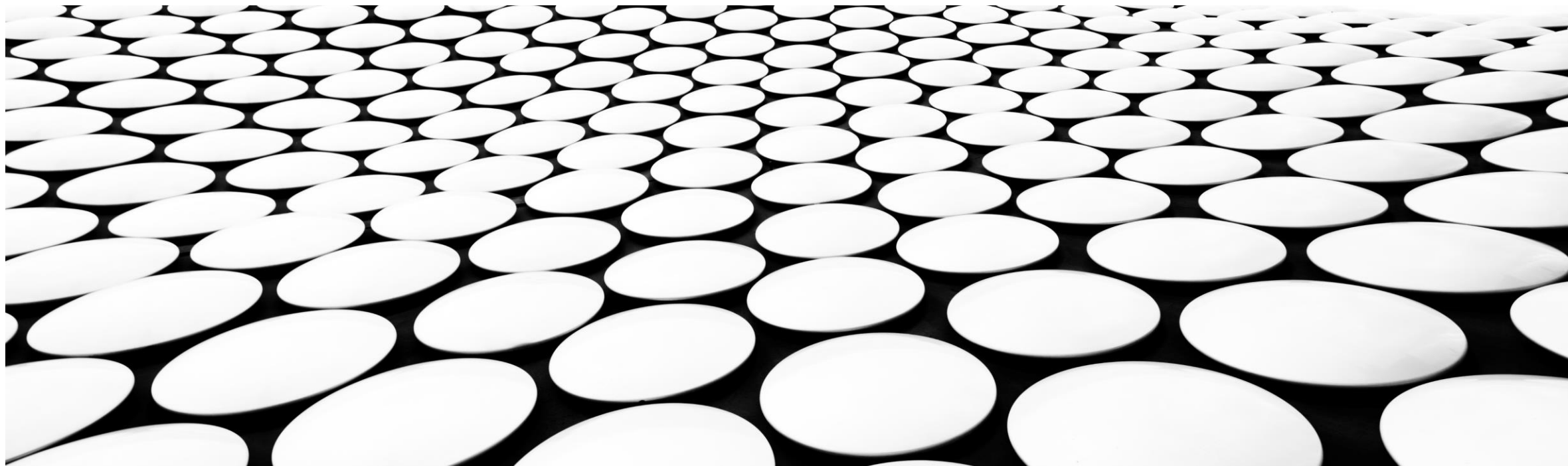

SERBIA AND EU – SINGLE MARKET INTEGRATION STORY

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HOW ALL HAD STARTED IN EUROPE

- European Coal and Steel Community (ECSC)-what was important?
- MARKET – without hurdles , first step towards common and later single European market
- FREE TRADE WAS THE BASIC OF THE EUROPEAN POST WAR DEVELOPMENT AND PROGRESS
- Serbia was dedicated to the model of single market inclusion and inclusion into other sectors with strong crossborder effects like – energy and transport



SERBIA AND EU SINGLE MARKET SINCE 2000

- Serbia had entered EU single market in 2000
- Serbian producers exporting duty-free to the EU since 2000
- Customs duties for all industrial and agricultural products coming from Serbia into the EU were abolished by the EU in 2000 with the application of the Autonomous Trade Measures. Only a few agricultural products remained protected by the preferential tariff quotas. This regime was unilaterally granted by the EU to Serbia in 2000 and it represented the most extensive trade concessions regime that was ever granted by the EU to any country or group of countries

SIGNIFICANCE OF 2009 AND SAA – INTERIM AGREEMENT FOR EU INTEGRATION PROSESS

- Serbia was gradually removing customs protection since 2009- and becoming market economy
- For Serbia, the reduction of import duties for goods originating in the EU started nine years later in January 2009 when Serbia voluntarily initiated the implementation of the trade-related part of the Stabilisation and Association Agreement, called the Interim Agreement.
- Since 2009, trade liberalisation on the Serbian side has been following a gradual and predictable six years' liberalisation schedule, reflecting the level of sensitivity of products for Serbian producers.
- From January 1, 2014, Serbia and the EU have reached the sixth and final year of the trade liberalisation schedule. However, the most sensitive agricultural products for Serbian farmers will remain protected with customs duties until Serbia's accession to the EU.
- The entry into force of the Stabilisation and Association Agreement in September 2013 further reinforced the economic benefits of the Interim Agreement. A number of new provisions contributed to improving the business environment in Serbia, including provisions related to the free movement of capital, public procurement, standardisation, rights of establishment and supply of services.
- Implementation of the Stabilisation and Association Agreement has raised standards of doing business for Serbian companies, gradually preparing them to compete with the EU companies on the Single Market and increasing their competitiveness in the long run.

SERBIAN FOREIGN TRADE



RESULTS FROM SINGLE MARKET TRADE INTEGRATION

- Serbia has substantially benefited from trade and economic integration with the EU. The EU is traditionally Serbia's key trading partner accounting for 54% of Serbia's total trade in 2022, with similar percentages persisting over the years. **The value of Serbia's exports to the EU have grown more than five times from nearly EUR 3.2 billion in 2009 to just below EUR 18 billion in 2022**
- Serbia's exports to the EU have been growing faster than imports from the EU. Coverage of imports by exports on the Serbian side has been improving; from 48% in 2009 to 83% in 2022 (83% of the value of imports from the EU were covered by Serbian exports to the EU).
- Serbia's most important EU trade partners: Germany, Italy Romania and Hungary
- FDI from the EU countries reached **a total of EUR 20.3 billion over the past twelve years.**



CAN THESE RESULTS BE JEOPARDIZED BY CBAM INTRODUCTION

- Answer is simple – YES
- 71,1% of Serbian export to the EU will be under CBAM regime which is roughly 12,5 billion euro

SECTORS INTEGRATION – SERBIAN PRIORITIES

- Transport – REBIS project, SEETO, Treaty establishing Transport Community
- Energy community – related legislative framework changes
- **MOST CHALNAGING CLUSTER – GREEN AGENDA OPENED IN 2021 (adopted negotiation position)**
 - Transport policy -chapter 14 – last status assessment in the Progress report 2023 – good level of approximation
 - Energy –chapter 15 – medium level of approximation
 - TENS –
 - Ecology and climate changes

ENERGY

- Dynamic changes after 2015
- Reforms in energy sector followed and supported by IMF - first results visible in 2023 – transformation of the ownership in SOE – energy and gas sector, first ever auction of renewables, energy prices increased 3 times within 12 months (households), taxes for use energy and other natural resources introduces and increased . However, IMF is not financing investments.
- Price alignment between different energy sources , SORS methodology and reporting aligned with EU regulations (highest level of preparedness in Progress report 2023)
- Law on Energy amended in 2019 – new services, new responsibilities for provision of services and energy preservation and saving
- Law on efficient use of energy – new Directorate for energy efficiency incentives (public, private and households)
- Law on renewable energy resource – 4 action plans implemented. The last one fit within Clean energy for all Europeans)
- New energy development strategy in place
- What we are waiting ? INVESTMENTS

DOES SERBIA HAVE CAPACITIES TO REPLACE 75% OF ENERGY PRODUCTION WITH CLEAN RESOURCES – NATURAL OR FINANCIAL

- Answer is simple – NO
- Are there plans in place – YES
- Adopted Integrated National Energy and Climate Plan 2030 with projection up to 2050
- RISKS – high country indebtedness and interest rate over longer period

HOW TO FINANCE NEW ENERGY REQUIREMENTS

- EU financing plans are on right track
- **2020 Economic and Investment Plan for the Western Balkans.** The Economic and Investment Plan sets out a **substantial investment package mobilizing up to €9 billion of funding for the region.** Plan is based on mix of grant scheme, credits from financial institutions and banks and grant scheme
- **In place is already 4,3 billion in grants and 10,8 billion in investments Underway is issuance of guarantees for financing sustainable developments**
- **IPA funded projects are mostly financing reform processes and capacity building in the area.**
- **Clean energy transition and connectivity - enlargement package 1 billion – 500 million for subsidies /investments in energy efficiency measures ; 500 million for energy supply diversification and renewables generation**

NEW IDEAS – NEW GROWTH PLAN WB

- COM_2023691 New Growth plan WB
- Economic convergence is a significant benefit of EU membership. **The positive impact on a country's GDP and income levels that arise from the integration with the EU's single market, combined with EU Cohesion Policy, has been clearly demonstrated in the past.** (This we had seen at the beginning of this presentation. Combining with the cohesion funds is new financing opportunities if we cooperate with MC and use EDRF etc.),
- This requires investments in modernization of the economies, as well as in infrastructure, for which additional financial assistance is needed. At the same time, fundamental reforms, including to strengthen the rule of law and fundamental rights, are indispensable to unleash the benefits of integration and to create a favorable environment to attract private investments and generate sustainable economic growth while reducing emissions. Building a modern, dynamic and decarbonised economy with improved employment opportunities will also reduce the incentive for outward migration.

NEW GROWTH PLAN WB – PROVIDES NEW OPPORTUNITIES FOR CLOSER LINKS TO THE EU SINGLE MARKET

- Enhancing economic integration with the European Union's single market Integration with the EU's single market has been the main driver of economic growth for all countries that joined the EU. For countries on the path to EU accession, closer association with the EU's single market would bring benefits that could be felt directly by their citizens. **Providing the Western Balkans with more opportunities for closer links to the EU's single market is a key rationale of the growth plan.** The objective is to bring economies closer to the single market once the necessary level of preparedness has been achieved. As part of this growth plan, the **Commission has identified seven initial priority areas**, which the EU could offer to the Western Balkan countries. (Bolding are from original document).
- BUT

NEW GROWTH PLAN WB

-Such integration would deliver substantial economic benefits to the region and would ensure a broad level-playing field amongst enlargement countries. **Completing the work to which the six partners have committed in the context of the Common Regional Market will be a necessary pre-condition for closer integration with the single market.**
- **This is hidden hurdle for single market integration – integration within non EU regulated markets is more volatile and longer process. Work within existing regional structures – like trainings, alignment of planning documents, trainings, even establishment of joint ETC structures and custom offices cooperation etc is acceptable.**
- The offer under the seven priority areas is based on own merits and also subject to prior alignment on EU acquis in each specific area, including having the necessary infrastructures and working institutions. **No Western Balkan partner shall be able to block access to the EU single market for the other five. THIS AGAIN RESAMBLE OF REGATE PRINCIPLE – EVERYBODY HAS ITS OWN AGENDA which reflects national priorities and preparedness within certain area.**
- These priority actions can be implemented by using the existing legal basis of the Stabilisation and Association Agreements, through targeted complementary agreements or by amending, as necessary, the existing Transport Community and Energy Community Treaties.

NEW GROWTH PLAN WB

- PILAR NO 5. : Integration and de-carbonisation of Energy markets: Building on the existing work within the Energy Community to integrate the electricity market in the region with that of the EU and opening the possibility for integration of other energy markets. This will take into account the need for an equivalent carbon price to the EU Emissions Trading System's carbon price or the application of the Carbon Border Adjustment Mechanism to allow for the continued electricity market coupling from 2030 onwards. This will be done by implementing the existing Energy Community treaty.
- The EU support is giving priority to energy interconnections and the use of renewable energy sources.
- FLAGSHIP 4 – Renewable energy
- FLAGSHIP 5 – Transition from coal
- FLAGSHIP 6 – Renovation wave
- INVESTMENTS ARE ALSO A MODE OF ENERGY MARKETS INTEGRATION, ESPECIALLY IF THE REFORMS ARE LINKED TO NEW TECHNOLOGIES INTRODUCTION, RAISING CONSUMPTION OR SIMPLY SAID – CARBON CAN NOT BE REPLACED WITHOUT SPENDING BILLIONS OR EVEN TRILIONS IN INVESTMENT
- HAS ANYBODY SEEN DATA ON THE EXPORT STRUCTURES OF THE WB. DATA ON ENERGY RESOURCES STRUCTURE S ETC.
- CBAM is not only issue of the energy sector . Energy sector has to implement huge reforms and INVESTMENTS to be able to support export of goods and commodities and even service on EU single market.
- In line with NEW GROWTH PLAN WB new financing model of energy sector is needed and EU ETS must be opened for candidate countries in line with their readiness.
- We gave some preliminary arguments for Serbian integration in EU ETS