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Intra-western Balkans dynamics: Stocktaking and ways ahead

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INTRA-WESTERN BALKANS DYNAMICS: STOCKTAKING AND WAYS AHEAD

ARMIN STEINBACH, NINA VUJANOVIĆ AND ANNA FIORE

In the context of the push by the European Union for regional integration in the Western Balkans, this paper explores the barriers to, and prospects for, deeper intra-Western Balkan economic relationships. First, it addresses the pronounced bilateral economic relationships between Western Balkan countries associated with historical path-dependencies. Second, by comparing the Central European Free Trade Agreement with Stabilisation and Association Agreements that the EU has with Western Balkan countries, it identifies areas of less economic integration under the former. Third, it focuses on intra-Western Balkan trade barriers and how the associated costs influence regional integration. Finally, the paper describes the structures of Western Balkan economies and how much they contribute to regional exports through domestic value added. The paper emphasises the importance of regulatory alignment for reducing trade barriers and the role of funds under the EU Growth Plan for the Western Balkans for investment in transport infrastructure within the region. It finds that the Central European Free Trade Agreement and Common Regional Market should focus on untapped potential, especially in the liberalisation of capital, services and movement for employment. Infrastructure issues, trade logistics and the tackling of technical barriers to trade should feature prominently on the policy agenda.

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1 Why intra-Western Balkan dynamics matter

Applications from Western Balkan (WB) countries to accede to the European Union date back as far as 2004, but the accession process went slowly until Russia's invasion of Ukraine fuelled the discussion, with a focus on the accession track of the Eastern Partnership countries¹. Alongside the discussion about EU membership for Ukraine, the EU opened accession talks with Albania and North Macedonia in July 2023, and with Bosnia and Herzegovina in March 2024, while Kosovo officially submitted its membership application in 2022. Meanwhile Serbia's progress towards accession has slowed because of democratic backsliding². Overall, among WB countries, the dominant perception is that the EU promise of membership has not been credible, while the EU has been persistently concerned about the lack of "*genuine domestic reforms*" and remaining political rifts in the region (Dabrowski, 2022).

In 2023, the EU renewed its accession policy in the framework of the Growth Plan for the Western Balkans (European Commission 2023). One of the priorities under the Growth Plan (backed by a €6 billion growth facility, conditional on successful implementation of reforms), is boosting economic integration within the Western Balkans. The EU pushing for regional integration has been a constant feature of the EU-WB relationship (Steinbach, 2024). The Stabilisation and Association Agreements (SAAs) concluded between the EU and six Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia) emphasise regional cooperation by requiring each of the WB countries to "*enhance its cooperation*" and to "*implement fully the CEFTA*" – the Central European Free Trade Agreement governing trade relations between the WB states that was supposed to pave the way for EU accession. Based on this priority, we focus on intra-regional trade – its patterns, problems and prospects.

The six Western Balkan countries listed above (hereafter WB), together with Moldova, created a common trade block on their entry into CEFTA in 2007. Established by the Visegrad Group³ in 1992, CEFTA was joined first by Eastern European countries and, after 2002, by the Western Balkan countries. Led by the EU, CEFTA was implemented with the intention of consolidating eastern European democracies and facilitating their transitions into free-market economies. CEFTA replaced 32 bilateral trade agreements that then existed between the countries. However, among Western Balkan countries, the end goal of preparing for the EU was reached only by Croatia in 2013.

Nevertheless, the positive aspects of CEFTA are indisputable. CEFTA reduced tariffs on industrial goods and reduced some non-tariff barriers. Vujanović (2023, 2024) showed that after fifteen years of the participation of WB countries in CEFTA, this free trade agreement had induced growth and trade in the region, although the direct effect of CEFTA is hard to disentangle from other factors, such as the implementation of SAAs and a growing industrial policy applied during the analysed period. The CEFTA

¹ The Eastern Partnership countries are Armenia, Azerbaijan, Georgia, Moldova and Ukraine.

² As highlighted by student-led protests in Serbia; see Ruer and Vujanović (2025).

³ The Visegrád Group is an informal regional cooperation between four Central European countries: Poland, the Czechia, Slovakia and Hungary. Poland, Czechoslovakia and Hungary founded CEFTA.

membership has expanded and contracted, mainly due to signatories joining the EU and their CEFTA memberships thus ending. Currently, CEFTA consists of Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, North Macedonia and Serbia.

While CEFTA long provided the overarching framework for regional integration, intra-regional governance was complemented by Common Regional Market Initiative of the WB countries, which builds on the CEFTA framework (and thus connects to the conditionality embedded in the SAA). The creation of the Common Regional Market was the outcome of the Berlin Process, launched in 2020. It foresees WB intra-regional freedoms of goods, services, capital and people, including aspects relating to digital, investment, innovation and industry policy. In terms of the reform agenda for the WB, under the Common Regional Market Plan, CEFTA is the lead organisation for trade in goods, services and trade measures, while the RCC leads on human capital development, business enabling environment and competitiveness, and digital transformation (RCC, 2024).

Since they joined CEFTA, the competitiveness of various Balkan industries has changed. Prior to CEFTA, WB countries had a comparative advantage⁴ mainly in primary industries: agriculture, fishery and forestry (Albania and North Macedonia), mining and quarrying (Albania, Bosnia and Herzegovina and Kosovo) and energy (Kosovo and Bosnia and Herzegovina). Some countries, however, lost this comparative advantage over the period in question, such as Kosovo in the energy sector (because of the closure of some power plants), while Montenegro and Albania gained it because of rich and expanded renewable energy production.

Since joining CEFTA, the structures of the WB economies have also developed in different ways. On one hand, the WB gained comparative advantage in knowledge-intensive sectors such as IT (Serbia, Montenegro). On other hand, manufacturing, a high value-added industry, has not gained comparative advantage in the WB over the period in question, while intra-bloc trade has been mainly based on low-tech manufacturing owing to lack of innovation in the region and low technological advancement (Vujanović *et al*, 2022; Kravtsova and Radosevic, 2012).

Against this background, section 2 of this paper provides an analysis of intra-Western Balkan trade, exploring patterns and the idiosyncrasies of regional integration, including the dominance of the primary trading partner for each WB state. Section 3 examines the comparative shortcomings of CEFTA in relation to the SAAs, while section 4 explores intra-WB trade barriers and associated costs. Section 5 investigates the extent to which different stages of production – ranging from low-value processing of inputs to higher value-added manufacturing for export – are distributed across the region. Finally, section 6 offers concluding remarks.

⁴ As measured by revealed competitive advantage (RCA).

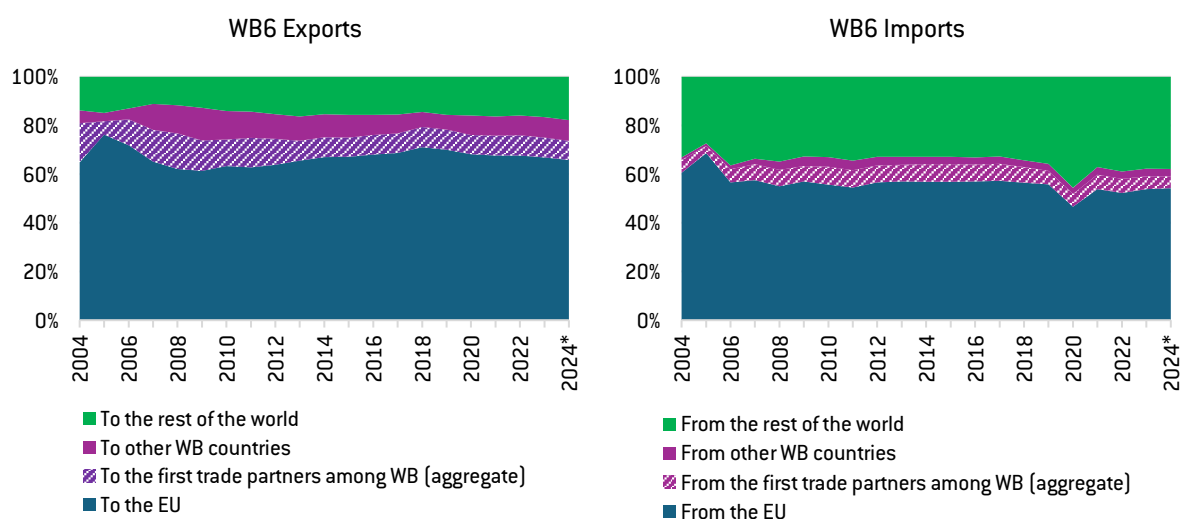
2. Assessing intra-WB trade

Intra-WB exports and imports account for just 18 percent and nine percent respectively, with these proportions largely unchanged over the last 20 years (Figure 1).

2.1 The dominance of the first trading partner

At the country-specific level, intra-WB trade is predominantly driven by a single bilateral trade relationship per country. The leading trade partner for each country accounts on average for 53 percent of intra-WB exports and 68 percent of intra-WB imports, or for about five percent of total imports and 10 percent of total exports.

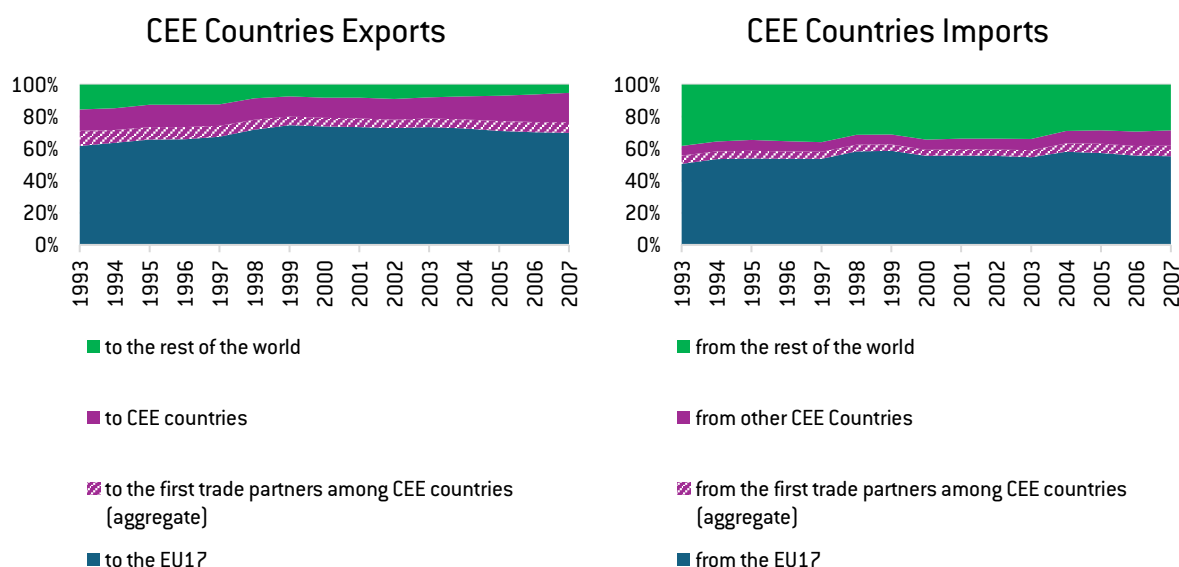
Figure 1: Western Balkans goods imports and exports, 2004-2024*, % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: (*) for 2024, the data is based on the first three quarters of the year.

This 'first trading partner' phenomenon is particularly noteworthy when compared to central and eastern European (CEE) countries, for which intra-CEE trade was less accentuated in terms of trade shares across the region (Figure 2; CEE = Bulgaria, Czechia, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia and Slovakia). Although CEE economies represent a much larger market, we believe Figure 2 shows similarity to the WB in importance of the first trade partner within the respective region, irrespective of the difference in market sizes. For CEE countries, the primary trading partner accounted for 44 percent of intra-CEE exports and 38 percent of intra-CEE imports, reflecting a more diversified trade landscape within the CEE region.

Figure 2: CEE countries, imports and exports, 1993-2007*, % of total



Source: Bruegel based on IMF Direction of Trade Statistics (DOTS) database. Notes: EU17 are Austria, Belgium, Croatia, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Spain, and Sweden. CEE countries are Bulgaria, Czechia, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia and Slovakia. * by 2007, all CEE countries were EU members.

The observed pattern of first trading partner dominance among WB countries is likely a result of political, ethnical, historical, geographical and legal factors. Countries that are more 'proximate' in these aspects tend to engage in higher levels of trade with one another (Boschma, 2005). In support of this hypothesis, Annex 1 provides an overview of the existing bilateral agreements between WB countries, covering areas including trade, FDI, education and labour, transport and infrastructure. This overview forms the basis for the following analysis.

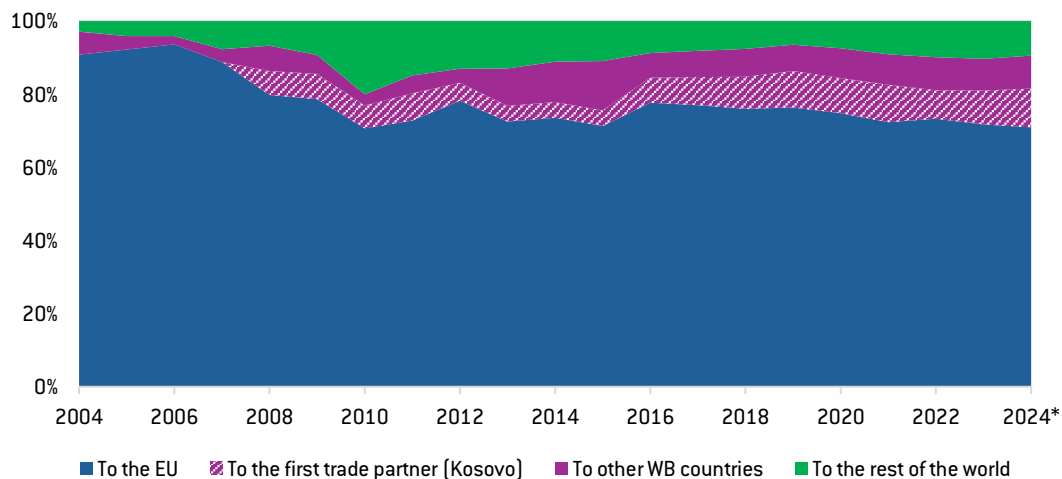
The bilateral trade relationships within the Western Balkans are deeply intertwined with a rich tapestry of cultural, historical and political influences that have shaped the region over centuries. While the six economies of the Western Balkans are all interconnected, with Serbia as a geographical and transportation centre, distinct groupings emerge, largely defined by shared histories, languages and cultural affinities. North Macedonia, Serbia, Montenegro and Bosnia and Herzegovina are bound by their common pasts within the former Yugoslavia. Following the dissolution of Yugoslavia, and the later decoupling of Kosovo from Serbia, these historical and cultural similarities supported the economic relations in the post-war period. This dynamic interplay of shared and divergent legacies continues to shape the region's evolving trade relationships today. Another point, also in line with trade gravitating towards larger countries, is that Serbia, with 40 percent of the WB population and 50 percent of the WB GDP⁵, drives trade in the region. However, political tensions frequently disrupt this economic logic, particularly for trade between Serbia and Kosovo.

⁵ Source: World Bank, <https://data.worldbank.org/>.

2.1 Albania and Kosovo trade the most with one another

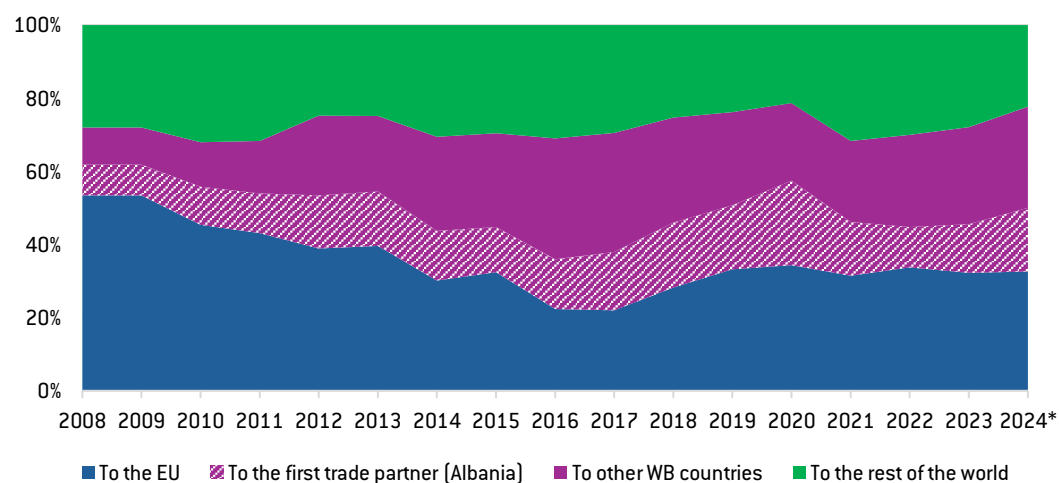
Albania and Kosovo are each other's leading export partners, with Kosovo accounting for an average of 40 percent of Albania's exports to other WB countries. In turn, Albania accounts for approximately 19 percent of Kosovo's exports to the WB.

Figure 3: Albania's exports (2004-2024*), % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: [*] for 2024, the data is based on the first three quarters of the year.

Figure 4: Kosovo's exports (2008-2024*), % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: [*] for 2024, the data is based on the first three quarters of the year.

This trade relationship can be explained by the turbulent 1990s and early 2000s, particularly the Kosovo War of 1998-1999, which set the scene for Kosovo's independence and forged economic ties

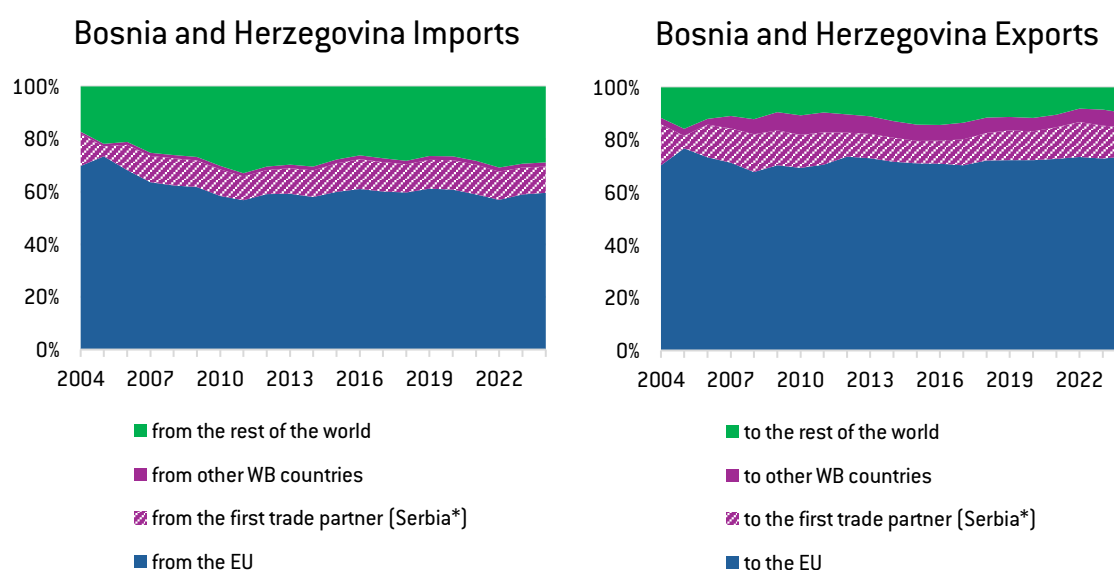
with Albania. Since Kosovo's 2008 separation from Serbia in the aftermath of the 1999 conflict, ongoing political tensions have made Serbian economic ties with Kosovo difficult, which is consistent with the non-existence of any economic agreements between the two sides. However, the political relationship between Kosovo and Albania has remained close, built on the two countries' cultural and language ties.

Kosovo has signed most of its bilateral agreements with Albania, particularly in the areas of infrastructure and transport (Annex 1, Table C), further facilitating trade with Albania. One notable example is the Albania-Kosovo Highway (often referred to as the 'Patriotic Highway'), constructed in stages since 2007, reinforcing economic relations between the countries.

2.2 Bosnia and Herzegovina, Montenegro and North Macedonia trade most with Serbia

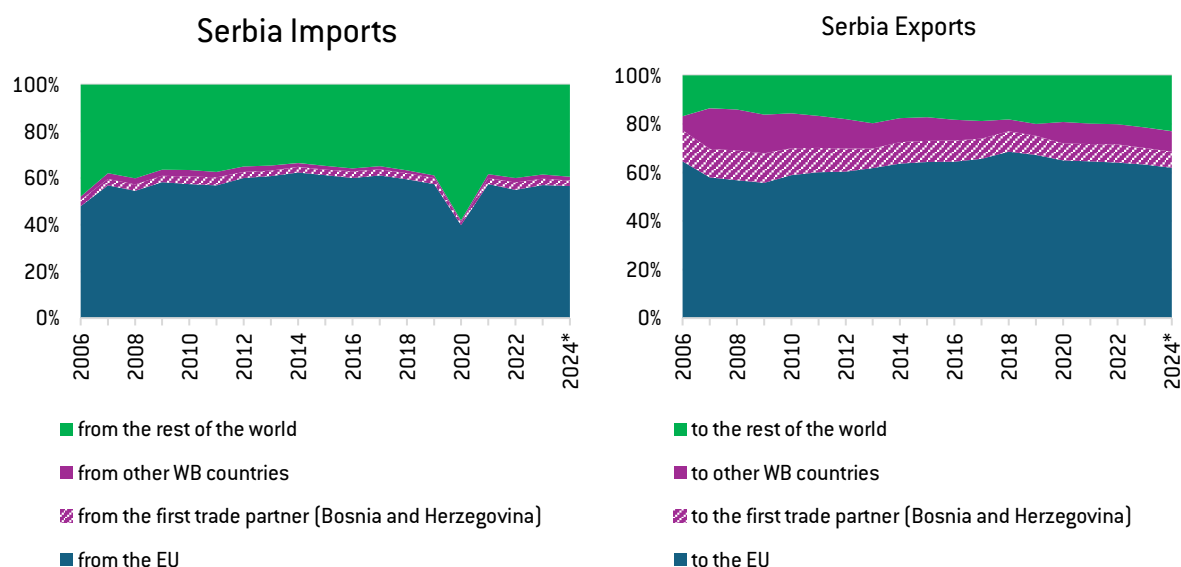
Serbia and Bosnia and Herzegovina are each other's primary trading partners. Serbia accounts for 67 percent of Bosnian WB exports and 88 percent of Bosnian WB imports, while Bosnia represents 48 percent of Serbian WB exports and 60 percent of Serbian WB imports on average.

Figure 5: Bosnia and Herzegovina's imports and exports (2004-2024*), % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: (*) for 2024, the data is based on the first three quarters of the year.

Figure 6: Serbia's imports and exports (2006-2024*), % of total

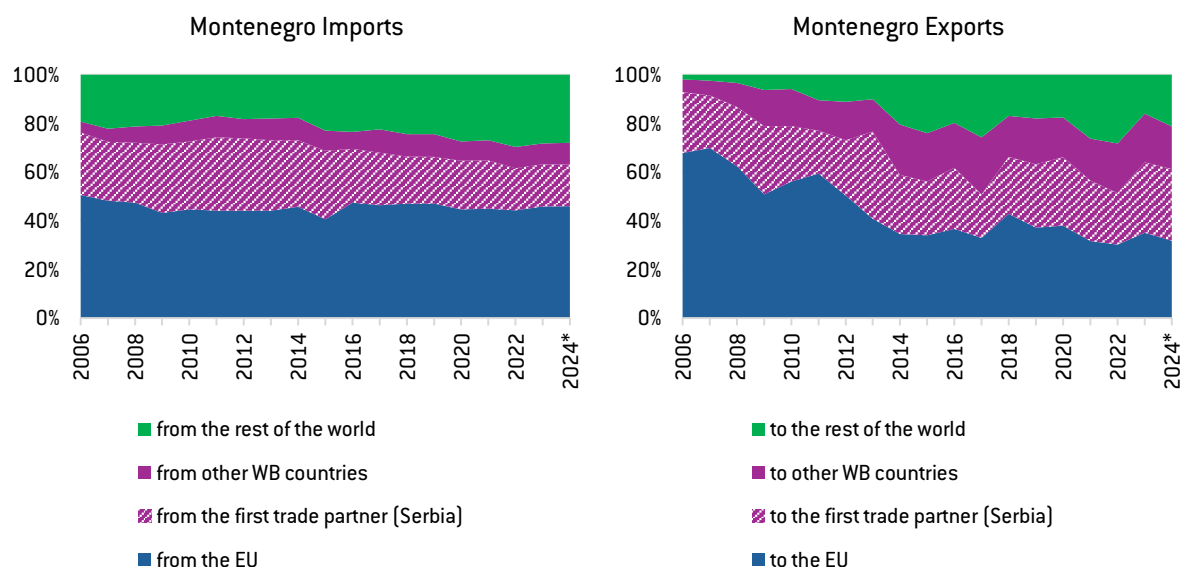


Source: Bruegel based on IMF Direction of Trade Statistics. Notes: (*) For 2024, the data is based on the first three quarters of the year.

Serbia is one of Bosnia's largest trade partners, particularly because of the strong economic connections built during the Yugoslav era. Even after the violent breakup of Yugoslavia in the 1990s, centred mostly around the Bosnian War (1992-1995), the economic interdependence between Bosnia and Herzegovina and Serbia has remained strong. The two countries share many commonalities. Additionally, both countries speak the same language, which fosters easier communication and business transactions. Despite political tensions, there are strong interpersonal connections between their citizens and businesses.

For Montenegro, Serbia is its most significant trading partner, representing 61 percent of Montenegro's WB exports and 74 percent of its WB imports on average from 2006 to 2024.

Figure 7: Montenegro's imports and exports (2006-2024*), % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: [*] for 2024, the data is based on the first three quarters of the year.

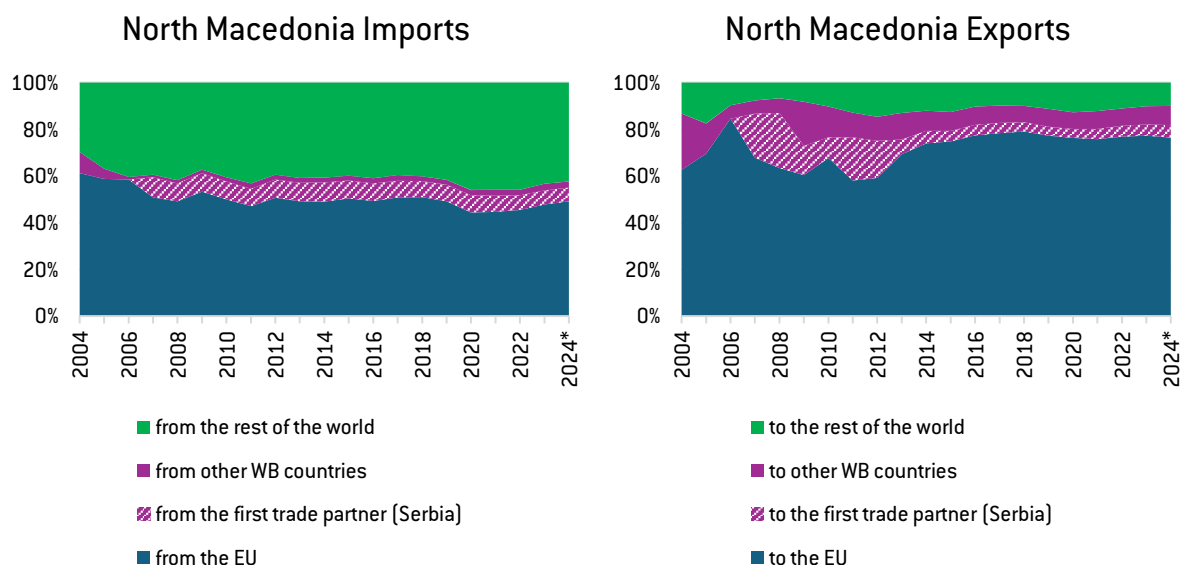
Montenegro gained independence only in 2006 – 15 years after the collapse of Yugoslavia. Montenegro and Serbia were one country until rifts between the two occurred in 1999 during the Kosovo crisis, ushering in an increasingly loose confederation of both states, while maintaining the same economic zone for much longer than other Yugoslavia counterparts⁶. In addition, the two countries maintain close economic ties, as Serbia does with Bosnia and Herzegovina. Overall, Serbia continues to be one of Montenegro's largest trading partners.

Montenegro and Serbia also took a step forward in regional connectivity by launching joint border-control operations in 2024. This initiative eliminates the need for separate checks on either side of their border, significantly streamlining rail traffic between the two countries. The development was a result of bilateral agreements and implementing protocols between the governments of Montenegro and Serbia, and was supported by the EU under the Instrument for Pre-Accession Assistance.

Similarly, Serbia is the most important trading partner for North Macedonia, accounting for 45 percent of North Macedonia's WB exports and 74 percent of its WB imports on average over the considered period.

⁶ In 1999, Montenegro allowed use of German Marks. When the euro area was created and euro introduced in Germany, Montenegro inherited the [German] euro as sole legal tender in 2002.

Figure 8: Macedonia's imports and exports (2004-2024*), % of total



Source: Bruegel based on IMF Direction of Trade Statistics. Notes: [*] for 2024, the data is based on the first three quarters of the year.

After the breakup of Yugoslavia, Serbia and North Macedonia maintained relatively stable ties, with Serbia being one of the primary trading partners of North Macedonia. Both countries share cultural and language similarities, although the Macedonian language is distinct from the rest of the region.

As outline in Annex 1, Table C, in 2019, North Macedonia and Serbia signed an agreement to open a joint border crossing, further promoting the movement of goods and people between the two countries. Furthermore, in the same year, Serbia and North Macedonia signed an agreement to carry out joint controls on international road traffic at the border. This integrated border crossing is a significant contribution to enhancing bilateral cooperation and regional trade, helping meet the demands of the business community to streamline procedures and harmonise regulations.

A major step toward facilitating cross-border movements was taken in 2015, when an agreement between the governments of Serbia and North Macedonia determined border procedures for the railway border crossing between the two countries. With the creation of the Joint Railway Border Crossing Station, these checks are now executed only once, with authorities from both countries collaborating at a single point, streamlining the process and ensuring greater efficiency in cross-border rail traffic. A similar model was adopted in 2024 with the opening of a joint railway border crossing between Serbia and Montenegro.

3. Comparing the EU (SAA) and intra-WB (CEFTA) trade relationships

Trade between Western Balkans and the EU exceeds by far intra-WB trade. The EU accounts for about 67 percent of total WB exports and about 56 percent of total WB imports (Figure 1). This difference in trade intensity between the EU and the WB, and among WB countries, justifies an examination of the extent to which the difference can be attributed to the degree of liberalisation enabled through trade rules between the EU and WB states, and within the WB bloc.

This section highlights differences between the legal regimes governing access to the EU market for the Western Balkan countries and vice versa (SAA agreements), and the applicable framework under CEFTA. Differences are explored in relation to five benchmarks: freedom of movement of goods, services, workers and capital, and freedom of establishment. Annex 2 provides a comprehensive comparative assessment of the relevant agreements and the applicable rules. The Annex shows that for some fields of integration there are no significant differences between CEFTA and SAAs, notably pertaining to freedom of movement of goods and freedom of establishment. This section discusses some of the marked differences. Facilitating the comparison (while highlighting the stark differences between the regimes) is a significant degree of homogeneity in SAAs between WB countries and the EU. For the purposes of comparison, the Serbia SAA will be the reference point for the WB SAAs.

We find considerable differences in rules related to trade in services, movement of workers and freedom of capital movement. Our analysis rests on the premise that liberalisation in these fields is welfare-enhancing. This aligns with the EU single-market approach and the economic freedoms secured by the European Treaties.

3.1 Freedom of capital and payments

The SAA rules on capital are designed to enable deeper liberalisation of capital movements between WB countries and the EU⁷. SAAs explicitly oblige EU and WB countries to ensure the free movement of capital relating to direct investments made in companies, commercial transactions and portfolio investment.

The liberalisation of capital movements under SAAs is quite comprehensive. By contrast CEFTA largely states that payments related to goods (not services or mere capital transfers such as portfolio investment) should be free from any restrictions. With the significantly lower level of capital movement provided through CEFTA, the liberalisation of capital transfers in the WB evolved only incrementally and over time, mainly through bilateral agreements outside the CEFTA framework. One example is an agreement on the creation of instant payment systems linking four WB states (without Serbia and North Macedonia)⁸. Another agreement between four WB countries has facilitated clearing

⁷ In line with the treatment under the European Treaties, freedom of capital and payment are treated together, see Article 63 TFEU.

⁸ European Central Bank press release of 17 January 2025, 'Roll-out of instant payment settlement service in Western Balkans', https://www.ecb.europa.eu/press/intro/news/html/ecb.mipnews250117_2.en.html.

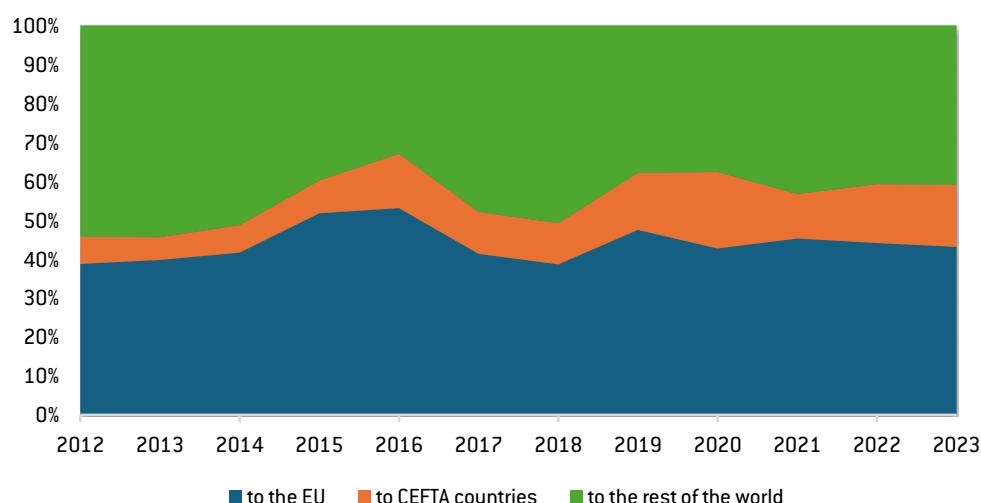
of FX payments⁹. Thus, while freedom with the EU through SAAs has been in place since the entry into force of the agreements, the incremental and bilateral approach has been slow and extends only to specific forms of financial flows.

In addition, the SAAs provide for freedom of establishment including financial services, for which a non-discrimination rule was implemented. This contrasts with the treatment of financial services under CEFTA Protocol 6, which excludes financial services and banking cross-border service delivery in many WB countries.

3.2 Freedom to provide services

The WB economies have a strong service orientation, with the service sectors generating the largest shares of economic output, growth and employment. In 2023, intra-CEFTA services exports accounted for 16 percent of total WB services exports (Figure 9).

Figure 9: CEFTA services exports (2012-2023), % of total

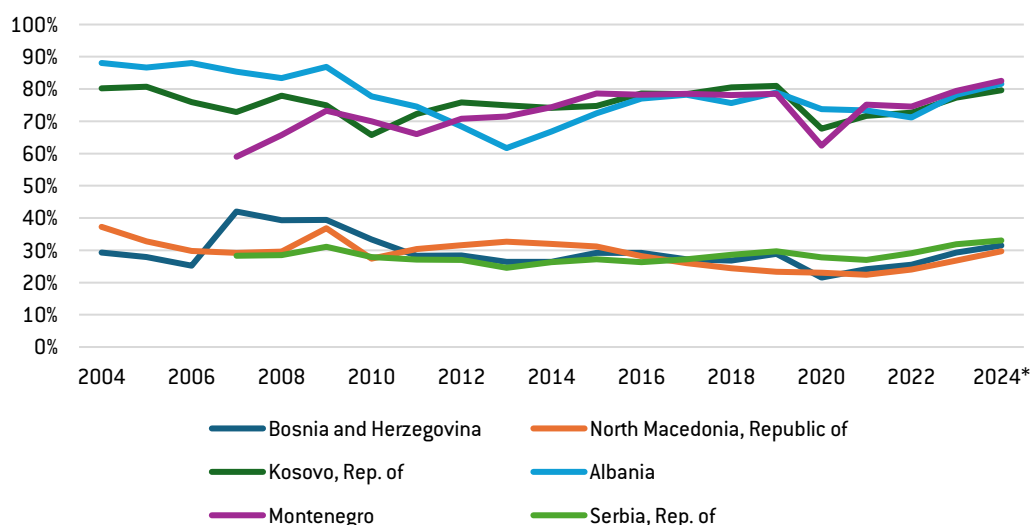


Source: Bruegel based on CEFTA Transparency. Note: Data on Moldova and North Macedonia is missing.

However, intra-WB trade in services has been rather constant and significantly lower than trade in services between WB countries and the EU (Figure 10).

⁹ Banca d'Italia press release of 10 January 2025, 'Agreement for the creation of an instant payment systems in the Western Balkans', <https://www.bancaditalia.it/media/notizia/agreement-for-the-creation-of-an-instant-payment-systems-in-the-western-balkans/>.

Figure 10: Western Balkans services exports as a % of total exports (2004-2024*)



Source: Bruegel based on IMF Balance of Payments and International Investment Position Statistics. Note: [*] for 2024, the data is based on the first three quarters of the year.

One reason for the imbalance in trade in services within the WB versus with the EU could be the comparatively unfavourable treatment given to service liberalisation between WB members, compared to trade with the EU. The SAA agreements are not particularly wide reaching, offering a lower level of service liberalisation than the EU's Deep and Comprehensive Free Trade Area (DCFTA) with Eastern Partnership Countries (Steinbach, 2024). SAAs provides that the EU may not take measures that are “*significantly more restrictive*” than the situation before the Serbia SAA. They also provide procedurally for the EU and the WB to engage in “*steps to allow progressively the supply of services*”.

However, relatively speaking, the SAAs have still liberalised services more than CEFTA, which has long been nearly silent on the freedom to provide services. CEFTA contains provisions commits parties to “*gradually develop*” cooperation on services and vaguely commits the parties to promote the development of electronic commerce, but there is no hard obligation. This weak treatment of services ended only in 2019 with the adoption of the Protocol No. 6, which lays out a comprehensive liberalisation regime, including most-favoured nation treatment (based on a schedule of concessions), market access and non-discrimination rules. The agreement has not yet entered into force in Kosovo at time of writing.

However, there remain several shortcomings, especially compared with the SAAs. Protocol No 6 explicitly excludes “*natural persons seeking access to the employment market*”, while the SAAs contain provisions on freedom of movement of workers (see section 3.3). In addition, SAAs have liberalised transport services to some extent, by subjecting transport services to principles of non-discrimination and foreseeing progressive harmonisation of transport legislation. This contrasts with road transport services under CEFTA, which are unbound, ie countries have not committed to liberalise them.

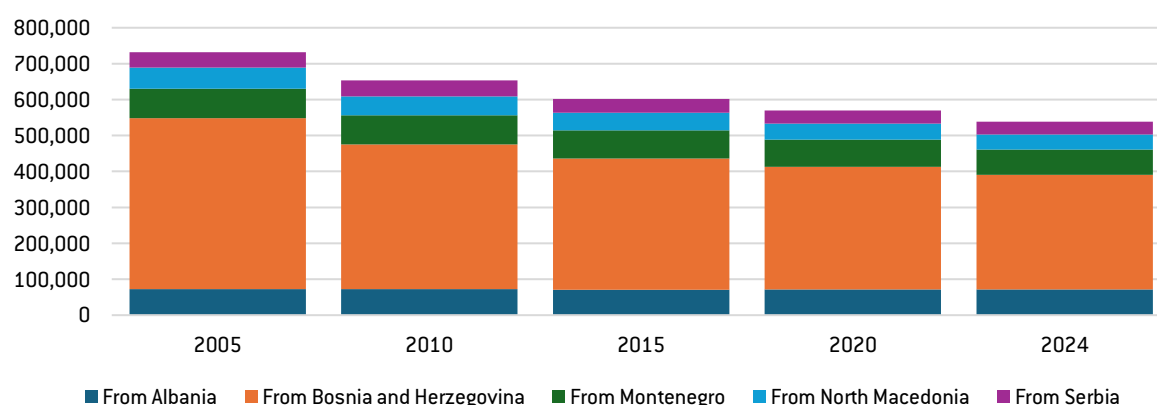
Services have only recently become a matter of urgency as illustrated by the Common Regional Market Action Plan 2025-2028 (RCC, 2024), which is the outcome of the Common Regional Market initiative and which urges parties to “*prioritise extending market access commitments, eliminating remaining discriminatory practices, and resolving regulatory barriers*”. The plan further urges the WB to expand freedom of services to audiovisual services and to deepen the CEFTA e-commerce market.

3.3 Freedom of movement of workers

Freedom of movement of workers is excluded from the CEFTA Services Protocol. WB citizens are thus not allowed to move freely within the WB to seek employment in other WB countries. The absence of provisions on this freedom is surprising because both the SAAs and the EU DCFTA with Eastern Partnership countries provide rules on freedom of movement of workers. The SAAs contain non-discrimination rules, and also offer limited freedom of movement for certain groups of workers (Annex 2). In contrast, CEFTA contains no provisions on workers at all, except for the exclusion from its services provisions of “*natural persons seeking access to the employment market*”.

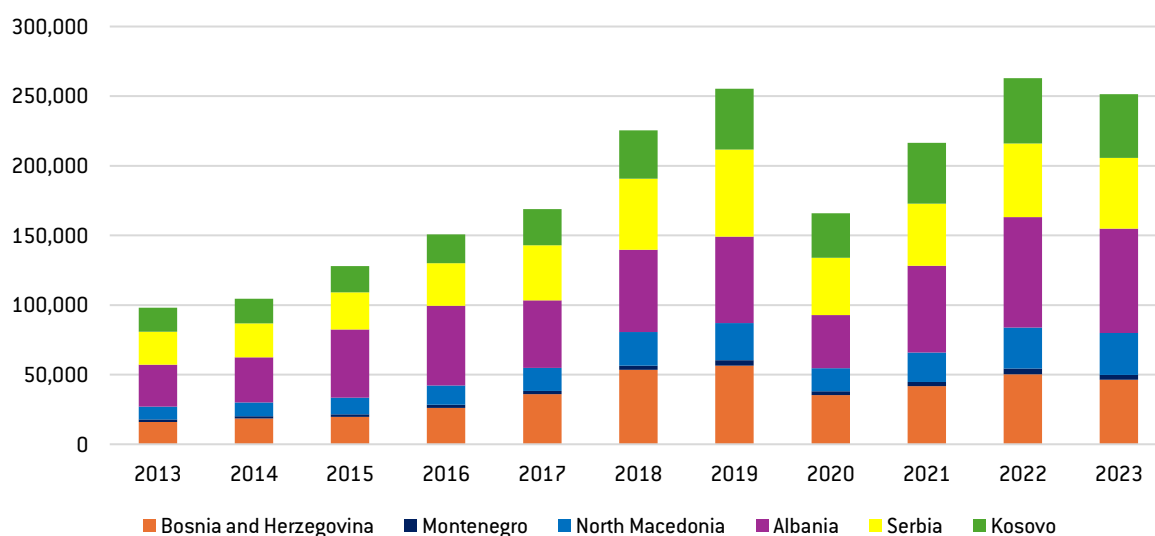
While data on employment-motivated migration between WB countries seems unavailable, migration data suggests that migration within WB countries is declining, while migration to the EU is increasing (Figures 11 and 12).

Figure 11: Migrant stock within Western Balkan countries (2005-2024)



Source: Bruegel based on International Migrant Stock 2024, UNDESA. Note: Data on Kosovo is missing. The statistical definition of an international migrant makes no reference to the reason for migration or to the legal immigration status of people changing their country of residence. The international migrant stock is a measure of the number of persons who are considered international migrants at a given point in time. To identify international migrants, either a person's country of birth or country of citizenship is used. While data on country or area of birth is the preferred source to inform estimates in the International Migrant Stock dataset, data on country of citizenship is used when data on country or area of birth is not available.

Figure 12: First residence permits granted in the EU to WB citizens (2013-2023)



Source: Bruegel based on Eurostat [migr_resfirst].

Outside the CEFTA structure, the shortcomings in terms of freedom of movement of workers has more recently been dealt with in the framework of the Common Regional Market, which extends its cooperation efforts beyond the coverage of CEFTA to aspects of human capital, digital, investment, innovation and industry policy. The Common Regional Market Plan 2025-2028 mentions that “*for the first time*” portability of social rights is possible within the region, with a view to supporting free movement of professionals and workers (RCC, 2024), 2024). With this commitment under the Common Regional Market Action Plan, workers are allowed to maintain their social rights. In fact, under the auspices of human capital development in the Common Regional Market framework, the Common Regional Market Action Plan requires the countries to align with EU social-security standards by facilitating agreements on social-security systems.

Overall, the above freedoms – capital, services, workers – have been addressed and liberalised in only a limited way in CEFTA. This lack of integration has offered the rationale for complementary regional integration in the RCC. One should bear in mind that CEFTA was designed as a provisional agreement that should lead to EU accession (unlike the DCFTAs with the Eastern Partnership countries) (Dabrowski and Myachenkova, 2018). With the RCC filling the gaps left unaddressed by CEFTA, the issue of inconsistent and complementary governance arises.

CEFTA's governance structure lacks both the necessary coverage and depth in liberalisation obligations. It also lacks the enforcement capacity that other, similarly ambitious trade agreements have. CEFTA is designed in intergovernmental fashion, it has not created institutions endowed with competences to make legislative proposals, nor does it exercise adequate supervision over the implementation of the agreement. While the CEFTA Secretariat is largely limited to providing technical and administrative support to the CEFTA Joint Committee and Bodies, the latter are plagued by the

need to decide by consensus and are riddled by political controversies over the representation of Kosovo (RCSPI, 2023). To some extent, the Common Regional Market initiative that emerged from the RCC sought to fill the gap. The RCC Secretariat created under this framework (including countries such as Turkey and Greece) coordinates and monitors the Action Plan in close cooperation and consultation with the CEFTA Secretariat (Steinbach, 2024).

4. Non-tariff trade costs have been high and mostly region-specific

There are various reasons why intra-trade dynamics in the Western Balkans and creation of Common Regional Market did not go as planned. One obvious impediment is region-specific and partially related to the mountainous landscape that makes infrastructure projects in the Balkans very expensive. The region has also faced rising trade costs related to the introduction of technical barriers to trade and sanitary and phytosanitary measures within the region. This comes primarily from misalignment of the regulatory frameworks in each WB economy. We discuss these two trade obstacles (related to infrastructure and non-tariff measures) separately.

4.1 Infrastructural barriers

The capital cities of the Western Balkans are still not completely interconnected through motorways. The exceptions are the motorway between Skopje (North Macedonia) and Belgrade (Serbia), and the motorway between Tirana (Albania) and Pristina (Kosovo). However, Bosnia and Herzegovina and Montenegro are not connected via motorway with any WB neighbour. The region had inherited communist-era railway infrastructure that operates across many of these economies, but only two cross-border railways connecting Bar (Montenegro) and Belgrade (Serbia), and Skopje (North Macedonia) and Belgrade have remained fully operational. Even for these routes, rail freight transport is rather slow and less competitive than road freight (Transport Community, 2021). Overall, movement of goods across land is an inherited issue that has been hard to tackle.

In addition to poor infrastructure, cross-border movements of goods is challenged by long waits at the border because of a lack of multi-lane crossings for trucks, and double police, customs and phytosanitary controls within the Western Balkans. The European Commission estimates border waits to amount to 28 million hours every year, dampening the region's GDP by 1 percent every year¹⁰. An older estimate from the World Bank (2015) was that the crossing points in CEFTA states generate between €250 million and €300 million in costs annually. A more recent World Bank study by Gómez *et al* (2024) calculated that reducing waiting time at WB borders by three hours would be equivalent to a 2 percent reduction in tariffs.

The waiting time for a truck at the border, according to CEFTA Green Corridors Statistics, is on average a little over an hour and a half (92.43 minutes on average from 2021-2023), although this figure does

¹⁰ Source: [https://enlargement.ec.europa.eu/enlargement-policy/policy-highlights/common-regional-market_en#:~:text=As percent20an percent20example percent20the percent20region percent20and percent20the percent20EU](https://enlargement.ec.europa.eu/enlargement-policy/policy-highlights/common-regional-market_en#:~:text=As%20an%20example%20the%20region%20and%20the%20EU).

not include waiting time prior to the first customs check. This waiting time is declining somewhat (Figure 13). At the beginning of the observation period (June 2021), waiting time was over 105 minutes, but towards the beginning of 2025 it fell to 85 minutes, a 20-minute drop in the three-year period.

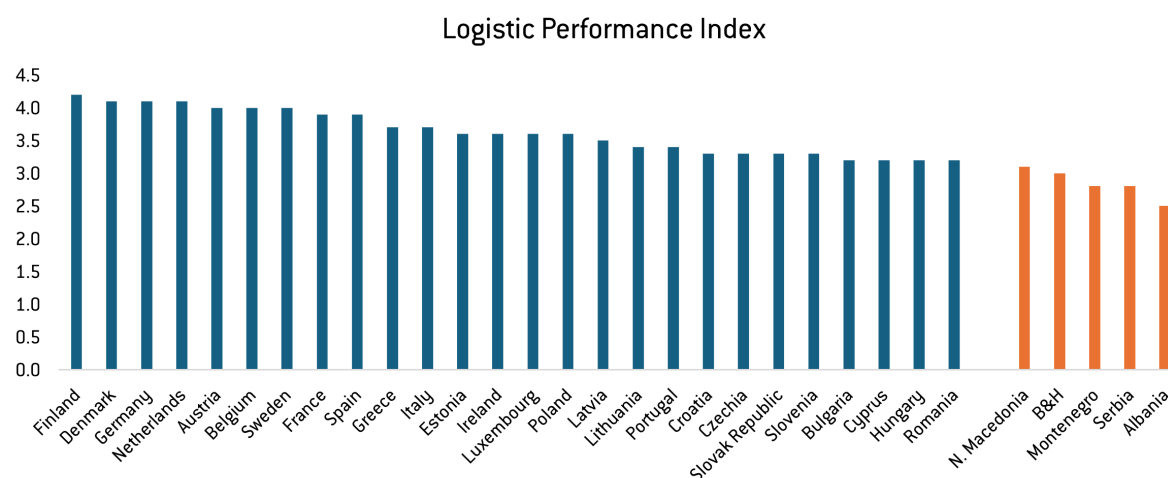
Figure 13: Border waiting times, in minutes, Western Balkans



Source: CEFTA, <https://greencorridors.cefta.int/greencorridorsanon/statistic>.

Border waiting time is one factor placing the Balkans at the lower end of trade-related logistics performance in Europe. The logistic performance index (LPI), which encompasses infrastructure-related issues, efficiency of border agencies' clearing process, ease of arranging competitively priced shipments, competence and quality of logistics services, and ability to track and trace consignments, does not scream optimism. On a scale of zero to five (worst to best performance), the Western Balkans ranks at a medium level, much behind EU member states, particularly those in Western Europe.

Figure 14: LPI, EU and WB, 2023



Source: World Bank. Note: data for Kosovo is missing.

North Macedonia is a bit ahead according to this indicator. This could result from the 'Green Lanes' initiative, launched in 2021 and coordinated by the Transport Community, CEFTA and the Regional Cooperation Council (in cooperation with the European Commission), with the aim of reducing border waiting times for trade via roads and railway. The first results yielded some fruits for North Macedonia, which as of 2022 had Green Lane border crossings with Serbia and Greece, allowing faster checks of agreed priority goods. These initiatives are expected to continue for the rest of the WB.

Five out of six WB countries are EU candidate countries and the EU supports the region mainly through Instrument for Pre-Accession Assistance (IPA) funds, which are part of the EU budget and which have been designed as grants to the region to support reform and development over the 2007-2027 period¹¹. However, only a negligible share has been directed to infrastructure, and only from 2016-2020 as part of the IPA II funds. This amounted to a modest €145 million for connectivity projects, of which only a portion was used for regional transport¹².

The EU has intervened more concretely in transport infrastructure through the Western Balkans Investment Framework (WBIF) scheme, which brings together the EU, international financial institutions (IFIs) and other donors in financially supporting growth-enhancing projects in the WB. However, these projects support inland infrastructure rather than cross-border infrastructure, in which the EU has participated with a very modest share of total project values¹³.

The EU aims for stronger financial assistance for infrastructure in the future through the WBIF. Bosnia and Herzegovina, helped by an EU grant of €200 million, is building infrastructure connecting its northern point to the south, though not to other WB countries. Montenegro will continue its financing of highways, with the help of an EU grant and a European Bank for Reconstruction and Development loan¹⁴. Serbia has built much of its motorway infrastructure inland, and railways in the north of the country (though not with EU funds, but rather as part of China's Belt and Road Initiative). However, progress on a motorway to Montenegro is still lagging, making a motorway connection between the two countries highly unlikely in the next ten years. It is safe to conclude that cross-border motorway will take further political will, time and, most importantly, money.

4.2 Non-tariff measures

Non-tariff measures (NTMs) in the form of technical barriers to trade (TBTs) and sanitary and phytosanitary measures (SPSs) generate major trade-related costs worldwide, especially for

¹¹ There have been three IPA funds scheme launched over the referenced period. IPA I (2007-2013), IPA II (2014-2020) and IPA III (2021-2027)

¹² Source: https://enlargement.ec.europa.eu/document/download/3123aa45-051d-46da-8ce2-9a0c53148f3d_en

¹³ Source: https://enlargement.ec.europa.eu/system/files/2022-10/WBIF_percent202022_percent20Endorsed_percent20Flagship_percent20Projects_percent20Berlin_percent20Summit_percent20Nov22.pdf

¹⁴ The first and only section of the highway (41km long) in Montenegro was completed only in July 2022 and was built by Chinese China Road and Bridge Corporation (CRBC) through Chinese loan, that inflated the country's fiscal risks. The construction of the second section of the highway Matešev-Andrijević towards the border with Serbia is planned for 2025 and will be co-financed by European Bank for Reconstruction and Development loan, EU investment grant and the Government of Montenegro budget.

multinational firms with global value chains (Ghodsi *et al*, 2024, 2025). Both types of NTM are increasingly relevant for trade in the WB. SPSs are imposed to increase quality standards on various products (mostly food-related) that could harm human and animal health. TBTs include technical and administrative parameters that are important for product safety, environmental protection and national security. Naturally, developed economies are the first movers in imposing NTMs as the quality characteristics of products are considered a regulatory priority. However, the WB are catching up. Though these regulatory requirements could lead to higher welfare, exporting firms bear the costs related to alignment with NTMs.

Estimation of *ad-valorem* equivalents (AVEs) of NTMs (equivalent percentage change in tariff) from a specific non-tariff measure are calculated using Ghodsi *et al* (2024, 2025)¹⁵. The x-axis values are presented as tariff equivalents. So, if a y-axis value is 0.01, it means that SPS/TBTs imposed act as a 0.01 percent tariff.

Box 1: Estimating *ad-valorem* equivalents of non-tariff measures

We borrow estimates of trade costs related to NTMs from Ghodsi *et al* (2024, 2025), which we then aggregated. Ghodsi *et al* (2024, 2025) followed Kee *et al* (2009) in calculating *ad-valorem* equivalents of NTMs, but upgraded for time variations (panel data framework). Trade costs, or *ad-valorem* equivalents of TBTs and SPSs calculated using this framework, vary over: i) time, ii) trade partners (country) and iii) sector of activity (at HS 6-digit level). Thus, they are initially calculated at a very granular level, and then we aggregate to regional level. The estimation procedure in Ghodsi *et al* (2024, 2025) consists of four steps, each of which is empirical and thus only explained intuitively here (for technicalities, see Ghodsi *et al*, 2024, 2025).

First, bilateral import demand elasticities are borrowed from Adarov and Ghodsi (2023), showcasing how much imports change, with import prices changing by 1 percent. Consumers tend to have stable tastes, so these calculated elasticities are considered to be constant over time.

Second, the effect of SPSs and TBTs imposed by all countries worldwide are estimated based on the volume of trade (again at HS6 digit level and varying across trade partners). Countries' choices of NTMs could be affected *ex-ante* by the composition of their exports and imports. NTMs also effect trade volume and composition *ex-post*. This reverse causality requires the use of appropriate instruments for NTMs. This helps to prevent spurious regressions (mostly due to the abovementioned reverse causality). Finding the proper instruments of NTMs is done in two steps. First, stock values of NTMs imposed by countries across years and products are expressed as a function of various controls (for technicalities on equations and variables, see Ghodsi *et al*, 2024,

¹⁵ These *ad valorem* equivalents of NTMs are calculated in multi-step approach. Using HS6 granular product data of NTMs, trade and country-specific factors, the paper first applies a gravity framework to calculate the effect of NTMs on trade. These (significant) NTMs estimates are then appropriately weighted with demand elasticities, leading to HS6 country level AVEs of NTMs. With appropriate aggregation method, we average these values to country (exporter) levels of the Western Balkans on one hand, with respect to Western Balkans vs. Rest of the world on the other.

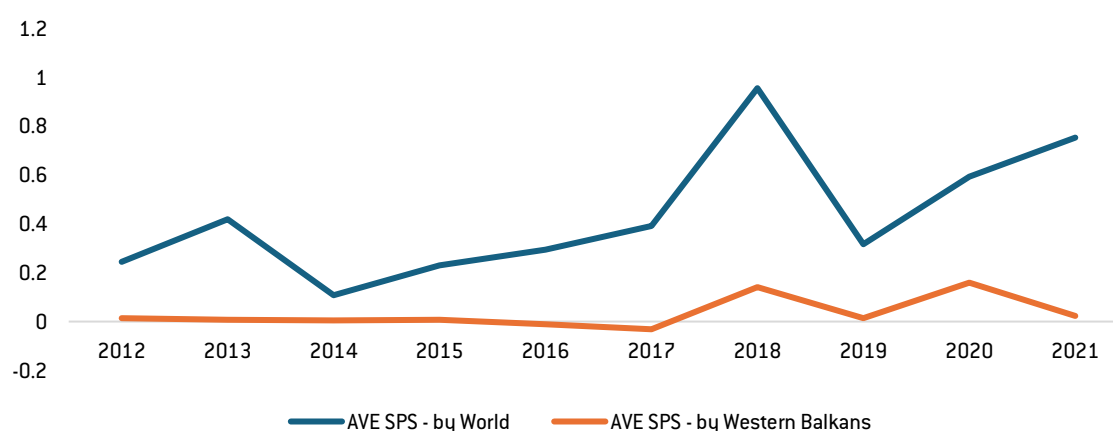
2025, and Kee *et al*, 2009). NTMs (which are outcome variables in regression) are then projected. Once this is completed, we estimate the equation expressing trade volume as a function of the projected NTMs and other factors. This equation is then estimated in the Poisson Pseudo Maximum Likelihood (PPML) framework.

In the third step, the *ad-valorem* equivalents (AVEs) of TBTs and SPSs are calculated using the coefficient on TBTs and SPSs (estimated in the second step) for each six-digit product traded globally, and the bilateral import demand elasticities (estimated in the first step). These values can be positive, implying that they restrict trade, or negative, implying a subsidy facilitating trade in certain goods.

Once step three is completed, we have AVEs for TBTs and SPSs calculated at the product level for each trade partner over time. **The fourth step** thus involves averaging these values for Western Balkan economies across their trade partners from either the region or the rest of the world. The simple averages at the aggregate level are calculated using all available trade flows, including those with zero trade values, as AVEs are also calculated for such flows.

Figure 15 shows these calculated trade costs for SPSs. They show trade costs due to SPS within the WB (orange line) are lower than trade costs associated with SPS imposed by the rest of the world (blue line). A rise in costs is prominent prior to and since the COVID-19 period – unsurprising after 2020 considering the emphasise at the time on major health precautions – no matter whether SPS were imposed by WB or rest of the world. However, WB SPS AVEs are largely below the levels of trade costs originating from all other countries. This could imply that food hygiene standards and the related regulatory framework are still weak within the region.

Figure 15: Trade costs associated with sanitary and phytosanitary measures imposed by the WB and rest of the world (*ad-valorem* equivalents)

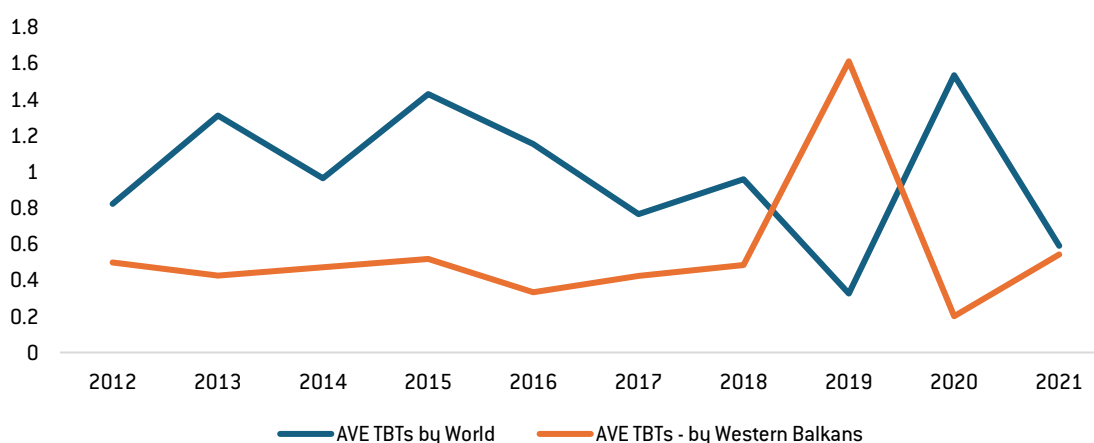


Source: Bruegel. Note: NTB AVEs are calculated based on WITS data for WTO members. See Box 1.

Judging by the y-axis values in Figure 16, TBTs create higher trade costs for the region than SPSs. Still, similarly to SPSs, the region bears lower trade costs related to TBTs internally than externally. However, more recently, trade costs related to TBTs within the region are levelling up with and even overtaking the trade costs related to TBTs externally. This implies, overall rising trade costs related to TBTs in the Western Balkans.

Although ITC (2022) did not mention TBTs explicitly, they implied that “the lack of information on export and import procedures, burdensome documentary requirements, lack of harmonization of rules and procedures” are the top trade barriers in the region for some primary industries. Manufacturing industries are likely to be even more affected because of nature of the production.

Figure 16: Trade costs associated with TBTs in the WB and world (*ad-valorem* equivalents)



Source: Bruegel. Note: NTB AVEs are calculated based on WITS data for WTO members. See Box 1.

Overall, intra-regional impediments to trade are becoming higher, related not only to logistics and infrastructure but also, in particular, to technical barriers. While time is needed to align regulatory with the EU *acquis*, over time among the WB, logistical issues related to poor infrastructure will be a more difficult barrier to address, possibly also weighing heavily on the finances of WB countries.

5. Western Balkans trade linkages and the technological content of trade

EU enlargement policies advocate a Common Regional Market for the Western Balkans, seeing this region as a single investment and trade bloc. However, given the various obstacles to regional trade, mainly associated with poor infrastructure, rising non-tariff barriers and the political landscape, it is hard to expect these economies to contribute much to Balkan higher value added exported abroad. Furthermore, the region may be too small (geographically but also, as we will show, with low-technological manufacturing content) for these value chains to develop in the first place. This all affects trade linkage development in the region.

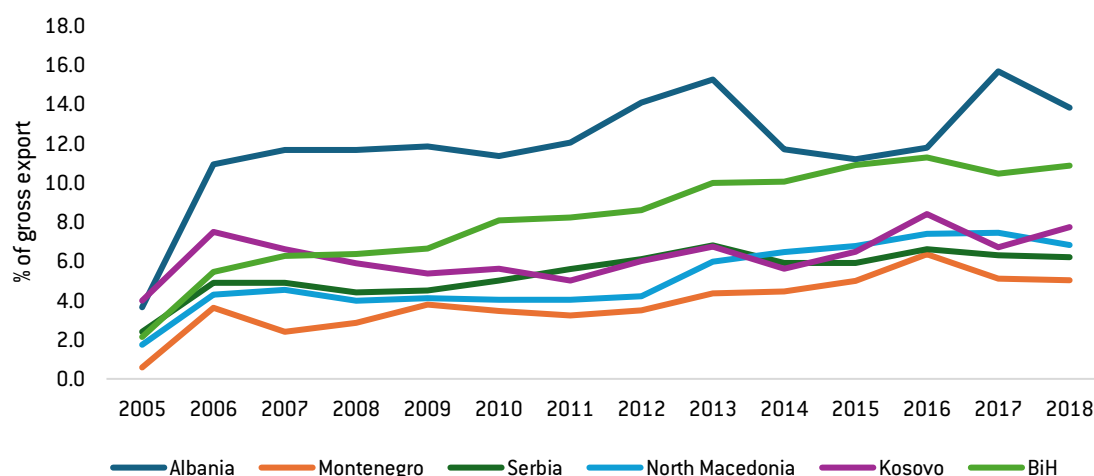
This section addresses to what extent the different production steps – from low (processing of inputs) to higher value-added (production of sophisticated output exported abroad) – are shared across the region. We use international MC IOD Input-Output tables for the region and highlight the linkages between all manufacturing industries within the Western Balkan region. Using this data, we calculate forward linkages, showing to what extent each country contributes to the region's export with its own value-added¹⁶. In other words, forward linkages are equal to the total domestic value added (expressed as a percentage of the total) that is contained in Western Balkan exports.

In Figure 18 we show forward linkages, representing the percentage of total domestic manufacturing value added of an individual economy, contained in the manufacturing exports of the Balkans as a whole. Comparing these figures (y-axis values), we see that regional value chains have not really emerged in this region because the percentage of domestic value added contributes little to Balkan manufacturing export. This is unsurprising, given the small geography of the Western Balkans and the low technological content of its exports.

On a positive note, forward linkages show that the trend of each country's contribution to value chains in this region is increasing over time, especially for Albania and Bosnia and Herzegovina. During the period in question (2005-2018), Albania and Bosnia and Herzegovina increased their individual domestic value added that went into total Balkan manufacturing exports fourfold and fivefold respectively, from 3.6 percent in 2005 to 13.8 percent in 2018 (Albania) and from 2.1 percent to 10.9 percent (Bosnia and Herzegovina). Montenegro increased its contribution to the regional value chain by almost nine times, but because of its services-based production model (62 percent of the country's 2023 gross value-added was attributed to services), its shares of domestic manufacturing value added that went to Balkan exports was only 5 percent at the end of the analysed period. Similarly, low values of domestic contributions to regional value chains are noted for Kosovo (7.4 percent), Serbia (2.6 percent) and North Macedonia (7.74 percent). Kosovo's limited integration into regional value chains mostly relates to Kosovo's reliance on primary industry production (mining and quarrying). Conversely, Serbia's and North Macedonia's auto-manufacturing sectors made the two countries more integrated with the EU than with the Balkans over the period in question. Other studies (Reiter and Stehrer, 2021; Vujanović 2024) have reached similar conclusions, especially for Serbia that has integrated increasingly with the EU, at the cost of the Balkan economies (despite CEFTA and trade tariffs with the EU). In the thirteen years up to 2018, it is safe to conclude that these upward trends were very modest. No WB country improved significantly the value added content of Balkan exports, despite CEFTA.

¹⁶ At the country level the formula is $Forward\ Linkages_{kit} = \frac{\text{value added of exporting country } k}{\text{gross export of importing country } j}$; t- year. For the purpose of this analysis we aggregate these forward linkages to regional (Western Balkan) level across exporting country k using the following formula: $Forward\ Linkages_{kt_balkan} = \sum_i^N Forward\ Linkages_{kit} * \frac{\text{export of country } i}{\text{total Balkan export}}$ ($N=1..6$)

Figure 17: Forward linkages of individual WB economies, % of gross exports, 2005-2018



Source: Bruegel. Note: data sourced from wiiw World Input-Output Database (WIOD) and replicates the data presented in Vujanović (2023; 2024). These linkages are calculated at the NACE Rev 2 two-digit industry level.

The positive implications of CEFTA are indisputable, but to date CEFTA has not triggered the structural changes needed in this region, nor was that explicitly in its mandate. Its limited success may lie in the region's low technological advancement and low level of innovation, which has persisted over time. Countries that rely on low-technology content production and exports of primary goods and natural resources have less potential for growth through trade (Stehrer and Vujanović, 2021). McMillan *et al* (2014) explained (although in a broader context of global trade), that lowering tariffs on industrial goods facilitates technological transfers, but the consequences of such liberalising trade policies depend on the manner in which countries integrate into global value chains. If Balkan economies exchange low-technology export content, their further upgrading in the value chain is unlikely. The data confirms that.

The European Innovation Scoreboard (European Commission, 2024)¹⁷ noted that only North Macedonia exports high-tech manufactured products¹⁸ at the level of the average EU country. Other WB economies fall short, even Serbia with strong pharmaceutical and auto sectors, exports 43 percent less high-tech exports than the EU average counterpart. For other WB economies, exports of high-tech goods are below 71.7 percent of the EU average (Bosnia and Herzegovina) while Albania has no high-tech exports.

¹⁷ Source: https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en

¹⁸ See European Commission definition of high-tech manufacturing https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:High-tech_classification_of_manufacturing_industries

Table 1: WB high-tech exports relative to the EU average (=100), 2024

	Albania	BiH	Montenegro	North Macedonia	Serbia
Exports of medium and high-tech products	0	28.3	8.6	99.4	57.1

Source: Bruegel based on European Innovation Scoreboard (2024). Note: data on Kosovo is missing. The values index is calculated based on the exports of medium and high technology products as a share of total product exports.

Western Balkan economies have production-based systems, and they have not managed to transit to the innovation-based system prevalent in developed countries. This implies that when it comes to manufacturing, WB growth is based on product line assembly but not innovation – the latter being pivotal for technological change and productivity growth, especially with the digital transition and the fourth industrial revolution taking place.

Table 2 shows that WB spend far less than EU countries on R&D, which is much needed for the development of high-tech sectors (exports). Their R&D spending falls tremendously short of the EU average, the highest rate being in Serbia (where it is still 74.6 percentage points lower than the EU average).

Table 2: WB R&D expenditure (% of GDP) relative to the EU average (=100), 2024

	BiH	Montenegro	North Macedonia	Serbia
R&D expenditure in the business sector (percent of GDP)	2.1	10.4	4.2	26.4

Source: Bruegel based on European Commission Innovation Scoreboard (2024). Note: data on Kosovo and Albania is missing.

Innovation activity in the WB is dominated by low-tech manufacturing industries. With such a technological landscape, it is hard to see a push in value chains, even if borders were fully open.

6. A different approach is needed

EU membership for WB will be crucial for the region to untap growth potential (Steinbach, 2024). While considerable focus has been put on the WB's relationship with the EU, less light has been shed on intra-WB economic dynamics. This paper has aimed to understand intra-WB trading patterns and has inquired how more intra-WB trade can be facilitated. With the EU persistent in pushing for regional integration, this analysis has set out the main features of intra-WB economic patterns and has highlighting barriers to regional economic integration.

We find that bilateral trading relationships dominate the economic relationships of WB countries, partly a consequence of inherited path dependencies. Yet, the analysis also shows that regional exchanges, at least in some policy areas such as free movement of capital, services and labour, is less liberalised between WB countries than between the WB and the EU. This indicates untapped economic potential for regional integration.

Based on our analysis, some policy recommendations can be directed to all stakeholders involved in the EU integration process, in relation to the creation of Common Regional Market. First, the CEFTA mandate on services trade has to be put to appropriate use, as many WB economies are services-based and thus, substantial potential exists for growth through services trade. The CEFTA Service Protocol remains to be ratified by Kosovo. Liberalisation of services should focus on agreement on rules on establishment and free provision of services, with the EU's Services Directive (2006/123/EC) as a benchmark. Given the limited cross-border trade, opening up transport services by eliminating transport permits for partners within the Western Balkans is very important. Finally, financial services are key to stimulate trade in goods and services, and a framework for facilitating trade in financial services should be prioritised. This could lead to equivalence of regulatory and supervisory regimes in certain areas (eg insurance or banking).

Second, movement of workers should be facilitated to encourage employment-induced migration. To that end, labour-market reform should be both EU-oriented and WB-oriented at the same time. This implies alignment with EU social security standards by facilitating agreements on social-security systems and ensuring portability and equal treatment of pension benefits within the region.

Western Balkan policymakers, and arguably CEFTA, have not acquitted the private sector with trade opportunities beyond those offered by their traditional regional trade partners: much of the regional trade is driven by traditional partner-countries. Path dependencies in trade, resulting from established political relationships and inherited links, have not been challenged by CEFTA.

Tariffs on goods have been zero, but the trade costs are still quite high within the Western Balkans. Proper highway and railway infrastructure is lacking. EU IPA funds (part of the EU budget) have not been much invested in the Western Balkans rail and road infrastructure, and the EU has contributed little through grants within the Western Balkan Investment Framework. Much of the €6 billion in funds under the new EU Growth Plan for the Western Balkans could be put to good use through investments in cross-border railways and motorways. However, given the region's infrastructure needs, it is already obvious that this is too little, even if put to a single use (roads or railway).

Trade logistics are complicated by long waiting times at borders, double customs and double checkpoints. The regulatory framework is not aligned with the EU *acquis*, and progress towards this has not been at the same pace, causing huge regulatory mismatches. This all makes trade within the region challenging. NTBs have also been a rising obstacle in the region, in particular after 2020.

WB countries need to move faster on greater alignment with the EU *acquis*, which should also see reduction of intra-WB barriers. Reducing these regulatory barriers may significantly cut rising trade costs related especially to TBTs, and will reduce asymmetric information across the region that is a consequence of differing regulatory frameworks. With that comes natural alignment on sanitary and phytosanitary checks, veterinary and border controls, which at present lead to double processing, complicating cross-border trade and also affecting border waiting times.

The 'Green Lanes' initiative under the Transport Community-CEFTA-RCC umbrella has the potential to cut waiting times at borders. It implies prioritising the trucks carrying certain goods, ahead of the customs and various border checks. This initiative already scored a success during the pandemic in the region, and in 2022 when applied at the Serbia-North Macedonia border crossing. The scope for implementation has high potential across the entire region and is already within its mandate. Furthermore, using multiple truck lanes instead of a single one (as is the case currently) could reduce significantly waiting times at borders within the region.

Growth through liberalised trade in the WB is constrained by the low-tech technological content of the production in the region. If a country trades primarily in low-tech and primary goods, liberal trade policies bring less cross-border knowledge and productivity gains. Integration into value chains requires a level of export competitiveness that comes from a comparative advantage. But WB economies are production- and not innovation-based systems, growing through assembly activities.

With these demanding tasks which are achievable only in the longer run, the Regional Cooperation Council and CEFTA frameworks could benefit from innovation-trade targeted cooperation. While CEFTA was supposed to prepare the WB economies for EU membership by facilitating trade and adoption of the EU *acquis*, the RCC was another EU-flagged cooperation initiative, also covering innovation. Some areas of cooperation are in place through the EU emphasising the Common Regional Market (eg green lanes initiative, labour mobility), but the scope of this cooperation is limited in industrial competitiveness and trade. This is important because moving up the value chain requires export competitiveness to be built up and innovation capacities to be upgraded, especially in the area of sophisticated (high-tech) exports. The region is far from this, given its negligible spending on R&D and its emphasis on production-based rather than innovation-based systems. However, the issue should be tackled or at least efforts made in that direction.

Of course, more cooperation between EU-supported bodies such as the RCC and CEFTA is just one part of the issue. Industrial policies should also contribute, if the region is to benefit more from the Common Regional Market and the EU single market, once the region enters the EU. So-called smart specialisation strategies (S3), aimed at pushing R&D and innovation practices cross-sectorally, were developed by the European Commission's Joint Research Centre together with partner countries, global experts and European Commission policy directorates-general. S3 could be a great help in pushing WB countries further up the value chains and building their export advantage, especially with the CEFTA platform already in place. Such strategies have been, however, only recently implemented:

by Montenegro in 2019, Serbia in 2020 and North Macedonia only in 2025. Albania is still at the approval stage, while Kosovo and Bosnia and Herzegovina are still in the S3 development stage. Further efforts in this area may help the region improve the sophistication of its production and exports.

RCC and CEFTA need to synergise their regional activities, while policymakers within the WB should focus more strongly on industrial policies so that their countries can benefit more from the Common Regional Market. These policies need to be prioritised, and Balkan politics should be set aside. Otherwise, the goal of completing the Common Regional Market Action Plan 2025-2028, a prerequisite for the countries' accession to the EU (and regional cooperation in general) already looks very challenging.

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ANNEX 1: Bilateral agreements between WB countries

Table A: Bilateral Agreements on Trade, FDI, and Economic Cooperation in the Western Balkans (2007-2024)

	ALBANIA	BOSNIA AND HERZEGOVINA	KOSOVO	MONTENEGRO	SERBIA	NORTH MACEDONIA
ALBANIA	//					
BOSNIA AND HERZEGOVINA	N/A	//				
KOSOVO	<p>1. Agreement on Cooperation in facilitation of Procedures at Border Inspection Points for products of non-Animal origin, signed on 08.08.2023.</p> <p>2. Agreement between the Government of the Republic of Kosovo and the Council of Ministers of the Republic of Albania for the implementation of mutual facilities in customs procedures and/or control of entry/exit of goods, signed on 15.03.2022.</p> <p>3. Agreement between the Government of the Republic of Kosovo and Council of Ministers of the Republic of Albania for Mutual Legal Assistance in Civil and Commercial Matters, signed on 26.11.2021 in Prishtina.</p> <p>4. Partnership Agreement for the Management of Grant Contract Technical Assistance Number 2019/411-818 under the IPA CBC Programme, Albania - Kosovo</p>	N/A	//			

	<p>2014-2020, signed on 23.07.2021.</p> <p>5. Protocol for the undertaking of joint activities of Customs Controls at the joint border crossing Morinë / Vërmicë, signed on 26.11.2018.</p> <p>6. Agreement on investment promotion and protection, signed on 03.05.2016.</p> <p>7. Agreement on the Avoidance of Double Taxation regarding Income and Capital Taxes and the Prevention of Fiscal Evasion, signed on 28.03.2014.</p> <p>8. Agreement on Cooperation in Trade Promotion and Facilitation, signed on 11.01.2014.</p> <p>9. Agreement between the Government of the Republic of Kosovo and the Government of the Republic of Albania for mutual assistance in customs issues, signed on 12.11.2009.</p>					
MONTENEGRO	<p>1. Decision on the Publication of the Memorandum of Cooperation on the Implementation of Infrastructure Projects. The decision was published in the "Official Gazette of Montenegro - International Agreements", No. 5/2023 on 11.07.2023.</p> <p>2. Announcement on the Entry into Force of the Agreement on Economic Cooperation. The announcement was published in the "Official Gazette of Montenegro - International</p>	N/A	<p>1. Bilateral Cross-Border Cooperation Agreement IPA III for the years 2021-2027, signed on 29.03.2024.</p> <p>2. Partnership Agreement for the Management of Grant Contract Technical Assistance Number 2019/409 - 185 under the IPA CBC Programme, Montenegro - Kosovo 2014-2020, signed on 23.07.2021.</p> <p>3. Bilateral Arrangement and the Partnership Agreement concerning the Cross-Border Cooperation</p>	//		

	<p>Agreements", No. 1/2016 on 13.01.2016.</p> <p>3. Agreement on Economic Cooperation, signed on 23.02.2015 and entered into force on 20.11.2015.</p> <p>4. Announcement on the Entry into Force of the Protocol on the Electronic Exchange of Customs Data. The announcement was published in the "Official Gazette of Montenegro - International Agreements", No. 1/2013 on 30.01.2013.</p> <p>5. Law on the Ratification of the Agreement on Mutual Assistance in Customs Matters. The law was published in the "Official Gazette of the Republic of Montenegro", No. 28/2006 on 03.05.2006.</p>		<p>Programme between Montenegro and Kosovo within the framework of IPA II 2014-2020, signed on 10.02.2017.</p> <p>4. Decision on the Publication of the Protocol on the Electronic Exchange of Customs Data between the Customs Administration of Montenegro and the Customs of Kosovo, published in the "Official Gazette of Montenegro - International Agreements", No. 1/2013 on 30.01.2013, and entered into force on 07.02.2013.</p> <p>5. Agreement on Cooperation and Mutual Assistance in Customs Affairs, signed on 17.03.2010.</p>			
SERBIA	<p>1. Memorandum of Cooperation between the Chamber of Commerce and Industry of Tirana – Albanian Agribusiness Council (KASH) and the Union of Entrepreneurs for the Vision of Preševo, Medveđa, and Bujanovac, signed on 22.04.2024.</p> <p>2. Protocol on the Implementation of the Agreement for Mutual Recognition of Authorized Economic Operators – Security and Protection Authorizations (OEAS), signed and entered into force on 01.09.2022.</p> <p>3. Protocol of Session 1 of the Joint Intergovernmental</p>	N/A	N/A	<p>1. Announcement on the Entry into Force of the Protocol on Electronic Exchange of Customs Data between the Customs Administration of Montenegro and the Customs Administration of the Republic of Serbia (The announcement was published in the "Official Gazette of Montenegro - International Agreements", No. 5/2013 on 30.04.2013.)</p> <p>2. Law on the Ratification of the Agreement on the Avoidance of Double Taxation in relation to Income Taxes (Published in the "Official Gazette of Montenegro - International Agreements", No. 16/2011 on 15.12.2011)</p> <p>3. Announcement on the Entry into</p>	//	

	Commission for Albanian-Serbian Economic and Trade Cooperation, signed on 16.04.2015.			Force of the Agreement on the Promotion and Protection of Investments (Published in the "Official Gazette of Montenegro - International Agreements", No. 11/2010 on 22.10.2010) 4. Law on the Ratification of the Agreement on Economic Cooperation (Published in the "Official Gazette of Montenegro - International Agreements", No. 8/2010 on 22.07.2010. See: Announcement - 11/2010-18.)		
NORTH MACEDONIA	N/A	1. Agreement on the Avoidance of Double Taxation Regarding Income Tax and Capital Tax. Signed on September 24.09.2013. Entered into force on 2.06.2014.	1. Agreement for the Technical Assistance Grant Contract Number 2023/450-113 under the IPA CBC Programme Kosovo-North Macedonia 2021-2027, signed by the Republic of Kosovo on 29.03.2024 and the Republic of North Macedonia on 04.04.2024. 2. Cooperation on the management of the technical assistance grant contract number 2019/410-322, under the IPA for BNK Kosovo-North Macedonia 2014-2020, signed on 16.09.2021. 3. Agreement on Promoting and Protecting Investments, signed on 22.01.2015, and entered into force on 23.01.2016. 4. Agreement on the Avoidance of Double Taxation and Protection Against Fiscal Evasion Regarding Income and Capital Taxes, signed on 06.04.2011, and entered into force on 13.04.2012. 5. Agreement on Economic	1. Announcement on the Entry into Force of the Agreement on the Mutual Recognition of Qualified Certification Services for Electronic Transactions Provided in Montenegro and Qualified Trust Services Provided in the Republic of North Macedonia (Published in the "Official Gazette of Montenegro - International Agreements", No. 9/2020 on 28.12.2020). 2. Agreement on Mutual Assistance and Cooperation in Customs Matters, signed on 13.03.2013, and entered into force on 21.02.2014. 3. Decision on the Publication of the Agreement on Phytosanitary Cooperation (Published in the "Official Gazette of Montenegro - International Agreements", No. 4/2014 on 26.03.2014). 4. Agreement on Mutual Promotion and Protection of Investments, signed on 15.12.2010, and entered into force on 30.09.2011. 5. Agreement on Economic	1. Agreement on the Mutual Recognition of Authorizations Issued for Authorized Economic Operators (AEO), signed on 26.08.2019, and entered into force on 13.02.2020. 2. Agreement on the Mutual Recognition of Trust Services Used in the Republic of North Macedonia and the Republic of Serbia signed on 26.08.2019, and entered into force on 24.11.2020. 3. Agreement on Economic Cooperation, signed on 16.02.2015, and entered into force on 19.10.2015.	//

			Cooperation, signed on 16.12.2009, and entered into force on 24.06.2010.	Cooperation, signed on 22.10.2010, and entered into force on 14.09.2011.		
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Table B: Bilateral Agreements on Education and Labour Market in the Western Balkans (2007-2024)

	ALBANIA	BOSNIA AND HERZEGOVINA	KOSOVO	MONTENEGRO	SERBIA	NORTH MACEDONIA
ALBANIA	//					
BOSNIA AND HERZEGOVINA	N/A	//				
KOSOVO	1. Cooperation Agreement in the Fields of Higher Education and Scientific Research, signed on 07.11.2023. 2. Agreement on Social Securities, signed on 15.03.2022. 3. Agreement on Verification of Insurance Periods on Implementation of the Right to Pension, signed on 27.11.2017. 4. Agreement on Cooperation in Education and Science, signed on 08.03.2010.	N/A	//			

MONTENEGRO	<p>1.Law on the Ratification of the Agreement on Social Security. The law was published in the "Official Gazette of Montenegro - International Agreements", No. 1/2025 on 19.02.2025.</p> <p>2.Notification on the Entry into Force of the Agreement on Scientific and Technological Cooperation. The notification was published in the "Official Gazette of Montenegro - International Agreements", No. 4/2023 on 17.03.2023.</p> <p>3.Announcement on the Entry into Force of the Agreement on Cooperation in the Field of Education. The announcement was published in the "Official Gazette of Montenegro - International Agreements", No. 4/2014 on 26.03.2014.</p> <p>4.Cooperation agreement in the field of education, signed in Tirana on 11.03.2013, entered into force on 28.02.2014.</p>	N/A	<p>1.Announcement on the Entry into Force of the Agreement on Confirming the Insurance Period for the Entitlement to Pension Rights, signed on 17.12.2013 published in the "Official Gazette of Montenegro - International Agreements", No. 8/2014 on 22.07.2014.</p>	//		
SERBIA	<p>1.Integration of an Electronic Identification Scheme for Citizens of the Region (Protocol on Connecting an Electronic Identification Scheme for Citizens of the Region), signed on 22.01.2024.</p> <p>2.Free Access to the Western Balkans Labor Market (Protocol on Implementation of an Agreement on Conditions for Free Access to the Western Balkans Labor</p>	N/A	N/A	<p>1.Decision on the Publication of the Agreement on Cooperation in the Field of Education. The decision was published in the "Official Gazette of Montenegro - International Agreements", No. 6/2017 of 11.08.2017.</p> <p>2.Decision on the Publication of the Agreement on Scientific and Technological Cooperation. The decision was published in the "Official Gazette of Montenegro -</p>	//	

	Market), signed on 22.01.2024. 3.Memorandum of Understanding between the Council of Ministers of the Republic of Albania and the Government of the Republic of Serbia for Youth Cooperation, signed on 10.11.2014.			International Agreements", No. 13/2011 of 13.10.2011. The Agreement entered into force on 5.09.2014 - see: Announcement - MU, 11/2014-30.		
NORTH MACEDONIA	1.Agreement between the Government of the Republic of North Macedonia and the Council of Ministers of the Republic of Albania on Cooperation in the Field of Education and Science, signed on 2.07. 2015 and entered into force on 23.02. 2016.	1.Agreement on Cooperation in the Field of Education and Science. Signed on 5.10.2011. Entered into force on 6.06.2012.	1.Agreement on Confirmation of Insurance Periods for Pension Rights, signed in on 7.02.2013, and entered into force on 17.11.2013.	1.Decision on the Publication of the Agreement on Scientific and Technological Cooperation [Published in the "Official Gazette of Montenegro - International Agreements", No. 9/2017 on 20.10.2017]. 2.Agreement on Social Security, signed on 22.10.2010 and entered into force on 01.08.2011. 3.Agreement on Cooperation in the Field of Education, signed on 22.10.2010, and entered into force on 14.03.2011.	1.Agreement on Cooperation on Mutual Recognition of Public Documents for Obtained Educational Qualifications for Professional, Academic, and Scientific Titles, signed on 21.02.2014, and entered into force on 22.09.2016.	//

Table C: Bilateral Agreements on Transports and Infrastructure in the Western Balkans (2007-2024)

	ALBANIA	BOSNIA AND HERZEGOVINA	KOSOVO	MONTENEGRO	SERBIA	NORTH MACEDONIA
ALBANIA	//					
BOSNIA AND HERZEGOVINA	N/A	//				

KOSOVO	<p>1. Agreement on Cooperation in facilitation of Procedures at Border Inspection Points for products of non-Animal origin, signed on 08.08.2023.</p> <p>2. Agreement on the opening of a joint border crossing Krusheve (Dragash) - Shishtavec (Kukës), signed on 26.11.2021.</p> <p>3. Agreement on the Rules of border local traffic regime, signed on 26.11.2021.</p> <p>4. Memorandum of Cooperation on Cooperation in the Field of Railway Transport, signed on 02.10.2020.</p> <p>5. Agreement on the establishment of joint border crossing points between the Republic of Kosovo and the Republic of Albania and performing of joint border control activities, signed on 29.12.2018.</p> <p>6. Agreement on the Mutual Recognition of the Driving Licenses, signed on 26.11.2018.</p> <p>7. Agreement on the Opening of the Joint border crossing Orcush (Dragash)-Orgjost (Kukës), and the relevant Protocol of this Agreement, signed on 16.04.2013.</p> <p>8. Agreement on the Opening of the Joint cross-border crossing Glllobocica-Borje, and the relevant Protocol of this Agreement, signed on</p>	N/A	//			
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	<p>16.04.2013.</p> <p>9. Agreement on mutual recognition of steering permits/driving licenses, signed in Tirana on 12.06.2012.</p> <p>10. Agreement for Cooperation in the fields of international road transport of passengers and goods, signed in Prishtina on 22.07.2011.</p> <p>11. Agreement on Conducting the common procedures to control the entry/exit between the border crossings Vërmica (Prizren) - Morina (Kukës) and the relevant Protocol to this Agreement, signed on 30.04.2011.</p> <p>12. Agreement on Conducting the common procedures to control the entry/exit between the border crossings Qafë Prush (Gjakova) - Qafë Prush (Has) and the relevant Protocol to this Agreement, signed on 30.04.2011.</p> <p>13. Agreement on Conducting the common procedures to control the entry/exit between the border crossings Qafë Morinë (Gjakova) - Qafë Morinë (Tropoja) and the relevant Protocol to this Agreement, signed on 30.04.2011.</p> <p>14. Agreement on the Bilateral Movement of Citizens and the Protocol thereto, signed on 06.10.2009.</p> <p>15. Agreement between the</p>					
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	Government of the Republic of Kosovo and the Council of Ministers of the Republic of Albania, for Cross-border Police Cooperation, signed on 06.10.2009.					
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MONTENEGRO	<p>1. Law on the Ratification of the Agreement on the Construction of the Interstate Bridge over the Bojana/Buna River. The law was published in the "Official Gazette of Montenegro - International Agreements", No. 2/2024 on 12.03.2024. The Agreement enters into force on 21.04.2024.</p> <p>2. Announcement on the Entry into Force of the Agreement on the Opening of the Joint Border Crossing Sveti Nikola - Puljaj for International Road Passenger Transport and the Conducting of Joint Border Control, published in the "Official Gazette of Montenegro - International Agreements", No. 8/2023 on 19.09.2023.</p> <p>3. Bilateral Agreement on the Construction of the Cross-border Bridge over the Buna/Bojana River, signed on 27.02.2023.</p> <p>4. Agreement on the Opening of the Joint Border Crossing Point Zogaj (Albania) – Skje (Montenegro) for International Road and Passenger Traffic in Lake Shkodra, signed on 03.07.2018, entered into force on 12.12.2018.</p> <p>5. Agreement on Mutual Recognition of Driving Licenses, signed on 15.12.2014, entered into force on 07.04.2015.</p> <p>6. Decision on the Publication of the Protocol on the Conduct of</p>	<p>1. Agreement on the Construction of an Interstate Bridge over the Tara River at the junction of the M-3 main road at the location of Šćepan Polje (Montenegro) and the M-18 main road at the location of Hum (Bosnia and Herzegovina), along with the adjoining border sections, signed on 5.07.2021. (The law was published in the "Official Gazette of Montenegro – International Agreements", No. 2/2024 from March 12, 2024. The Agreement entered into force on 29.04.2024 – see: Announcement – 5/2024)</p> <p>2. Confirmation of the Agreement on Border Crossings for Cross-Border Traffic (The law was published in the "Official Gazette of Montenegro – International Agreements", No. 9/2011 (The Agreement entered into force on February 22, 2012 – see: Announcement – 15/2012), No. 6/2014 – correction, and No. 6/2022 (The Agreement entered into force on November 11, 2022 – see: Notification – 7/2023))</p>	<p>1. Announcement on the Entry into Force of the Agreement between the Government of Montenegro and the Government of the Republic of Kosovo on the Transportation of Passengers and Cargo in International Road Transport, published in the "Official Gazette of Montenegro - International Agreements", No. 4/2024 on 13.05.2024.</p> <p>2. Bilateral Agreement on Cross-Border Cooperation Programme between Montenegro and Kosovo under IPA II (2014-2020), signed on 10.02.2017.</p> <p>3. Decision on the Publication of the Protocol on the Implementation of Joint Border Control and the Payment of Costs Incurred in the Operations at the Joint Border Crossing Kotlovi-Kučiste, published in the "Official Gazette of Montenegro - International Agreements", No. 8/2014 on 22.07.2014.</p> <p>4. Agreement on the Regulation of the border traffic regime, signed on 26.03.2014.</p>	//		
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	<p>Joint Border Control Activities at the Joint Border Crossing Murićani-Sukobin, published in the "Official Gazette of Montenegro - International Agreements", No. 7/2014 on 03.07.2014.</p> <p>7. Agreement on the Performance of Cross-border Railway Transport Between the Two Countries, signed in Podgorica on 03.08.2012, entered into force on 02.05.2013.</p> <p>8. Agreement on the Determination of the Joint Zatrijebacka Cijevna-Grabon Border Crossing Point for International Passenger Traffic and the Cerem-Vranica Border Crossing Point, signed on 25.01.2012, entered into force on 20.02.2013.</p> <p>9. Agreement on the Mutual Movement of Citizens, signed on 06.11.2009, entered into force on 15.02.2010.</p> <p>10. Agreement on the Opening of the Common Border Point Murićan-Sukobinë, signed on 17.01.2007, entered into force on 24.05.2007.</p>					
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SERBIA	<p>1. Agreement on Mutual Recognition of Driving Licenses, signed on 17.12.2014, entered into force on 20.10.2015.</p> <p>2. Agreement on the Mutual Movement of Citizens, signed on 05.07.2011, entered into force on 22.12.2011.</p>	<p>1. Agreement for the IPA III Cross-Border Cooperation Program "Serbia - Bosnia and Herzegovina" for the period 2021 - 2027, signed on December 20, 2023, in Belgrade and April 26, 2024, in Sarajevo.</p> <p>2. Agreement for the IPA II Cross-Border Cooperation Program "Serbia - Bosnia and Herzegovina" for the period 2014-2020, signed on June 7.06. 2016.</p>	N/A	<p>1. Law on the Ratification of the Agreement on Cooperation in the Field of Air Transport (The law was published in the "Official Gazette of Montenegro - International Agreements", No. 8/2013 of 22.10.2013. The Agreement entered into force on 31.10.2013 - see: Announcement - 10/2013-21).</p> <p>2. Announcement on the Entry into Force of the Agreement on the Transportation of Passengers and Cargo in International Road Transport. The announcement was published in the "Official Gazette of Montenegro - International Agreements", No. 6/2012 of 25.05.2012.</p>	//	
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NORTH MACEDONIA	<p>1. Agreement between the Government of the Republic of North Macedonia and the Council of Ministers of the Republic of Albania on the Opening of the Joint Border Crossing Point Trebisht-Žepče, signed in Tirana on 23.11.2012, entered into force on 05.03.2013.</p> <p>2. Agreement between the Government of the Republic of North Macedonia and the Council of Ministers of the Republic of Albania on the Reciprocal Recognition of Driver's Licenses, signed in Tirana on 23.11.2012, entered into force on 14.03.2013.</p> <p>3. Agreement between the Government of the Republic of Macedonia and the Council of Ministers of the Republic of Albania on Mutual Travel of Citizens, signed in Tirana on 19.02.2008, entered into force on 27.08.2008.</p>	<p>1. Agreement on the Mutual Recognition and Exchange of Driver's Licenses. Signed in on 13.09.2017. Entered into force on 04.05.2018.</p>	<p>1. Protocol for the Implementation of the Agreement on the Joint Border Crossing Points in Hani i Elezit - Blace and Gllloboqicë - Jazhincë, signed between the Republic of Kosovo and the Government of the Republic of North Macedonia, on 18.11.2024.</p> <p>2. Agreement on "Hani i Elezit - Bllacë" and "Gllloboqicë-Jazhincë" Joint Border Crossing Points, signed on 18.09.2023.</p> <p>3. Agreement on the Reciprocal Recognition of Driver's Licenses, signed on 28.01.2019, and entered into force on 09.01.2020.</p> <p>4. Agreement on the Conditions for Travel for Citizens of Both Countries, signed on 08.02.2016, and entered into force on 17.04.2016.</p> <p>5. Agreement on the Opening of a New Regional Border Crossing Point for International Traffic between the Two Countries 'Belanovce- Stančić', signed 24.06.2013, and entered into force on 14.11.2013.</p> <p>6. Agreement on Border Regulation of Railway Traffic, signed on 15.09.2011, and entered into force on 02.03.2012.</p>	<p>1. Agreement on Mutual Recognition of Driver's Licenses, signed on 15.09.2014 and entered into force on 29.01.2015.</p> <p>2. Agreement on Air Traffic, signed on 25.12.2008, and entered into force on 15.10.2014.</p> <p>3. Agreement on International Road Transport of Passengers and Goods, signed on 31.03.2010, and entered into force on 06.06.2012.</p> <p>4. Agreement on Conditions for Travel of Citizens of Both Countries, signed on 19.04.2012, and entered into force on 13.12.2012.</p>	<p>1. Agreement on the Opening of the Joint Border Crossing Miratovac – Lojane, signed on 16.12.2019, and entered into force on 06.07.2020.</p> <p>2. Agreement on the Establishment of Joint Border Controls at the International Road Border Crossing Presevo (Serbia) - Tabanovce (Republic of North Macedonia), signed on 12.07.2019, and entered into force on 16.08.2019.</p> <p>3. Agreement on the Establishment of Border Procedures for the Tabanovce-Presevo Railway Border Crossing, signed on 16.02.2015, and entered into force on 11.09.2015.</p> <p>4. Agreement on the Reciprocal Recognition of Driver's Licenses, signed on 18.07.2014, and entered into force on 18.11.2014.</p> <p>5. Agreement on Conditions for Travel of Citizens of Both Countries, signed on 03.09.2011, and entered into force on 26.02.2012.</p> <p>6. Agreement on the Regulation of Local</p>	//
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					Border Traffic, signed on 18.09.2010, and entered into force on 08.12.2011. 7. Protocol on the Conduct of Joint Border Patrols Along the Common State Border, signed on 28.02.2011 (no ratification required).	
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Note: The tables presented in Annex 1 include references to bilateral agreements between the Western Balkan countries, they are the result of desk research conducted by the authors and are not intended to be exhaustive. The sources listed were compiled from publicly available documents, and the English translations of these sources were also undertaken by the authors. Sources: [1] Embassy of the Republic of Albania in Montenegro; [2] Embassy of the Republic of Albania in Serbia; [3] Ministry of Foreign Affairs of Republic of North Macedonia; [4] Ministry of Foreign Affairs of Republic of Serbia; [5] Official Gazette of Republic of Bosnia and Herzegovina; [6] Official Gazette of Republic of Kosovo; [7] Official Gazette of Republic of Montenegro. The authors take full responsibility for the English translations of the original sources.

ANNEX 2: Legal comparison

Country (Date of entry into force)	Associate Agreement	CEFTA Agreement
	Serbia (2013)	
Regional Cooperation Requirements (ie necessity to integrate primarily regionally)	Title III, Art 14: "Serbia shall actively promote regional cooperation. The Community assistance programmes may support projects having a regional or cross-border dimension through its technical assistance programmes.... implement fully the CEFTA";	Not applicable

	<p>Art 15: "Serbia shall start negotiations with the countries which have already signed an SAA with a view to concluding bilateral conventions on regional cooperation", main elements: political dialogue, free trade areas, various economic freedoms and cooperation in areas such as justice, freedom and security. "Readiness by Serbia to conclude such conventions will be a condition for the further development of the relations between Serbia and the EU";</p> <p>Art 16: Pursue regional cooperation with the other States concerned by the SA process;</p> <p>Art 17: "Foster its cooperation and conclude a convention on regional cooperation with any country candidate for EU accession in any of the fields of cooperation covered by this Agreement...should aim to gradually align bilateral relations... with the relevant part of the relations between the Community... and that country". Should also start negotiations with Turkey on establishing a free trade area.</p>	
Political dialogue structure (institutional exchange, high level, lower level etc.)	<p>Title II, Art 10-13: Political dialogue to be further developed between the parties to support the rapprochement between the EU and Serbia and increase convergence on international issues and security and stability; in addition to the institutions described below dialogue can occur directly between officials representing the Council Presidency or HRVP and those representing Serbia</p> <p>Art 119-125: Stabilisation and Association Council, made up of members of the European Council and Commission and the Government of Serbia, is established and shall meet at regular intervals and when required; the Council is to be supported by an SA Committee; Stabilisation and Association Parliamentary Committee established, consisting of members of the European Parliament and the Parliament of Serbia, to allow them to meet and exchange views</p>	No provision on political dialogue
Political dialogue: involvement of civil society	No	No
Freedom/liberalisation of trade in goods	Title IV, Art 18: "shall gradually establish a bilateral free trade area over a period lasting a maximum of six years"; controversial legal interpretation, see Sretic (2023), pp 6-7.	Article 1: "shall establish a free trade area by 2010"; Article 3: prohibition quantitative restrictions; Article 4: prohibition customs duties on exports; Article 5: Standstill on custom duties on imports
Trade in services	<p>Art 59: Liberalisation process- parties undertake to take the necessary steps to allow progressively the supply of services by firms/nationals of the other party, with a review after four years; temporary movement of key personnel allowed to support this;</p> <p>Art 60: "The Parties shall not take any measures or actions which render the</p>	<p>2019: Article 27: "The Parties will gradually develop and broaden their co-operation with the aim of achieving a progressive liberalisation and mutual opening of their services markets"; Article 28: "agree to promote the development of electronic commerce between them, in particular by cooperating on the market access and regulatory issues raised by</p>

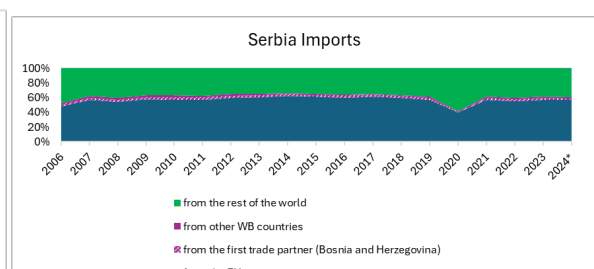
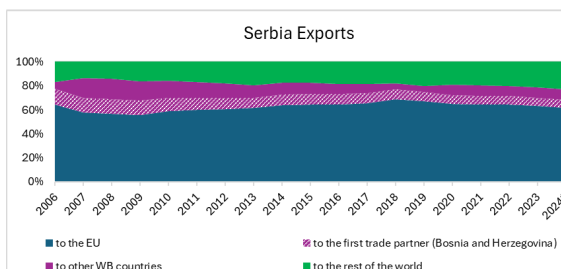
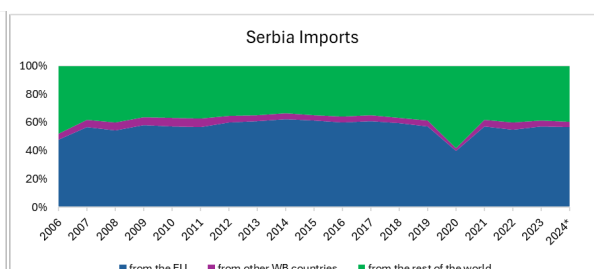
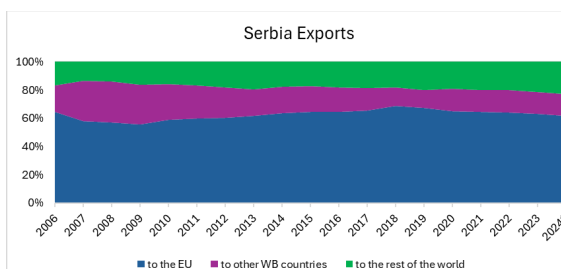
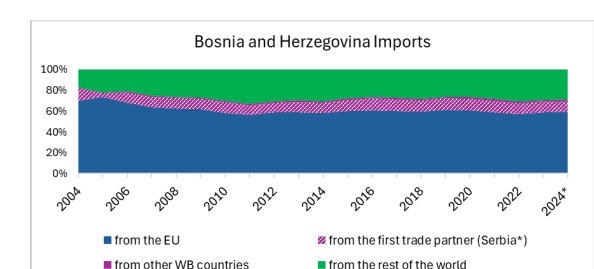
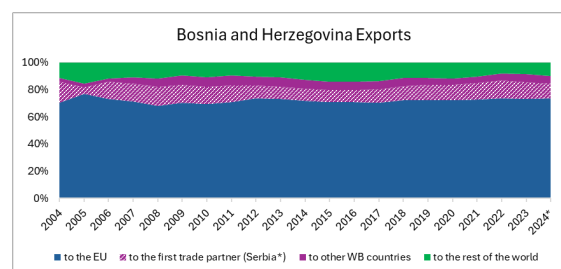
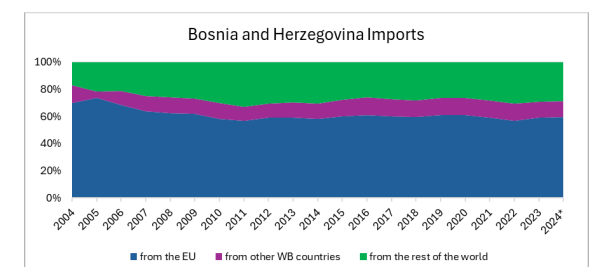
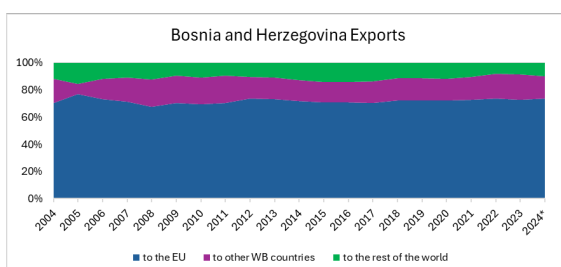
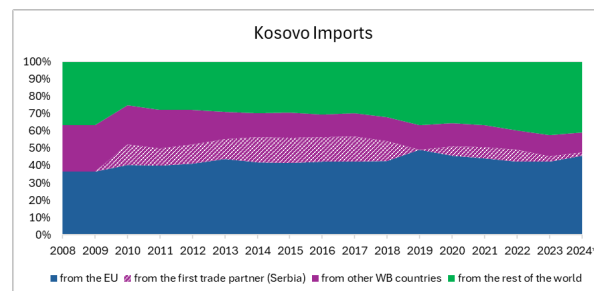
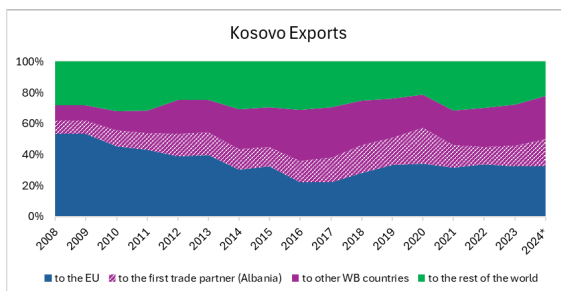
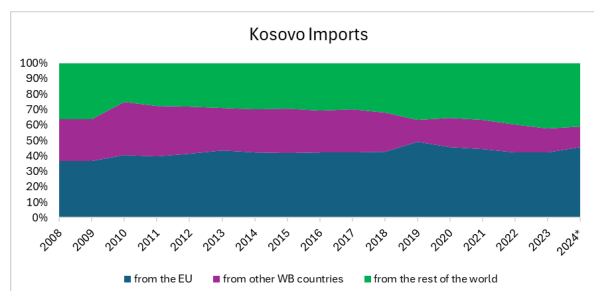
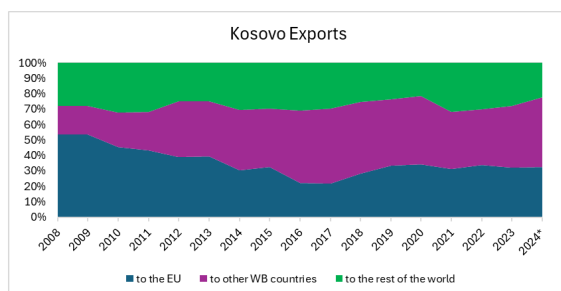
	<p>conditions for the supply of services by Community and Serbia nationals or companies which are established in a Party other than that of the person for whom the services are intended significantly more restrictive as compared to the situation existing on the day preceding the day of entry into force of this Agreement."</p> <p>Art 61: Provisions on transport services specifically</p>	<p>electronic commerce"; Article 29: "Joint Committee shall review on an annual basis the results of the co-operation referred to in Article 27 and, if appropriate, recommend, following its rules of procedure, the launching of negotiations with the aim to achieve progressively a high level of liberalization"; Protocol 6 Article 3 MFN: "shall accord immediately and unconditionally to services and service suppliers of any other Party treatment no less favourable than the treatment it accords to like services and service suppliers of"; Proto 6 Article 4: "each Party shall accord services and service suppliers of any other Party treatment no less favourable than that provided for under the terms" (amrket access]</p>
Freedom of workers	<p>Art 49: Non-discrimination rules</p> <p>Art 50: Bilateral agreements on access to employment for Serbians should be preserved, improved and possibly expanded to other Member States</p> <p>Art 51: Rules shall be laid down for the coordination of social security systems for Serbian workers, legally employed in the territory of a Member State and vice versa</p>	<p>no provisions on freedom of workers</p>
Freedom of establishment	<p>Art 53: "no less favourable than that accorded to its own companies or to any third country company, whichever is the better"</p>	<p>Article 32: "nsure fair and equitable treatment and full protection and security to investments of the investors of the other Parties."; "provide establishment and operation of other Parties' investments, a treatment no less favorable than that granted by each Party to investments made by its own investors"; Article 33: "consult within the Joint Committee, aiming for the gradual achievement of a broad coordination of their investment policies"; Proto 6 Article 14 payments: "no restrictions on transfers and payments"</p>
Freedom of capital and payment	<p>Art 63: "With regard to transactions on the capital and financial account of balance of payments, from the entry into force of this Agreement, the Parties shall ensure the free movement of capital relating to direct investments made in companies formed in accordance with the laws of the host country and investments made in accordance with the provisions of Chapter II of Title V, and the liquidation or repatriation of these investments and of any profit stemming there from." Free movement of capital relating to credits related to commercial transactions/provision of services, portfolio investment and financial loans and credits are also covered. Serbia should authorise and liberalise the purchase of its real estate by EU nationals so that they ultimately receive the same treatment as Serbians. After four years the SA Council will determine what remains to be done to apply full EU rules on freedom of capital</p>	<p>Article 16: Payment: "payments free from any restrictions RELATED TO GOODS"; Article 15: prohibitions of fiscal discrimination</p>

Provisions on non-tariff barriers	<p>Title IV: No explicit mention in trade in goods (though legally controversial, Sretic, 2023)</p>	<p>Article 12: Sanitary and Phytosanitary Measures: COOPERATE with aim of applying regulation in non-discriminatory manner" Article 13: Technical Barriers to Trade: not TO UNDERTAKE new "unnecessary" technical barriers to trade; harmonisation standards and regulations in Joint Committee; possibility to notify to JC "unnecessary" technical barriers, to be decided on action by JC; Protocol 5: "imply inspections related to clearance procedure; exchange data between customs authorities; Article 9 Prot 5: "apply common customs ; Article 13 Prot 5: "Data shall be exchanged, both at national and international level, between customs authorities and competent authorities involved in goods clearance by using of the established customs-to-customs data exchange infrastructure " procedures and uniform documentation requirements for the release and clearance of goods "</p>
Approximation of laws (e.g specification of laws to be approximated in Annexes)	<p>Art 72: The Parties recognise the importance of the approximation of the existing legislation in Serbia to that of the Community and of its effective implementation. Serbia shall endeavour to ensure that its existing laws and future legislation will be gradually made compatible with the Community acquis. Serbia shall ensure that existing and future legislation will be properly implemented and enforced.</p> <p>2. This approximation shall start on the date of signing of this Agreement, and shall gradually extend to all the elements of the Community acquis referred to in this Agreement by the end of the transitional period;</p> <p>3. Approximation will, at an early stage, focus on fundamental elements of the Internal Market acquis, Justice, Freedom and Security as well as on other trade-related areas. At a further stage, Serbia shall focus on the remaining parts of the acquis.</p> <p>Approximation shall be carried out on the basis of a programme to be agreed between the European Commission and Serbia.</p> <p>4. Serbia shall also define, in agreement with the European Commission, the detailed arrangements for the monitoring of the implementation of approximation of legislation and law enforcement actions to be taken.</p>	<p>no approximation provision in CEFTA</p>

ANNEX 3: WB trade partners

Figure A3.1: WB imports and exports of goods (2004-2024*), % of total

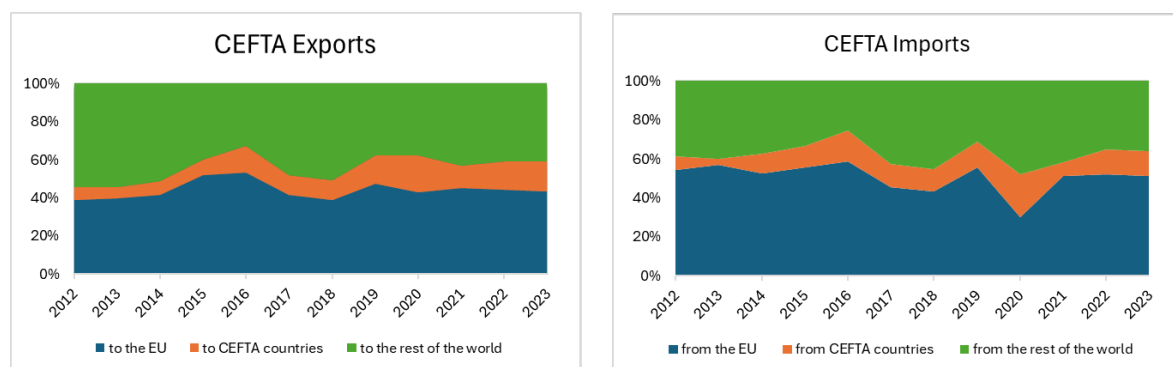






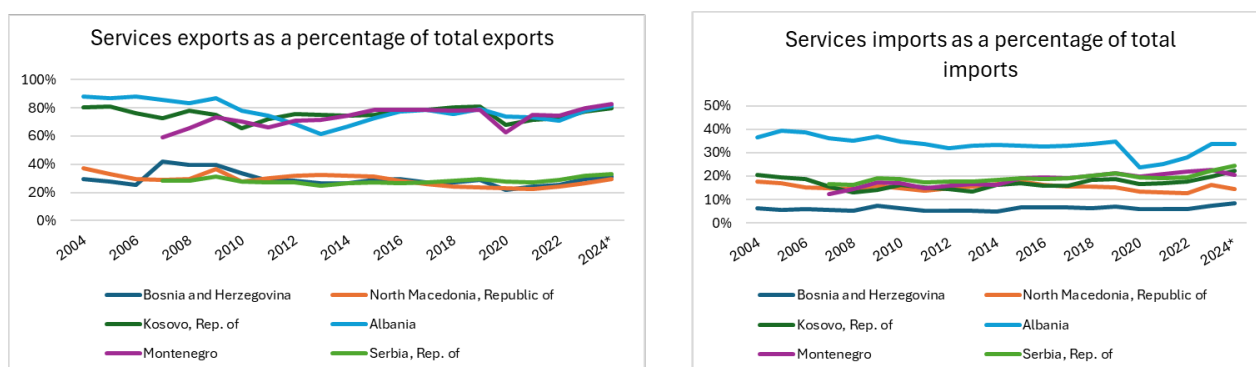
Source: Bruegel, based on IMF Direction of Trade Statistics. Notes: [*] for 2024, the data are based on the first three quarters of the year.

Figure A3.2: CEFTA imports and exports of services (2012-2023)



Source: Bruegel, based on CEFTA Transparency. Notes: data on Moldova and North Macedonia is missing.

Figure A3.3: WB imports and exports of services



Source: Bruegel, based on IMF Balance of Payments and International Investment Position Statistics. Notes: [*] for 2024, the data are based on the first three quarters of the year.



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