

**ECONOMIC ISSUES OF THE WESTERN BALKAN COUNTRIES**Enes Huseinagić<sup>1</sup><sup>1</sup>International University Travnik in Travnik, Travnik, Bosnia and Herzegovina*Professional article*<https://doi.org/10.58952/nit20231102129>**Abstract**

*Developing countries, regardless of their size, strive for economic and accelerated development. These countries do not have the appropriate prerequisites: the necessary capital, professional and especially highly professional personnel, a more developed market with a demand for new products capable of paying, a developed trade network capable of penetrating foreign markets, etc. Going over these evident real objective difficulties and obstacles to development, these countries are turning towards the economically developed part of the world, seeking and expecting from it actions and incentives for their development, convinced that in that case they would find enough strength to move their production forces forward more decisively.*

*For this, it is necessary that these countries themselves make a special effort to train their entire internal social organization for the modern functioning of the economy, the social structure, and life in the country in general, to move towards the EU as ambitiously as possible.*

**Keywords:** *economic development, countries in transition, development, economic cooperation.*

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## 1 INTRODUCTION

Along with many other phenomena, events, problems and the like, the past war brought to the surface the complex problems of the countries of Western Bačka, that is, developing countries.

In addition to those that previously existed as "modern" states, the disappearance of the Eastern bloc of states and the disintegration of Yugoslavia, the expansion of the European Union led to the establishment of an increasing number of modern states.

All these states, territorially larger or smaller, together with those which, although existing from before, failed to somehow keep pace with the developed world in their economic development, are classified under the common concept of developing countries.

Developing countries, or, as they are also called, underdeveloped countries or countries in transition, is a very complex concept that today includes countries that, economically speaking, are very different from each other, whether they are compared based on the number of inhabitants, geographical area, natural potential for development, etc.

Development is reflected in living standards, general well-being and human rights. In the case of difficulties in choosing a common denominator for assessing the level of their underdevelopment, recourse is made to the already known and often otherwise used synthetic value indicator - gross social income (gross domestic product - gdp - the total value of goods and services produced in one year and national income per capita (GDP per per inhabitant - divided by the number of inhabitants - the country with regard to national income - according to the World Bank).

## 2 CRITERIA OF UNDERDEVELOPMENT

If underdevelopment, that is, the degree of development of developing countries, whose number in the world today has risen to over a hundred, were to be measured by this criterion, one would come to the conclusion that this is not really a relatively homogenous group of countries, a relatively homogeneous group of countries. material interests or socially set goals in development, etc.

Such tests would lead to the following conclusions:

- that more than half of the countries in this group have less than 5 million inhabitants, with a narrow market, and therefore poor prospects of rising to the level of serious economic development in the foreseeable future;
- that despite some progress, overall, there are still more than a billion people with less than \$2.15 a day at the end of 2020, as the World Bank claims in its report submitted to its assembly in August 2021. years.

In such a state of affairs, a developing country such as Bosnia and Herzegovina, which - despite its accelerated post-war economic development - is included in the category of developing countries, with a modest social income achieved in recent times in the annual amount, has quite exceeded its limits. However, even with such results in development, compared to the developed economies of developed countries, it is extremely less developed than them.

Developing countries, regardless of their size, strive for economic and accelerated development.

For such a development, however, these countries, apart from certain exceptions, do not have the appropriate prerequisites: the necessary capital, professional and

especially highly professional personnel, a more developed market with a demand for new products capable of paying, a developed trade network capable of penetrating foreign markets, etc.

Going over these evident real objective and subjective difficulties and obstacles to development, these countries are turning towards the economically developed part of the world, the European Union, seeking and expecting from them actions and incentives for their development, convinced that in that case they would still be able to willing forces to move their productive forces forward more decisively.

Such expectations are considered completely justified considering the fact that this world has largely developed using their natural resources (raw materials) and cheap labor.

A more far-reaching observation of the material interests of developed and underdeveloped countries leads to the conclusion that complying with this request does not represent a unilateral act of assistance, but should be seen as a mutual economic interest.

On this basis, a discussion was initiated between the European Union and countries in transition, such as the countries of the Western Balkans, with the ultimate goal of implementing a new division of labor on an international scale, within the framework of which various measures (concessions, privileges, etc.) will make it easier for countries in development, raising their industry and other economic areas in accordance with their real possibilities for profitable production.

Taking into account the usual flows of economic life, i.e. the regularity of behavior in the economy, it is considered that the development of production in developing countries would lead to an increase in demand for modern equipment from

developed EU countries, etc. On the other hand, the increased purchasing power of the population in underdeveloped countries would be largely focused on the purchase of consumer goods from the countries of the European Union. All this together means that the exports of these countries to developing countries would grow.

The intertwining of the economic interests of one and other countries points, therefore, to intensive cooperation between them, which, however, is not realized on the desired scale and in a manner that would suit developing countries and the like.

In other words, the efforts made so far regarding the economic connection of the countries of the European Union are not at their full capacity. Moreover, perhaps it could be argued that the prospects for this connection are quite small, and the reasons for this should be sought - except in momentary material circumstances somewhere outside the economic sphere.

The countries of the European Union, namely, probably do not believe much in the normal course of economic life even in the foreseeable future, and therefore not in the full confirmation of the mutuality of material interests in this case. They fear, therefore, that these flows and expected results will not be interrupted here or there by unfavorable political and other social events and changes. That is why the agreement in this matter is not reached, but is constantly postponed until better time.

### **3 DIFFICULTIES IN PROMOTING THE ECONOMY OF COUNTRIES IN TRANSITION**

Aware of all these difficulties of a developing country such as Bosnia and Herzegovina, they manage as best they know how to improve their economy.

In order to get even a rough idea of the concrete difficulties that these countries inevitably face on the way to their economic development, it is worth drawing attention to the state in which they find themselves today.

In addition to what has already been said about this situation, it is useful to mention that the population is leaving these countries. There is very little chance that something will improve in this regard in the foreseeable future, given the almost complete absence of family planning in developing countries.

Furthermore, in the pursuit of faster development, developing countries were, and still are, instructed to contract loans abroad, given that a negative balance is achieved in trade with foreign countries. A negative trade balance forces these countries - in order to ensure their solvency in financial relations with other countries and on the capital market - to new debts due to repayment of due annuities and payment of contracted interest.

The assumptions and conditions to overcome this situation then, and even now, are numerous. To mention only a few that seem to be of general importance for the largest number of developing countries.

Developing production forces and its economy is certainly the surest support for any country to stand on its own two feet. Unfortunately, it is also the most difficult and arduous way to get out of economic backwardness.

This path, understandably, will be easier for those countries that have natural resources suitable for industrial processing, especially when this wealth has already been exploited, to a greater or lesser extent.

In the initial phase of the valorization of this wealth, it would be socially justifiable and useful to focus on the export of the primary raw materials themselves, on the

assumption that the thus achieved accumulation of funds is directed - along with additional credit funds - to the construction of industrial facilities for the processing of these same raw materials. In this way, gradually, but still in the foreseeable future, exports would become more and more valuable (semi-final and final products), accumulation from industry more and more significant, and the degree of land exploitation by industrially developed countries, through the mechanism of prices on the world market, would be smaller and smaller.

Developing the industry, however, even when the country has the best conditions for it, should not be the only way to increase production capacity. Although it is extremely difficult, the development of productive forces should somehow include other areas of production, apart from industry, and agriculture in the first place, i.e. those branches of it for which there are suitable land, climatic and other conditions (farming, animal husbandry, fruit growing etc.) in the respective country.

Along with enormous efforts in the framework of which they had to overcome often and almost insurmountable obstacles: shortage of capital due to new and new debt abroad, deficit in professional staff due to their engagement in developed countries, increase in exports in conditions of closure of the world market by various customs, administrative and political barriers, etc., developing countries managed, some more, others less, to get out of the primitive backwardness in which they lived and grew in the nineties of the last century. According to the data of the World Bank, in the last century their industrial development, depending on the volume of realized income, took place at a rate of 5.4 to 7.9% per year, which is still good compared to today.

The results in the newer phase of development could be even better if new

and new difficulties did not arise. In addition to the inevitability of attracting and engaging experts from abroad, developing countries faced the serious problem of their own experts leaving for developed countries, especially for European Union countries. According to a study by UNCTAD (UN Conference on Trade and Development), the scale of this emigration in a period of ten years is estimated at 300,000 people.

Then, the transfer of technology from industrially developed countries usually did not produce the same results as those achieved in the production of those countries. There are many reasons for this: the absence of a tradition of industrial work of the local population, an insufficiently stimulating reward system for people at work, poor functioning of the services for the maintenance of the purchased modern production equipment, adaptation of consumer tastes to new products, narrowness of the domestic market and the purchasing power of the population for absorbing the realized physical volume of production, the difficulty of penetrating foreign markets with domestic production, etc.

Problems surrounding the transfer of modern technology are even more evident when it comes to agricultural production. Here, namely, the methods, and the production techniques closely related to them, are transplanted from countries with large-scale commodity and highly mechanized agricultural production to underdeveloped countries with often diametrically different climatic conditions.

#### **4 DIFFICULTIES IN BUILDING THE ECONOMY**

It was already said earlier that the developing countries, the countries of the Western Balkans, had to borrow abroad in order to ensure some kind of progress in their economy. With a meager

accumulation from their own economy, they were unable to finance more serious and long-term investment projects in production, just as they were usually unable to subsidize or lend their own companies when exporting domestic products abroad. Creditors include private banks, foreign export companies (commercial credit), states, that is, state banks and international financial institutions. Lending conditions were different from case to case: higher or lower interest rate, shorter or longer repayment term, more complex or simpler guarantee, etc.

Particularly unfavorable were the loans obtained by private banks, which, knowing the difficulties of the borrowers, tried to impose as difficult conditions as possible in order to obtain as much profit in convertible currency as possible in the shortest possible time. The volume of loans from this source compared to loans from other sources, luckily for the borrower, was relatively small.

More significant borrowing by the countries of the Western Balkans took place with individual industrially developed countries (China, ...), from which some underdeveloped countries also received financial aid (from funds from the EU). These debt relationships, even when financial assistance is in question, sometimes carried the danger of developing into relationships of dependence not only of an economic but also of a political nature, which developing countries, as well as established sovereign states, were usually afraid of. so it happened, although not often, that they also removed the financial assistance offered to them.

All of this points to the conclusion that in the field of financial relations between countries, old understandings of the subordination, dependence, etc. of borrowers should be abandoned, and the place of that in the modern world, even when it comes to non-refundable financial

aid, should be seen in this kind of financial relationship. a necessary act aimed at economically connecting the developed and underdeveloped part of humanity. With the obtained financial resources, the developing countries would raise, namely, their productive forces, increase their purchasing power, which would partly turn towards developed countries for the increased import of investment and other goods.

Developed countries, for their part, in such circumstances, would increase their production, employ new workers in new or expanded production capacities, etc. Mutual benefit, not only individual but also social, should become the basic feature of this financial relationship.

Finally, in today's divided world, divided interests and spheres of interest, the most acceptable are loans that developing countries contract with international public financial institutions, such as: the International Bank for Reconstruction and Development, the International Monetary Fund, the Fund for Capital Financing of Underdeveloped Countries etc. The acceptability of these loans lies in the fact that these public institutions approve them without political concessions from the borrower, without pressure, etc., and with established conditions regarding their repayment. Unfortunately, however, the financial possibilities of these institutions are limited, and the requests for loans are very numerous, so that their satisfaction must be sought from other sources.

Obligations to repay these loans and the increase of their own financial possibilities led developing countries to increase their trade ties with others, especially with industrially developed countries. This was more successful for them if the store relied on its own growing production base. However, despite all their efforts, they did not reach the average annual rate of exports in the world.

The foreign trade of developing countries is burdened with numerous problems that are the usual companions of any underdeveloped economy, or that arise more and more due to the division of the world, the closure of national markets, political commitment, etc.

Problems arise already with the carriers of foreign trade traffic. As carriers of this traffic, in which country, usually private companies appear, and not infrequently so-called multinational companies. Depending on the conditions in the country and the control of the movement of foreign currency, private companies try, here and there, to keep the profits they make in foreign banks. State-owned enterprises are lacking in professional staff, and multinational companies, according to their strength and affirmation in the country, are wresting from state control, and in any case, they advance primarily their own interests, and not the interests of the country in which they work and whose natural resources they use abundantly. Ultimately, all this reduces, sometimes more sometimes less, the inflow of so much necessary foreign exchange to developing countries.

The partners of developing countries such as the countries of the Western Balkans in their foreign trade were, and still are for the most part, industrially developed countries. The economic and especially the production structure of trade among the developing countries did not take the desired and mutually beneficial proportions, and also the volume of their exchange of goods with, for example, the EU countries was of very modest dimensions.

The export structure was reduced to a small number of primary products in terms of food products, agricultural raw materials, ores, etc.

This structure was, generally speaking, unfavorable: prices were unstable, economic conditions were changeable, the

penetration of synthetic raw materials into the market, etc. All of this severely affected and continues to affect the export of developing countries, reducing its value, without these countries had the ability to effectively resist such occurrences.

To make the trouble worse, developed countries closed themselves more and more within their borders, created closed markets (ZET, EFTA, SEV), increased mutual trade, erected customs fences and adopted various administrative measures that inhibited international trade. (import permits, quotas, standardization of products, etc.).

All this made it difficult to export from developing countries, and at the same time reduced the ability to pay for the import of investment equipment intended for their development.

Unable to remove or more seriously mitigate these obstacles in individual negotiations, developing countries raised this problem in international forums. The World Conference on Trade and Development (UNCTAD), which meets every four years, dealt with this complex issue of today's world, but no positive results were achieved due to the intransigence of developed countries.

Economic cooperation between the countries of the Western Balkans and developing countries took place within the framework of the difficulties and obstacles presented. The most versatile and intensive cooperation of the countries of the Western Balkans was indicated not only by the economic interest, but also by the commitment to the policy of the European Union, which was joined by the largest number of countries in Europe. According to the fact that the closer economic connection between them strengthened that policy as well.

The EU gives a strong impulse to this kind of economic cooperation through its development and accession funds.

By implementing the recommendations contained in the documents of the European Commission, and earlier with regard to the general course of its economic policy, Bosnia and Herzegovina built its economic cooperation with developed countries as well as countries in the neighborhood from the level of their development, their specific, and also their material possibilities etc.

That cooperation, one could say, rested on certain principles:

- equality of business partners in joining economic cooperation;
- absence of discrimination in business arrangements;
- the absence of any political concessions for achieving economic cooperation.

In such and similar frameworks, Bosnia and Herzegovina strove to develop its economic interests while simultaneously contributing to the development of the economy of its underdeveloped partners: meeting its needs by importing primary raw materials (oil, non-ferrous metal ores, phosphates, southern fruits, etc.), expanding rivaled the market with its industrial products (machine-building, metal and electrical industry products, etc.) and participated in the execution of complete investment projects according to the engineering system (in the field of high-rise construction, civil engineering and hydraulic engineering).

Economic cooperation with Bosnia and Herzegovina (import, export, execution of investment works, scientific and technical cooperation) includes today, to a greater or lesser extent, almost all EU countries.

## CONCLUSION

The problems encountered are numerous, whether they originate from the economic organization itself, or whether they are imposed by external factors. These are, for example: insufficient connection of organizations when entering the markets of individual countries, scarcity of own capital for crediting export and investment operations, insufficiently trained professional staff for operating in new markets, insufficient preparation for fierce competition with powerful foreign companies, international tenders for the undertaking of large-scale investment works (engineering), especially in the countries of the European Union where the works are paid in convertible currency, the selection of economically reliable partners when establishing joint ventures and ensuring the transfer of profits to the country, which has not been done so far always proceeded satisfactorily.

In the briefly mentioned structure of economic cooperation of Bosnia and Herzegovina with neighboring countries, production cooperation is notably missing. Until now, this type of cooperation has been difficult to establish due to politics, even though it contributes the most to a tighter long-term connection of the economies of production partners.

Because of this importance of production cooperation, special attention should be paid to it in the future and it should be encouraged by all available means: favorable and sufficient credit, concessions in fiscal benefits, various administrative benefits for the import of goods necessary for the development of production in the cooperation, etc.

By gradually eliminating or mitigating the highlighted and other problems, the economic cooperation of Bosnia and Herzegovina with neighboring countries must be improved, and thus their economic

progress must be accelerated. However, even if all this is successfully achieved on a broader basis and with other countries, it will still not be enough for the countries of the Western Balkans in general to rise to the level of advanced countries in the world. For this, it will most often be necessary for these countries themselves to make a special effort to train their entire internal social organization for the modern functioning of the economy, and social upgrading, and life in the country in general, to move towards the EU as ambitiously as possible.

In various "theories of development", insufficient attention is paid to the role of the joint performance of the countries of the Western Balkans as a conscious and subjective force. This is precisely one of the basic objections to these theories.