

Speech by the Head of the EU Delegation to Serbia, Ambassador Sema Fabrici at the 18th Serbian Economic Summit

Dear Chair, co-panellists and honoured guests,

- Let me first express my appreciation for the invitation to the 18th Serbian Economic Summit – an event that has been gaining in importance and prominence throughout the years.
- Reflecting on today's topic at this EU Leaders Breakfast – The Western Balkans: Stabilisations and Integration, I will focus on:
 - This year's major developments in EU enlargement
 - Serbia's economic progress on its way to the EU

Major Developments in EU Enlargement

- The EU perspective for Serbia and the region has been clear for some time and the message of the EU has been consistent: **the future of the Western Balkans is within the EU, with firm conditionality and merit-based approach remaining the basis of the accession process** for the EU's own political, security and economic interest.
- The EU has this year clarified some very important principles of future enlargements and renewed its commitment with the adoption of the Western Balkans Strategy and the signing of the Sofia Declaration.

- The Western Balkans Strategy was adopted by the European Commission in February, and identified Serbia as a frontrunner. It is a **clear political commitment to enlargement**. Enlargement remains one of the core EU's policies.
- For the first time, the EU has given the Western Balkan countries also an indicative timeframe to join the Union. The EU door is open to further accession; however, membership with a **2025 perspective is an extremely ambitious goal, and fully dependent on Serbia's engagement in the accession process and its success rate in key reforms**. In a nutshell, the date is not a promise, it's an encouragement.
- Reforms, particularly in the Rule of Law area, need to happen now. The criteria of the enlargement policy are clear, and they will not change. There are no shortcuts on the European path. I must stress that **a credible enlargement perspective requires strong political will, credible efforts and sustained reforms, and definitive solutions to disputes with neighbours**.
- The Sofia Declaration was adopted in May. It reaffirms our commitment to the European perspective for the whole region.

- At the initiative of the Bulgarian Presidency of the European Union, the first EU–Western Balkans Summit was held in Sofia, the first one since the Western Balkans Summit of Thessaloniki in 2003.
- There are commitments and there are concrete initiatives to accompany the Western Balkans along the EU accession path, to strengthen cooperation in the areas of connectivity, security and the rule of law.
- When Serbia finally accedes the EU, there will be clearly some important benefits: having access to substantial funds, such as structural and cohesion funds; being part of the decision-making process of the most successful regional integration area; benefitting from the political and economic leverage the EU has across the world. But I wish to stress, that **the transformation process that leads to EU membership is even more important.** Because it is within this process that the crucial societal changes that benefit citizens the most, are made.

Serbia's economic progress

- The 2018 Annual Report that was published in April indicates that **Serbia made mixed progress in the assessed period.** We are now starting to work on the 2019 report.

- The political part remains the most challenging, including serious concern on the scope of political influence over the judiciary, the fight against corruption and organised crime, and freedom of expression.
- However, today, given the scope of this event, I will focus more on the economic part of the report, which from the onset I can say that it is faring better.
- **We recognise the commitment of the Serbian authorities to creating a functioning market economy and the important progress in implementing economic reforms, in securing macroeconomic and fiscal stability** (e.g. budget surplus, strong revenue performance). Inflation is contained, prices are stable. In particular, I want to stress that the 2018 figures are impressive as well: a nearly 5% economic growth, budgetary surplus again, increase in trade and investments.
- There was also progress in improving the business environment, where problems such as corruption, high share of informal economy (which we estimate to 30% of the GDP) and para-fiscal charges, persist.

- The report and the guidelines also stress the need to speed-up the **restructuring of large public companies**, in order to increase their contribution to economic growth. We need to recognise that some progress was achieved after the publication of last year's report and it will certainly be reflected in the next one.
- All mentioned is closely linked to one of the fundamentals of the accession process, **the Public Administration Reform**, being paramount to strengthening governance at all levels. This includes improving the quality and accountability of administration, increasing professionalism, de-politicisation and transparency, more transparent management of public finances, and better services for citizens. An appropriate balance between central, regional and local government also needs to be found.
- It is extremely important for the accession process for Serbia **to keep the economic reform momentum going** and not show complacency over the past results.

- The **EU accession process is a demanding exercise that brings forward political and economic reforms**, which need to happen in tandem. The underdeveloped private sector is a prime example of this, hampered by weaknesses in the rule of law and the enforcement of fair competition. Reforms are needed, not as a "ticking the box" exercise that would satisfy the EU, but as the necessary change to bring forward economic development, generate employment and ensure the respect of fundamental rights.
- At this stage, 14 out of 35 chapters are opened, 2 of them are provisionally closed. We now wait to see how many new chapters will be opened under the Austrian presidency – the figure will certainly reflect the assessment by Member States on how well Serbia is progressing with the implementation of key reforms in the Rule of Law area.
- Serbia, as the largest and most important country in the region, can serve as a strong encouragement to the entire region.

Conclusion

- Let me conclude by saying that the story of the EU and Serbia is one of an ever-closer friendship that should eventually lead to Serbia's accession to the EU. Over the last few years, we have already achieved incredible results.

- Our economic ties are as strong as they have never been. Our trade is constantly growing. If I mention the freshest figures: **The EU remains number one trading partner for Serbia**, with Serbian exports to the EU accounting for more than 66% of total exports and more than 62% of total imports in 2017. **The value of Serbian exports to the EU more than tripled in the past nine years**, thanks to the Stabilisation and Association Agreement that we have in place.
- The EU remains the number one foreign investor (73% of all FDI since 2010) and by far the largest donor in Serbia (EUR 200 M per year of non-refundable grants). Our security is more and more connected, and our foreign and security policy is more and more coordinated. **Despite all progress, a great lot remains to be done.**
- Serbia must now urgently tackle the key economic areas that I have highlighted, and in parallel address the serious political issues of concern.
- **Serbia needs to make the accession process the top priority.** Success of Serbia's accession process can only happen if joining EU becomes **national project**, with all societal forces rallied behind.

Thank you very much for your attention.