

# Central European Initiative Dialogue Forum

by Eleonora Poli, Lara Laviola and Laura Sacher

## ABSTRACT

The Central European Initiative (CEI) Dialogue Forum, held in Rome on 10–11 October 2019, gathered experts from central Europe to discuss how the CEI and its member countries could promote fairer policies and stimulate positive economic returns when it comes to youth mobility and private entrepreneurship. The report collects some key policy recommendations highlighted during the two days event.

*Youth | Labour market | Education | Migration | Economy | Balkans | Eastern Europe | Italy | Regional integration*

**keywords**

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by Eleonora Poli, Lara Laviola and Laura Sacher\*

### Introduction

Thirty years after its foundation, the Central European Initiative (CEI), as the unique regional intergovernmental forum of its kind, has still a fundamental role in promoting sustainable development and cooperation among its member countries. On the occasion of the CEI Italian Presidency, the Istituto Affari Internazionali (IAI) in cooperation with the Italian Ministry of Foreign Affairs and International Cooperation and the CEI, has launched the CEI Dialogue Forum, held in Rome on 10–11 October 2019.

The CEI Dialogue Forum engaged experts from the region representing institutions, industry, academia and civil society to exchange ideas and highlight new paths for enhancing regional cooperation. The participating organisations were: the Institute of Public Affairs (IPA, Poland); the European Policy Centre (CEP, Serbia); the Regional Youth Cooperation Office (RYCO, Albania); the Institute of Economics (EIZ, Croatia); the EUROPEUM Institute for European Policy (Czech Republic); the Central Research Institute of the Spiru Haret University (ICCS, Romania); the Centre for European Perspective (CEP, Slovenia); the New Europe Center (Ukraine); the PREDA Plus Foundation for Sustainable Economic Development (North Macedonia); and the Center for Innovation and Entrepreneurship of the International Burch University (IBU, Bosnia Herzegovina). Two experts on green economy and business development also took part in the forum, providing their insights from Hungary and Montenegro.

The aim of the forum was to elaborate recommendations on how the CEI and its member countries could promote fairer policies and stimulate positive economic returns when it comes to youth mobility (Panel 1) and private entrepreneurship (Panel 2). Indeed, as outlined by the "Trieste Declaration", published in the aftermath of the CEI annual meeting of the Ministers of Foreign Affairs, held in Trieste on 11–12 June 2019, the CEI's member countries need to tackle youth unemployment in the region and boost fairer economic trends by adopting an "Agenda for

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· Report of the CEI Dialogue Forum on Youth organised in Rome on 10-11 October 2019, under the Italian CEI Presidency, by the Istituto Affari Internazionali (IAI) and the Italian Ministry of Foreign Affairs and International Cooperation.

Youth”.<sup>1</sup> Against this backdrop, each CEI Dialogue Forum participant was asked to contribute to the two panel discussions – each respectively introduced by a keynote speech setting out the general framework of the issue addressed – and to provide some policy recommendations for the CEI Executive Secretariat and CEI member countries. The outcome of the discussion is summarised in this report.



## Panel 1: Mobility and youth employment

In the last decades youth mobility has been considered one of the fundamental goals in the context of cooperation among European countries, and it has been fostered at both educational and employment levels. Often facilitated by countries of origin, youth mobility has been long considered as a tool to reduce unemployment rates, while improving individual working conditions and professional skills. However, when it turns into a “brain drain” of the best and brightest young professionals of a particular country, mobility can reduce chances for a sustainable and fair economic development. At the same time, as speakers outlined, negative side effects might well be experienced by the receiving countries too. Against this backdrop, it is not by chance that the UN 2030 Agenda for Sustainable Development has highlighted the need to boost fair and equitable employment policies, especially for young people.

Looking more closely at the CEI member countries, youth unemployment and mobility rates have different trends across the region. In the South-eastern European area, namely in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Italy, Montenegro, North Macedonia, Romania and Serbia, the average rate of unemployment is 13 per cent, with North Macedonia and Bosnia reaching peaks of at 21.6 and 20.8 per cent respectively. This is considerably higher than the average rate registered in Central Eastern Europe. In Poland, Czechia, Hungary, Slovakia, Moldova, Belarus, Ukraine and Slovenia the average rate of unemployment is around 5 per cent, with Czechia and Moldova holding the lowest rates at 2.4 per cent and 3.4 per cent respectively.<sup>2</sup> Although this comparison stresses profound differences, data on net migration highlight a convergence among all the countries. Indeed, the average net migration of all the CEI countries is –0.8 per cent and the scenario looks quite harmonised, presenting only two outliers: Moldova (–9.3) and

<sup>1</sup> See CEI website: *CEI Ministers of Foreign Affairs Discuss in Trieste CEI's Common Vision for the Future*, 12 June 2019, <https://www.cei.int/node/8535>.

<sup>2</sup> World Bank Data, referring to the year 2018.

Italy (+3.6).<sup>3</sup>

Against this backdrop, panel discussants highlighted some specific negative aspects of youth mobility, mainly linked to unemployment rates and demographic changes. In the *sending countries*, besides the “brain drain” phenomenon, youth mobility has resulted in reduced state investments in education and public services as well as in decreasing consumption and loss of tax incomes and social contributions. Moreover, it has had a negative impact on demography, often contributing to creating a shortage of qualified job profiles due to a general skills loss, especially in terms of creativity and entrepreneurship. With regard to the *receiving countries*, discussants highlighted that the presence of skilled workers accepting jobs below their qualifications, and/or with lower salaries in comparison with locals’ ones, negatively affects national labour markets, creating unfair competition among workers. At the same time, workers’ mobility presents also some costs when it comes to higher expenditure related to social adaptation, social security and the benefit system.

Given the “pan-European” nature of these issues, consensus gathered on the necessity to adopt strategic measures at the EU, regional and national levels in order to strengthen cooperation.

When it comes the *EU level*, experts highlighted the following policy proposals:

- *European youth grant*. Although it did not receive unanimous consensus among the discussants, some experts proposed the idea of having a one-time grant, that each EU citizen could receive at the age of 18 and loosely invest in education, entrepreneurship and housing. Experts proposed also the creation of a European fund for helping young people in buying their own house.
- *European minimum wage*, taking into account purchasing power and average wages of each country.
- *European unemployment insurance*. Although repeatedly proposed in recent years and never implemented, it received the unanimous support of the discussants as a tool to provide macroeconomic stabilisation and convergence, and to boost economies experiencing high rates of unemployment.

When it comes to the *regional level*, experts addressed the following proposals:

- *General improvement at a regional level through macro-strategies* on the rule of law, democracy, institutional checks and balances as well as media freedom, which lay the ground for any kind of improvement, be it economic or social.

<sup>3</sup> Central Intelligence Agency, “Net Migration Rate”, in *The World Factbook 2018*, <https://www.cia.gov/library/publications/the-world-factbook/fields/347.html>. The index results from the difference between the number of persons entering and leaving a country during the year per 1,000 persons.



- *Migration tax.* According to this proposal, a small portion of the income tax of immigrants working in receiving countries should be transferred to the sending countries to finance initiatives on education and innovation.

- *Developing standardised school systems.* Fostering mutual recognition of educational diplomas could help young jobseeker to find better jobs. Experts also highlighted a general mismatch between what youth learn at school and what they experience in their everyday life through digitalisation. Introducing integrated paths of computer science and innovation technology through their education would allow students to better meet labour market needs.



When it comes to the *national level*, the following policy proposals arose:

- *Mobility projects promoting reverse brain drain.* Countries should finance programmes for youth to move abroad for one year, acquire experience and then be able to move back. This would imply the creation of a stable dialogue among national institutions, business sector and young people.

- *Implementation of public services.* Among the issues highlighted, participants pointed out the disparities in terms of life quality between, on the one hand, capitals and large cities and on the other hand the rest of the countries. Mobility inside the national territory, from rural to urban zones, has a fundamental impact on the “brain drain”. Investments in infrastructures as well as forms of smart working could help invert the depopulation trend affecting rural areas.

### Panel 2: Entrepreneurship, competition and national policies

Economic globalisation and technological advances have led to an exceptional opening of markets and to greater business opportunities. In a world increasingly dominated by international and multinational companies, the ability of small and medium-size enterprises (SMEs) – which are often characterised by traditional manufacturing and limited use of new technologies – to remain competitive has long dominated national political agendas. Indeed, new entrepreneurs are often considered unable to compete with large multinational businesses in terms of volume, productivity or cost. The general idea is that, in the absence of appropriate regulations, this trend can certainly affect fair competition, leading to forms of market monopoly or predominant positions at the expense of new and relatively smaller business initiatives.

Yet, experts from CEI member countries highlighted a different story. According to them, the major barrier confronting central and south-eastern European economies is not only the increasing international competition SMEs are facing, but the lack of adequate market institutions. In some countries, high labour costs, cumbersome and inefficient bureaucracy and lack of transparency make the business framework obsolete both for SMEs and for multinational companies. Similarly, in some countries, lack of trust in the local monetary system, lack of transparency by governments, grey economy and absence of entrepreneurial culture result in the complete failure of SMEs and in increasing difficulties for international companies to invest.

Although there is a wide consensus among CEI member countries on the rejection of anachronistic approaches such as protectionism, discussants have acknowledged that strategic actions have to be taken first and foremost at the national level, especially in terms of transparency, fight against corruption and public investments in research and development. To date, the majority of CEI countries spend around 22 per cent of their GDP in gross fixed capital formation, which essentially represents the net investments made by resident producers, minus disposals.<sup>4</sup> The only two countries registering a substantially lower investment expenditure are Czechia and Italy. Against this backdrop, participants agreed on the need to facilitate the influx of more investment in strategic research and development, which could certainly boost innovation and sustainable development. Moreover, as far as corruption is concerned, the Transparency International Corruption Perceptions Index shows an uneven picture, with countries like Poland and Slovenia clearly outperforming for instance North Macedonia and Albania.<sup>5</sup> Against this backdrop, to encourage investment and enhance productivity and competition, national and regional policies should implement the following actions:

1) *Increasing regional initiatives to fight against corruption and tax evasion.* This means promoting a more efficient and harmonised judiciary system and bureaucracy that could encourage foreign direct investments as well as help the local business environment.

2) *Setting efficient national industrial plans.* Each CEI member country should develop a national plan to attract the development of competitive and resilient firms (like Impresa 4.0 in Italy). For instance, national, regional or EU investments in *green economy* or in *innovation, research and development* could provide a fertile business framework and boost local economies. At the same time, given that several countries are still experiencing a high tax wedge, reaching a peak of 47.9 per cent of the cost of labour in Italy, the tax burden should be shifted away from workers. The reverse situation negatively affects employment rates and hampers productivity growth.

<sup>4</sup> World Bank Data, referring to the year 2018.

<sup>5</sup> Transparency International, *Corruption Perceptions Index 2018*, <http://www.transparency.org/cpi2018>.

3) *Strengthening policies on education.* CEI member countries should invest more in training and in innovation technology, especially in secondary schools, in order to create a fertile ecosystem for the start-ups of tomorrow. In the last decades, in many CEI countries the education sector has been widely underfinanced. Schools should have a paramount role in orienting youth towards an entrepreneurial culture, also through the implementation of active partnership between secondary schools and employers. Traineeships and work experiences would enable young people to get to know the start-up sector and consider it an opportunity alongside traditional jobs.



4) *Monitoring support measures.* Improving multilateral and supranational networks through the exchange of information and best practices among CEI member countries' agencies and research centres could bring new growth opportunities. Expertise could be transferred and exchanged through periodic workshops and conferences bringing together experts and stakeholders. In this context, monitoring and the use of scalable support measures is crucial.

5) *Fostering projects for emerging young entrepreneurs.* The idea is to develop regional or bilateral projects, like the one between Hungary and Slovakia called EYES, to develop entrepreneurial spirit and foster transnational cooperation, particularly in sharing good practices and providing information on how to develop innovative businesses.

6) *Enhance forms of public and private sector partnership.* Boosting the role of the private sector in working with regulators to favour alternative sources of financing for SMEs and start-ups, such as public credit guarantee systems to boost their capacity building.

7) *Development of regional business networks.* This would revitalise industrial relations systems and help national enterprises and their intermediary organisations to get easier access to third countries' markets.

8) *Fighting against corruption.* Corruption heavily affects emerging economies, through inefficient allocation of resources, low incentives to innovation and disincentives to foreign investments. A convergence towards high standards of anti-corruption legislation is highly desirable because of the alarming emergence of corruption in national governments. New measures have to be introduced in sectorial legislation, to promote integrity and proper management of public affairs.

9) *Transparency*. Access to information increases the responsiveness of government bodies, while simultaneously having a positive effect on foreign private investment. Fair and transparent information is a precondition for developing innovative businesses, boosting productivity, transforming public services and finally, improving citizens' quality of life.

## Conclusions

Thirty years after the foundation of the Central European Initiative, despite their reciprocal geopolitical and economic differences, the 17 CEI member countries are still facing similar challenges when it comes to the downside of economic globalisation. On the occasion of the Italian Presidency, the CEI Dialogue Forum was a unique opportunity to foster intergovernmental cooperation in order to address some of today's major economic challenges, such as mobility and youth employment, or the need for a balance between competition, public policies and modern entrepreneurship. In this context, the CEI Dialogue Forum has proven to be a powerful platform for political dialogue in support of integration and regional cooperation.

*Updated 7 November 2019*



## Programme

Rome, 10-11 October 2019

### Welcome remarks

**Roberto Antonione**, Secretary General, Central European Initiative (CEI)

**Ferdinando Nelli Feroci**, President, Istituto Affari Internazionali (IAI), Rome

**Federica Ferrari Bravo**, Minister Plenipotentiary, Italian Ministry of Foreign Affairs and International Cooperation, Rome

### Panel I

#### *Mobility and youth employment*

Over the last decade, an increasing mobility of labour forces has allowed youngsters to move abroad and access new opportunities. Often facilitated by countries of origin or by international organizations, youth mobility has been long considered as a tool to reduce unemployment rates, while improving individual working conditions and professional skills. However, when it turns into a "brain drain" of the best and brightest young professionals of single countries, mobility can reduce chances for a sustainable and fair economic development. Not by chance, the UN 2030 Agenda for Sustainable Development highlights the need to boost fair and equitable employment policies, especially for young people. Within this frame, experts will be asked to analyse which policies should be promoted by single governments in order to balance youth employment and mobility. In particular, is it possible to preserve the positive aspects of mobility? How can mobility cease to be a necessary choice and become one of many great opportunities for CEI countries?

Chair **Eleonora Poli**, Research Fellow, Istituto Affari Internazionali (IAI), Rome

Speakers **Dominik Owczarek**, Head of the Social Policy Programme, Institute of Public Affairs (IPA), Warsaw  
**Srdan Majstorović**, Chairman of the Governing Board, European Policy Centre (CEP), Belgrade

Discussants **Dafina Peci**, Governing Board of the Regional Youth Cooperation Office (RYCO) / Secretary General, National Youth Congress of Albania, Tirana  
**Valerija Botrić**, Senior Research Fellow, Institute of Economics (EIZ), Zagreb  
**Vladimír Bartovič**, Director, EUROPEUM Institute for European Policy, Prague

**Laura Patache**, Associate Professor, Spiru Haret University / Central Research Institute (ICCS), Bucharest

**Meliha Muherina**, Project Manager, Centre for European Perspective (CEP), Loka pri Mengšu

**Tetiana Levoniuk**, Research Fellow, New Europe Center, Kyiv

## Panel II

### *Entrepreneurship, competition and national policies*

Economic globalization and technological advances have led to an exceptional opening of markets and to greater business opportunities. However, new entrepreneurs are often unable to compete in terms of volumes, productivity or costs with large multinational businesses. Without regulations, this trend can certainly affect a fair competition, leading to forms of market monopolies or predominant positions at the expenses of new and relatively smaller business initiatives. The panel experts will therefore be asked to analyse entrepreneurships, especially youth entrepreneurships, in their respective countries and discuss national public policies implemented so far. In particular, apart from regulating competition, is it fair and sustainable for national governments to support new businesses through public initiatives or schemes? When does public intervention cease to be a driving force for a more sustainable economy and become protectionism or unfair state aid?

Chair **Eleonora Poli**, Research Fellow, Istituto Affari Internazionali (IAI), Rome

Speakers **Marijana Milevska**, Director, PREDA Plus Foundation for Sustainable Economic Development, Skopje  
**Simone Romano**, Advisor, G7/G20 Unit of the Office of the Italian Prime Minister, Roma

Discussants **Zsuzsanna Vizslay**, Environmental Manager and Green Economy Expert, Budapest  
**Ivana Jovović**, Business Development and International Sales, Bredmed Ltd. Montenegro  
**Admir Salihagić**, Director, Center for Innovation and Entrepreneurship of the International Burch University (IBU), Sarajevo

## Concluding Remarks

**Ettore Greco**, Executive Vice President, Istituto Affari Internazionali (IAI), Rome

**Antal Nikoletti**, Deputy Secretary General, Central European Initiative (CEI)

### Istituto Affari Internazionali (IAI)

The Istituto Affari Internazionali (IAI) is a private, independent non-profit think tank, founded in 1965 on the initiative of Altiero Spinelli. IAI seeks to promote awareness of international politics and to contribute to the advancement of European integration and multilateral cooperation. Its focus embraces topics of strategic relevance such as European integration, security and defence, international economics and global governance, energy, climate and Italian foreign policy; as well as the dynamics of cooperation and conflict in key geographical regions such as the Mediterranean and Middle East, Asia, Eurasia, Africa and the Americas. IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), three book series (*Global Politics and Security*, *Quaderni IAI* and *IAI Research Studies*) and some papers' series related to IAI research projects (*Documenti IAI*, *IAI Papers*, etc.).

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