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WESTERN BALKAN COUNTRIES AND SERBIA ON THEIR WAY TO THE EU

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Abstract: *The process of European integration has both for Serbia and Western Balkans countries, the double meaning of encouraging contribution to the transition process and the continuation of reforms and full membership in the European Union. According to the Copenhagen criteria for accession to the European Union, the success of the transition and full implementation of institutional reforms are an important prerequisite for admission not only of Serbia, but also all the other Western Balkans countries to the European Union. The success of this process is equally important to create a favourable business and investment climate and to achieve balanced and sustainable growth of the region. With the acquisition of the status of candidate for EU accession, Serbia is a step closer to EU membership, which includes the implementation of the Copenhagen criteria, which are the economic and political demands that candidate countries must meet to be able to join the EU. Here, a series of questions that have been developed through this paper and that will lead us to better respond to the emerging issue: Macroeconomic transition of Serbia is it on track towards a market economy and integration into the EU? And what about the countries of the Western Balkans?! Those countries that have faced almost total isolation decade, says they are also able to cope with such a transition? Serbia knew that one of the worst situations, she arrives to face these challenges and to catch up? An important page in its history has been touring since 2001. But is that necessary reforms have been taken to regain macroeconomic stability and to meet the criteria for membership of the EU? Economic transition that is imperative in this case, she has a similar impact on each of these countries? Is she effective catch up with Western countries and be match for the EU market as a member?*

Introduction

Since the signing of the Dayton Accords, the European Union (EU) has spent a great interest in the stabilization of the Western Balkans and expanded many policy instruments. The measures taken by the EU to stabilize the region and prepare for accession

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Srđan Redžepagić

represent a particular aspect of the enlargement policy. Summit “EU - Western Balkans” in Thessaloniki in 2003, the prospect of membership for the Balkan countries has been confirmed, while offering cooperation programs. Taking into account the economic and political instability as a strong external support, led by the EU was necessary. But the countries of the region must fulfil a number of requirements needed without knowing that own efforts, without regional cooperation, no positive results (in terms of sustainable progress) or no prospect of integration will not be possible.

Among the countries of the Western Balkans, Croatia logically found at the top of the list, the most advanced country in the region whose membership is programmed for July 2013. This is followed by an intermediate group (Macedonia, Montenegro and Serbia), which we see some progress in the area of democratic governance, but must confront the problems of corruption and organized crime. This is followed by Albania and the bottom of the list, also there is no surprise the two semi-protectorates: Bosnia and Herzegovina and Kosovo. The EU plays an important role in the reconstruction of both countries.

Europe and EU – the question is what the future is for Balkans... But, what then? Here is a word through the centuries for over two millennia. Already in the Graeco-Roman, the continent and its vast territories were coveted by various empires and civilizations. From antiquity to a not so distant past yet, the conquest of Europe has often resulted in bloodshed and endless conflict. Either by religious belief, political or other people such as Caesar, Charlemagne, Napoleon, etc.. main purpose was to unify a vast territory.

EU and Western Balkan Countries

When comparing levels of development we can see that the Balkan countries are far behind the countries of Central and Eastern Europe (CEE), which entered the EU in 2004 and 2007. With the exception of Croatia, which approximates, other countries have a gross domestic product (GDP) per capita is less than half of the new member states of CEE countries. This means that the Balkans is at 25 percent (%) of the EU average.

If we compare the wages, the difference is even more obvious. It is interesting to note that wages in the countries of the former Yugoslavia are much higher than in other Balkan countries in transition. This is because the price level was much higher in the former Yugoslavia, which is the inherited disease. These countries had a higher price level before 1990. It is obvious that prices and wages adjust slowly. In any case, the competitiveness of the Balkan countries is not particularly high.

It may be noted that the Balkan economies are small and low-open-more precisely the degree of openness of their economies is at a level lower than potential. There is an asymmetry between exports and imports. For example, exports (based on cumulative) in Albania are about 7% of GDP, while imports accounted for 30%. Serbia's exports are less than 15%, while imports are about 40%. The Croatian economy is more open, mainly due to large exports of services. With the exception of Croatia, other countries have little to offer to the EU and the rest of the world.

Regarding the development of industrial production Balkan countries, there are also major differences. With the exception of Albania, which was and still is very de-industrialized, and Bosnia and Herzegovina, where we take 1995 as the base year (which is why there has been a rapid growth), other countries are still far from the levels of production in 1990.

Western Balkan Countries and Serbia on their Way to the EU

In the period 1990-2003, the decline in industrial production in the Balkans was much greater than the fall in GDP, while growth in industrial production in Central Europe was much higher than GDP growth. There is remarkable that in the Balkans they had long period of deindustrialization. In addition, if we take into account the fact that the process of industrial restructuring is beginning in this region, we can expect a further decline in industrial production in GDP.

On the labour market, the area is subject to serious difficulties. In general, employment is still declining. In the Balkans, unemployment rates are high, and sometimes very high. A large part of the labour force had left the area looking for work in Europe or abroad. Lack of reliable data, there is no doubt that many people have left the Balkans, particularly the areas that have been affected by the civil war. In this context, the rate of high unemployment and low employment rates are probably the biggest problems.

When unemployment is high, the black market develops. Otherwise, people would starve. Estimates of the size of the informal sector (this includes jobs for which you do not pay taxes), vary greatly.

It is clear that the share of the informal economy is large. One might infer from this data on the rate of youth unemployment and structural unemployment. In all Western Balkan countries, the unemployment rate for young people (15-24 years) was significantly higher than in Central Europe. Structural unemployment (for example unemployment for a long time), is very high in the Balkans in Central Europe. This indicates an important role in the informal sector, even in the gray economy.

Data on revenue and expenditure are the most interesting. However, there are some significant differences between these countries. Public expenditure is very high in Montenegro, Serbia, Croatia and Bosnia and Herzegovina, about 50% of GDP. In contrast, public expenses in Macedonia are lower, about 40 percent of GDP. Albania is an exception because the government spends very little, about 20 percent of GDP. Countries that spend too much also have significant problems with the budget deficit and the structure of public expenses.

Poor structure of public spending due to several factors: many jobs have been created in the public sector; we see significant expenditures for grants and transition costs as well as benefits and retirement. This represents a burden for the economy, but also opens the door to lobbying for public money (corruption is stimulated). The inefficiency is linked to this legal because the state is involved in all trials, and the interest that affects all the processes that determine the final outcome.

It is not surprising that the biggest criticism is related to the efficiency of the public sector, the professionalism of the bureaucracy and judicial independence. Along with high taxes represent a significant administrative burden, a bad impact assessment of the business climate in the Balkan countries. One of the requirements for accession to the EU is implementing a number of institutional reforms, but also the reduction of the public sector. This process is accelerated in Croatia. Other Balkan countries get the lowest scores in terms of the business environment and corruption, and economic freedom in general.

As you can see, in recent years, the whole region has qualified for membership in the EU, step by step. The Balkans is undoubtedly a privileged region for the enlargement of the EU, and the reason for this is that this region is economically integrated vis-à-vis the EU, actually or potentially.

Srdan Redžepagić

Since 1989 and the disintegration of the former Yugoslavia, Europe has had before it the opportunity to unify the whole of Europe between the capitalist from the West and socialist from the East. The stakes were high and appropriate; ensure long lasting peace on the continent and the creation of a European economic power without precedent. But this unification was she actually feasible? Knowing that the whole world is emerging towards a capitalist system, the socialist countries were they ready does a radical change of economic system?

The politico-economic transition exerted by the former socialist countries, especially for the Western Balkans, is from a desire for them to acquire a market economy and power s integrate into the economic structure of the European market but also worldwide. However this issue is double the country geographically located on the European continent, as if on the one hand good progress in this transition is expected to provide a better quality of life for society as a whole, it will also promote the integration of these countries into the EU.

Armed conflict and the precarious political situation in the Western Balkans, 1990s were seriously affected and suspended talks between the European authorities and the region. This has resulted in a failure of the EU strategy in its efforts to establish a zone of stable peace deal with conflicts that hit the "doors" of the EU. If this failure is due in major part to the tensions and strained relations which subsisted between the republics of the former Yugoslavia, it is also attributable to Western countries by their absence of diplomatic relations. Before the 1990s, there were strong and could be used to prevent the embrace of the region. Indeed, it could have been avoided during the 1980s, when the EU and the United States of America had been more attention facing imminent disintegration republics promised. In this case, the Western countries have totally ignored and undervalued the precarious situation that existed between the various powers of the republics face the economic meltdown followed by political disintegration. This has allowed just of seeing the rise of nationalist political parties in Croatia, Bosnia and Herzegovina, Serbia and Slovenia.

The situation in the former Yugoslavia in the early 1990s has therefore worsened the relations between this country and the European authorities when they tried to stabilize the region. Europe will attempt to condition the granting of economic aid and trusts it still will be able to resolve this conflict even within the European geography without having to resort to the UN or NATO. Faced with the failure of its long-term strategy, the EU will use various means of pressure to mark its disapproval of the situation. Among the most important were notably used in commercial suspension of economic cooperation agreement signed with the SFRY late 1970s, but also a trade embargo, oil, air and arms for the FRY (Serbia and Montenegro) after the declaration of independence of Croatia and Slovenia. Apart from Slovenia, the former republics of the SFRY were also excluded from the first aid program to rebuild the former countries of Eastern Europe (PHARE), having been able to participate in 1991 and 1992. However, these aids were insignificant compared to those given to other countries in Eastern and European assistance was limited mainly to humanitarian aid. Until the mid 1990s, relations were very rare and the EU proves powerless to respond to the magnitude of the problems that persisted in the region and began to worry more and more the international community.

The new EU strategy in its regional approach, which had already started in 1996, could lead to significant changes in light and certain events. First, there was a return to peace in the region in 2000, on the one hand, following the end of armed conflict in Kosovo in

Western Balkan Countries and Serbia on their Way to the EU

1999 which opposed the Albanian and Serb communities, on the other hand, by the end of the bombing which take place in the Federal Republic of Yugoslavia during the same year. Finally, in the European authorities, they proposed for the first time an opportunity for Western Balkan countries to join the EU. The prospect of integration as a full member of the Union therefore precede financial aid from the EU but also by economic and commercial interaction with the region through the criteria and measures established by the Process Stabilization and Association (PSA). The PSA, which was carried out jointly with the Stability Pact for South Eastern Europe in 1999, was officially launched at the Zagreb summit in November 2000 for all countries in the region concerned, except for the FRY who introduce five months later.

In response to this desire for regional approach, the European Commission recommended in 1999 to adopt a more ambitious vision of regional development: the process of stabilization and association. This PSA is therefore part of the EU policy for the Western Balkans until future membership in the EU; European integration was clearly reaffirmed at the Thessaloniki summit in 2003. The main objective of the PSA is to support the advancement and progress of these countries towards a good stabilization and cooperation in the context of their political and economic transition. All the successful completion of this process will be done through political commitment, both from the EU and the country concerned. The side of each country is defined by the commitments conditionality of the Copenhagen summit in 1993, which should be respected:

- Have stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- Having a market economy and able to cope with competitive pressure and market forces within the enlarged EU.
- Having institutions that assume the obligations of EU membership, the recovery and enforcement of the *acquis communautaire* and adherence to the aims of political, economic and monetary union.

Subsequently, these criteria have been clarified in 1995 by the European Council in Madrid where a fourth criterion was also added regarding the ability of a new integration to the EU. However, unlike the previous enlargement countries, the countries of the Western Balkans will have to answer some specific and additional conditions under the particular circumstances are concerned, called "principle of conditionality." Beyond the Copenhagen criteria, they will also, on the one hand, actively cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY), primarily in the delivery of war criminals, and respect the Dayton Accords and all their international obligations, and secondly, they should encourage the return of refugees from the war of 1992-1995 and inter-regional cooperation. The principle of conditionality is essential and crucial to change the process of advancing the process of stabilization and association.

This new regional approach, showing both more strict compared to older entrants but both more effective given the exceptional situation in the Balkans and the accumulated past experience, the EU finally succeed to restore political dialogue support for economic reconstruction and ensuring peace in the region. However, this peace can not be ensured in a sustainable manner, so that the process of integration into the EU will not be fully completed, signed this through negotiations and agreement on stabilization and association with country are at very different stages yet.

Srđan Redžepagić

The EU has responded to this financial assistance to the Western Balkans in the early 1990s. Currently, the total amount awarded to all the countries comprising the former Yugoslavia (excluding Slovenia) is around 26 billion Euros by counting those of the EU, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the Member States. If this distribution is a significant amount to the political and economic transition of these countries, it has shown a wide disparity in the 90s, mainly with Serbia, but also shows a relative efficiency with respect to the reconstruction economic potential candidates since 2000.

From 1990, all the countries of the former Yugoslavia were included in the financial assistance program PHARE, which was originally created for the CEE countries. However, as well as other countries of the former Yugoslavia, the FRY was quickly expelled from the program after having participated for two years, the derisory amounts allocated to it have not amounted to more than 45 million €. An exception was made for Slovenia and Croatia for until 1992. After stabilizing the region in 1995, PHARE was extended but not all countries in the region, only Bosnia and the Former Yugoslav Republic of Macedonia in 1996 will benefit. Croatia and the FRY were excluded from this extension for most of the period 1996-2000, for a lack of humanitarian law, the other for political problems. A large part of the funds received in the FRY, 1990s were made through bilateral agreements (approximately 1 billion of Euros), but this amount represented only 16% of all funding for former Yugoslav countries (except Slovenia). The EBRD and the EIB also participated in the reconstruction of the region but the FRY had no right to assistance. If political conditions in the FRY were not very favorable, EU assistance for economic reconstruction vis-à-vis the latter has still not been a great support and is limited primarily to humanitarian aid and aid to facilitate the development of democracy.

Within the framework of the new European approach and political developments that took place from 2000 in the Western Balkans, EU financial assistance will increase. Many assistance programs will be implemented such as SAPARD, ISPA, TAIEX and the CARDS program for the Western Balkans. This program worked between 2000 and 2006 and was intended to Community assistance, reconstruction, development and economic stabilization. He has released more than 5 billion Euros in the region, including more than three quarters of the amount paid directly to the country (3,750 million Euros), the FRY was one of the biggest beneficiaries with a total of approximately 2.5 billion Euros. Given the gradual progress of all countries in their European integration and the evolution of each respective towards an Association Agreement and Stabilisation, all external aid programs for "candidate" countries and "potential candidates" were grouped under a single program for the period 2007-2013 program called IPA (Instrument for Pre-Accession). This program includes five funding components:

- Component 1: Transition Assistance and administrative capacity
- Component 2: Cross-Border Cooperation
- Component 3: Regional Development
- Component 4: Human Resource Development
- Component 5: Rural Development

The IPA will provide up to 11.5 billion Euros aid until 2013, nearly 4 billion Euros will be allocated to the Western Balkan countries. So far approximately 1.5 billion Euros were paid their, more than a third of Serbia. However, the program still shows quite unfavourable for a country like Serbia with a status of "potential candidate". Indeed, having the opportunity to

Western Balkan Countries and Serbia on their Way to the EU

access and use the first two components, the actual development in its economic restructuring are in poor, while the other three components enable it to evolve in areas such as infrastructure, competitiveness or employment and education. Ultimately, the aid given to Serbia was relatively abundant but not very effective, since in general, 60-80% of aid was dedicated to aid technical assistance and capacity administrative and institutional capabilities.

Case of Serbia

Serbia, like other countries of Eastern Europe, in recent years is based on a growth model driven largely by consumption. The latter declined by an average of about 10% between mid-2008 and mid-2009. At the same time, production and commercial activities record cuts between 10 and 15%. If these areas reflect declines in activity in-country, more by external effects found in many explanations. Indeed, the first effects that have been observed at the beginning of this crisis were declining exports and the decline of foreign resources (loans, investments abroad, etc.).

Although Serbia over the past decade, until the onset of the global, economic and financial, crisis achieved high economic growth, the global crisis has caused a general decline in economic activity which led to a significant drop in GDP, growth of the budget deficit and increasing public and external debt, and thus weakening macroeconomic stability. After a serious drop in GDP in 2009, the recovery has been much slower than expected and achieved growth rates of GDP in 2010, far less than during the period before the crises. In Serbia, as in almost all other Western Balkan countries, there is a broad political consensus on economic policy, as one of the important prerequisites of progress in the European integration process. Getting candidate status, in March 2012, indicate that the country has made the progress in fulfilling the Copenhagen criteria. A whole series of steps, in areas of fulfilling the political criteria, as well as significant progress in the harmonization of legislative legal system of Serbia with the EU *acquis*, called *acquis communautaire*. However, before Serbia are serious challenges implementing all three sets of criteria, but the fulfilment of the economic criteria is essential for achieving macroeconomic stability and implementing structural reforms. Significant progress has been made in trade liberalization of Serbia with the European Union. The degree of commercial integration with the EU will have a series of reforms as a precondition for fulfilling this criterion. Structural reforms are still at the very beginning of the implementation, better chances for development of the country and achieving sustainable growth. Completing fulfilment of the economic criteria, Serbia would be a step closer to full membership in the European family of nations, and the finalization of the process of transition and better prospects for achieving sustainable economic growth.

Serbia is the largest country of the Western Balkans is a political actor and economic role in the region's accession process to the EU has accelerated since 2008. Serbia has since March 2012 the status of an EU candidate. Serbia also maintains close relations with many countries around the world, including major emerging countries. In 2010 Serbia's GDP is about 30 billion Euros (that is about 4500 Euros per capita). In late 2008, Serbia was hit by the crisis. Private consumption and investment declined considerably, and a slight recovery observed since 2010 was mainly driven by external demand. It is expected that in the best solution, the economic growth will reach 0.5% in 2012. This evolution has been accompanied by rising unemployment which has largely gone through the ceiling of 27.9% of the workforce and a strong contraction of domestic demand (especially household

consumption). Serbia has signed the agreement with the IMF, but the government does not meet all the requirements, the IMF is now slightly convinced by the sincerity of the Serbian real. In addition, the economy has an annual deficit of between 4 and 5% of GDP. In the medium term, the country will have problems in the evolution of the public debt, which attracts more and more vigilant observers. Serbia leads a tight monetary policy even if its impact is partially limited by the strong dependence of the Serbian economy in the use of the euro. The national currency has depreciated by more than 10% against the euro in 2012, while a majority of economic agent's debt mainly denominated in Euros.

Kosovo is a semi-protectorate in the Balkans. It is a province in southern Serbia which has declared its independence on 17 February 2008. Kosovo is still under the supervision of the international community (UNMIK, KFOR and EULEX mission). The EU plays a significant role in the reconstruction and economic stabilization of the country. Kosovo's GDP is 4.2 billion Euros in 2010 and GDP per capita is 2468 Euros. However, the economic situation is affected by significant imbalances. The unemployment rate is the highest in the region (about 45%). Kosovo is characterized by a profound deficit in its trade balance, mainly due to the heavy reliance on foreign exports. Indeed, the current account deficit has deteriorated to a level of 17.4% of GDP in 2010.

The decline in foreign capital was mainly observed in banks, particularly in Serbia where the majority of them is foreign and draw some of their resources abroad. This is reflected in a significant decrease in the real sector and aggregate demand. The decline in lending in the private sector was not waiting. In comparison, for 10 loans in the third quarter of 2008, it was more than 1 in the last quarter, 50% of these are aimed directly at households. So there was a decrease of over 90% of the loans granted. After a period of stagnation and slow growth, which lasted until August 2009, the credit activity (both for households and for other sectors) gradually resumed but with more stringent criteria for the acceptance of a loan. Today, banks have regained financial situation "normal" (that is to say liquid and capitalized), which seems to have responded well to the support of the Serbian economy throughout the crisis, some of them via the "Vienna initiative".

Given the magnitude of facts, Serbia had and must always deal with the negative effects of the crisis. Namely, an impressive number of bankruptcies or some at "the edge", and a skyrocketing unemployment resulting in people who find themselves overnight or without pay income paltry social security close to having their end of the month, etc.. Serbia has experienced what many people could live or see on a daily basis in most European countries. But unlike others, the effects of the crisis have not yet entirely faded in Serbia. Many events are still in place after the closure or restructuring of companies in both the public and private sectors, some people still find it difficult to obtain any credit at reasonable rates and the latest figures of registered unemployment second half of 2010 were not very convincing (about 20%). Management and fiscal policy measures for the future ahead so complex and draconian.

Some Neighbouring Countries and Perspectives

Since the conclusion of the Dayton Peace Agreement in 1995, Bosnia and Herzegovina, the EU has played an important role in stabilizing the country. The Stabilisation and Association has been signed on 16 June 2008 after a process to fulfil all the necessary conditions. Unfortunately, the progress of economic reforms has slowed considerably after the signing of the SAA. Little progress has been made in relation to the

Western Balkan Countries and Serbia on their Way to the EU

essential requirements of the EU, such as the implementation of more functional state structures and greater respect for human rights and fundamental freedoms. Constitutional reform, which is the highest priority, is now at an impasse. GDP of Bosnia and Herzegovina is 12.6 billion Euros in 2010 that is about 3300 Euros per capita. The country experienced a growth of 5.2% on average over the period 2000-2008. The country was hit by the crisis, with economic contraction in 2009 (-3.1% according to IMF). The slowdown in 2009 was primarily due to the decline in international demand (17% of exports) and capital inflows (FDI -72.2% in 2010). Inflation is located at 2.1% in 2010, thanks to the exchange rate regime or currency board arrangement (CBA). The biggest problem is unemployment remains structurally high (42.7% at end-2010, 00 525 unemployed) and the informal sector is widespread.

Albania has made considerable progress since the signing of the Stabilisation and Association Agreement (SAA) with the EU in June 2006, and the submission of the application for accession to the EU on 28 April 2009. She has signed a visa facilitation agreement in September 2007. Despite some progress, democratic culture should be further strengthened to enable the political system to function effectively and transparently. Other important democratic deficits persist in the areas of rule of law, judicial independence and the independence of the media. In addition, the fight against corruption and organized crime is a major challenge. Albania has more resilient to the global crisis than its neighbours in the Balkans in 2009 and 2010 because of international openness still limited. GDP growth remained significant (3.5% in 2010 according to the IMF). EBRD provided a slowdown in 2012 to 1.0%. In the short term, the weakening of the economy in the main trading partners of Albania (Italy and Greece) worsens the trade balance. Albania also knows the depreciation of the national currency (down 20% against the euro in three years). Consequently, the weight of non-performing loans becomes heavier (16.6% at end June 2011). In the medium term, the country will face the rising cost of public debt, which is the common feature of all Western Balkan countries. The EU remains (1st half of 2011) the largest trading partner of Albania, representing 64% of imports and 70% of its exports.

The Role of FDI

Foreign direct investments (FDI) have become a significant factor in a rapid expansion of international capital movements. Given that in less developed countries and countries in transition, lack of capital the most important limiting factor, it is therefore an increased inflow of FDI necessary and indispensable condition dynamization of their growth, development and resolution of many accumulated problems inherited from the previous period. It is an indisputable fact that FDI is an important factor in development, especially in developing countries and countries in transition. The countries in transition and all the countries of the Western Balkans, with scarcity of capital, and they are most profitable to fill the gap in foreign direct investment as the best way of using foreign capital. Nowadays, the great importance in the world economy, in terms of FDI inflows and outflows, are especially BRIC countries (Brazil, Russia, India and China), and development is increasingly moving to the Asian continent. In fact, for all the countries in transition and developing countries have a very significant performance of the capital market, particularly FDI, because it improves growth performance in the local economy. Most of these countries opted for an export growth strategy, the only right strategy. However, due to a modest surplus and domestic savings, these countries have their further growth based on substantial imports of foreign capital, particularly in its most convenient form of direct, which de facto brings knowledge,

Srđan Redžepagić

technology solutions, managerial and marketing experience, increase business efficiency and enterprise economy as a whole, and especially higher exports. This kind of capital inflows strengthen the economic development of countries importing capital. However, the receiving state capital have shown that they are not enough market foreign direct investment, which can only be sold in the domestic market, but are also needed investment in tradable goods that strengthen domestic exports. In this context, it means that for developing countries and countries in transition favourable FDI inflows that are placed in a green field in the form of tradable goods export.

In the Western Balkans countries, FDI are well known from the early 1990's. The first beneficiaries of foreign investment in the region were Croatia and Albania, respectively since 1992. Over the years, as recipients of FDI, there will be other countries: Serbia, Montenegro and Bosnia and Herzegovina. All analysis (especially from World Investment Report, 2010) show that these new CEFTA member countries over the period since 2001-2009 attracted 59.9 billion US dollars. In fact, the largest FDI inflows realized in Croatia (24.6 billion US dollars, so 41.1%), followed by Serbia (19.5 billion US dollars, so 32.5%), Bosnia and Herzegovina (6.5 billion US dollars, so 10.8%), Albania (4.1 billion US dollars, so 6.8%), Macedonia (3.0 billion US dollars, so 5.1%), Montenegro (2.3 US dollars, so 3.7%). Analysing the inflow of FDI per capita, there are many important disparities between countries. The largest inflows generated Croatia, or 5,527 US dollars per habitant. This is 2.7 times more than the average for the region (2,059 US dollars per habitant). The lowest flow recorded Albania (1,134 US dollars per habitant), while in Bosnia and Herzegovina has level of 1,630 US dollars per habitant, which is actually at the level of 79% of the average for the region.

With regard to capital flows from the Western Balkan countries, they are compared to the much smaller inflows. For a period 2001-2009, the total equity investment was 6.6 billion US dollars, which represents only 11% of the amount of the inflow. The most developed region in Western Balkan was the Republic of Croatia, which participates even with 70.3% of the total outflow of capital. The participation of Serbia is relatively high and reaches 24.0%. Other countries from the Western Balkan region, participating in the total outflow, have only participation of 5.7%. The evolving demand increases GDP, generates foreign exchange effects, accelerating the overall development, encourage the development of new services and products, and overcome the inconsistency in the countries in development process. Regional structure of foreign trade in goods shows that the Western Balkans countries, in export, are predominantly oriented to the countries of the European Union. Some recent data show that 55.7% of exports (the cumulative period of 2005-2009) were implemented in the EU.

Some recent economic research analysis, for the period since 1998-2008, point to the continued presence of the deficit in the balance of export and import flows of the Western Balkan countries, a new member of CEFTA. Specifically, during the period (until the conclusion of a multilateral agreement CEFTA) deficit was recorded at the level of 8.3 billion US dollars to 24.4 billion US dollars. The period of membership in CEFTA rose from 34.5 billion US dollars to 38.7 billion US dollars. The total trade deficit in goods trade in these countries, for the period 1998-2008, reached the level of 207.8 billion US dollars. In the coming period is to be expected accession of the Western Balkans to the EU (as is the case of the Republic of Croatia who will joint the EU in July 2013), their economic and political strengthening, and therefore higher and more favourable economic level of economic cooperation.

Western Balkan Countries and Serbia on their Way to the EU

Having in mind all mentioned, it may be exposed to perform the basic features of the dynamics of foreign direct investment in developing countries, including the countries of the Western Balkans:

- Foreign direct investments are one of the main factors for the intensification of the economic development in the world. The essential characteristic of investment flows are their cyclical nature, or follow the fluctuations of economic growth.
- While the developed countries of the world participate significantly, both in remittances, as well as outward FDI in the last decade, the scene is a significant change in the direction of decreasing the share of these countries in the inflow of foreign investment, while also increasing the participation of developing countries (especially BRIC countries).
- After speaking regions, European countries (in particular the European Union) are the most significant users of FDI. Then follow the countries of North America, and countries in Asia and Oceania.
- Sectorial structure of FDI is characterized by a dominant and growing share of the services sector, while declining share of the secondary sector.
- Foreign direct investments are profitable by 2007, but with a noticeable downward trend in the effects of recession period.

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SRBIJA I DRŽAVE ZAPADNOG BALKANA NA SVOM PUTU KA EVROPSKOJ UNIJI

Rezime: Proces evropskih integracija ima dvostruko značenje kako za Srbiju, tako i za ostale države Zapadnog Balkana. Najpre, njime se stimuliše proces tranzicije, ali takođe i stiču uslovi da se kroz nastavak reformi osigura punopravno članstvo u Evropskoj uniji. Po kriterijumima iz Kopenhagena, kojima je uslovljeno priključenje Evropskoj uniji, napredak u tranziciji i puna primena institucionalnih reformi su važni preduslovi za prijem ne samo Srbije već i ostalih država Zapadnog Balkana u EU. Uspeh u ovom procesu je jednako važan za stvaranje povoljnog poslovnog i investicionog okruženja i uspostavljanje uravnoteženog i održivog rasta u regionu. Sa sticanjem statusa kandidata za priključenje EU, Srbija je korak bliže članstvu u EU. U radu postavljamo seriju pitanja, od kojih očekujemo da nas približe konačnom odgovoru na goruće pitanje: Da li je makroekonomska tranzicija Srbije u skladu sa opredeljenjem ka tržišnoj ekonomiji i integraciji sa EU? Dalje, šta je sa ostalim državama Zapadnog Balkana?! Da li su države, koje su čitavu deceniju provele u gotovo potpunoj izolaciji, sposobne da se suoče sa ovakvom tranzicijom? Svesni smo da je Srbija u nezavidnoj situaciji. Za Srbiju, važna stranica u modernoj istoriji okrenuta je 2001. godine. Međutim, da li su sprovedne reforme neophodne da se povрати makroekonomska stabilnost i ispune kriterijumi za članstvo u EU? Da li ekonomska tranzicija, koja je imperativ u ovom slučaju, ima sličan uticaj na svaku od ovih država? Da li ovakva može pomoći da države Zapadnog Balkana smanje razliku u razvijenosti u odnosu na države zapadne Evrope do mere da uspešno pariraju ostalim članicama?

Ključne reči: EU, Zapadni Balkan, tranzicija, kriterijumi za priključenje.