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EU vs West Balkan: Life on the Margins of Great Community

*“The EU has imposed a call and assist is accessing.
Road to membership, however, each country has to move itself.”
(Wolfram Mass, German Ambassador in Belgrade)*

Abstract

Symbolically marked by the fall of the Berlin Wall in 1989, the end of the cold war meant the new historic era of union and prosperity of West European people. At the same time, the rest of Europe was in front of historic temptation of radical political and economic and systematic changes, which will make them possible to become the part of the new era of modern and united Europe. Including in the process of transition became the imperative for all the European countries which apprehended the necessity of changes and perceived their future within the frame of European Union. This process has been successfully completed in the most of countries which was acknowledged by European Union membership. However, there is a group of countries in the literature and political practice known as West Balkan. It is consisted of: Albania, Bosnia and Herzegovina, Montenegro, Croatia, Macedonia, and Serbia. They are mostly small countries very important for the development of political and economic relations on Balkan and in Europe. This group of countries, according to achieved results in the transition process, is far behind. They are burdened by numerous political problems with the repercussions on their mutual political relations, their economic development, and mutual economic cooperation and in the results in the process of Euro integrations. But, common ambition of all these countries is the membership in the European Union. This ambition, first of all inspired by the motive of faster economic development and desire for West Balkan to become part of the Europe in the economic sense just as it is in the geographic, historic and cultural aspect. It is the fact that European Union itself would not have the economic benefit of the acceptance of the West Balkan countries in its membership. Its motives are more of political and security nature, because the political instability of the sub Region may have far reaching consequences on the whole of Europe stability. That is why the European Union insists on peace and stability establishing in this region, and set conditions for the acceptance in the membership, being strict at the first sight are in the long run in the function of faster and quality improvements of the West Balkan countries development.

Key words: West Balkan, European Union, transition, economic development

Introduction

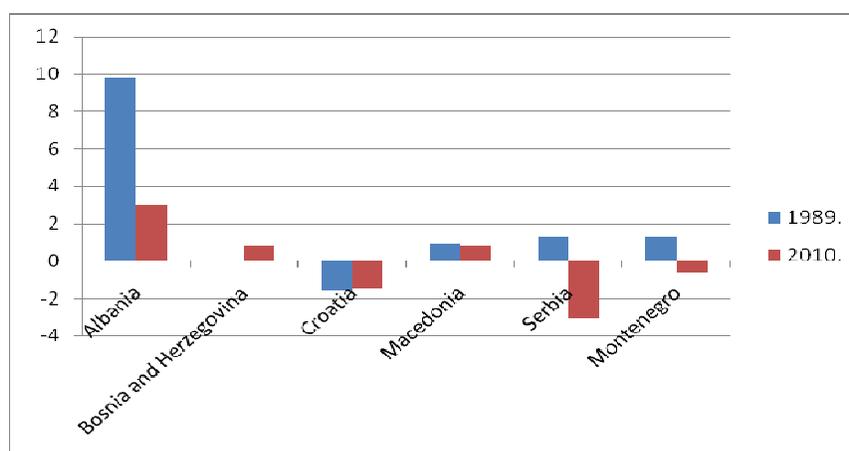
The fall of the Berlin Wall by the end of the eighties of the 20th century was the beginning of the new phase in the development of human society which will be based on humanity, tolerance and unification. At the same time, in the Eastern part of the Europe, as the consequence of the great wall fall, appeared “many smaller walls” symbolically presenting the end of one human development epoch and natural resistance toward in -coming changes. The general globalization trend caused, in the area of Eastern Europe, specially on Balkan, new social and political polarizations which, so fragmented, were more compounded and complex than the polarization caused by the cold war. This is understandable if it is taken into consideration that the Balkan is political, economic, religious and culturally heterogeneous region and that the development philosophy of the most of this region countries, is almost half of the century based on one settled centrally planned system of economy. This was a difficult task for these countries: overthrow the new “walls” and get into the transition process which shall facilitate the integration into European and global flows. Some of the East European countries reacted very promptly, realizing that the new global process significantly reduces possibilities for the quality economic development outside the system. By European Union membership they opened new development chapter and made their positions more perspective in the international economic relations. Outside the circle of united and successful, there is a group of Western Europe countries: geographically – part of Europe, in development sense- on its margins. Apart from Croatia, which shall certainly become in 2013. the 28th member of European Union, the other Western Balkan countries have been for two decades in the process of transition. Time to come, and the development of events on the political and economic European stage, does not provide clear indication that this process will be ended soon, and that they will be accepted in the European Union. There are number of problems which they have to solve, and there is also a great macroeconomic gap that separates the countries of EU and puts them on margins of this great union.

1. Macroeconomic coordinates of West Balkan in Europe

Recently, the European Commission broadcasted video clips on beauties of Western Balkan countries and turkey – countries on the road to become the members of European Union. No doubt that videos titled “ So similar, so different, so European” present the fascinating beauties of these East European countries and point that they are, in appearance and the level of modernization they have achieved similar to Switzerland, Italy, France, Germany or Greece. However, it is the fact that only with the natural beauty every similarity stops and that the differences between these countries is drastic in all other segments. Historic, social and political differences demand a wider and more complex analysis, but we are to concentrate only on economic differences, on factors which contributed economic polarization of these two parts of Europe and transition as a way of transplantation of capitalistic – market economy in to system different area and at the same time as cohesion power which will finally lead to merging of these two economically different European areas. It is the fact that the western Balkan countries had great failure in transition of their economies.

Numerous macroeconomic indicators are in favor of this: GDP growth rate is far from the GDP growth rate from the pre-transitional period; unemployment is in all countries of Western Balkan chronically raising category; flow trend of foreign investments has been devaluated in recent years; high rate of inflation; high level of external debt that these countries were granted the title of "overdue" and similar.

Graph 1: The average growth rate of GDP of the Western Balkan countries 1989. and 2010.



Source: EBRD Transition Report; <http://www.ebrd.com/pages/research/economics/data.shtml>; available: February, 2012

Data from the graph, decidedly show the “erosion” of macroeconomic systems of Western Balkan countries which appeared upon entrance into transition process. Certain level of economic strategy (even going backwards) is, when going from one system of economy to another, normal and expected. However, if “run-in period” is longer than five years, at the same time followed by continuous depreciation of macroeconomic indicators, it is the sign that there is a serious economy system problem and its causes should be search for with the prevention of possible consequences. Apart from Albania, which was among extremely poor countries, thus its statistic base for computing of GDP was very low, and (purely statistically) that fact for itself allowed apparently high rate of GDP, all other countries of Western Europe in 2010. had the rate of GDP about or below the rate from 1989. According to data illustrated In the Graph 1., Albania, in 1989. had even 79% higher rate of GDP than in 2010. Of the countries of Western Europe, only Croatia and Macedonia in 2010. had nearly the same growth rates of GDP as they had in pre transitional period. In other countries, the average growth rates of GDP are far from average growth rates in 1989, in Serbia and Montenegro are even negative.²

To generally bad macroeconomic situation, in the countries of Western Balkan during twenty years of transition, contributed their bad political relation, conflicts and military interventions. In case of former SRY, impediment of the economic development were sanctions introduced by the United Nations and European Union. Sanctions lasted for a decade and it is reasonably considered that Serbia and Montenegro (at that time both are within SRY) are still paying the high price of that “compulsive economic hibernation”.³ Also, deindustrialization, uncontrolled companies privatization of

state and social ownership, increase of unemployment and low level of investments were the important factors which influenced the Western Balkan, although it is geographically the part of Europe, to be on its margins both in development and economy. Macroeconomic comparison of the countries of Western Balkan to chosen countries members of European Union, confirms the fact that these two parts of Europe, despite the fact that they are similar in natural beauty and richness, are economically far for each others. Should there is some common macroeconomic weakness, countries of European Union are in advantage because they have on the disposal the wide spectrum of possibilities of rapid and efficient overcoming of weaknesses, whereas the countries of Western Balkan often do not have convenient “tool” for retrogression of their developing limits.

Table 1: Macroeconomic indicators of the chosen EU countries development level and the countries of Western Balkan (2010.)					
EU countries	GDP (in mill USD)	GDP per capita (USD)	Unemployment (%)	Inflation (%)	External debt (% of GDP)
Austria	335.432	39.991	4,4	1,9	261,1
France	2.194.098	33.835	9,8	1,5	250,0
Greece	314.720	27.839	12,6	4,5	182,2
Italy	1.917.439	31.702	8,4	1,4	146,6
Germany	3.044.231	37.235	7,1	1,1	185,1
Spain	1.462.185	31.736	20,1	1,3	179,4
Sweden	365.721	38.998	8,4	1,4	282,2
Great Britain	2.246.677	36.131	7,8	3,3	413,3
EU (27)	15.892.965	31.677	9,7	-	-
Albania	29.164	9.102	13,5	3,6	59,3
Bosnia and Herzegovina	32.299	7.534	27,2	3,1	46,6
Croatia	86.342	19.494	11,8	1,3	98,3
Macedonia	22.863	11.114	31,7	1,6	58,8
Serbia	82.267	11.259	19,2	10,3	73,6
Montenegro	8.220	13.016	14,7	0,7	96,9
Western Balkan (6)	261.154	11.916	19,7	-	-
<p>Note:the choice of EU countries was done upon video clip "So similar, so different, so European"; because of data unavailability on Kosovo economy, in the source which the author used, data for Serbia do not include Kosovo.</p>					
<p>Source: http://w3.unece.org/pxweb/dialog/Saveshow.asp?lang=I; Data on inflation rate: http://www.indexmundi.com/facts/indicators/FP.CPI.TOTL.ZG/; data on external debt for EU: http://www.cnbc.com/id/30308959/The World s Biggest Debtor Nations?slide=21;Data on external debt for the countries of Western Balkan: http://www.ebrd.com/pages/research/economics/data/macro.shtml; all available: February 2012.</p>					

The presented data unequivocally, show that the sub-region of Western Balkan is economically inferior area in comparison to European Union. Worldwide, it is very small region and its participation in global economy is insignificant. However, if we consider the place of Western Balkan in EU, there are different conclusions and statements.⁴ Economic backwardness of the Western Balkan countries in comparison to industrially developed countries of Western Europe, has long run trend and presents the part of their economic and state history. According to almost all presented parameters, this area is far behind countries of EU. The value of totally achieved GDP of Western Balkan countries is 60,8 times less than total GDP value of all 27 EU members. GDP value *per capita* is almost three times less than the value of the same indicator for EU 27.

Among analyzed EU countries, Spain (20,1%) and Greece (12,6%) stand out for unemployment, whereas, for the rest of the countries this rate is less than 10% per annum. With all Western Balkan countries, the rate of unemployment exceeds 10% per annum – the situation is the most critical in Bosnia and Herzegovina and Macedonia (31,7%) and then Serbia (19,2%). The calculation of unemployment rate in Serbia excludes data on Kosova where the unemployment rate is of enormous values. If we include these data, the percent of unemployment in Serbia would be much higher than presented. The complete picture of unemployment in the countries of Western Balkan would be much unfavorable if a lot of, first of all, young people have not left the country and found jobs abroad.⁵

The rate of inflation is also one of the important indicators for the stability of a certain economy. Inflation data show that in all analyzed countries there is so called, mild or groveling inflation, which is the usual and if it is under control, it is not threatening for the financial and economic stability. Some economists think that such inflation is stimulating, because slightly higher demand than offer on the market condition the more efficient use of production capacity and higher employment. Serbia is the exception with the inflation rate of 10,3% annually. Considering that the inflation is chronic in Serbia, certain activities of economic political measures should be done to preclude inflation to exceed 15% and become “runaway” inflation repeating the experience from 1992 to 1994. with the average 615,9%⁶ month rate of inflation.

Western Balkan countries indebtedness data have always been alarming. It is the fact that these countries have ample “debtor history”, and that recently they have been often users of IMF credit lines. The value of their external debt in most of the countries exceeds the half of GDP, and in Montenegro and Croatia the value of external debt is almost the same as the GDP.⁷ However, it seems that the European Union countries are also prone to external borrowing. All the EU countries in the table are on the list of the 20 most indebted economies in the world.⁸ However, besides the fact that the level of external debt of the EU listed countries many times exceeds the value of achieved GDP, none of them is considered to be in debt bondage. The advantage of these countries is in the level of their development, the technological equipment which allows the quality production structure and provides them competitiveness on the world market thus giving having significant export revenue. Most of these countries are not financially and technologically dependent on other (more developed) countries and financial institutions, but is capable of servicing its own debts. Also, EU has significant resources within its long term budget which may be used for help to extremely indebted countries. Being the greatest and most powerful world regional integration, EU is capable, in fight against acute economy disbalance, of putting clear strategy which implementations is the obligation for all member countries.⁹ On the other side, the countries of Western Balkan do not have enough neither economic power nor acquired level of authority and solidarity to each others to define some problems and consistently work out the solutions. They are completely turned to European Union, and their citizens and politicians, often, when accessing EU see this as salvation from further economic depreciation and solution of many backlog problems.

2. Regional cooperation – road to European Union

Regional connecting of Western Balkan countries (in wider the whole of South East Europe) is complex process because there are many significant differences in political climate and political interests, economic development and status and distance form EU membership. It is the fact that the regionalization process in this part of Europe encounters numerous obstacles. It was not easy to politically confronted countries turn to mutual cooperation and find activities which would gather them into a mutual interest. Special (and only) motivation for the more intensive process of regional connecting of this countries group is the European Union insisting on it. European union considers the achieved level of regionalization to be the maturity for accepting the new members. On the other hand, regional connecting of the Western Balkan countries is considered as a kind of “training” for the admission in European Union.

In economic relations with the rest of Europe, EU specially insists on trade cooperation. Creating the free trade area, has great political importance because it contributes the increase of the political stability level within the region and strengthens connections between integration participant countries and EU integration. It is logically to assume that geographical closeness of markets should stimulate Western Balkan countries to more intensive trade cooperation, instead of being on the first place the trade communication with the countries outside the region. Bearing in mind the positive experience with Western Europe countries, which, united in CEFTA Agreement, achieved political stability, organized their economy systems according to market principles and at the same time showed that in trade relations may come to an understanding, EU was confident that the same cooperation model and integration may be applied on Western Balkan countries.

Economic integration with CEFTA Agreement, in 2006., was the most important initiative element which moved the European Union with the intention to politically and economically strengthen the Western Balkan region. New CEFTA

Agreement, compiled for the Balkan countries occasions, is based on Memorandum of Understanding and liberalization of country members mutual trade. Trade Agreement contains the following provisions: abolition of customs duties for 90% of goods in region of Southeast Europe, abolition of non-tariff barriers in the region, increase of the trade and services, trade facilitation, harmonization with EU standards and application of trade proceedings pursuant to WTO provisions.¹⁰ Despite awareness of Western Balkan countries that connecting is a necessary act in mutual interest, that it is not the objective in itself but the step towards EU membership, that mutual trade relations may give mutual benefit, but all these potential chances were under the veil of broken relations at the end of the previous century. It is the fact, geographically CEFTA includes territory very similar to former SFRY (without Slovenia, but with Albania and Moldavia). This was very great problem to some countries when accessing the Agreement.¹¹ Apart from bad political experience, great problem of CEFTA Agreement subscriber countries, is that at the beginning of the transition process they had deindustrialization of their economies, quick and uncontrolled privatization and closing of many companies which were in social ownership and which produced technologically intensive industrial products and achieved important export results. Such events conditioned very similar (poor) production structures, that is poor export structures where raw materials dominate, agricultural products and half products, so that there is no any greater interest in mutual trade. That is way CEFTA Agreement countries do not recognize each others as important foreign trade partners. Their export ambitions and import demands are turned towards EU countries having more than half of their transactions with them.

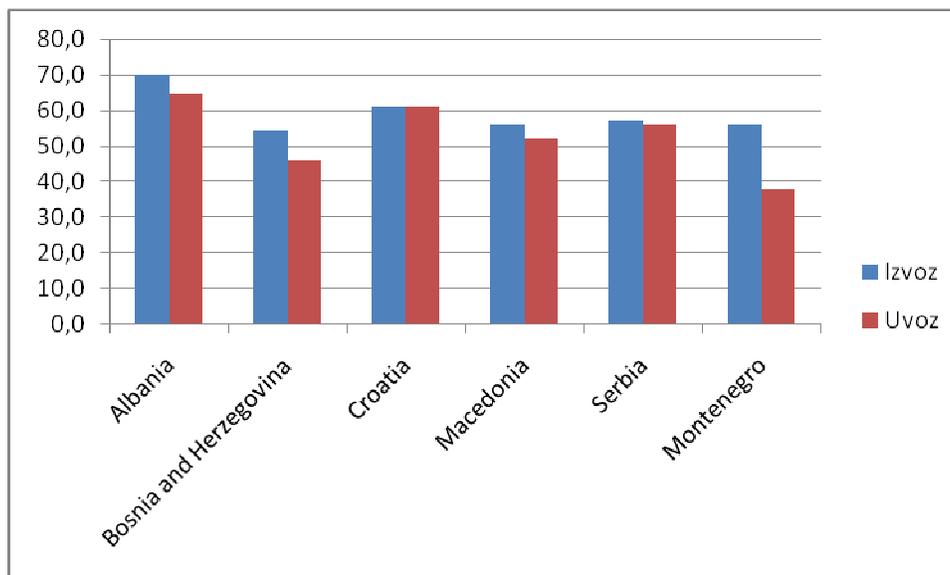
Although it seems that CEFTA did not give the maximum of its results, it cannot be denied that as of signing the Agreement up to present day, the political stability has been improved, that a certain level of trade liberalization within the region has been achieved and that mutual production has been stimulated by application of Cumulation Goods Origin Protocol in the region.¹² Other deficiencies such as: complicated administrative proceedings on borders, mutual non-recognition of certificates on goods origin or inconsistency of customs and inspection services, represent the recurrence of previous historical events, which, on the behalf of mutual ambition for the EU membership, soon have to be eliminated.

3. Trade as a connection mechanism of Western Balkan and EU

Foreign trade relations between Western Balkan countries and European Union members are defined by numerous factors and conditions which affected them. For the last two decades, the European Union achieved relatively fast and stabile economy development which allowed continuous increase of the foreign trade scope with appropriate structural changes characteristic for industrially developed world. Apart for the final industrial products, services, new technologies, knowledge and capital is getting more prominent place. The base of its import expansion relied on raw materials and half products, energy and some groups of final industrial products. Expansion of its leader position in international trade and global economy is the expression of economic development (use of qualitative factors in it), scope and its export and import structure. This position is achieved by high competitiveness of its export products and service on the world market. The economic interests of the Western Balkan countries and their individual geopolitical location direct them to foreign trade with different world parts. However, the recent years changes, specially their participation in the Euro integration process, made this group of countries connect their foreign trade more to Western European countries, specially to European Union. The reason are mostly the benefits that they have in the trade with Union countries, but also the other reasons: from this countries, Balkan countries achieve the greatest inflow of foreign investments, with them they receive modern technique and technology, European Union is the greatest importer of raw materials and auxiliary goods, and raw materials and auxiliary goods are the main export trump of the Western Balkan countries and similar. It should not be ignored that European Union is great market with exceptional purchasing power, and that between it and the Western Balkan countries there are traditional trade connections.

Today, European union is the most important foreign trade partner to the Western Balkan countries individually and to Western Balkan as an economic sub-region. In 2010, all of them accomplished over more than a half of its goods export on the EU market, and also the great part of import need settled from the EU market. Apart from absolute European Union domination in regional foreign trade structure of Balkan countries, it should be pointed that they achieve that trade with other regional markets and countries. Lately, that have been expanding on relatively geographically distant areas and countries, which can be understood and explained by the globalization process influence.

Graph 2: EU (27) share in foreign trade of Western Balkan countries in 2010. – participation in goods trade (% export, that is import)



Source : <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country>; available 31/03/2012

Data confirm this conclusion. It may be said that all presented countries are similarly addressed to European Union, although there are certain variations. There is isolated a group of countries which are extremely directed to EU: Albania (70% in export and 64% in import) and Croatia (61,1% in export and 61,0% in import) and the group of countries which are to a lesser extent oriented in a foreign trade to EU: Bosnia and Herzegovina (54,4% in export and 45,9% in import) and Montenegro (55,9% in export and 37,7% in import). Serbia and Macedonia are somewhere in between with over 50% foreign trade transactions achieved with EU. Such relations of EU and Balkan countries are derived from their geographic closeness, but are conditioned by at least two factors: *first* refers to traditional trade connections and relations of these countries group with the Western Europe countries built for decades, and even centuries, and *second* refers to economic development of EU countries (width of its markets, technological development of its economy, investment potentials of its companies and banks and other). To be a foreign trade partner to EU countries, today means to have approach to developed market and provide favorable possibilities for production potentials development and achievement of better competitiveness first on European, and then on the world market. Foreign trade is expected to be very important driving force which will accelerate and facilitate the process of Union association of those countries which are still in the process of Euro integration. Also, successful and fruitful foreign trade relations represent the best reference which Balkan countries in transition may have in front of foreign investors who come from West Europe. Indisputable natural beauties of the Western Balkan countries with their development potentials offer the complete picture of this sub-region and give rise to real expectances that the "Map of the European Union will not be complete until the Western Balkan countries are not included in it..."¹⁴

Conclusion

Economic growth perspective and development of Western Balkan countries is, individually and in wider European context- problematic. On the other hand, European Union countries have significant possibilities for quality use of their development potentials and together with the institutional support, they are in position to record constant economic growth. Neither crises of monetary system and politics nor sporadic economic problems the member countries are sometimes encountered with, nor negative effect of world economic crises, have not questioned the long term stability of most European Union countries economy system. Of course, there are exceptions, but macroeconomic indicators show that such countries, although at the moment unstable, are far from Western Balkan economic downfall. The place these countries take in the European Union, and with it in international economic relations, provides them strong support of institutions in economic crises and problems overcoming.¹⁵ This is what the Western Balkan countries, outside integration, on their own, cannot count on. In economic history (besides good neighbor relations and economic cooperation) between Western Europe and Balkan, there has always been the gap, that the economy of the most of Balkan countries is marked as

“backward” and “undeveloped”. However, it is the fact that this gap has becoming greater and it has come to the point where in the Western Balkan countries is not considered on reaching numbers which describe development of Western European economies, but on certain approaching to these numbers and possibilities to stop the negative economy growth rate and come out from that vicious circle of un development and transition process which lasts for too long.

¹In economy theory and practice there is the question: when is transition process in a country ended? There are different approaches in the answer. We isolate two: *first*, the transition process is ended when the country achieves higher GDP annually in relation to its scope before transition; and *second*, so called Institutional according to which transition is ended when institutional barriers on establishing market economy are removed, in other words when institutional ambience is formed which considers and maintains market economy functioning. More detailed: Mitrovic, Branislav (2007): Economic transition, second completes issue, Faculty of Economy, Nis, pp 110-111.

² Serbia, Bosnia and Herzegovina and Montenegro had in 2010. Drastically lower level of GDP than in 1989. Thus, Montenegro had for 14%, Band H for 15% and Serbia for even 30% lower GDP in 2010 than 21 ago. Source: EBRD Transition Report 2011; <http://www.ebrd.com/pages/research/economics/data/macro.shtml#macro>

³The first economic and the second discriminating measures against Serbia and Montenegro (and also others SFR Yugoslavia republics) were introduced by countries- European Union members- 15th November, 1991, the EFTA member countries joined them and USA, Canada, Japan and New Zealand. The sanctions of international organization against SR Yugoslavia, introduced by the Resolution of United Nations Security Council 757 as of 30th May, 1992. The sanctions were expanded and tightened by the Resolution 787 as of 16th November, 1992., and specially by Resolution 820 as of 17th April, 1993., and commuted (partially abolished) by Resolution 943 as of 23rd September, 1994, 970 as of 12th January, 1995 and 988 as of 21st April, 1995. The specific reason for sanction introduction was the war in Bosnia and Herzegovina (B and H), since the United Nations Security Council estimated that SR Yugoslavia is directly involved in this conflict. Concerning the universality and severity, with the exception of military intervention, those were the hardest penalties which UN had ever had against any country. Upon breaking out the crisis on Kosovo and Metohia, European Union, at the beginning of 1998., started introduction of limited measures against SR Yugoslavia which then expended and enhanced until October 2000. That is why the Security Council, by resolution No. 1160 as of 31st March 1998. stopped weapons, military technique and equipment import in SR Yugoslavia. That prohibition was abolished on 10th September, 2001. About sanctions of international organization against Yugoslavia and its consequences look into Yugoslav Survey, 1993, No. 3 pp 71-102 and 1998. No.2 pp 3-30.

⁴The place of Western Balkan in the world and Europe- more concrete in EU is defined by its size in geographical sense, by number of population and achieved production expressed by the scope of GDP. The surface of Western Balkan is 0,2% of total world territory, and there live 0,3% of total world population and participate with 0,2% in total world GDP. Obviously, such as is, Western Balkan cannot significantly influence the global market fluctuations. However, if we consider the place of the Balkan in Europe (specifically EU), we come to different estimation and conclusion. The surface of these Western Balkan Countries is 264.000 km²., which is 6,1% of the EU surface, the number of population is 25 million, which is 5,1% of total EU number of population, achieved GDP of 261 billion\$ is only 1,6% of the EU achievement. (Calculated upon data World Population Data Sheet 2011, Population Reference Bureau 2011, str. 12 i <http://www.ebrd.com/pages/research/economics/data/macro.shtml>; all available: February 2012.

⁵The newest list of the Economic World Forum on the topic of “brain drain” shows that Western Balkan countries are not most perspective place for professional career development. On the question: Does your country retain and attract talented people? (1 = no, the best and brightest normally leave to pursue opportunities in other countries; 7 = yes, there are many opportunities for talented people within the country) the place on the list is the following: Albania with the index value 3,1 is on 83rd place, Bosnia and Hercegovina and Croatia with the index 2,2 are on 126th place, Macedonia with the index 2,1 is on 133rd, and Serbia (index 1,8) on 139th place (out of 142 countries). Such a situation gives enough reasons for the conclusion that great number of citizens from these countries, in recent years, have found the job abroad and are not on the unemployment lists. On this list, among Western Balkan countries, Montenegro is ranked the best- it is on very good 46th place (index 3,8), meaning that their experts and highly qualified workforce, give more advantage for employing in domestic companies, and are less oriented to employment abroad. Source: World Economic Forum, The Global Competitiveness Report 2010-11, page 477

⁶We have chronic inflation when the rate of inflation is higher than 5% a month during the period longer than five years. Runaway inflation, mega inflation and hyper inflation are types of inflation depending on its volume and intensity. Runaway inflation is when there is monthly rate from 15-25%, mega inflation is over 25% and hyper inflation over 50%. Source: Bozic, Milorad, Economic policy, fourth edition. Faculty of Law in Nis, Center for publications, Nis, 2006. Pp 121-122.

⁷Three countries of Western Balkan – Croatia, Montenegro and Serbia became overdue countries, which devaluate the importance of their already modest economy performances, and will adversely impact the growth in the future. According to EBRD data, Montenegro, in 2008 had foreign debt and GDP ratio of even 95,6%, and in 2010 even 100,3%. According to this, Croatia is in more difficult situation - in 2007. that ratio was 83,4%, in 2008. was 82,5% and in 2010. even 102,1%. According to the same source, ratio of foreign debt according to GDP was, in Serbia in 2008. 65,2% in 2009. 76,5% and in 2010. 83,1%. Source: : EBRD, Transition Report 2011, pp. 122-152.

⁸On the list of 20 countries with the highest foreign debt in 2011 there are: first Ireland (foreign debt is 1,239% GDP), then United Kingdom (451,4), Switzerland (391,3%), Netherlands (367%), Belgium (353,7%), Denmark (283,2%), Hong Kong (265,7%), Sweden (262,3%), France (254,4%), Norway (246,9%), Finland (244,8%), Austria (241,3%), Portugal (207,3%), Germany (183,9%), Greece (178,9%), Spain (169,5%), Australia (139,9%), Italy (136,6%), Hungary (110,3%), and USA on the 20th position with external debt of 99,46% of GDP. Source: http://www.cnb.com/id/30308959/The_World_s_Biggest_Debtor_Nations? Available 30/03/2012

⁹As the newest example of defining and conducting of common strategy is the “Agreement of Fiscal discipline”. Leaders of 25 countries European Union members signed in Brussels, at the beginning of March this year, the Agreement on Stability, Coordination and Management in Economic and Monetary Union which forbids the budget deficit. The Agreement on Fiscal Pact is signed by all member countries except for Great Britain and Czechoslovakia. Decision on inter government contracting on fiscal discipline was on the Summit on 9th December last year, and the Contract transcript was agreed on the Summit on 30th January this year. In the Fiscal Pact the contracting countries are obliged to have balanced budget policy, stop the increase of debt and start reducing them. Source: <http://rs.seebiz.eu/eu-potpisan-sporazum-o-fiskalnoj-uniji/ar-28120/>

¹⁰ Predrag Bjelic, Trade Policy of the European Union as a Factor of Regional Trade Integration in Southeast Europe – Discussion Paper no. 36, The Centre for the Study of Global Governance, London School of Economics and Political Science (LSE) 2005.

¹¹Thus, Croatia several times refused to join CEFTA: 1993. When considered that there “are gathered poverty immeasurable with Croatia” and later when officials declared that “...connecting with countries which are not members of WTO represents certain danger for Croatian market, which uncontrolled would be flooded with the goods of worse quality...” But, 2006, with the slogan “Western Balkan NO – CEFTA YES”, Croatia signed the Agreement estimating the act more political than economic. Actually, Croatia feared that by the free market there would be created new Yugoslavia. Even, the Constitution of Croatia form 1991. banned Croatia to sign any similar arrangements such as SFRY. Source: <http://www.poslovni.hr>; available 26/12/2007.

¹²One of the most important CEFTS Agreement effects is diagonal cumulation of good origin. In difference from bilateral agreements where the bilateral cumulation of good origin is applied (between countries), CEFTA allows summing of goods origin of more countries in the region, which will have the status of domestic product. Diagonal cumulation of origin mean participation of at least three contracting parties, that is cosignatories, and use of raw materials, half products and finished products from different territories, whereas this raw material is considered to be as domestic component. For example: bottled wine has the status of domestic product although it is purchased in Macedonia, bottled in Serbia and the bottle is from Croatia. Serbia may put on CEFTA market that wine without customs fees. Source: Milos Bugarin, *Time of Europe – CEFTA 2006 and regional cooperation; In the Lobby of Europe, Time of Europe No. 5* (appendix to magazine *Vreme* No. 1051), Belgrade, 24. February 2011, p.5

¹³In recent years the countries of Western Balkan are in export oriented to Switzerland, Turkey and China, while great part of import needs are from Russia (oil and gas) and Turkey and China where the consumer goods are imported from. Source: <http://ino.komora.net/Mapoportala/tabid/393/Default.aspx>

¹⁴“...what we today propose, show that EU will do everything it can to help these countries in preparing, and our wish is to see them one day as members is real” Chris Patten, summit, Salonika 2003.

¹⁵In the middle of 2011, Greece, due to financial crises was granted the package of measure “heavy” of 159 billion EUR. Leaders of 17 Euro zone countries also agreed to decrease interest rates to 3,5% on loans for saving all the three members included in the program for saving: Greece, Ireland and Portugal. It is agreed to extend the deadline for paying off of the loans to these countries from 7 to at least 15 years. Because of the deficiency of experts, German Employment Institute looks for experts in European Union members in crises at the moment (Greece, Spain, Portugal, Ireland, even Romania and Bulgaria). Source: <http://www.akter.co.rs/component/content/article/3862-eu-pomaze-grcku.html>

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