

TURNING THE TABLES: SEE6 contribution to EU Competitiveness

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Contributing Authors:

Ardian Hackaj, Cooperation and Development Institute
Krisela Hackaj, Cooperation and Development Institute

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Cooperation and Development Institute
Str., Dervish Hima, Ada Tower / Nd. 5, Ap. 14, 1001, Tirana, Albania
E-mail: info@cdinstitute.eu | Website: www.cdinstitute.eu

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This publication is an excerpt from Tirana Connectivity Forum 2024 [Report](#): “Accession before Membership: boosting South East Europe 6 all-sector alignment with EU”.

Its objective is to: i) bring in focus the pivoting of SEE6 (South East Europe 6) in EU integration dynamics from policy-takers to policy-shapers; ii) contribute to the discussion on SEE6-linked comparative advantages; and, iii) encourage the EU to consider SEE6 as strategic partners instead of merely beneficiaries.

We decided to publish it separately under the title "Turning the Tables" to highlight the necessary strategic shift in how the SEE6 and the EU should approach Enlargement strategy.

Background

SEE6 is more than just a regional market of 17 million customers, or a group of countries with an EU vocation; it is also a region with distinct comparative advantages that can contribute to European competitiveness in concrete ways. These advantages lie in its strategic location, in its endowment in resources, in its people and in its alignment with EU rule of law standards.

In the last decade, [the SEE6 accumulated trade deficit with the EU has surpassed one hundred billion euro](#). A significant part of EU-SEE6 trade includes intermediary goods which are moved within value-producing chains of EU businesses. We posit that beside this advanced integration on the demand side, the SEE6 supply side and further inclusion of region's industry in EU supply chain present a tangible and immediate interest for European competitiveness and its strategic autonomy. Already EU businesses have set up many production facilities in the SEE6. As such the region must be included in respective EU strategies and policy-making measures.

Strong industrial capabilities have proven essential in times of crisis where countries with robust manufacturing sectors were better equipped to navigate economic disruptions. SEE6 region being small and embedded in EU economy, it is natural that its industrial policy should fit to EU's resilience planning.

It is also in the interest of EU to count on SEE6 industrial offer. In a world ever more separated in trading blocks, integrating SEE6 production capacity into EU trade flux and supply chains adds to EU weight [in the global industrial production](#). Additionally, including SEE6 in EU industrial policy practically helps the block to better face the impact of climate change, geopolitical instability, and any global crisis such as the pandemic.

To present some SEE6 place-based comparative advantages, we have used the overall megatrends reshaping today's industry i.e.: i) energy and the green transition; ii) rise of AI and the digitalization of production; iii) Global Value Chain reconfiguration; and, iv) demographic changes and migration. As those megatrends affect both EU and SEE6 we have built upon the sector categorization of [Draghi report](#).

In the array of assessment and proposals advanced in the Draghi report, we have identified components, processes, sub-sectors or supply-chain links where SEE6 holds a comparative advantage potential for European industry and have illustrated them with additional information drawn from industry sources. In certain sectors we have provide examples and advanced recommendations.

This list is by no means exhaustive. Its goal is to bring the added value of some SEE6 place-based resources and assets to the attention of European policy-makers, of businesses and of other relevant European stakeholders. Its objective is to launch a discussion on the inclusion of SEE6 into pan-EU strategic planning and policy-making before full membership.

I. Energy

Due to its geographic location SEE6 contributes to European energy interconnectedness; to fluidification of electricity and gas transit; to elimination of bottlenecks on natural gas and power interconnections in surrounding Member States; to diversification of EU energy supply; as well as by offering additional natural gas storages.

SEE6 inclusion in EU TEN-E optimizes EU energy supply, reduces price variations and flux congestion as well as minimizes related risks across MS surrounding the region. Further integration of SEE6 energy regulators into the governance of EU Single Market for Energy may be a low hanging fruit in this sector.

Lastly, SEE6 countries have shown interest in [building up stakes in large and complex projects on clean power generation](#) facilities¹ implemented in neighbouring EU Member States. This development is not new – [Albania and Italy](#) have touched the subject of a joint endeavour in power generation since 2008. Properly planned, financed, implemented and operated this kind of collaboration contributes to cover the eventual EU MS project financial needs as well as further greens, diversifies and securitises the SEE6 own energy supply.

II. Critical Raw Materials

SEE6 can help in increasing and diversifying the available EU Critical Raw Materials (CRM) supply, strengthening supply chains, or mitigating risks resulting from sustained higher prices and volatility. The region is rich in CRM - Serbia hosts one of the [largest lithium deposits in Europe](#); in [BiH a 1.5 million metric tons of lithium carbonate equivalent](#) deposit has been discovered in 2023; while Kosovo, North Macedonia and Albania have large proven reserves of nickel and cobalt.

Including SEE6 in EU CRM strategies, policy-making and respective financial instruments will contribute to a lower EU dependency on mining and refining, and to the increase of EU share in CRM global production (currently SEE6 has 10 mineral deposits in nickel–cobalt while EU has 25 – SEE6 possesses world-scale proven lithium reserves).

Of interest is the inclusion of SEE6 in the European strategy(ies) that cover(s) the entire CRM value chain – from mining to final products. At the same time SEE6 actors should be allowed to participate and be encouraged to apply for [EU Strategic Projects status under Critical Raw Materials Act](#).

III. Digitalisation and Advanced Technologies

SEE6 can contribute to Europe's Digitalisation and Advanced Technologies (DAT) competitiveness strategy for the forthcoming decade, by: i) bringing in its human capital, talent and expertise in Computing and A.I. - many SEE6 talents figure among successful entrepreneurs in US (OpenAI) or in EU ([iGenius](#)); and, ii) fill in certain spots in electronic and semiconductor supply chain such as in design, packaging and assembly (currently outsourced by EU companies to East Asia).

Due to its geographical location, the region is strategically positioned along vital information routes connecting the South, East, Europe, and the Atlantic – vital for EU member countries aiming to [become data hubs \(such as Italy\)](#). The region can host a [resilient, high-speed and low-](#)

¹ Currently, around 70 % of the energy in the region is produced from coal (with Albania as a notable exception)

[latency connection between south-east and western Europe](#), sorely needed in the continent's network infrastructure for more than two decades.

Another contribution is the [high-capacity point-to-point underwater fibre-optic cable linking Egypt to Albania](#) which will provide a different transit passage compared to the already existing Mediterranean routes to the main internet Point of Presence (PoP) in Frankfurt, Sofia, Vienna, and Budapest.

IV. Energy Intensive Industries

SEE6 can bring in a greener energy mix and lower material costs as compared to EU's, especially for mineral and basic-metal industries' outputs destined for neighbouring EU countries. The introduction of CBAM in 2026 may initially penalize SEE6 Energy Intensive Industries (EII) producers, while at the same time make the case for an acceleration of green energy investment in the region.

However, any investment in EII in the region must take into account the current situation of Rule of Law and the normative applicable context, as well as the good governance situation of local monitoring, controlling and enforcing institutions. Further investment in EII should also be in full respect to Chapter 27 "Environment and Climate Change" and be accompanied with the necessary support from applicable EU relevant policies and financial instruments, and not only from IPA or the new comer Growth Plan.

Counting on a potentially abundant and stable supply of cheap low-emission energy, SEE6 are a competitive location for the establishment of green regional industrial clusters around the EU's EIIs.

V. Green technologies

Due to lower operating and capital-cost, SEE6 can become a competitive destination for EU companies that are cutting their production in the EU and / or relocating to other world regions with lower production costs. Bringing their production facilities in SEE6 directly contributes to products, services and processes that use fewer resources and have a minimal impact on the environment and to the society compared to traditional technologies.

SEE6 can produce different parts of the EU supply chain, adapted to their place-based comparative advantage (e.g. resource availability, lower cost-structure, optimal connectivity, refining or manufacturing infrastructure presence, etc) all by being part of EU-certified standards on environmental footprint, labour rights, cybersecurity and data security.

VI. Automotive

SEE6 region offers an already established production matrix and proven track record of automotive production facilities, services and processes, that are well embedded in the European supply chain. The long-term region's experience in industrial manufacturing; its emerging local sub-contractors network; increased factor mobility within intra-SEE6 borders due to progress in regional cooperation; improved connectivity within the region, and of the region with the EU; and, the recent foray by world-standard companies in R&D activities on both software and hardware product development, on IT and on shared services, make the region an attractive location for the EU automotive sector.

SEE6 should be accounted for in any pan-European industrial strategy and / or EU automotive companies' strategic plans to be able to valorise the region's comparative advantages in certain

stages of automotive value chain such as in mining, supplying raw materials, refining or manufacturing.

VII. Defence

Geopolitically Europe is a *de-facto* unified security area. Acknowledging the mutual dependency, SEE6 – EU Security and Defence Partnerships (EU – Albania SDP was adopted in November 2024) outline common actions to jointly address the risks that both EU and SEE6 country face.

In the economic layer, the SEE6’s complementarity to the EU defence industry based on certain niche-specialisation, can be a source of resilience when the Europe’s defence industry is viewed as a whole. Additionally, SEE6 - EU demand aggregation for defence assets and / or collaborative procurement of defence equipment – at least for the SEE6 NATO members, – can contribute to secure favourable financial terms and conditions, which are essential for strengthening Europe’s industrial capacities.

VIII. Pharma

Demand for affordable medicines is growing, especially as global supply chains face disruptions. Covid 19 exposed Europe’s reliance on everyday medicines from India and China. Geopolitical, environmental and market shocks has led [EU countries](#) to call for “[reshoring](#)” the production of essential medicines.

In a sector of critical importance, SEE6 can bolster the resilience of EU pharmaceutical supply chains by mitigating shortages of critical medicines, most of which are off-patent (generics account for [70 percent of all drugs sold in Europe](#), and for 9 out of 10 critical medicines); strengthening supply resilience; or becoming a destination of near-shoring through the development of new pharma productions sites.

IX. Transport

SEE6 transport network connects Adriatic Sea with the Black Sea, and the Mediterranean with the Central Europe and the North Sea. Surrounded by EU member countries SEE6 transport connectivity contributes to quicker, safer and cheaper EU access to goods, resources and services². Geopolitically, it directly contributes to EU security, and to the defence and military mobility in continent’s southern flank. The unique expertise that EU has gained in SEE6 with the Connectivity Agenda since 2015 and with the Economic and Investment plan, can be adapted, upgraded and embedded into EU’s Global Gateway.

Currently EU financial support to SEE6 transport infrastructure is canalised through Western Balkans Investment Framework – a blending facility that brings together EU grants (from IPA and the Growth Plan) and International Finance Institutions loans to co-finance infrastructure. SEE6 can also access INTERREG cross border programs for small cross-border projects, and Connecting Europe Facility (CEF) under certain conditions.

An additional win-win scenario can be to encourage EU companies to engage with SEE6 through public-private partnership (PPP) financing models, such as build-operate-transfer agreements, especially for large infrastructure projects. Albania is specifically suited for this kind of

² The completion of the Trans-European Transport Network (TEN-T) – where SEE6 is part of since 2024 – is expected to bring an annual GDP increase of EUR 467 billion in 2050 for the EU.

partnership given the significant amount of ongoing and planned PPP targeting the country's infrastructure development.

X. Food Security and Agro processing

The climate in the WB is ideal for agricultural production. Fruit is the most competitive group of agriculture products, while countries located more southward from the largest EU markets are particularly suitable to produce high added value primeur vegetables.

Endowed with favourable conditions. Serbia³ is competitive in cereals and industrial crops, while Kosovo and North Macedonia have abundant arable land suitable for cereal production; Albania and North Macedonia offer high added value fruits and vegetables.

SEE6 geographical position and its relief offer essential resources such as water (Albania, Montenegro and BiH) and high sun exposure time necessary for high added value primeur agriculture products. Local agro-industries have the potential to efficiently use this potential, enhance food availability, enrich its variety, and generate local jobs.

The SEE6 modern transport infrastructure and better integration of region's food and agro-processing into EU value chains will not only bring its contribution to the securitisation of EU food supply, but also will further valorise the European unique blend of high quality and food diversity offer in the world market.

Reflection scenarios on added value of SEE6 competitiveness

The inclusion of SEE6 into the EU's near shoring approach has been brought to the fore by Covid-19 and Russia's invasion of Ukraine. Production in Europe is now a key priority.

Along with geopolitical developments, there is a growing need to ensure an efficient, cost-effective and rapid production and supply; to optimise and stabilise supply chains; to reduce the carbon footprint and environmental impact; and to bring the production closer to the European market. [SEE6 offers](#) such advantages as well as a qualified workforce, competitive labour costs, reduced dependency on Asia, low energy prices, political stability and strategic alignment with EU, reduction of carbon emissions, and available renewable energy sources, all of which make it an attractive option for near shoring.

The future comparative advantages will depend on how goods and services are produced, with pollution being a significant cost factor. The availability of renewable energy sources and the progress in decarbonisation and in implementation of EU environment standards are directly linked to the cost structure as they contribute to the visibility, tracing and compatibility of SEE6 produced goods.

The withdrawal of multilateralism and the emergence of trading blocks, renders necessary the protection of European domestic industry. An EU coordination at regional level is required to limit intra-regional fragmentation and support regional centers of excellence.

To that end, EU industrial policy coordination at the regional level is crucial. To minimize redundancies in production capacity and improve return on investment for state support, SEE6

³ By the end of 2024, Serbia's corn export estimation stands at 2.6 million worth over \$620 million making the country one of the leading European corn exporters; at <https://www.world-grain.com/articles/19949-serbia-wheat-ending-stocks-remain-high>

should align the design and implementation of its industrial policy measures with EU, focusing on targeted sectors, policy tools, and the scale of such interventions.

The EU must create the policy-making and financial space and provide support to such an endeavour. By virtue of its full membership vocation and its current embedment in EU economic system, SEE6 should become part of any EU policy that supports cross-border regional value chains, the development of new manufacturing facilities or job training programmes.

The European industrial policy must include SEE6 as both a destination and as an actor engaged in key technologies of tomorrow. SEE6 should be fully incorporated into the EU policy-making process, benefiting from EU instruments and participating in related programs. The ever-increasing adoption of *acquis* on EU Single market, on green transition or on the social achievements creates a natural continuum between EU and the region. The inclusion of SEE6 in the Important Projects of Common Interests would be the next welcome step.



Cooperation and Development Institute
Str., Dervish Hima, Ada Tower / Nd. 5, Ap. 14,
1001, Tirana, Albania

E-mail: info@cdinstitute.eu | Website: www.cdinstitute.eu