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ANALYSIS OF FOREIGN TRADE INDICATORS OF THE WESTERN BALKANS

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***Abstract:** Without brave outreach into reforms, Western Balkan Countries (WBC) cannot expect to attract the volume needed to finance fast and sustainable growth and risk to remain captured on the income level which is smaller than one third of their wealthier European neighbour's income. Key challenge with which the region will face in the incoming period is the completion of the structural transformation which was started two decades ago. In this paper are analysed trade indicators of WBC with turnaround to economic relationships with European Union.*

***Key words:** Western Balkans, economy, trade, European Union.*

1. Introduction

Impressive reform process, born from socialism ashes, has halted in the middle of 2000 and remained unfinished, as a victim of reform fatigue, hard political economy, personal interests whose power and degree of sophistication were growing and disappointment of the way in which the reforms were executed. Process of joining to EU, probably main catalyst of reforms in new member states is still only a far future for the largest part of Western Balkans. The abundance of global liquidity gave the illusion, although temporary, that fast industry growth is possible without reforms [1-4].

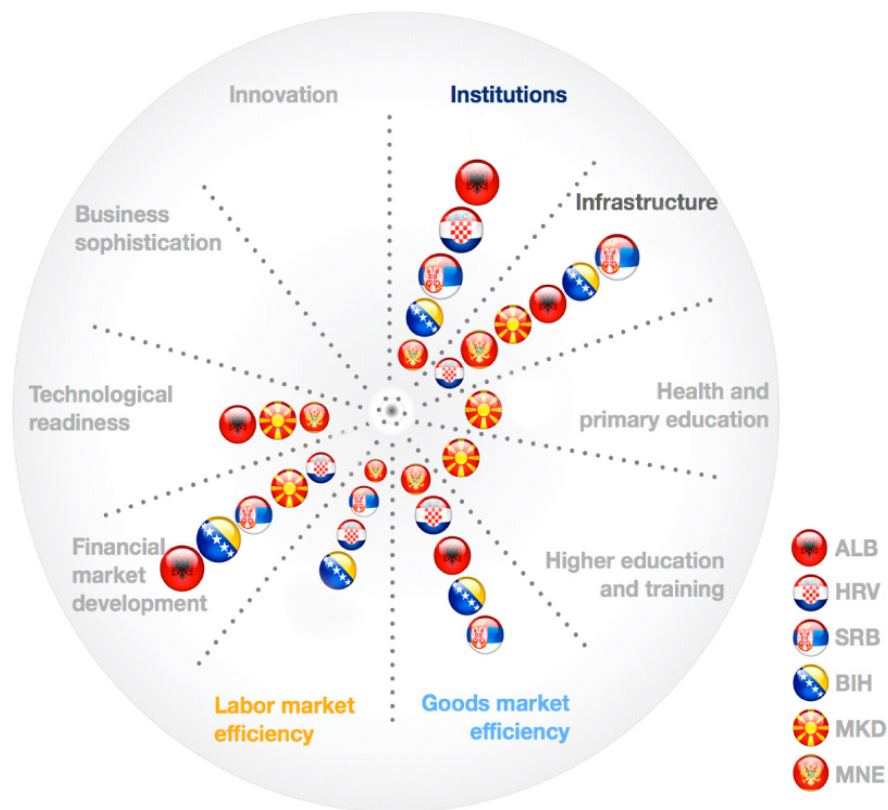
Region significantly lags behind new member states in term of structural transformation. In some countries of Western Balkan, resistance to private ownership meant that many ineffective states of social companies survived and keeps to present burden for public finances and resource allocation. In the whole region, birocatic procedures and corruption keep fettering economic activity, while reform of corporative management stays as a promise which should have been fulfilled long time ago. It is important to mention that wide political support, for far-reaching reforms is an essential element in transformation of new member states, lacks in most of the WBC [5-9].

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2. Major Reform Priorities for Western Balkans

Reform priorities are assessed in relation to the new member states in each of the 10 main pillars of the Global Competitiveness Index. Figure 1 presents the priorities for reform in the Western Balkans where larger bubbles are reform areas that have better position in the rankings. One of the indicators of a failed transition countries of the Western Balkans, in particular their real sector of the economy, is also a very low exports, whether it is viewed in absolute terms, or in relation to population, and they are much lower than in countries in transition that have very high export ratios.

Figure 1. Five main reform priorities for each of Western Balkan countries. [18]



From six countries of Western Balkan largest exports has Croatia, and lowest Montenegro, followed by Albania. Serbia had in 2010 over 1.000 euro per resident worth of exports, with significant improvement of exports in 2014 year. Due to the natural conditions and favourable geographical location, exports of services relatively enhances exports of merchandise, especially in Montenegro and Albania but that state compared to countries in transition is still very unfavourable [17].

3. Data and Methods

Data used in this paper were retrieved from following official statistical databases and economy related resources: Statistical Office of the Republic of Serbia [10], Agency for Statistics of Bosnia and Herzegovina [11], Croatian Bureau of Statistics [12], Statistical Office of Montenegro [13], Institute of Statistics of Republic of Albania [14], World Bank [15], European Commission [16], European Commission Statistics [17], International Monetary Fund [18].

Graphical presentation of data was done based on papers [19, 20] using MS Excel software.

4. Foreign Trade Indicators

One of the indicators of success of Western Balkan countries transition are very strong growth in foreign trade deficit until 2014. Because of the drastic fall in energy prices and a series of raw materials on the world market and the fall in economic activity in these countries, the value of imports decreased more than the value of exports, and in all the countries of the Western Balkans, the absolute and relative size of the deficit in the observed years significantly reduced, but is still very high, as shown by the data from Table 1 and Figure 4.

Table 1. Foreign trade and deficits of the Western Balkan countries (in €) [10-14]

2008			
Country	Import	Export	Deficit
Albania	3565000000	912000000	-2653000000
Bosnia and Herzegovina	8330231000	3431633000	-4898598000
Croatia	20900000000	9669000000	-11231000000
Macedonia	6882653384	3990642488	-2892010896
Montenegro	2529741000	416165000	-2113576000
Serbia	16283000000	7428800000	-8854200000
2010			
Country	Import	Export	Deficit
Albania	3430000000	1172000000	-2258000000
Bosnia and Herzegovina	6961872000	3627873000	-3333999000
Croatia	15137010692	8905241775	-6231768917
Macedonia	5474484884	3351429481	-2123055403
Montenegro	1657329000	330367000	-1326962000
Serbia	12423500000	7393400000	-5030100000
2012			
Country	Import	Export	Deficit
Albania	3802000000	1532000000	-2270000000
Bosnia and Herzegovina	7798757000	4017905000	-3780852000
Croatia	16214395493	9628650182	-6585745311
Macedonia	6522387659	4015416864	-2506970795
Montenegro	1820850000	366896000	-1453954000
Serbia	14716800000	8738100000	-5978700000

2014			
Country	Import	Export	Deficit
Albania	3971887000	1839371000	-2132516000
Bosnia and Herzegovina	8282559000	4438904000	-3843655000
Croatia	17129404572	10368781689	-6760622883
Macedonia	7276729202	4933844549	-2342884653
Montenegro	2097737181	390833163	-1706904018
Serbia	15496600000	11158500000	-4338100000

As can be seen from the table above, most non advantageous relations of merchandise exports and imports of goods and relationships in foreign trade deficit and imports of goods have Croatia and Serbia, and the best relationships have the other four countries. One of the indicators of a failed transition countries of the Western Balkans is a dramatic rise in the deficit in current account balance, and its relative size, ie. its quantitative relation to the GDP in all six countries, has crossed the tolerable limit.

Figure 2. Graphical representation of imports of the Western Balkans

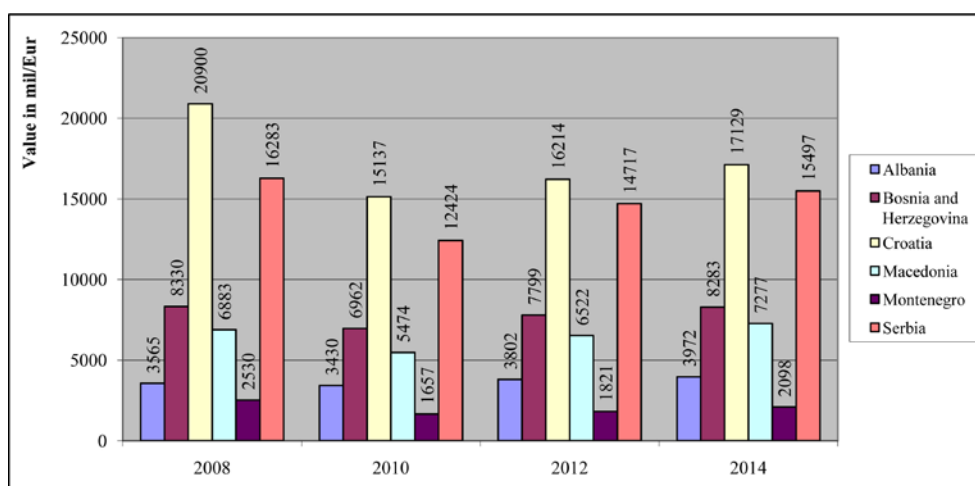


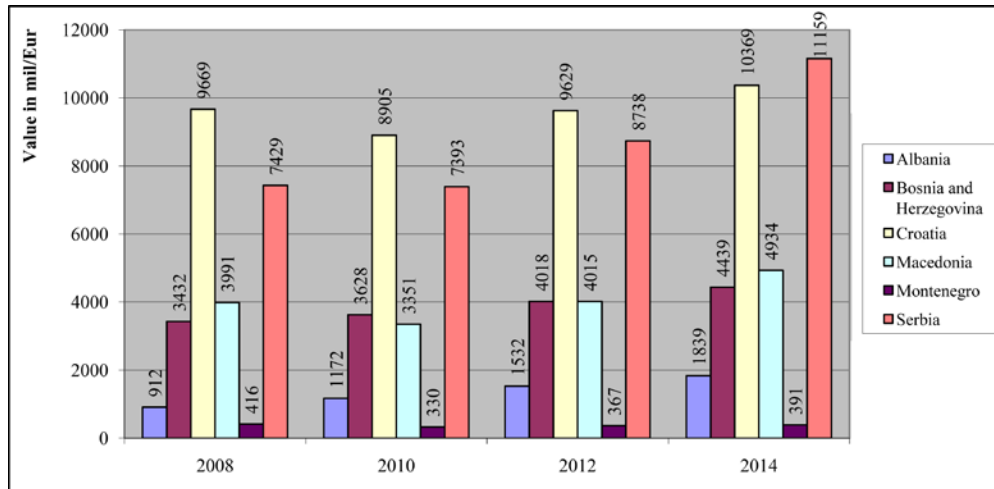
Figure 2 shows total import values of each of Western Balkan countries for chosen years. Croatia had the largest import in 2008 with 20.900 mil/€ of merchandise worth and ranked first place in each following year. Montenegro was the last among all other WB countries with 1.657 mil/€ in 2010 where in the same year every country had lower imports mostly do to the caution from world economy crisis which began by the end of 2008. year. Serbia had a decrease in imports in the observed years ranging from 16.283 mil/€ in 2008 to 15.497 mil/€ in 2014. Macedonia and B&H maintained small fluctuations with noticeable increase in imports in 2014.

Western Balkan countries exports are graphically presented in Figure 3 for chosen years. Serbia had largest export in 2014 with 11.159 mil/€ worth and ranked first place among other countries, as well as showing continuous growth during the years. Once again Montenegro had the least amount of exports 300-416 mil/€ but maintained small fluctuation

Analysis of Foreign Trade Indicators of the Western Balkans

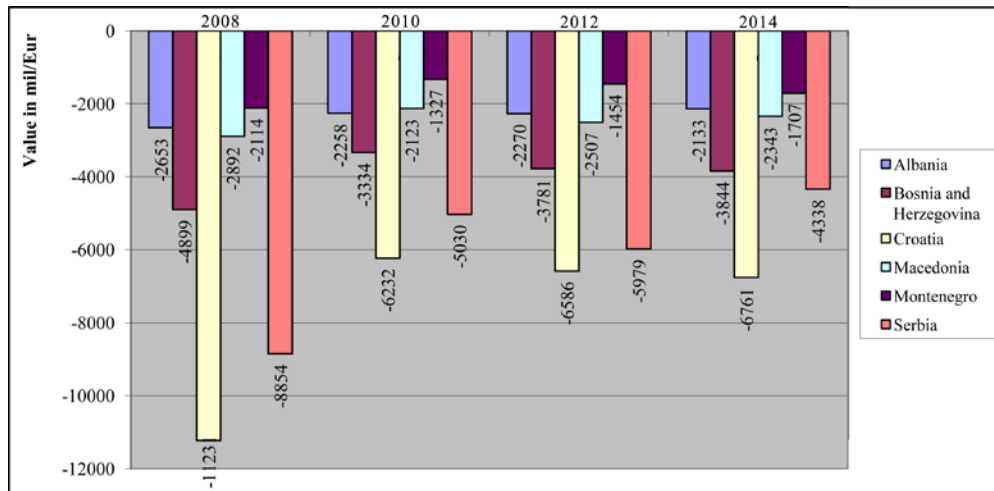
which indicates a steady economy policy. Steady increment also applies to Croatia, B&H and Macedonia who all had positive trends in exports.

Figure 3. Graphical representation of exports of the Western Balkans



On the following Figure 4 are displayed trade deficits of Western Balkan countries. As we can see all of the countries recorded negative balances. Highest deficit for a single year was recorded by Croatia in 2008 with -1.123 mil/€ but managed to reduce it by approx. 60% in the following years.

Figure 4. Graphical representation of deficits of the Western Balkans



Serbia had the highest fluctuation but also recording approx 50% reduction of exports in 2014 compared to 2008 year. As expected Montenegro had lowest deficit for observed years with exhibited fluctuation (also noticeable to Macedonia and B&H) from -2,114 in 2008, -1,327 in 2010 and -1,707 mil/€ in 2014 year.

5. EU Trading Relations with the Western Balkans

The EU has close links with the countries of the Western Balkans. It aims to secure stable, prosperous and well-functioning democratic societies on a steady path towards EU integration. The conditions for establishing contractual relations with these countries were first laid down in the Council Conclusions of April 1997. In 1999, the Council established the Stabilisation and Association Process (SAP). It was confirmed that the countries of the Western Balkans would be eligible for EU membership if they met the criteria established at the Copenhagen European Council in June 1993.

The EU's approach takes the form of a comprehensive set of policy instruments based on:

- the Stabilisation and Association Process
- the Common Foreign and Security Policy (CFSP)
- the Common Security and Defence Policy (CSPD).

The EU is the Western Balkans' largest trading partner, accounting for over 75% of the region's total trade. As a whole the region's share of overall EU trade was 1.1% in 2014, however individual countries' shares were very low - Serbia (0.50%), Bosnia and Herzegovina (0.20%), the former Yugoslav Republic of Macedonia (0.20%), Albania (0.10%) and Montenegro (0.0%).

In 2014, the EU's main imports from Western Balkans were

- machinery and transport equipment (26.5%),
- miscellaneous manufactured articles (21.3%),
- and manufactured goods classified chiefly by materials (19.8%).

The EU's exports to the Western Balkans were mainly

- machinery and transport equipment (27.0%),
- manufactured goods classified chiefly by material (23.4%),
- chemicals (14.2%),
- and mineral fuels (12.3%)

EU enlargement policy also includes financial assistance, channelled mainly through the Instrument for Pre-accession Assistance (IPA).

In table 2 are shown statistical indicators of trade between European Union foreign trade with Western Balkan Countries. The data indicate an overall growth during the 10 year period with some exceptions. In 2009 year the trade growth of both imports and exports has substantially declined mainly due to the beginning of World economic crisis. This sharp downfall has also been reflected to the rest of the WBC toward World trading with -24.7% in imports and -21.2 in exports (see Table 3).

Analysis of Foreign Trade Indicators of the Western Balkans

Table 2. Total goods: EU trade flows and balance with WBC [16, 17]

Period	Imports		Exports		Balance	Total trade
	Value (Mil. €)	Growth (%)	Value (Mil. €)	Growth (%)	Value (Mil. €)	Value (Mil. €)
2004	2613		6191		3578	8804
2005	4530	73.5	9979	61.2	5448	14509
2006	7311	61.4	13983	40.1	6673	21,294
2007	9313	27.4	18194	30.1	8881	27507
2008	9788	5.1	21294	17.0	11506	31082
2009	7565	-22.7	16533	-22.4	8968	24098
2010	9886	30.7	18094	9.4	8208	27980
2011	11653	17.9	20655	14.2	9002	32308
2012	11694	0.4	21911	6.1	10218	33605
2013	13765	17.7	22065	0.7	8300	35830
2014	15061	9.4	23393	6.0	8333	38454

Table 3. Total goods: Western Balkans trade flows and balance with World [16, 17]

Period	Imports		Exports		Balance	Total trade
	Value (Mil. €)	Growth (%)	Value (Mil. €)	Growth (%)	Value (Mil. €)	Value (Mil. €)
2003	7162		2557		-4604	9719
2004	8087	12.9	2960	15.8	-5,126	11047
2005	11542	42.7	4717	59.3	-6825	16258
2006	20817	80.4	8201	73.9	-12616	29017
2007	26232	26.0	9788	19.4	-16444	36019
2008	30492	16.2	10642	8.7	-19849	41134
2009	22960	-24.7	8389	-21.2	-14571	31349
2010	24967	8.7	11044	31.7	-13923	36011
2011	27981	12.1	13400	21.3	-14581	41380
2012	29064	3.9	13871	3.5	-15193	42935
2013	30423	4.7	16881	21.7	-13542	47304

In the following years, the remained on the approximate the same level with an average of 33635,4 mil. € in total trade and positive balance for EU. The negative balance for WBC was also noticeable high in World trading balance in a 10 year period (2003-2013). The growth of negative balance growth varied from 84.8% in 2006 to 4.2% in 2012 showing clear efforts to establish a more stable economy.

6. Conclusion

Paper examined foreign trade indicators of Western Balkan countries with reference to European Union trade statistics and relationship with the Balkan region. From the given analysis can be concluded that Croatia and Montenegro exhibited the most stable economy indicators considering the population and size of the countries, showing the greatest effort toward economic transition. As for other countries only remains to keep improving their trade policies and create more suitable ground for foreign investments.

European Union gives constant support toward achieving these goals through sets of policy instruments and trading arrangements.

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