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EUROPEANS FOR TAX REFORM
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Issue 05, € 1

TAX REFORMER

The Newsmagazine of the Europeans for Tax Reform

A European Macedonia 2.0

Can Macedonia be the most open, transparent and growth oriented economy of the Balkans?

Economic freedom needs political freedom to work! It is time for more political freedom in Macedonia and new consenus for a European Macedonia

Yes to Balkan Benelux!

Macedonia is the key country for the Balkan Benelux project. Macedonia is leading the region in economic reform but lack of political freedom and its role in the region keeps it back.

Macedonia is the key country for the Balkan Benelux project. It is the most advanced country in terms of economic development and economic reform. Since 2006 Macedonia has led the region first with the introduction of the 10% flat tax and then with reform of the property system and then with the success of the doing business reforms and the progress with attracting FDI in the manufacturing sector in its industrial zones and elsewhere. This were major achievements and deserve applause. But Macedonia has not really progressed on its relations with its neighbors. The name dispute with Greece is still unsettled despite an acceptable deal on the table with Republic of Northern Macedonia. It would be reachable and acceptable for all sides with good will. Macedonia has not progressed a lot in terms of its European agenda with receiving candidate status in December 2005 and that was that since then. Macedonia has as well not really developed well terms of its relations with its citizens of Albanian ethnicity and every year we are facing a major crisis again. Macedonia has undertaken major efforts to redefine its identity with Skopje 2014 as the central element. But has it resulted in commitment of the nation to its symbols and more love to the

AUSTRIAN ECONOMICS CENTER

Babara Kolm, President of Austrian Economics Center

Gunther Fehlinger, Chairman of Europeans for Tax Reform

Tough Love – the cure for Europe?

The 2014 Free Market Road Show®

By Dr. Barbara Kolm

In the past months a series of conferences has been held in Macedonia and Albania as a follow up of the Free Market Road Show® 2013. The topics chosen – Balkan Benelux, What Sort of Governance is needed to pursue Competitiveness, Regional Economic Integration as answer to the economic crisis - were in depth discussions with experts as a result of the profound and animated discussions held in May. The 2014 Free Market Road Show® will definitely also be very provocative and deal with hot issues. The Austrian Economics Center (AEC) is proud to have extended the cooperation with over 45 leading think-tanks and universities across Europe and the Caucasus, and in association with international partners such as the Liberty Fund, FreedomWorks, Americans For Taxreform and International Property Rights Alliance, European Students for Liberty and the F.A. v. Hayek Institut.

The very purpose of the European Union has been harshly questioned since the 2008 financial crisis and its aftermath. In the months to come, many European states will be facing crucial electoral processes. Their results are very likely to set a new course for the future. Which path will Europe take?

Hopes and fears arise in the Continent. Some believe that reform, liberalization, real austerity and rationality are going to be the underpinning of the policies to come. It is time for most countries to live within their means. "Tough love" in sufficient doses appears to be the best medicine to get there. On the other hand, some voices warn that Europe is losing its social balance. As a result, a new wave of both far right populists and left-wing demagogues are on the rise. These may even pose a threat to Europe Itself.

In this context, what can be expected from the European authorities? Should they continue with their centralization efforts? Or should all sorts of government be severely limited? In the current scenario of a sluggish economy and high youth unemployment some believe that more Brussels is exactly what European nations do not need. Moreover, the irresponsible policies of short-term economic patches instead of long-needed transformations could be blamed on the European leaders – who are sadly not up to the challenge the Union is confronting.

Our **2014 three Thematic Panels** will focus on:

1. Centralization vs. Deregulation: Is more Brussels the key to prosperity or does subsidiarity provide the better path?

2. Exodus vs. Incentives: Can enhanced competitiveness stop Europe's loss of many of the most talented and enterprising?

3. Extremism vs. Rationality – Progress vs. Stagnation: What direction will the sovereign states of Europe take subsequent to the coming elections, especially as it regards immigration, energy and natural resource and single market issues?

Topic number two - Exodus vs. Incentives - will define the paths which Europe and its Nation States will have to follow – depending on the policies they choose: For several years and counting, Europe has borne witness to the continued exodus of scores of its brightest and gifted – particularly devastating is the departure of young talent from the continent. Is this "brain drain" a natural consequence of a connected world or has Europe failed to create an environment attractive to the best among us? Can the trend be reversed? Can education in entrepreneurship encourage a shift? Are strategic economic incentives an appropriate tool? Could enhancing a business friendly environment lead to greater opportunity and help Europe, especially among the young, thrive?

We are looking forward to discuss hot topics with outstanding speakers and a critical, ever growing and responsive audience.

Dr. Barbara Kolm
Executive Director
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Editorial

By Gunther Fehrlinger

nation or more in mockery and high costs and offended neighbors who claim the same historic figures their own with about the same claim to fame and truth. Macedonia has as well actually moved back in terms of political freedom and in relation Government - Opposition and in terms of Media freedom as well there were major setback. It is time for a new start. A kind of European Macedonia 2.0 is needed. The

basis of this should be a new consensus based on economic and political freedom first of all and a new deal with Albania, Kosovo and Montenegro to develop a Benelux style cooperation and on a common project of a European Macedonia with the opposition, possible and achievable within a decade and not loosing behind in relation with Montenegro which was not even independent when Macedonia received the candidate status and has already overtaken Macedonia by all parameters in just 7 years of its statehood. This new consensus has as well to be based on new relations with its neighbors and here the Balkan Benelux project can play a vital role. We propose a new form of cooperation between the 4 countries of the southern Balkans independent of traditional hegemonic powers which will strengthen our region here and will support each others bid for EU membership by showing Europe and even the most skeptical Benelux countries that the region has learned the message and is ready for Benelux style cooperation and will develop Benelux style prosperity by a Benelux style approach to openness and respect and cultural diversity and cooperation. This has always been a region at the cross road between the Turkey and Europe and as the the Benelux states have been between the big Western Powers of UK, France and Germany this region has been between Austria Italy and Russia and Turkey and Belgrade and Athens and so on. Now that in fact all these country have been part of European Turkey until 1878 in case of Montenegro 1912 in case of Albania and then been of of the various form of South Slavic state and just since 1992, 2006 and 2008 all four are independent and fully in charge of their destiny. But all still fragile, insecure and in search of their identity on their way to Europe.Macedonia in this respect is the biggest challenge and so the most focus of Europe and its institution has to be devoted here and support for the Balkan Benelux project would be essential. The challenge is the the conventional approach of Europe to be strict with standards is not working anymore. As much as we ask for such standard we loose the belief of the decision makers in Macedonia that in any case we want and can deliver on a European Macedonia in any foreseeable timeline and once this is clear to the leaders and to part of the population such a promise does not deliver the required results and the short term survival and the pursuit of short term interest and profits become the priority and as control is easily complete in a small state and small community a lot is possible and most is beyond the reach of law and prosecution so the rewards are big and the risk is low and things spiral downwards as they have in the last year. This has to stop. This has to stop fast and we need a more credible project which can and will be implemented and deliver result soon. The creation of a common market of the 4 countries will do so. The 4 freedoms of the European internal market can be implemented within 4 years and all will profit and indeed it will the Macedonian economic and industrial capacity which will benefit the most. But the general benefit will outweigh the transition costs and protectionism has and will lead to decline. Key is to face the argument that Balkan Benelux is a kind of Greater Albania which is populist nonsense. No change borders is planned and no common institutions beyond a secretariat promoting cooperation and supporting information exchanges and market integration. The rest will be just EU accession measures which anyhow are planned or in the pipeline. Macedonia needs a new approach towards its neighbors not as potential or past or future enemies but as your main trading partner, your partner in the EU because of the same regional issues, your partner in water and disaster management and your partner and friend on the other side of a anyhow almost irrelevant border once you are in EU and Schengen. This might though take a while if current cooperation is the measure or it can be much faster if the region convinces Europe by facts and not just talking that it has understood what Europe is about and that it is ready to do Europe and to life and breath Europe every single day in all its action of public and private life. Europe starts in everybody day to day behavior and Europe starts in the day to govern and to use authority which was given for a certain time to the authorities by the people via election and democratic institution based of freedom. This is the new consensus for a new European Macedonia 2.0 based on freedom and good neighborly relation.

Prinz Michael of Lichtenstein, President of European Foundation for Austrian Economics and and Mark Crawford, President of AmCham Albania, both Pro-Balkan Benelux

Free Trade for Balkan Benelux

It is time for Balkan Benelux, now!

Skopje Balkan Benelux Conferecne a major success on 26 of November

The current global crisis has reached the southern Balkans at a very unfortunate moment just at the end of the first decade of reconstruction and statehood. Now in the 6th year of the crisis public, companies and family reserves are reaching a new low. The modest achievements in savings and wealth accumulated in the reconstruction decade are reaching their limit. Many built in buffers in countries, companies and families used to hard time and deep crisis being a reality for the last decades reach their end. Greece and Italia as main partners continue to be far from their past strength and motor of development of the region. One of the remedies for the southern Balkans is stronger regional economic integration and new export markets within the region. This is true for all 4 countries of the Southern Balkans. Albania, Macedonia, Kosovo and Montenegro will benefit from closer cooperation and the international community should actively encourage and support such integration efforts. The main strategic objective of the Balkan Benelux project is to create a market of 8 ME with free movement of goods, services, capital and people. Much faster than an eventual EU Membership, obviously the ultimate goal of all southern Balkans countries, such a new partnership will bring these countries together and so allow them to create a joint economic dynamic and a growth agenda missing up to now. The countries need economic growth now and have no time too loose. Growth is necessary to create jobs, prosperity and living conditions to keep the people here in the region by creating the conditions for sustainable economic growth and ensuring the ambitious EU Integration agenda can be realized.

Talat Xhaferri Minister of Defence of Macedonia opening the event

Create Balkan Benelux – a region focused on growth

All 4 countries will only be member of the EU in foreseeable future if they are seen as a success story in Brussels and the EU member states capitals. Successfully cooperating within the region

On the 26 of November the Balkan Benelux Conference attracted a large audience at SEE University Skopje

The Mayor of Çair, Izet Mexhiti

Prinz Michael of Lichtenstein

Prof Blerim Reka, SEE and AGREEI

will lead first to better economic conditions and will as well be a contribution to convince the EU that the region is mature and ready for the EU. Possible role models for such cooperation might be the Benelux, Visegrad and Northern Council cooperation in other parts of the EU. Please find www.benelux.int and www.visegradgroup.eu

At this event we discussed the fundamental reasons and key factors for determining future growth of the southern Balkans. Do we have the stay the poorest region of Europe and live mainly of labor export and remittances of the diaspora and foreign aid and international transfers and from mineral, petrol and scrap export? Is this a economic reality for the next decades or can the southern Balkans learn from the success models of the Baltics, central Europe, the Caucasus or some parts of Asia and the Middle East and kick start growth and attract much larger levels of investment, create jobs for the younger generation and ultimately as well attract the diaspora to come back to what is one of the lowest populated region in Europe. Our approach to turning the Southern Balkans countries into a successful Balkan Benelux region are clear free market solutions based on Austrian Economics as outlined in this conference. Turning the poorest region of Europe into the most competitive, open, and growing region of Europe as a model for Greece, the Balkans and all of Europe might be a far call but we are convinced it can be achieved. Western and Southern Europe are still slow to reform towards more open and free markets and lower and best flat taxes which would liberate the creative and productive energy of the Europeans. Some countries even go to the opposite extreme and do about everything wrong in terms of taxation, growth and economic freedom and try to impose their economic vision and rigidities via Brussels towards all of Europe including the more successful and dynamic growing part of Europe in the center and east of Europe. These dramatic developments must be addressed and all supporters of reform should work closely together to ensure progress on the freedom agenda in Western Europe. Given the vested interest and lack of strong free market focused leadership this might be a long and difficult struggle and this is the reason for the proposal to develop a special focus on the southern Balkans countries Montenegro, Kosovo, Macedonia and Albania. Here the freedom agenda is attractive and leaders some by conviction, some often simple by the lack of public finances to copy western European welfare systems are ready to listen and implement and agenda based on freedom and growth. To realize this vision the AGREEI, www.agreei.org the Action Group for Economic and European Integration is proposing to develop Balkan Benelux, a common market of 8 Million people based on the Benelux model.

Protect us from Protectionism

The recent trade wars and embargos and boycotts focused on cement, potatoes, honey and possible leading to an escalating trade conflict as currently possible between Kosovo and Macedonia show that old solutions focused on protectionism is still the rule in the southern Balkans. Economic populism is celebrating now. It is time for more economic and political freedom now.

Menderes Kuçi, President OEMVP

Meeting Minister Valon Saraqini

Pishtar Lutfiu, ISPN and Alpbach

2013 - Priority for the Western Balkans?

By Gunther Fehrlinger

2013 started well for the Western Balkans. The President of the EU and the President of the EU commission stated clearly that the Western Balkans is a European priority in 2013 and beyond. Good, welcome and very positive. But where is the meat on the bone? The European crisis has now finally and fully arrived in the Balkans and is here to stay in 2013. No country between Austria and Turkey has significant liquidity left and where is significant funding and support from Europe or the US to stabilize the region? Is there talk about fast tracking EU accession for the remaining 6 Balkan nations similar like Greece in the 80ies or Romania and Bulgaria just less than a decade ago? Is there readiness to temporarily ease access to the European labor market for the Western Balkans work force to ensure high level of remittance balance the economies of the Western Balkans? On the contrary there is talk about standards first, Enlargement fatigue and not repeating the Bulgarian mistake. On the contrary there is forced repatriations from the EU towards the Western Balkans which supposedly has a European perspective and is a priority. On the contrary EU enlargement looses a lot of its shiny attractions as Europe struggles during the crisis and enlargement for the rest-6 Western Balkans seems another 2 decades off before anybody here will send MEP to Brussels and Strassbourg. Where is and who is what from of priority here in the region? Greece is another factor. Given the seize of the Greek debacle and the strong role Greece and its companies and economy plays in the region who thinks the Balkans will sail smoothly and will not be affected? The Balkans country have done relatively well since 2008 because they have done all reforms Greece is forced to do now, from tax to pension reform to reducing red tape and ensuring competitiveness by keeping wages and prices in control.

What is done to firewall the northern neighbors of Greece from infection? Sure it is hard to communicate taxpayers inside the EU expensive support measure but the Greek example has shown how things can spiral out of control and turn really expensive if not addressed early and decisively. And maybe one or the other country in the region will turn itself into a real priority by itself and that will be costly for sure. Good, Europe is discussing and talking Western Balkans but next to overdue talks from Bosnia, Serbia, Kosovo and Macedonia on the open issues, the region needs serious funding and fast. To get the dimenison of what is needed it should be proposed to issue a Western Balkan Good Governance grant facility of 10bn Euro annually for the next 10 years funded by the European Union member states via the ESM for the remaining 6 countries. This would be the size to support a major infrastructure, energy and e-goverment drive in all 6 countries. This should be conditioned on progress in the fight against corruption and the money should be disbursed on application basically and clearly used to buy compliance to European reform agenda from the elites focused on short term benefits. The financial situation and administration capabilities of all countries will not be allowing them to build the railway and energy infrastructure needed to ensure sustainable economic development and exploitation of its natural resources for another 2 decades until EU membership will anyhow Europeanise these momentous challenges. This can be conditioned to be implemented by European companies will have a positive effect on both the western Balkans and the EU economy as well and keep European integration on track. But it seems more a Chinese approach then a European one. Additional the EU should introduce a temporary 5 years Western Balkans Work Visa facility allow all citizens of the remain 6 to work fully legal for a 5 years period inside the European Union. Given the fact that the region has just 3 to 4 % of the the EU population the effect will be marginal for Europe but very positive drive towards formalization of the existing work force already resident inside the EU and as well improve the remittances towards the region both essential to growth and compliance in the western Balkans. These 2 measures are the twin pillars of a 2013 European Balkan priority agenda worth the term and meant seriously. This will speed up EU integration and make it realistic during the next decade. It will make further special measures not necessary, avoid a contagious Greek debacle spreading north and help to overcome the development gap of the region due to war, neglect and history which these nations can not shoulder on their own. This needs leadership and putting facts and funds towards easily declared priorities. Yes Europe has achieved some progress in terms of enforcing a deal between Serbia and Kosovo and this is a major result for the year but in terms of economic situation the situation in the Balkans at the end of 2013 is certainly the most difficult since the start of the crisis in 2008 and there is not enough done in terms of support and improvement of the economic framework to aviod an accelerating crisis for the coming years. A major push for economic and political freedom is essential and needs to be undertaken fast to stabilize the situation.

Connect the Balkan Benelux with Europe, towards a new drive for infrastructure investment

AGREEI is proposing to develop a new EU agency called Southern Balkans Highway Authority managed and financ by the EU and willing partners like China and Turkey and America with the aim of building 3 new Highways connecting the EU between Croatia and Greece via the Balkan Benelux countries.

1. Add 3 major highways access routes towards the southern Balkans which without EU support have not chance to be realized due to cross border routing and lack of common will, cross border issues and lack of sovereign financing from the small regional states mostly at the public finance limit.

The western Access Route

A. Finalize the Adriatic Ionian Highway from its present end south of Split in Vrgorac via Bosnia and Montenegro towards Albania and Greece until it reached the East West Highway in Upper Greece. The routing should move inland from Metkovic to Bosnia via Trebinje towards Niksic and Podgorica and by pass that city and the Skoder lake and Skoder on a northern route until it connects with the Kosovo highway close to Milot south of Lezha and then develop the Southern Albania highway from Elbasan to Kakavia. Albania has done tremendous efforts until now but will not be able to finalize this mega project alone due to lack of public resources.

The central access route

B. Build the Sarajevo_Novi Pazar- Mitrovica highway to provide new access to the central regions and connect Eastern Bosnia, Sandzak and Northern Kosovo.

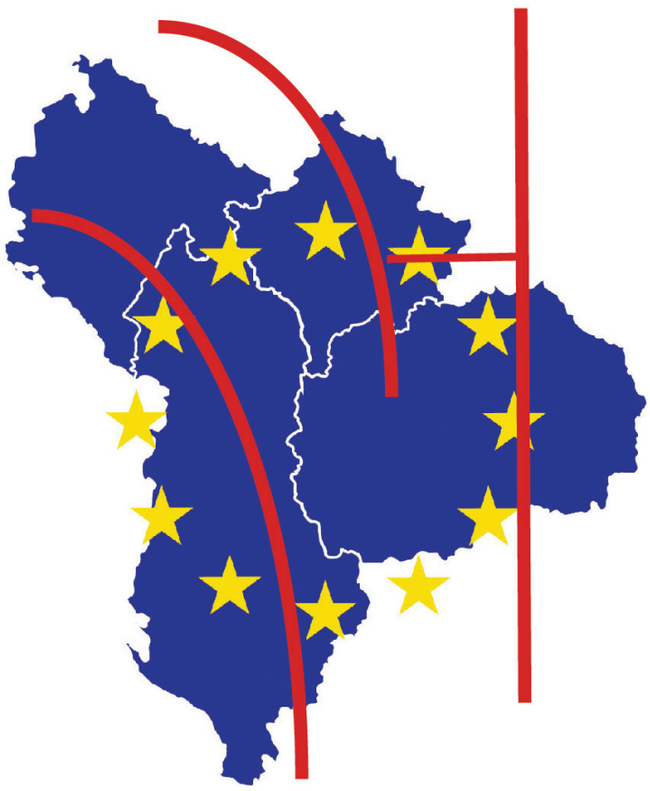
The eastern Access Route

C. This is Route 7 connection towards the Corridor 10 and as Kosovo is close to finishing its highway Route 7 to Merdare meaning the border to Serbia and now soon only the last bit from Merdare to Nis needs to be build by Serbia. This needs to be taken over by the described EU agency otherwise it won't be finished until Serbia is in EU and possible a decade after. We propose the faster and cheaper routing from Ferizaj via Gjilan towards the east to coonect with the Corridor 10 in Serbia in Bujanovac. This is more in Kosovo and only 10 km in Serbia and as this is mainly Albanian populated area called Presevo it is more likey to find active local support there.

The EU should not finance the priorities of the regional governments in this framework but keep this to the standard procedures of Pre or Post accession infrastructure financing but under this new budget line and new agency focus on projects of European priorities which would not have a concrete chance of realization due to lack of political will for cross border cooperation.

This should be implemented by a new agency or authority called European Balkan Benelux Highway Authority which will finance, build, own and operate and toll the highways with the regional government contributing only with permissions and land access on regulatory basis. The routing should be decided in cooperation with the regional governments but along the European priorities as outlined above.

Additional to the 3 new north south access routes the EU should continue to support the existing projects within the existing financing terms and tools. The same model should be applied to the railway sector of the region and pool it and set an an EU agency to manage it jointly with other partners like Turkey and China. To connect the region to the world railways are essential and the costs and capability will not allow realistyion of such vital infrastructure for many decades to come on its own.



Albania–Montenegro–Kosovo–Macedonia

Towards a European-Turkey strategic part

It is time for new approach between the EU and Turkey towards the Balkan Benelux region. The recent debate on strategic partnership of Albania with Turkey, Greece and Italy and maybe some additional countries and the visit of PM Erdogan in Kosovo with the catch line of Turkey is Kosovo and Kosovo is Turkey has raised a lot of attention and there seem to be a real interest of the new Turkey in its former European territory which it lost during the Balkan wars 1913. This is very welcome. The region has not seen a lot of investment during Ottoman time. Neither a lot of security and rule of law and there is a still a clear and visible line going through the southern Balkans between Austrian and Turkish territory in terms of infrastructure and remaining cultural heritage of the19th century and beyond. Such a new wave of investment like recently in Kosovo with the airport and the energy sector can therefor be seen as well in the light of a historic commitment to its former colony and now that Turkey is first time since 200 years again able to act in such a manner and has recovered from its turbulent transition to market economy and democracy it is as well appropriate to help out where it is needed. But please keep the eye on the ball. A look to Greece and its recent history might though be useful in terms what megalomaniac attitudes might lead to when times get though and rough. It is as well doubtful if it is wise of long terms successful to annoy Europe and America with talks of being an alternative scenario for the Southern Balkans in terms of Europe and investments. Good investments are based on competition but does not Turkey as well strive for EU membership at least based on all sober assessments? Is it wise to be adolescent euphoric in the first decade of wealth and envisage the decline of Europe and America a bit prematurely? Who has protected Turkey during the cold war? All forgotten? Who is the NATO ally? Does not matter because of new partnerships? China the new player in the Balkans? Russia strong again? Can anybody be a bit more realistic please. The whole region will be in Europe, Turkey included in the medium to long term and Europe and America are firm allies and everybody is welcome to share and compete on projects and investments and development of the southern Balkans. The investment challenges is still too big to be carried by any of the partners and so all should come in to work on the commercially viable project and even more on the necessary but expensive projects like railways which are beyond the present capacities of the states here and their present partners. Turkey might remember it was the Germans to build the Baghdad railway and it was certainly not for commercial reasons alone why the German state invested in that project. Why does Turkey not invest heavily into the railway links between Durres and Istanbul and take responsibility to this key infrastructure for industrial development of the region? Austria has build railway infrastructure in the northern Balkans a century ago and now it is the term for the Turks who are first time in position to do it. This is very welcome. What is less welcome if some Balkan politicians consider Turkey as a less compliance oriented alternative to Western companies and present them to Western investors , to the few still considering investment in the Southern Balkans, as alternative to them as they are more flexible meaning more ready to take into account and satisfy the financial requests of local leaders. It might be true that Turkish companies and their leaders are still cultural closer to the southern Balkans and the present way to do business here and ready to pay. But the is bad news in the making as Turkish company especially once they are listed on Is-

Free trade for Balkan Benelux, Prinz Michael of Lichtenstein, Barbara Kolm and the speakers of the conference

nership for the Balkan Benelux countries

tanbul stock exchange will come under same pressure of US regulators to stop such practices as European ones have come in last decade. And now as it seems that the Istanbul stock exchange will be the regional stock exchange for the southern Balkans with its agreements with Podgorica and Tirana and most likely open trading windows for all 4 countries and so there will be access to a quite liquid regional capital market which has the backing of a partnership with New York this will be very beneficial for the region. But access to capital market will mean as well accepting the rules and regulations of stock exchanges and the working with the international investing public will require and bring a up to now unknown dimension of transparency to doing business here in the region. And Turkey has and will clean up its business practices as well on the way to Europe. Simple a business model based on corruption and so called flexibility will not work in long term and regional leaders should take a close look at what has happened in Croatia and what is going on in Serbia and consider their long term options. Turkey should be encouraged to help in this transformation right now in the framework of such a European Turkish partnership for the Southern Balkans and this should be supported by America very strongly. American should be the strong supporter of such a partnership for the Southern Balkans as it has been the key supporter of the region for a decade and liberated Kosovo and supported Montenegro independence and carried Albania through the most difficult times and is the key to stability of Macedonia. But America is and by the way will be a global power with global responsibility and it is to be expected with ever more burden and worries to take care in Middle East and Asia and it has to take Europe and Turkey stronger into financial and political responsibility for the Southern Balkans. Turkey has to do more in terms of investment and encouragement of good governance and Europe to speed up EU integration and clear its relation with Turkey and open its labor markets to the prospective new EU citizens of the Southern Balkans and so concretely support the region and encourage similar opening measure here in the region. It is openness that creates prosperity and both we need here a lot and quite urgently. Instead of launching new strategic partnerships every week and battle cry like Kosovo is Turkish or silent delay tactics of some EU member state bureaucracies mainly interested in other parts of Balkans and in having less asylum seekers and immigrants from the region in their territory we should develop a structured form of cooperation based on the Balkan Benelux model of cooperation of the 4 southern Balkan states with support, presence and financial commitment of America, Europe and Turkey. The establishment of the 4 states in their today borders and reality was a well very much based on European and American demands and it was Western powers to realize it 4 states in what was known as European Turkey until a century ago. Such a partnership should welcome the support of other nations like Russia and China to invest and support development but not to impose policy on the region or block progress based on other agendas. We have a choice here. To muddle forwards on its own with high unemployment, largest possible trade deficits, low growth, high export of labor and loss of population, continued de-industrialization and so on. Or we have some courage and explain that sub-regional cooperation based on EU models is the right thing and allow and encourage it as much as possible. We hope yes and so together with all partners let us try to realize Balkan Benelux now.

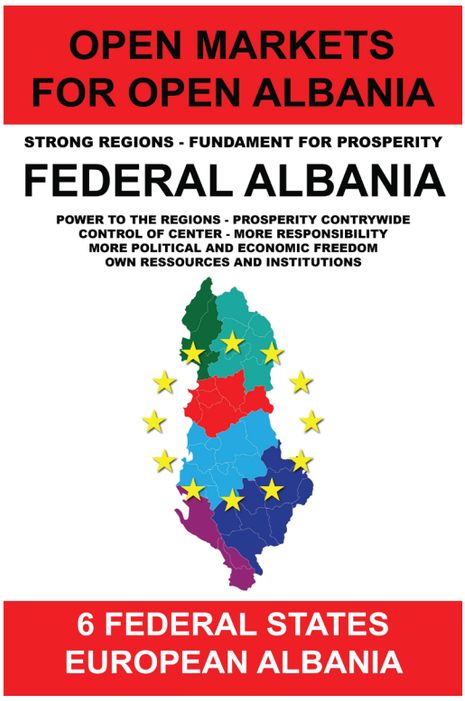
Gunther Fehlinger speaking on 26 November in Skopje

Dinner of key speakers with the Minister of Defence HE Talat Xhaferri on 25 th of November with AGREEI Board

Federal Albania - European Albania

Towards a Federal Albania. Power to the regions.

On the way to Europe Albania is in dire need to reform its internal administration structure and deliver more effective, better, cleaner and open form of governance and bring decision and administration closer to the needs of citizens, residents and Albanian and foreign investors. Clarity of competence and command is needed and clear responsibility for success and failure. Now with a new government there is the right time to discuss what level and form of government Albania needs and how it can be made more effective. Albania will join the EU in the coming decades and so that level is clear. What will be the relations between the European level, the national level, the level of regions and the municipal level and how will power, finances, tasks and responsibility be distributed in a transparent, effective and accountable manner? Albania is a country of large and deepening social and regional disparities and the region of Tirana - Durres has significantly gained population while the north south and east have lost up to third of population in the last decade. Is federalism and decentralizing the answer to bring prosperity back in the regions of Albania? Is federalism a threat to national unity and is Albania either large enough or mature enough to devolve power towards self governing regions? Or is the answers more centralism? What are good role models for Albania? Poland, Spain, Germany, Italy, America or Austria are this the right models? If yes, how many regions can Albania have? Currently Albania has 12 so called Qarks with some level of authorities and representation and Albania devolved some authority already. But how much power can be devolved and how many Qarks- Federal States and which form of legitimacy in form of direct elections should such new Qarkus have? What will be the costs and benefits and what is expected in terms of economic development? Should they Qarks be responsible for economic development, waste management and water systems in their territory? The new government is the first one in the 20 years history of Albanian transition to have the necessary power and majority to do such a reform and it is important to get it right. More centralism is not the answer. it is certainly good to bring some of the community and municipalities to working level by putting them together but such a reform should be much more. it should prepare Albania for Europe and



It is time for Federal Albania

transform the way Albania is governed. Real regions with real powers will have a very positive effect on regional development with accountable leaders and governor who have to bring development in their region and will be measured by their success. As well there will be effective control of the central government only by strong regional

Prinz Michael of Lichtenstein, Barbara Kolm at the 3rd Open Markets for Open Albania event 2013

Barbara Kolm during TV Interview

Prinz Michael of Lichtenstein

Prinz Michael with Rudina Hoxha

leaders with the resources and the competence to influence as well national issues. As well such region can effectively handle many issues which are too big for municipalities but to distant for central government like waste and water management and regional land usage planning. But the issue is the federalism is misunderstood as term in the Balkans meaning a federation of states and with the tragic example of Yugoslavia nobody want a federation of states again and it is not needed as we have the EU as our common destiny and regional cooperation based on the Benelux model as best practice. So no need for new federation of states but a lot of need for decentralization and devolution based on sound federalism in the very centralist small states of the

Post Yugoslavian states and Albania and as well Greece by the way who are mainly in the hand of key families and personalities due to their size and fragility and low level of development of civil society and lack of media freedom because the media if not controlled by the state directly is controlled by the economic interest behind the state. There are as well geo-strategic issues to be considered. Could there be separatist movements or the threat of separation blocking such a consensus and having an effect for example on the Greek minority? Is a strong central state the only guarantee for national unity or is this issue in a European Albania not anyhow resolved? Should and can a Federal Albania serve as well as a role model for other centralist states in the Balkans like Greece and Serbia to start to devolve power to regions and allow for regional minority representation in the European way and develop their periphery in a sustainable and fair manner? Southern Serbia is now competing for sad position of the poorest region in Europe and living standards in most of Kosovo are already better then in this neglected region of a soon EU candidate state. Is this the future of the Balkans, a regions of poverty, depopulated just with capital cities as island of prosperity supported by EU funds?

Federalism is a concept to have good government at the most competent and useful level to serve the needs of the citizens and ensure best level of development for all citizens no matter where they live and come from. Federalism is as well a system of internal checks and balances of competing authorities and a possible counterweight to centralizing and monopolizing authority at certain levels of government. This is an important debate for Albania today and we hope that our conference has contribute to this debate with 6 federal statesto compete and ensure that Albania develops and can produce jobs, growth and prosperity.

Besart Kadia, Barbara Kolm

Female Leaders with Barbara

Mark Crawford, Prinz Michael

PRIOR TO ANY NEW TAX REFORM IN ALBANIA

Av. Ardjana Shehi
KALO&ASSOCIATES Law Firm

Concluding Statement of the last IMF staff visit in Albania (dated September 27, 2013) recommend that to start lowering vulnerabilities associated with high debt and rebuilt fiscal buffers against shocks, the Albanian authorities should commit to a credibly low medium terms debt target. From the Concluding Statement I understand also that it is recommended that achieving some of the debt target would require most of all sustained fiscal consolidation, and that a comprehensive approach to tax reform is needed. Given the above, through this article would like to share some of the existing related concerns and would try to be helpful so that the necessary measures to be undertaken in the near future by Albania are the proper ones and compatible with the Albanian reality, and are effective for the sustainable development of Albania.

As a believer that the flat tax in Albania is a good condition precedent for the improvement of tax compliance attitude by the side of the Albanian taxpayers, thus, a good contributor for the decrease of extensive informality in Albania, etc., am of the opinion that prior to any new tax reform, such related to introduction of a progressive personal income tax, modifications to the profit tax, etc., the following are needed:

First, immediate effective measures should be implemented in order to improve law enforcement: Any person performing economic activity without being registered for commercial and tax purposes ought to formalize the own business and be tax compliant, so that all commercial taxpayers play the market game with the same rules, thus, being subject to fair and impartial law implementation and enforcement including fair competition rules. In addition, all categories of taxpayers (including individuals, etc.) as defined by the income tax law, ought to start and continue complying with the relevant legislation. To summarize, tax administration needs to make sure that every single taxpayer, as defined by law, and that according to the law is obliged to pay taxes is paying the taxes according to the law; simultaneously, the tax administration ought to respect the private initiative and freedom to contract of each and every taxpayer. As part of business community and as a lawyer of several foreign and multinational companies, am happy to confess that the request for the investment of Albanian administration in the decrease of informality in Albania comes as a direct request from the business community which is willing to do business in a healthy, impartial and sustainable legal and economic environment.

Second, there is a need to improve the law implementation standards: there is a need that the law is implemented fairly and impartially for each and every taxpayers, any piece of existing legislation is interpreted and implemented by the tax authorities and other relevant authorities in a transparent, fair and impartial way, such including but not limited to the need for transparent and impartial advance ruling, technical decisions, etc., of GDT, the need that any tax audit is performed on the basis of risk assessment implemented fairly and impartially on all categories of taxpayers, etc.

In addition, there is a need that the new government shows commitment to legal certainty: legal certainty means having, first of all, legislation (including the business law and tax legislation) that is stable and not subject to frequent and unpredictable changes over time, to be precise and clear, and to allow people and businesses to predict legal consequences of their actions, especially financial obligations of projects and commercial activities. Considering that to date there was no specific understanding of the legal certainty, considering that especially Albanian public administration has a very important role in the effective implementation of the principle of legal certainty, and that the Albanian state is currently undergoing a phase of strengthening of its institutions, I believe that there should be much more emphasis and focus on the improvement in the delivery of effective legal certainty. Everyone must understand that the legal basis for legal certainty is the social contract that is already “signed” with the public and business and which has to be implemented based on the principle of good faith; this social contract must lead to the obligation for real actions which will avoid any potential for legal uncertainty that may be caused due to lack of sustainability of the law, not being clear and precise, lack of foreseeable legal implications especially when applied to financial obligations, non-observance of the retroactive effect principle, failure of secondary legislation to comply with the relevant laws, interpretation of legislation by bodies which according to the law do not have this power, failure of public administration bodies and of the judiciary to establish similar practices for similar cases and conditions, the misuse of power, etc. This is vital as, unfortunately, the afore-mentioned deficiencies have occurred.

TAX CORRUPTION
CANCER OF THE STATE

European Freedom and Growth Agenda 2014

By Gunther Fehrlinger

2014 is the year of European elections for the European Parliament and as well ETR wants to make its contribution and develop a framework of key demandes for a Pan European plattform of friends of freedom, propserity, market based solutions and a new focus on growth in Europe. All the following demands are based on a clear belief in European unifaction and a strong future of Europe and its people and citiziens and as a good place to life work and do business for all its citiziens, residents and future residents.

1. Openness creates prosperity

Focus on Growth – Growth creates jobs, revenues and shrinks deficits
European needs a new growth model based on lower taxes, more openness, and innovation led production in Europe based on SMEs. Freedom for SMEs from high taxes and obligatory social contribution are essential to regain lost ground for European competitiveness. European states should reduce their costs to the public and reduce public spending significantly. Growth by public financed debt projects is wrong and will only add to the long term burden. High debt can be only allowed to cover short term short falls of tax reductions. We are committed to end the ever growing European debt burden putting Europe back on the growth track by giving freedom back to Europeans and European companies. Giving freedom back to SMES and entrepreneurs will generate growth and this is solution to reduce the relative debt burden.

2. Open Europe to the World– Openness creates prosperity

European needs a new consensus for openness to redefine its global position and approach to the world. A closed Europe will lead to ever accelerating decline. We believe in a strong and confident Europe firmly based on freedom and openness. The internal markets and the 4 freedom of labor and capital and services and goods have been extraordinarily successful and Europe work hard to included all sectors and deepen the internal market with full energy and fight internal and external protectionism with full force. Europe will show leadership to lead the WTO Doha round to a successful conclusion and liberate global trade and lead it to next phase of prosperity until 2020. Key is as well a new approach to immigration. The present immigration policy is a grave and major mistake. A new approach for immigration is essential and everybody who comes is an asset. Economic immigration from Europe to America has led to the rise of America based on hard working, innovative people trying and succeeding to make a better life for them and their family. We want an open Europe. Open for the Balkan people first of all for all candidate and potential candidate countries for labor mobility, Open for Turkey and Ukraine in due time and granting working rights based on US lottery system for the rest of the world and fully and at once ending forceful repatriation for all who have committed no other crime then trying to come to Europe. The present system and approach is a shame for the Europe, the continent and project we love and call our home - and contrary to the values of Europe's founding fathers and has to come to an end now.

3. A competitive and innovative Europe based on manufacturing SMEs

Europe needs to focus on manufacturing SMEs again. Sure services are great and growing and yes the financial sector is key factor but the basis of all decent economies on the long term is a strong basis of innovative manufacturing SMES serving the global markets. Just trading with each other things produced in China will now be ensuring a strong Europe with jobs, prosperity and success on medium term. We have to produce and manufacture here in Europe and policy makers have to refocus on this essential priority for Europe. We want a Europe full of manufacturing SMEs as firm fundaments of prosperity and ensuring employment and wealth creation. We need to review all processes of public policy under this priority. We have to make licensing and permitting easy and simple and fast. Same for employment and land access and regulation in this sector, same true for the banking sector. It is the public sector serving the manufacturing SMEs and not the other way around.

4. Respect for Taxpayers – Ever lower and flatter tax systems for Europe

Europe needs a new respect for tax payer's money. The collective panic of 2008 and 2009 leading to public finance drama that followed suit was a terrible mistake and has accelerated the crisis. Switzerland did not follow this folly and is now in much stronger position then most European states. We have to stop allowing politicians such powers and reduce their capacities to accumulate debt as they want and limit taxation levels. Key is to reduce their power to tax ever more progressive levels of their citizens income and work and fight hard for ever lower and flatter tax systems in Europe.

A provocation – can we compare forced expatria grant workers with the Nazi Holocaust?

By Gunther Fehrlinger

For sure this cannot be compared. The unique cruelty and industrial dimension of the crimes committed against European Jews and many other minority groups or people they disliked for many reasons - inside Nazi Germany and the rest of German occupied Europe - committed is certainly not comparable for anything happening today in Europe.
But there is one small aspect which might be worth discussing and there is a need for a change in attitude fast and decisively. Hard to believe and contentious as it is the Nazi system committed its crime with significant level of secrecy. Despite the so-called final solution being announced in Hitler's book Mein Kampf the actually dimension and terrible crimes committed in the KZ of Hitler Germany were as well criminal activities under German law and were widely hidden to the public. Of course there were a lot of people knowing about aspects of it but the Nazi leadership know that the actually facts of the Holocaust and the dimension and brutality were not made for public consumption and did not fit with the image of a German Uebermensch which they wanted to build. Certainly many more people could have known more if they would have really cared and it is to the eternal guilt of the German and Austrian people that they mainly consented with the racial policy of the Nazi even when left in the dark to the actually dimension. Not to excuse but maybe to explain a significant number did protest and object and many paid with their life or freedom because Nazi Germany was a brutal dictatorship against as well against Germans if they dared to protest their government action. So far to these terrible time of your grandfather generation so God give nothing like this to happen anymore.

Now in the Europe of the 21st century we are again the rich part of the world and have recovered from the misery of war and the poverty created by WWII and have learned to work together and build the great institutions of the EU to settle diverging national interests in a European continent of more than 40 nations peacefully inside some time complicated and slow but always peaceful and most successful mechanisms of the EU institutions.

Open Europe
Stop repatriation

But the established wealth is attractive for the less fortunate and even if other continents have developed and indeed are catching up with Europe, still the inheritance of 50 years of communism in most of the developing world, not at least a consequence of the terrible second world war which allowed the communist led world to conquer a third of the world and dominated possible another third politically and keep it back economically. Since the last 20 year a lot of things have gone very well and unprecedented levels of world population have reached the middle income level by their hard work and creativity and market based reforms in most countries of the world. But a lot of countries centuries old conflict have broken up, borders drawn by the imperial powers of Europe during the 19th century have proven non sustainable giving ethnic animosities of people have never shared anything but a common conquer. Natural disaster in Africa or simple the fact that prosperity has developed middle classes but there are still a lot of poor out there and for many of them they are ready for hardship and dangerous travel condition, high payments to profiteers of their desire to reach European shores and many do pay the ultimate price of their and their children's life in the Mediterranean sea. It is indeed heart breaking to see the corps of many lined up on the southern islands of European Union member state Italy.
Many do make it and what kind of reality they face. The land of their dreams –Europe. They have finally reached it and what a price many paid and what a misery they face in Europe's many refugee camps. Can they work and live in freedom to build or rebuild their lives and feed their family. No there are kept and fed in camps and the labor markets is closed for them and mostly the informal markets of sometime illegal activities is open for them depending in which of their minority networks are active in such a sector. Most of them simple serve on construction sites private and public, households and factories as unregistered workers at the mercy of their employers and on constant threat

ation policy of some European countries of mi-

of deportation if traced down. Getting papers gets the dominate theme of all families and a plenitude of measures are undertaken to get them. Many still manage to build their lives and especially the people with already a large minority being present they can find the support and settle quite well in Europe as many of the Balkans nations and many Turks have. Other like the Afghans, Syrians, the Caucasus people and many more who just recently came face much more troubles for sure. Europe itself now more insecure of its mission and destiny, shaken by the Economic crisis and asking for its identity in the 21 century under pressure from nationalist anti foreigner sentiment and trade unions to close their labor markets against labor competition is choosing the wrong way of closing its borders, building up border defenses system ever more sophisticated and cracking down on illegal immigration with full force and moving with SWAT team against innocent families tracking them down in dawn and at gun point asking them to pack and sending them back without delay to where they came from. This is happening everyday in your neighborhood. Only the most well connected and some with access to their community church or political or civil society leaders manage to raise some media attention and then you hear in the media about it and some get a stay for publicity reason. Most get back to where they came from. And the wider public is satisfied. And economically Europe has lost a productive element. And political we are losing the vital principle of freedom every single day a bit more. In the 40ies Jews were whisked out of their house and most in Germany and Austria looked away. Now it is foreigners. Afghans and Syrians. Kosovarian and Serbs. Anyhow they are illegal, anyhow they have no papers, anyhow they should not live, work, compete here? Is this the open Europe of the 21st century? Will our future be based on such a fundament of sending people home with police no matter what is happening to them there? How many of them died back in the Caucasus or Syrian or Afghanistan? We do not know and so we do not care. Please do not get this wrong. It cannot be compared with the Nazi time. But is not the attitude the same? Looking away and not caring. Of course there will be the argument that not all people of the world can live in Europe. So what is the maximum capacity please: 100 people per m2 or 500m2? Some part of Europe is very densely populated because they have a successful and growing economy making life and income possible for many. Some are not. We have not enough place, give me a break! There is a lot of space in Europe before it is as densely populated as Japan or other places. It is not the space it is that we are still not ready for openness. But it is this openness that creates prosperity it is the diversity and the innovation power of competition makes made Europe strong enough to conquer the world in the past and it is this fear of diversity which has destroyed Europe twice in the 20th century and we should be strong enough and confident enough for a open attitude to the world. For sure not everybody can come but let us try American or Canadian approaches in Europe and face and accept and turn into advantage that Europe is attractive for the World and we should be proud about it and find the right mechanisms to welcome and integrated and organize our system so well then we can be successful together and for sure stop forced repatriation of innocent people now and forever. For sure we should not be silent as our grandfather generation mostly was as first we know what is going on, secondly we live in democracies and we can protest and we can disagree without punishment - a privilege our grandparents did not enjoy. And I admire all local NGO and families who do protest against forced repartition happening in their community and we should all act against such teribble and inhuman policies and action. In the name of humanity and the European values this should end and we should be ready to communicate the economic advantages to the public. It simple is wrong that European immigration policies are dominated by the generation of fear or globalization losers which with their attitude and political clout will drag Europe ever faster towards decline. Only an open Europe can be a strong Europe and only a open and strong Europe can be successful mastering the challenges of the future and live of to the dreams of the European founding fathers of a successful and peaceful and open continent overcoming its terrible past of a century of war and division.It is openness which creates propserity and we need an open open Europe now.

Open Labour Markets NOW!

Open Letter to the Prime Minister of Albania, Macedonia, Kosovo and Montenegro

Dear Mr. Prime Minister Rama,
Dear Mr. Prime Minister Gruevski,
Dear Mr. Prime Minister Djukanovic,
Dear Mr. Prime Minister Thaci

2014 - Your Leadership can make a difference

2014 will be a very difficult year for the Southern Balkans. More than 5 years into the global economic crisis the region is now fully exposed to the shock-waves of the crisis hitting its southern neighbor Greece and the internal reserves have been spent in this period. The public finance situation is dramatic and major support and relief in terms of significant FDI inflows, export led growth or fast track EU accession is not insight. Political leadership can though make a decisive difference and good economic policy focused on freedom and reason will benefit the region and it can outperform Europe with the right decisions taken and avoid default and painful readjustments like Greece is facing right now. We therefor appeal to the leaders of the region to implement the following policies.

1. Create Balkan Benelux and create a internal market of all 4 participating countries based on the principals of the EU Internal market of freedom of capital. services, labor and goods within the next 4 years until end of 2017.

2. Open your countries to foreign investors by treating your existing investors better. Work hard on your competitiveness, liberalizing agendas in key markets and reform agenda in terms of doing business and reducing the administrative burden to work and invest here in the region.

3. Open your markets completely to the regional and global competition and stop all kind of trade war folly as just finished between Macedonia and Kosovo. This was wrong and negative and shall not be repeated.

4. Open your markets to Chinese and Turkish and other global investors but treat them the same way like Western European investors and work based on compliance and international standards with them. It might be that short term benefits are possible for both sides by short cutting the rules but even medium term such arrangement will turn sour once they face the same issues of nontransparent decision making, low liquidity, lack of rule of law and enforcement of contract and corruption related issues of non delivery of promised results on both sides.

5. Open your labor market to each others and the European and American work force and residents without your nerve wrecking requirements of paperwork.

Balkan Benelux 2014
More economic and political openness now!

6. Save the flat tax in all 4 countries. Albania and Montenegro have announced to introduce progressive taxation and this is utterly wrong. The flat tax of 9 in Montenegro and 10% in Albania as in Macedonia and with 10% maximum tax in Kosovo is one of the few really assets to market your countries as investment destinations and a really good reason to invest and work and stay here. It will make you less attractive, your tax payers less compliant with tax code and not contribute a lot for your revenue basis. Save the flat tax now!

7. Focus on the budget by freezing pensions for 3 years, as well public sector wages, liberalizing the electricity market and allowing for cost reflective prices for energy water and waste collection and stopping industrial pipe dream of megalomaniac post Yugoslavian dimension like the KAP Aluminium project in Montenegro and focus on SME based manufacturing outsourcing to the European industry as Macedonia is trying and ensure there is real useful production based on SMEs here in the Balkan Benelux. Openness creates prosperity. It is time for Balkan Benelux.

Best regards and allow us to express our sincere belief that the Balkan Benelux based on openness will allow the region to prosper and surprise the world again.

Gunther Fehlinger, Chairman European for Tax Reform