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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].

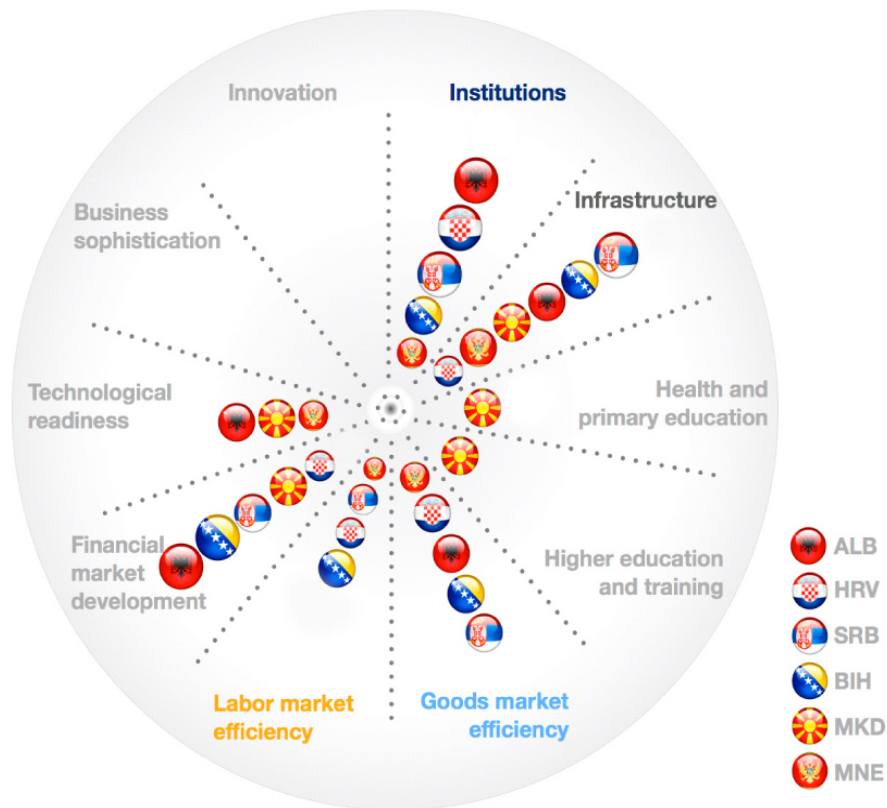
Region significantly lags behind new member states in term of structural transformation. In some countries of Western Balkan, resistance to private ownership meant that many ineffective states of social companies survived and keeps to present burden for public finances and resource allocation. In the whole region, birocratic 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

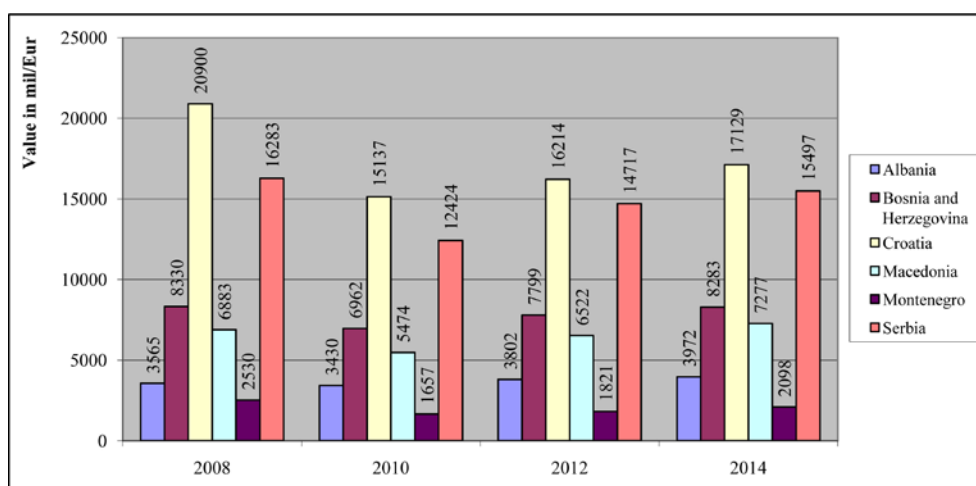


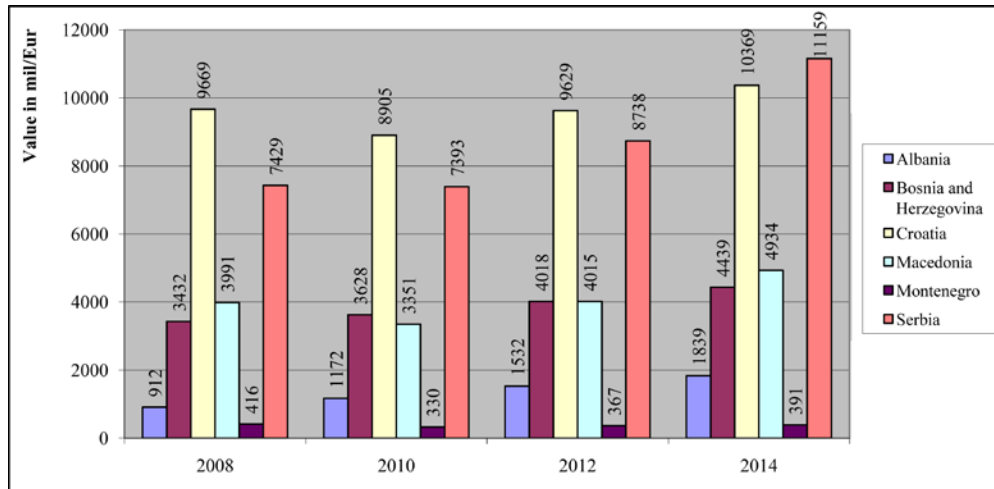
Figure 2 shows total import values of each of Western Balkan countries for chosen years. Croatia had the largest import in 2008 with 20.900 mil/€ of merchandise worth and ranked first place in each following year. Montenegro was the last among all other WB countries with 1.657 mil/€ in 2010 where in 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

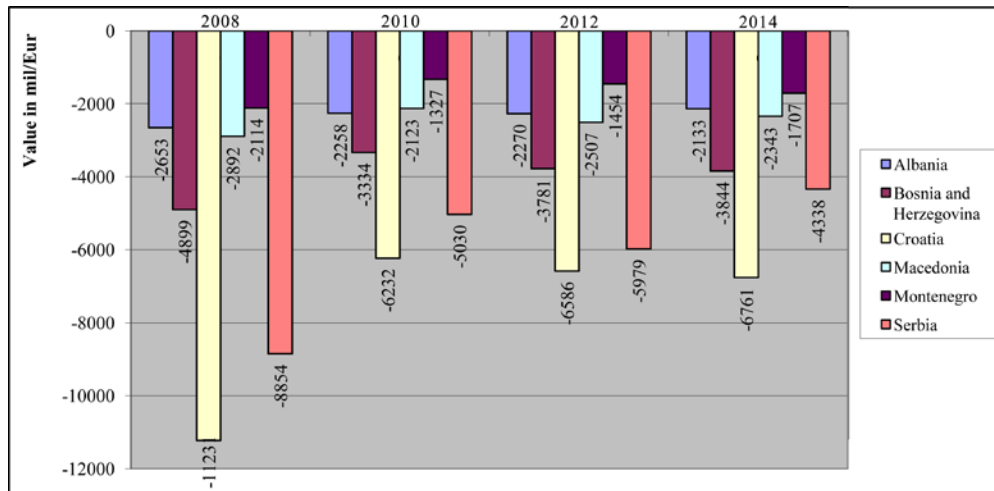
which indicates a steady economy policy. Steady increment also applies to Croatia, B&H and Macedonia who all had positive trends in exports.

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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