). For instance, the removal of obstacles to mobility of researchers and to recognition of professional and academic qualifications within the region has not been recognized as a step forward in the corresponding chapters of the EC's assessment report. Additionally, the adoption of an Individual Reform Action Plan (IRAP) and advancements in the cyber security present in the MAP REA's report are absent in the EC's report. Obviously, certain aspects of CRM would be region-specific and may be less relevant for the EU's Single Market. Finally, the rest of the chapters (not presented in Table 1) stay out of scope of CRM, but are relevant for the EU integration. These mainly refer to the criteria which require compliance with the existing EU obligations including adherence to the aims of political, economic and monetary union, as well as building institutions that guarantee democracy, the rule of law, and protection of fundamental rights.

In summary, our qualitative analysis shows that CRM plan is complementary to the EU integration objectives of North Macedonia and have potential to accelerate the process of its accession to the EU. The actions in the CRM Action Plan would certainly instigate progress in the criteria developed to build functioning market economy and create certain level of preparedness of the Macedonian economy to join the EU Single Market in future. On the other side, some aspects that relate to the liberalization of regional mobility of goods, services, capital and people, as well as the coordination of national investment policies do not necessarily (directly) translate in progress towards EU accession of North Macedonia. Those aspects would be relevant for strengthening the competitiveness of the WB6 region and for regional alignment of investment policies. Finally, the compliance with the EU obligations and the development of sound institutions that guarantee democracy, rule of law, and protection of fundamental rights remain in the sole responsibility of North Macedonia apart from CRM, if the country aspires for agile accession to the EU.

IS CRM AN ICE-BREAKER?

The EU integration of WB6 depends on political cohesion within the region, however the legacy of past conflicts distorts the regional political climate and prevents progress in the needed economic and political reforms (Dabrowski & Myanchekova, 2018). Firstly, Serbia and several EU member states do not recognize Kosovo as independent state, which in turn fails to build cohesion between Albanians and Serbs within its own borders. Secondly, Bosnia and Herzegovina fail to free itself from nationalist sentiments of the main three ethnicities (Bosniaks, Croats and Serbs) and exists as a two-tier confederation which is difficult to manage on central level. Thirdly, North Macedonia and Greece have successfully resolved the long-lasting name dispute reducing not only the regional, but also the domestic political uncertainty (Srbinoski et al., 2021). However, North Macedonia encountered a novel hurdle, lifted on historical grounds, from Bulgaria which blocks its path towards the EU. Ostensibly, the odds for breaking the WB6 “political limbo” shrink, and the EU pessimism deepens, further deteriorating the economic, social and political situation in the region. Is there a pragmatic solution to break the frozen political situation in the WB6?

Turning to the history of evolution of EU integration, we claim that the CRM may arise as an important political ice-breaker. Baldwin (1993, 1994, 2008) argues that the EU enlargement could be explained by the domino theory of regionalism. Namely, the domino theory presumes that the integration in a larger regional economic bloc boosts the profit opportunities of members’ exporters and the discrimination and lost benefits of outsiders’ exporters push the non-members to join the bloc. The examples of Britain, Ireland, Denmark and Norway joining the European Economic Community (EEC) despite their dominant economies in the 1960s and Central Eastern European countries joining the EU Single Market in 2004 illustrate the domino logic (Baldwin, 2008). In the latter case, the domino effect is strong enough to overcome any opposition to the trade liberalization and to the transfer of sovereignty to the supranational EU institutions. Additionally, Baldwin (2008) replenishes his domino theory of regionalism with juggernaut theory

of liberalization. In basic terms, the juggernaut theory states that once the nations involve in multilateral tariff-cutting negotiations on reciprocal basis, exporters (in the liberalizing-sectors) become more active in the tariff-cutting debate increasing the political weight towards liberalization. As the process of tariff-cutting starts, the pro-liberalization forces become stronger and the cycle repeats until eventual complete liberalization. Both theories have relevant grounds to explain the recent evolvments in the WB6 and the CRM initiative.

In June 2021, Albania, North Macedonia and Serbia revealed the new initiative, called Open Balkan (extension to the Mini-Schengen Initiative) by signing one interstate Agreement and two Memorandums of understanding (Ristic, 2021). The main objective of this initiative is to secure greater inter-state cooperation in case of catastrophic events and facilitate free movements of goods and workers across the Open Balkan countries. In geopolitical sense, this initiative has been already classified as 'a waiting room for EU membership' by creating a buffer zone which serves as a defense shield for Western Europe from the migration flows from Middle East (Dora & Botic, 2021). Additionally, the initiative came across skepticism from the other WB countries refusing to participate in the project. Despite the presence of opposition to the initiative, the Open Balkan initiative is complementary to the CRM idea, and even assumes deeper integration between the countries in the relevant fields (Ristic, 2021). Moreover, in the spirit of Baldwin's juggernaut theory, it may serve as a trigger of further liberalization and regional integration prompting liberalization and domino cycles which would put pressure on the other WB6 countries to join the initiative towards the CRM goals. Evidently, the initial set of (Open Balkan) countries arise as a reasonable kick-off point since the political stake is not significant. North Macedonia has overcome the ethnical tensions with the Albanian minority and has established stable relationship with Albania, while not having major obstacles in collaborating with Serbia. On the other side, Serbia and Albania avoid the Kosovo obstacle in case of negotiations with all WB6 countries while exploiting their main advantages of greater integration, larger market size (for Serbia) and coastal access (for Albania). Once the implementation of CRM progresses significantly, it would cause change of the political landscape towards overcoming the political barriers for greater economic benefit for all WB6 countries.

To summarize, the political climate in the WB6 is gloomy. The countries have political tensions not only within the region but also outside, with some of the EU members, making the individual path towards the EU integration more difficult. However, the EU integration and regionalism have already passed through similar political phases and currently, the EU club comprises countries which had serious confrontations and wars in the past. The benefits of regionalism had been recognized and enabled overcoming the political barriers between the members. It was needed an initial 'ice-breaker' to illuminate the potential benefits of integrating the markets. In the case of WB6, the Open Balkan and CRM represent the ice-breakers of the political limbo. Once the liberalization efforts dominate, the political economy would change towards more liberalization disparaging the existing political issues between the countries. However, the main factor is the cost of non-membership in the regional bloc. If the potential for trade between the members is limited, then the pressure imposed by the lost benefit of not belonging to a larger bloc would be lower.

IS CRM A HARD NUT TO CRACK?

In the previous discussion, we have pointed out on two potential impediments regarding the CRM Action plan implementation and EU integration, low institutional quality and lack of political commitment, which remain in sole responsibility of each WB6 country. However, the deeper regionalization and integration of WB6 could be constrained by more objective factors, such as the limited potential to trade within WB6, unequal distribution of gains and losses after integration and disagreement in building strategies for attracting FDIs. We analyze these challenges by calculating and observing the trends in the relevant indicators of regional integration regarding the regional trade, industry structure and regional FDIs.

The theoretical literature posits that small economies having similar production structures enjoy limited gains of further regional integration. The case of the Common Market for Eastern and Southern Africa (COMESA) illustrates the limited potential to trade among its 19 members. Since COMESA's members largely trade with European countries, the intraregional trade remained low (Geda & Kebret, 2008). To analyze the intraregional trade tendencies of WB6, we calculate the intraregional trade share for each country and for the whole WB6.² Figure 1 shows the share of trade of each WB6 country with its remaining five partners within the region. The intraregional trade is higher for Kosovo and Montenegro, while significantly lower for Albania. Moreover, the importance of intra-WB6 trade experiences decreasing tendencies in the recent years, especially for Serbia, North Macedonia and Kosovo, while increasing trends for Albania and Bosnia and Herzegovina. Additionally, Figure 2 presents how the WB6 bloc trades with EU27 and rest of the world. In the last decade, there is a rising dependence on EU27 for WB6's exports/imports at the expense of intraregional trade within WB6.

²The intraregional trade share of country/region i is defined as:

$$ITShare_{it} = \frac{(X_{iit} + M_{iit})}{(X_{it} + M_{it})} \text{ where,}$$

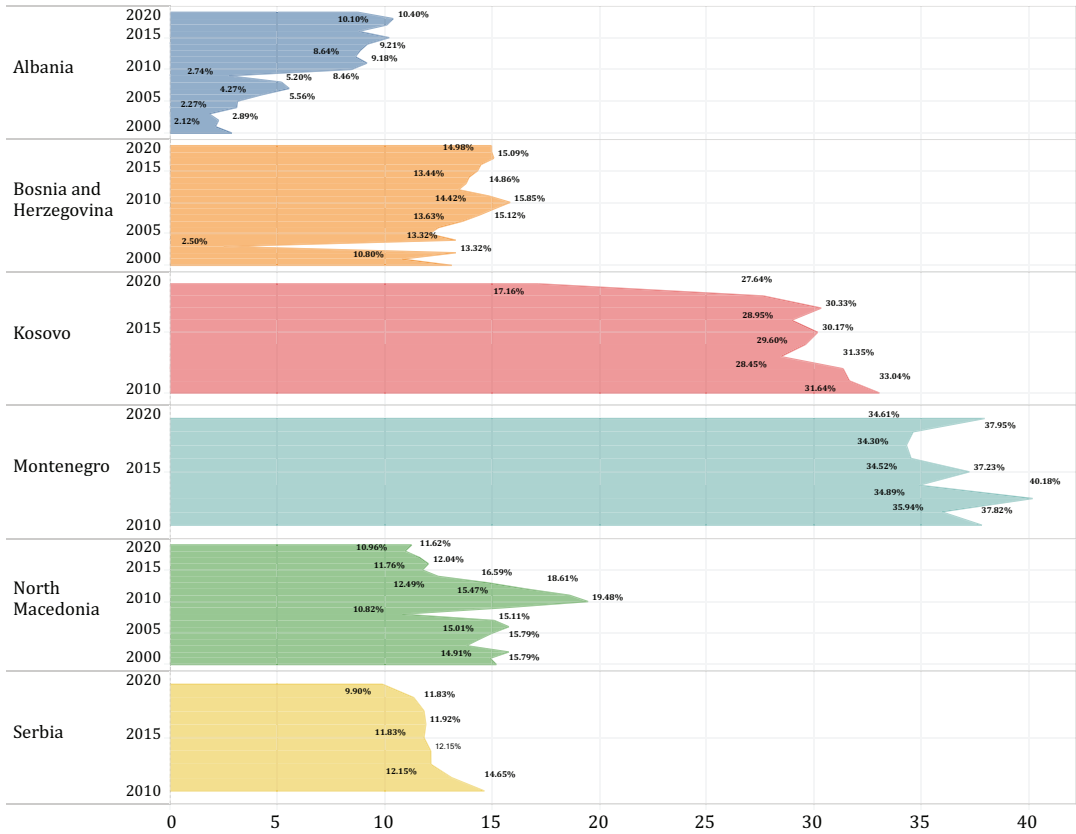
X_{iit} is exports of country/region i to region i in year t

M_{iit} is imports of country/region i from region i in year t

X_{it} is total exports of country/region i in year t

M_{it} is total imports of country/region i in year t

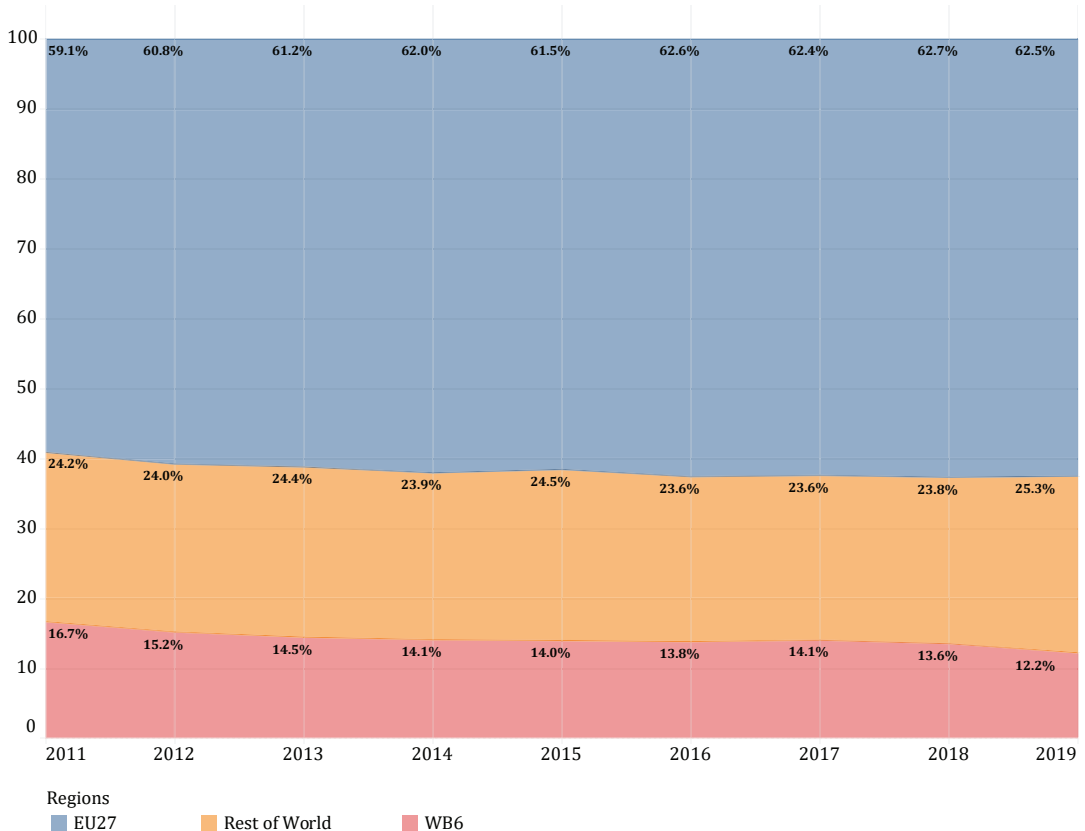
Figure 1: Intraregional trade share of each WB6 country with other five WB6 partners



Source: Authors' calculations based on data from the Observatory of Economic Complexity (OEC)



Figure 2: Intraregional trade share of WB6 with itself, EU27 and rest of the world



Source: Authors' calculations based on data from OEC

The potential to trade and to extract gains from deeper integration would largely depend on the development of manufacturing and on its structural characteristics (e.g., Brada & Mendez, 1983). For instance, the Latin American customs union MERCOSUR caused changes in production patterns among the member countries depending on their comparative advantage, especially in skilled labor (Sanguinetti et al., 2010). Generally, the empirical evidence confirms the Heckscher-Ohlin theory that regions specialize in those industries that are intensive in their abundant resource (Kim, 1995). To analyze the regional manufacturing characteristics, we calculate two indicators, Krugman (1991)'s index of regional specialization³ and Ellison & Glaeser (1997)'s Spatial Gini (localization) coefficient.⁴

³Krugman's index of regional specialization is defined as:

$$SI_{ik} = \sum_{j=1}^n \left| \frac{E_{ji}}{E_i} - \frac{E_{jk}}{E_k} \right|$$

where, E_{ji} is the level of employment in industry $j=1, \dots, n$ for country i ; E_{jk} is the level of employment in industry $j=1, \dots, n$ for country k ; E_i is the total industrial employment for country i ; E_k is the total industrial employment for country k . The index ranges from 0 to 2. If the index equals 0 then the two countries, i and k , are completely despecialized, and vice versa, if it equals 2 then the countries are completely specialized.

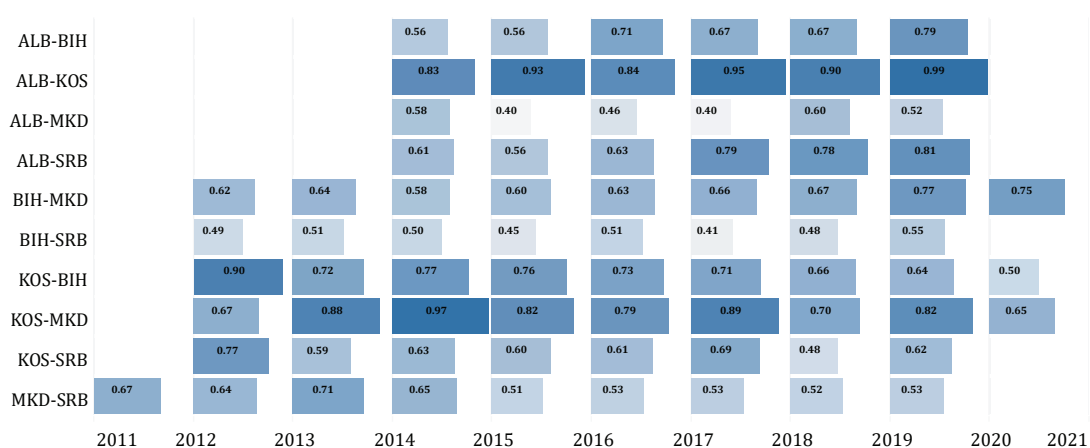
⁴ Spatial Gini coefficient is defined as:

$$G_j = \sum_{i=1}^5 \left(\frac{E_{ji}}{E_j} - \frac{E_i}{E_{total}} \right)^2$$

where, E_j is the total employment in industry j and E_{total} is the aggregate employment (in WB6). If $G_j=0$, then the industry is uniformly distributed across countries, while higher number indicates higher level of localization.

Figure 3 shows the trends in the index of regional specialization. The index of regional specialization is lower than one indicating that the manufacturing sector is despecialized in the WB6 region. Regarding North Macedonia, there are tendencies of despecialization, especially with Serbia, and increasing specialization with Bosnia and Herzegovina. The lower trade intensity within WB6 may be partially attributed to the lower level of specialization of the manufacturing sector. However, as the movements of people, goods and services liberalizes, it is expected production rearrangement within the region according to the market size, countries' pool of skilled labor and infrastructural development creating gains for the larger, skilled-labor abundant and well-connected countries and losses for the smaller, skilled-labor lacking and poor-infrastructure countries.

Figure 3: Krugman's index of regional specialization across WB6

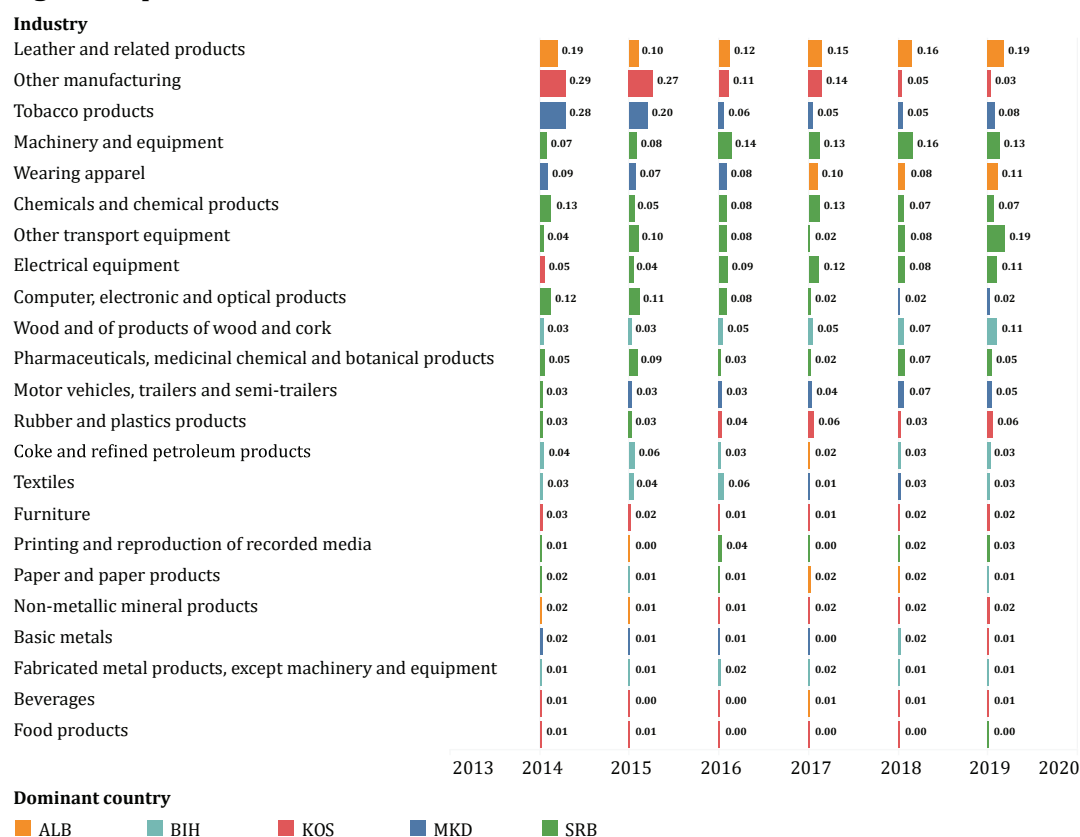


Source: Authors' calculations based on ILO's labor force statistics

Note: The index is calculated based on ISIC-Rev.4 two-digit division of manufacturing sectors. Data was not available for Montenegro and for some years for the other five countries.

Figure 4 presents the Spatial Gini coefficients across manufacturing sectors in the WB6 region. Manufacturing sectors have low levels of localization which corresponds with the lower levels of specialization in the WB6. Generally, the coefficients are close to 0 for traditional and resource-based manufacturing, while higher localization is observed for higher-value-added products. For instance, in the recent years, the localization increases for production of transport and electrical equipment, as well as production of machinery, where the dominant position is reserved for Serbia. On the other side, decreasing tendencies in the localization coefficients are evident, especially in the sectors where North Macedonia had dominant position (tobacco and wearing apparel). Since CRM-driven liberalization may cause further specialization, North Macedonia faces challenges in localizing higher-value-added manufacturing.

Figure 4: Spatial Gini coefficient in WB6



Source: Authors' calculations based on ILO's labor force statistics

Note: The index is calculated based on ISIC-Rev.4 two-digit division of manufacturing sectors. Data was not available for Montenegro. Dominant country represents the country with the highest location quotient for a given industry.⁵

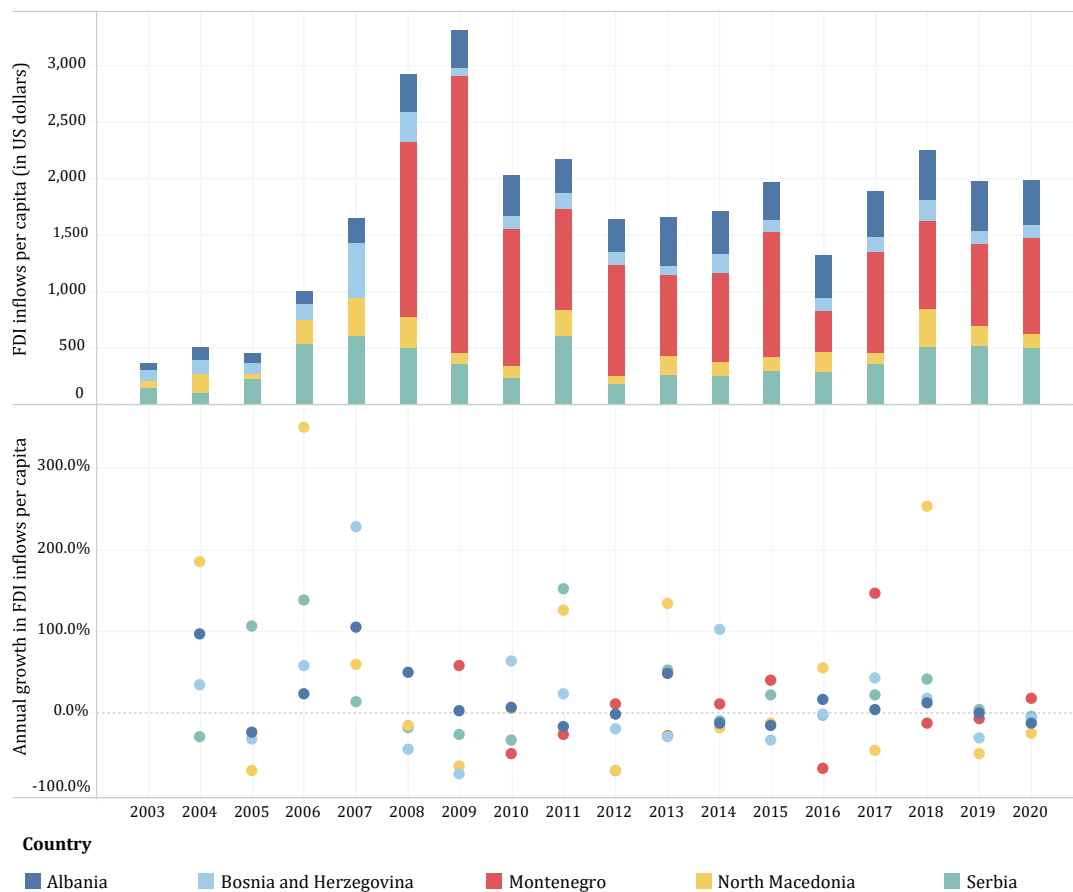
⁵ Location quotient is defined as:

$$L_{ji} = \frac{E_{ji} / E_j}{E_i / E_{total}}$$

If $L_{ji} > 1$ then the country has higher percentage of a given industry compared with its proportion of total industry employment relative to other countries.

Finally, CRM predicts regional policies for attracting FDIs. Currently, each country in the region designs its own policies to increase its FDI stocks. Figure 5 shows the regional per capita FDI inflows and contributions of each country (upper panel), as well as the country's annual growth of FDI inflows per capita (lower panel). During the last eight years, the ratio is fairly stable (except for 2016), however once one country experience positive growth in FDI inflows per capita, at least one other country experiences decline. This illustrates the competition that exists among the WB6 countries in attracting FDIs.

Figure 5: Per capita FDI inflows and annual growth

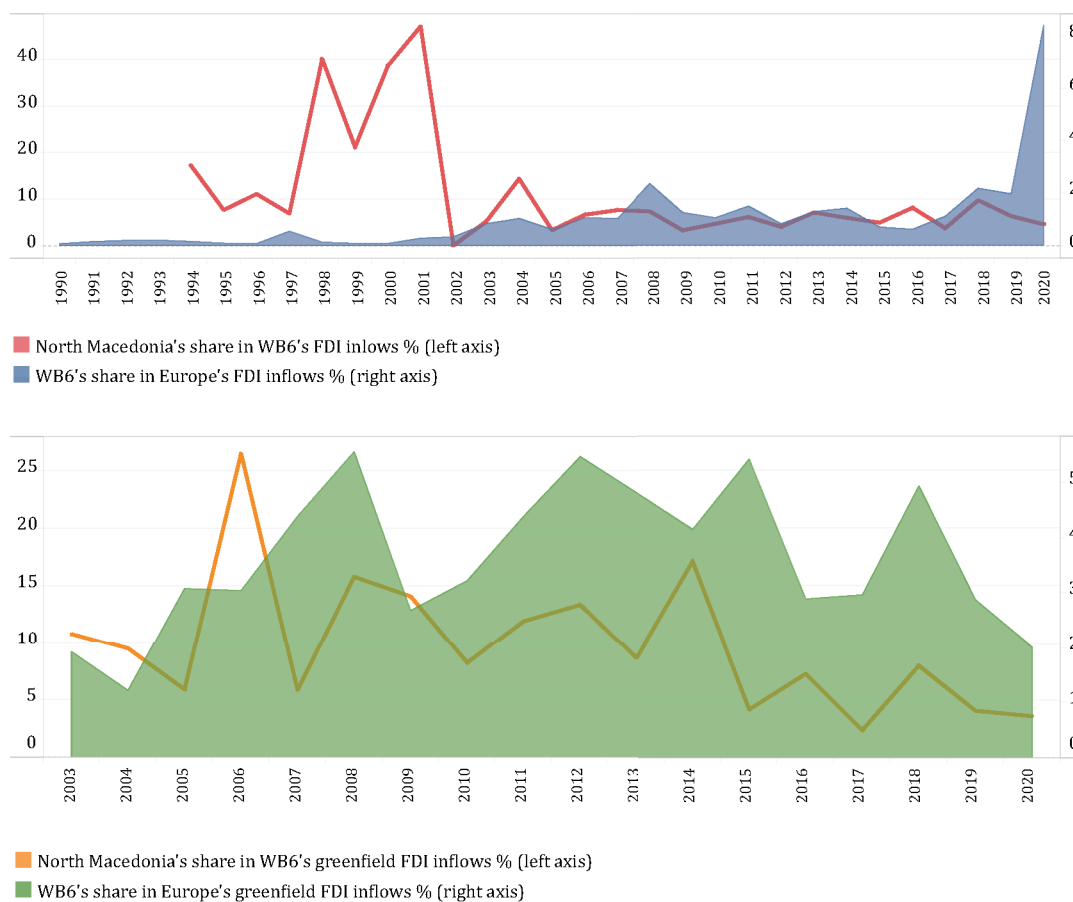


Source: UNCTAD

Note: Data was not available for Kosovo

Moreover, Figure 6 presents the share of North Macedonia in WB6's FDI inflows and the share of WB6 in Europe's FDI inflows (upper panel), and the same indicators for the greenfield FDI inflows (lower panel). The importance of WB6 in the Europe's FDI (and greenfield FDI) inflows shows increasing tendencies, while North Macedonia is losing (or stagnating) its importance in the regional FDI inflows. Obviously, a more coordinated approach in attracting FDIs in the region should revert the North Macedonia's position in the regional FDI inflows. From one side, the CRM could stop the 'race to the bottom' phenomenon that occurs in WB6 countries by increasing state aid and reducing taxes in order to attract FDIs. On the other side, smaller countries and those with limited resources could become less attractive for foreign investors, and the benefits of the CRM to be concentrated.

Figure 6: Country and regional shares of FDI and greenfield FDI inflows



Source: UNCTAD

Note: Data was not available for Kosovo

In summary, apart from the political will and institutional development, the success of CRM depends on the potential to trade within WB6, distribution of gains and losses after integration and the agreement in building strategies for attracting FDIs. All WB6 countries largely trade with the EU countries and the importance of intraregional trade (within WB6) is decreasing. It is difficult to argue that CRM would increase the intraregional trade given the structural characteristics and limited size of the region. Moreover, the manufacturing in the WB6 is less specialized and less localized, meaning that potential to trade is constrained. CRM may cause shift in the production patterns, in favor of larger and skilled-labor-abundant markets, causing regional distortions and possible winners and losers. Nevertheless, smaller countries, such as North Macedonia, may benefit from the CRM's more coordinated approach in attracting FDIs given the losing position in the current competitive environment within WB6.



CONCLUSION

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The WB6's CRM initiative could be viewed from two perspectives, as a regional waiting room for deferred full membership and a fast track for economic integration leading to EU membership. The first implies that the CRM is a separate process and each WB6 country is responsible for its own path towards EU, while the latter assumes complementarity between the CRM and EU integration and interdependence of WB6 countries towards EU. Three dimensions are important to understand the complementarity of CRM with EU integration. Firstly, the formal dimension assumes that the CRM initiative instigates progress in the criteria relevant for EU integration of each WB6 country. Our qualitative analysis shows that the CRM Action Plan would certainly bring progress in the criteria developed to build functioning market economy and create certain level of preparedness of the Macedonian economy to join the EU Single Market in future. However, the compliance with the EU obligations and the development of sound institutions that guarantee democracy, rule of law, and protection of fundamental rights remain in the sole responsibility of North Macedonia apart from CRM, if the country aspires for agile accession to the EU. Secondly, the political dimension assumes that the economic forces driven by the CRM and Open Balkan initiatives would break the political limbo in the Western Balkan and change the political landscape towards more liberalization disparaging the existing political issues between the countries. The history of EU integration shows that the current EU members, successfully overcoming the serious political confrontations and wars in the past, understood the benefits of belonging to a larger bloc and formed the EU club enlarging it in several occasions. Finally, the economic dimension assumes that the CRM project is facing objective challenges in terms of limited potential to trade within WB6, unequal distribution of gains and losses after integration and disagreement in building strategies for attracting FDIs. It is difficult to argue that CRM would increase the intraregional trade given the structural characteristics and limited size of the region, while it may cause shift in the production patterns, in favor of larger and skilled-labor-abundant markets, causing regional distortions and possible winners and losers. Nevertheless, smaller countries, such as North Macedonia, may benefit from the CRM's more coordinated approach in attracting FDIs given the losing position in the current competitive environment within WB6.

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