

Countries, which with protectionist measures first strengthened and then built the competitiveness of their economies, over time become the biggest advocates of liberalization and sustainable development. It gives EU members the right to free loans to prevent pollution from heavy industry, under the pretext that they want to stop their migration outside Europe, and by introducing CBAM they protect, above all, the interests of their members.

In line with the ambitious goal of reducing EU emissions by 50-55% by 2050 compared to 1990, in March 2021 the European Parliament proposed the introduction of a Transboundary CO<sub>2</sub> Adjustment Mechanism (CBAM), which includes the introduction of a tax to imports of certain products from third countries that do not have the same decarbonisation ambitions.

The reasoning of parliamentarians for the introduction of this mechanism is that decarbonisation cannot be achieved to the extent that production from the EU moves to third countries, which have more lenient regulations for emissions. The idea is to support the decarbonisation process through the taxation of imports of products, in the production of which significant amounts of CO<sub>2</sub> are emitted, and to use the generated income to support the fulfillment of the goals from the European Green Agreement. However, the question arises as to whether this mechanism is an example of a protectionist measure. The proposed CBAM mechanism implies the introduction of taxes on imports of all products and raw materials covered by the EU Emissions Trading System (EU ETS) and that by 2023 taxes be introduced for the electricity sector and industry that consumes many energy sources (cement, steel, aluminum, paper) , glass, chemicals and fertilizers). However, at the same time there is a so-called “Carbon spill”, because EU countries are entitled to free loans to prevent pollution from heavy industry, under the pretext that it wants to stop their migration outside Europe. Moreover, parliamentarians voted in March to keep free loans still when the planned cross-border adjustment mechanism is in place. Therefore, it is obvious that in this way, first of all, the interests of the EU member states are protected.

It is a well-known practice that countries, which, thanks to protectionist measures, first strengthened and then built the competitiveness of their economies, over time become the biggest advocates of liberalization and sustainable development. Those same countries, which based their development on the exploitation of fossil fuels and which are responsible for most of the historical emissions, today, when the reserves of fossil fuels are depleted, impose new standards. Not only do they have a technologically advanced industry, but they also have support through various mechanisms.

Thus, EU members have a specially designed Just Transition Mechanism (JTC) and a fund for the countries most affected by the transition, because their development so far has been based on fossil fuels and energy-intensive industries. Germany successfully completed one such process several decades ago, when it began structural reforms in the 1960s in regions based on the production of angles and steels.

There is no doubt that the EU will facilitate the transition of its members through the JTC and other mechanisms and funds (eg European Regional Development Fund and European Social Fund Plus), but third countries can neither count on the same funds nor have a technologically competitive industry. For example, the three largest exporters of the Serbian economy are the Smederevo ironworks, the Tigar Tyers tire production and the Bor mine. Not only are they energy-intensive branches and broadcasters, but companies that employ a large number of workers and which are as such the backbone of the development of these regions. Additional taxation loses price competitiveness and creates pressure to invest in advanced technologies, but without systemic support mechanisms, private capital seeks channels and a more stimulating business environment. Once again, we are in a vicious circle of sustainable development and general social well-being, but with a tendency for a growing gap between the rich and the poor.

Defining an adequate structure of the economy and attracting investments is the basis of a long-term development strategy, which includes synchronized structural reforms not only in the industrial, energy and environmental sectors, but also in other sectors, which should contribute to creating resources and infrastructure for decades. The announcement of this and similar measures for small open economies in the Western Balkans means that they must prioritize the development of an innovation-based economy, but also the development of a flexible and diplomatic approach, in order to adapt the transition process to the specifics of the region.

While there is a discussion on whether the introduction of import taxes on emissions solves environmental problems or only encourages an even bigger gap between the developed and the underdeveloped, it is expected in mid-July to see whether the European Commission will publish a legislative proposal for CBAM as part of the European Green agreement.

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