

## Original Paper

# Management of Market Development of South East Europe

## Countries

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### **Abstract**

*Development management in most cases starts closer economic cooperation in order to increase GDP and welfare, which is primarily economic. Market liberalization has in fact started the integration of European states. The countries of South East Europe need to aim at for development paying particular attention to the maintenance of macroeconomic stability South East Europe need to aim at management changes paying particular attention to the maintenance of macroeconomic stability, competitiveness and cooperation with the European Union.*

*In this work, the author wishes to emphasize the importance of development management, long-term sustainable and stable growth is the priority of every society that passes through the transition period. The focus of the paper is the management of market development, where a comparison of the situation of the three countries within the European Union is given: Croatia, Romania and Bulgaria and three candidate countries for membership of the European Union: Bosnia and Herzegovina, Serbia and Montenegro.*

### **Keywords**

*management, development, market, integration*

### **1. Introduction**

The priority of every society should be a long-term sustainable and stable growth. What is the best way to achieve this goal should be determined through a series of economic policy instruments, one of which is to use an optimal combination of domestic and foreign investment, public investment, and import and export relations. If macroeconomic indicators are observed, they have shown in recent years that there has been a slight increase in the rate of economic growth (Vidovic, 2013).

The political aspect of the operation of the neighboring countries initially seeks to minimize, however, is inevitable in advancing distant relationship because individual states must through their legal decisions affect the scope of economic integration, to the extent that adopt and encourage the trend of full market liberalization and reduction of state influence on liberalization of the economy.

Regional economic integration is being developed in several stages, which means the generation of free market and a customs union, a common market then through to economic union as the most important objective.

European Union (European Union part of EU) represents today undoubtedly one of the biggest economic powers in the world with nearly 500 million inhabitants and economies of scale, over 1600 billion Euros of gross domestic product a year (according to the OECD, 2007).

Although the European Union as a whole, well cope with globalization, however, certain regions have problems to adapt specifically to the sudden influx of cheap products from China, India and the like. Here it is necessary to make further reforms in the labor market, make people more qualified, which means continue reforming and strengthening of institutions of education. The EU's role in further strengthening the single market, encouraging and strengthening competitiveness across Europe, as well as providing further contributions to the global level, in terms of further reform of the global market and improvement of the environment, proposing solutions and laws.

Without a developed agrarian sector, there is no stable economy. It was one of the first major reforms in the European communities (European communities part of EC) in the framework of the SAP. Achieved high productivity of raw materials, stable prices, improved the quality of food products. Such transport development is accelerated circulation of goods, improved service industry, enabled easier circulation of people. Nation states must come to terms with the fact that their status is now different than it was before and it will continue to change. 1993 The single market is established and with him-four freedoms: movement of goods, services, people and capital.

“European Integration occurs when political actors from several different national states decide to focus their loyalties, expectations and political activities toward a single center with the aim of creating a supranational institutions also”. “European integration processes can be easily understood as the ultimate attempt to unite the nation-state after decades of mutual warfare” (Millard, 1992).

## 2. Literature Review

The beginnings of integration processes in Europe, dating from the time of formation of the Benelux countries in 1944 and the first Economic Community of Coal and Steel Paris, on the formation of the EEC Treaty of Rome, to the formation of the Maastricht Treaty and the EU enlargement to the EU 25 now sets a new vision for EU enlargement a dilemma where the borders of Europe (The European Union, 2016).

According to many theorists integration process is primarily economic, reflects the fact that the nation-state in Europe recognize that their economies require joint while already, which will occupy a better place in the global market distribution and movement of capital. Therefore, any form of contract which the country agreed to coordinate their policies in the field of trade, fiscal or monetary policy called economic integration (Popović & Vukadinović, 2007). Market liberalization has in fact begun the integration of European states.

Existing economic integration of the different character compared to earlier periods 1950-1960 Integration of the last century. Developing countries liberalize and open up their economies to implement export and investment policies. Regional association of several benefit in terms of increasing the economy, diversification of production, efficiency, and political coordination.

The concept of the common market is neither new nor original. History shows that this type of organization of the economy characterized by a type of federal state structure, reflecting the economic counterweight to the political desire for communion (Lasok & Bridge, 1980).

Of all forms of market linkages, as well as of inner market of the European Union is expected to achieve a certain, primarily economic objectives, but also to create conditions for the achievement of other objectives. Thus of the establishment and functioning of the internal market was expected to

enable a gradual blending of the different national markets into a single so-called internal market, where they will rule the same conditions for undertaking all forms of economic activities for all market operators, regardless of their nationality or ethnicity (Vukadinović, 2014).

The joint and open EU market has brought great benefits but it also increased exposure to global competition, is famous for the so-called reform of the sugar industry where the agreed gradual liberalization of the EU market for sugar imports from other developing countries, so there will be a gradual reduction of import taxes sugar. The process of deregulation of the energy market of the European Union is a process which is normatively and in practice demo no polarization liberalize the market and the impact of market participants to form the EU internal market.

Trade within the EU is very similar to that of developing countries, because the vast majority consists of semi-finished goods and work in progress, which may lead to a drop in trade in goods within the EU single market and in addition, if developing countries take better position in the exchange of intermediate products.

The big problem standing in front of the whole EU, and to the lack of skilled labor. Low levels of fertility and a large number of pensioners, a great challenge for the further development of the EU.

In the post-war period, the state sought to ensure the greatest possible freedom of trade to help them qualify for their products and thus significantly improve its economic development.

Alternative methods for the realization of freedom of trade which has benefited a large number of countries including preferential trade arrangements, free trade zone, a customs union and a common market. One of the reasons why advocates of trade liberalization support in most regional approach lies in the fact that this is a safer way to get to the real and concrete liberalization.

“Access to the EU single market, improve the attractiveness of the new countries as a safe target for foreign investment. Worker productivity will increase and also to raise the efficiency of invested capital. The products will become cheaper, better and far more diverse” (Tupy, 2003). The opening of the markets of Eastern Europe, in fact, it looked very favorably on employment in the EU. Transfer of technology helps increase productivity in the candidate countries, thus reducing the difference in the level of wages and living standards.

Developing countries whose economies are not reaching the level of developed countries, in the international exchange of greater difficulty, because of the overflow part of their national income in developed countries.

The liberalization of foreign trade is usually conducted in conjunction with other measures of economic policy. What is generally expected when enforced trade liberalization is to come to the routing of free resources to the sectors that can best take advantage of them, i.e., where the country has comparative advantages.

### **3. Research on the Problem of the Achieved Level of Economic Development of the Countries of the South East Europe**

In conditions of liberalized markets, in order to protect the interests of consumers is needed state intervention through regulatory bodies and competent institutions. This primarily relates to the protection of consumer rights and interests.

There are certain changes in the structure of transition economies after the beginning of the transition process: a wide range of structural and institutional reforms that have been implemented by the Government of the resulting changes in the economic behavior of states.

A decade before the crisis was a decade of strong economic growth in the countries of the Balkans region. The average growth rate reached 6.6% in 2007, varying from 5.1% in Cyprus, to 10.7% in Montenegro. This enabled the process of convergence towards EU to be accelerated.

During this decade two South East Europe countries (Romania and Bulgaria) became EU countries, Croatia got a date for EU Accession (July 1, 2013), Montenegro started negotiations for EU Accession, and Serbia signed stabilization and association agreement (Bishev & Odzaklieska, 2014). On March 1, 2012, by decision on the European Council, Serbia became a candidate for EU membership and finally Bosnia and Herzegovina submitted its application for membership on February 15, 2016.

In 2016 and 2017, global economic growth should slowly accelerate, expected global growth was revised downwards from the previous projection, and now stands at 3.2% and 3.5% (Hrvatska narodna banka, 2016).

The European Bank for Reconstruction and Development (EBRD) in its annual publication Transition Report assesses the progress made in economic reforms in European countries in transition, and publishes the transition indicators.

The Table 1 below provides an overview of the transition indicators for 2015 observed countries. Note: Rang (4) indicates that when it comes to state-owned enterprises, more than 50% of capital in private ownership and was completed privatization of small enterprises.

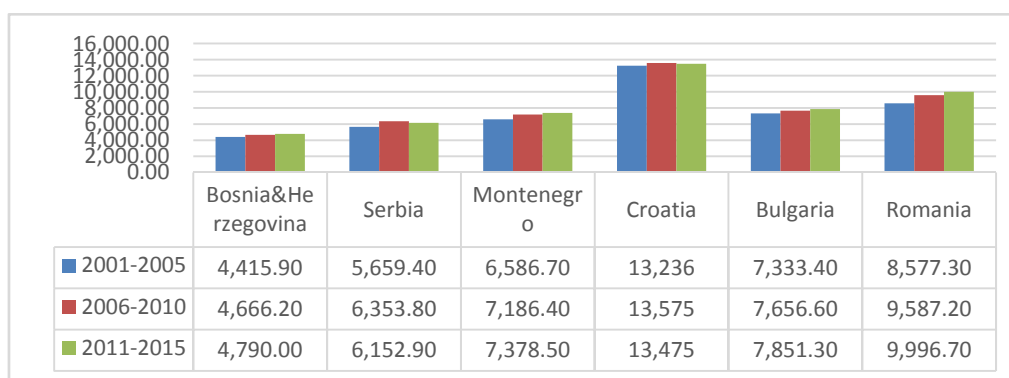
**Table 1. Sector-Level Transition Indicators in 2015: Overall Scores and Countries on Positive/Negative Watch (European Bank for Reconstruction and Development, 2016)**

	Corporate sectors			Energy		Infrastructure				Financial sectors		
	Agribusiness	General industry	Real estate	Natural resources	Electric power	Water and wastewater	Urban transport	Roads	Railways	Banking	Private equity	Capital markets
<i>Bosnia&amp;Herzegovina</i>	3-	2	2-	2	2-	2	2+	3	3+	2-	2-	2
<i>Serbia</i>	3-	3-	3-	2	2+	2+	3-	3-	3	3-	2	2
<i>Montenegro</i>	2+	2+	2+	3+	2+	2	3	2+	2+	3-	1	2
<i>Croatia</i>	3	3+	3+	4-	3	3+	3+	3+	3-	3+	2+	3+
<i>Bulgaria</i>	3	3+	3+	3+	3	3	3+	3-	3+	3	3-	3-
<i>Romania</i>	3	3+	3+	4-	3+	4-	3+	3-	3+	3	3-	3-

Note. Green shading denotes country on positive watch and Orange shading denotes country on negative watch.

Observed from the table it is evident that in countries in the region recorded the largest positive shift in terms of infrastructure development with special emphasis on the development of roads and railways in Croatia and Serbia. The banking sector had the largest displacement in 2015 in Croatia, while in other countries it was observed some improvements but still at an insufficient level.

The following chart presents the GDP per capita in transition countries and certain countries of the European Union in the period 2001-2015. According to the graph, it is evident that only three of the countries surveyed have a GDP per capita greater than \$ 10,000 is interesting that in other countries every year constant growth of GDP. See Figure 1.



**Figure 1. GDP Per Capita 2001-2015 (The Worldbank, 2016)**

GDP growth rates from 2006-2008 years were positive in 2009 felt the impact of the economic crisis in almost all the surveyed countries. In 2010, most of the observed countries recovering exception Croatian and Romanian. Croatia continues a negative trend during the 2011-2014 year. Year 2014 with a negative rate of all the surveyed countries ends and Serbia. At the next Table 2 provides an overview.

**Table 2. GDP Growth (Annual %) (The Worldbank, 2016)**

Country Name	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Bosnia and Herzegovina</b>	6,52	5,98	5,59	-2,72	0,84	0,96	-1,21	2,48	0,78
<b>Serbia</b>	4,90	5,89	5,37	-3,12	0,58	1,40	-1,02	2,57	-1,81
<b>Montenegro</b>	8,57	10,66	6,92	-5,66	2,46	3,23	-2,72	3,55	1,78
<b>Croatia</b>	4,79	5,15	2,05	-7,38	-1,70	-0,28	-2,19	-1,06	-0,36
<b>Bulgaria</b>	6,75	7,68	5,65	-4,22	0,05	1,58	0,24	1,28	1,55
<b>Romania</b>	8,06	6,86	8,46	-7,07	-0,80	1,06	0,64	3,53	2,78

#### 4. Research on the Problem of Managing Market Development of South Eastern Europe

The region of South East Europe (SEE) has undergone intensified political and economic changes for the past 15 years; changes are reflected in the transition from economy controlled by the state to market conditions.

The management of the market development of the countries of Southeast Europe is presented by the transnational co-operation program "Southeastern Europe" for the period 2007-2013. According to this program, the support of the Community will be given to 16 countries-Member States, candidates, potential candidates and a third country. The main goal of creating this program is to improve the "territorial, economic and social integration process and contribution to cohesion, stability and competitiveness". The other objectives of the program are reduced to mitigating circumstances in terms of innovation, entrepreneurship, economics, etc. Through cooperation and visible results. It also aims to improve the attractiveness of the region. These activities will be implemented by respecting certain priorities: Facilitation of innovation and entrepreneurship, protection and improvement of the environment, development of transnational synergies for sustainable development areas and technical assistance to support implementation and capacity building. South East Europe (SEE) (Operational Programme 'South East Europe (SEE)', 2007). South East Europe is a developing region facing the challenge of high growth, and the guidelines given in this program are the best way to adequately

manage development.

## 5. Discussion

In most countries, the transition began with liberalization of prices artificially low levels, leading to a rise in inflation. In addition, there was a decline in production. As part of a global strategy, it is evident that rapid action was possible in some areas of reform (price and trade liberalization, stabilization of inflation and eventual privatization of small enterprises), while for other areas clear that reform takes time. What's more, it can be concluded that the rapid implementation of liberalization and stabilization generally accepted as the optimum.

Increased integration into the world economy through rapid liberalization of foreign trade, finance and investment is accepted as a concept for the prevention of developmental delay due to the crisis of debt repayment. What accounted for the unknown so far in the transition process the order (for example, whether it should first liberalize imports or exports) (Kovačević, 2004).

Theorists of economic theory and practice consider that free trade has positive effects on the competitiveness of an economy. It is believed that opening the market would not be bad for the competitiveness of the economy date, but that increased competition will improve the competitiveness of an economy that is liberalized.

According to the total exports of goods and services from 2011 to 2014 was expressed in relation to GDP, the best placed of all the countries are Romania, Bulgaria, Croatia, Serbia and Bosnia and Herzegovina, unlike Montenegro.

Current EBRD forecast for Montenegro's Real GDP Growth in 2018 4.2% Current EBRD forecast for Montenegro's Real GDP Growth in 2019 3.0% (Montenegro overview, 2019).

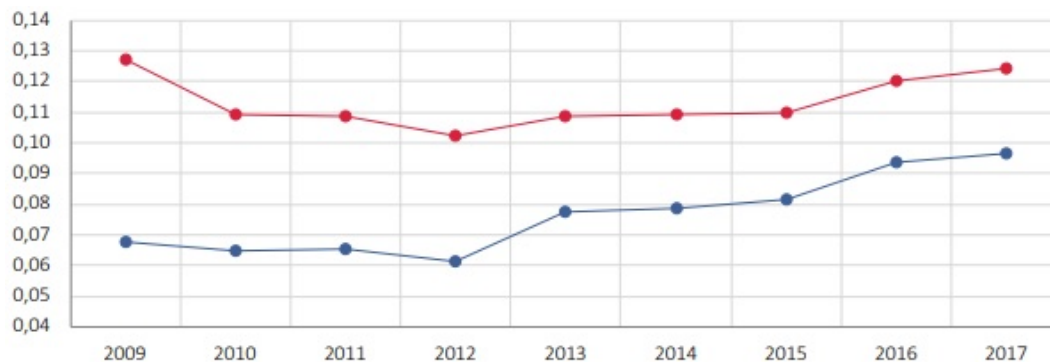
Serbia has a high foreign trade deficit, which is a consequence of the following variables: the process of transition, structural changes, but also a significant inflow of capital and its orientation towards the EU developed countries. Adverse economic activities, inadequate production structure, insufficient quality of domestic products in sufficient economic incentives and customs and economic policy also contribute to the trade deficit (Ignjatijević, Milojević, & Đorđević, 2015).

Real GDP in Serbia Growth in 2018 3.4% (Republički zavod za statistiku Srbije, Rast BDP-a, 2018).

Considering the specificity of the organization of Bosnia and Herzegovina, the liberalization of trade is viewed through domestic and international experiences that are closely linked to the process of economic transition and the growing integration of Bosnia and Herzegovina into international trade.

On the graph below gives an overview of the current situation in the Republic of Serbia on the issue of import and export of goods, and its cooperation on the spur of the countries of the South East Europe.

Since 2001, Serbia has achieved continuous growth in exports and imports. Although exports grew faster, however, the value of imports exceeds that of exports, leading to a deficit. The following chart provides an overview of the import and export of the Republic of Serbia for 2017. See Figure 2.

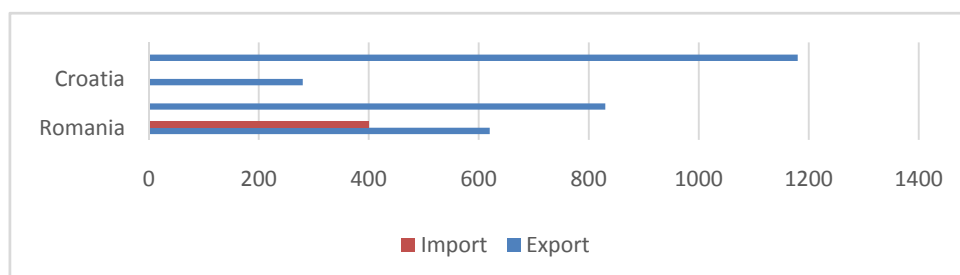


**Figure 2. Export and Import for Serbia (% of GDP) (Republički zavod za statistiku, 2018)**

From the above chart it is evident that in 2014 it increased exports and imports, but it is also a reduced deficit (Razvojna agencija Srbije, 2016).

Imports from the EU to Serbia, from January 1, 2014 resulted in the complete liberalization of industrial products. Also, to import about 96% of agricultural products, tariff rate is zero. However, for agricultural products that Serbian products (400 tariff items), customs duties on imports from the EU will be reserved until Serbia becomes a member of the European Union. In 2016 and 2017 there was an increase in both sectors.

The following chart shows Serbia’s cooperation with other countries in the region in terms of imports and exports. See Figure 3.



**Figure 3. Export and Import for Serbia in 2014 (mil. \$) (Republički zavod za statistiku Srbije, Izveštaj, 2015)**

According to the previous graph Serbia exports mainly to Bosnia and Herzegovina (USD 1179.5 million) and Montenegro (837.0 million USD) while the most imported from (about 400 million USD) Romania.

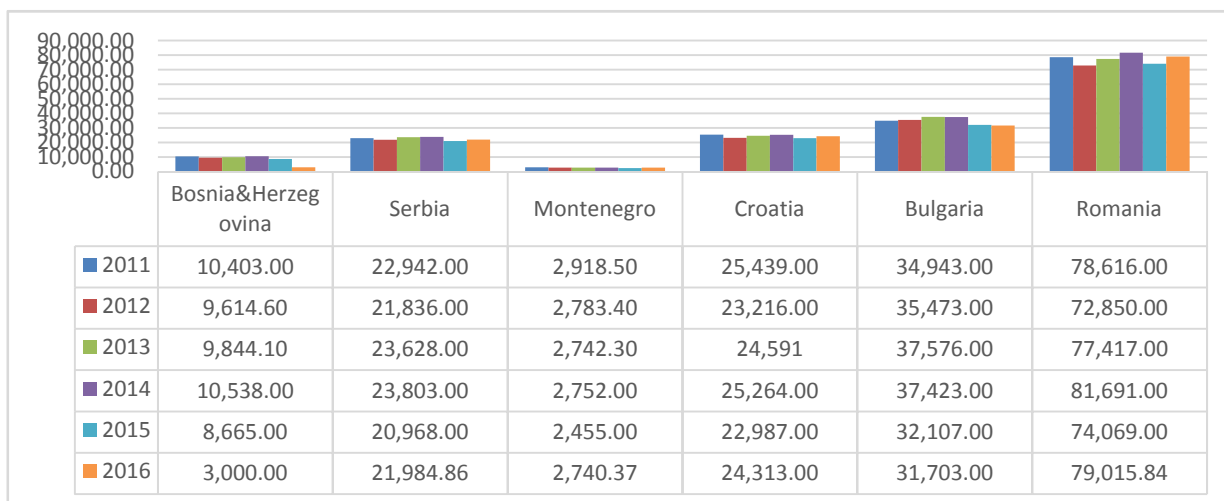
Export growth in 2017 compared to previous years since 2006, by the way, is evident in almost all the surveyed countries, where the growth of featured with the advanced European countries, especially Croatian, while stagnation and slight drop seen in Bosnia and Herzegovina. See Table 3.

**Table 3. Export Growth 2006-2017 (The Worldbank, 2019)**

Country Name	2006	2007	2008	2009	2010	2011	2012	2013	...	2017
<b>Bosnia and Herzegovina</b>	2,17	2,14	4,14	3,28	2,58	3,04	2,46	2,30		38,9
<b>Serbia</b>	3,56	3,63								52,4
<b>Croatia</b>	9,85	8,21	8,35	9,76	9,15	7,56	9,91	8,00		51,1
<b>Bulgaria</b>	6,12	5,97	6,55	8,15	7,91	7,47	7,75	7,96		67,4
<b>Romania</b>	4,83	3,48	6,69	9,11	10,95	10,18	6,38	5,72		41,4

In the following Figure 4, an overview of imports of goods and services of the observed countries is made on the basis of the World Bank report.

According to the chart from the countries observed, the best deals were in the period from 2011-2016, Romania for US \$ 79,015.84, Bulgaria 31,703.00 US \$, Croatia 24, 31.3,0 US \$, Serbia 31,984.86 US \$, Bosnia and Herzegovina 3.000, 0 US \$ and Montenegro 2,740.37 US \$.



**Figure 4. Imports of Goods and Services (current US\$) (The Worldbank, 2016)**

Among the other countries with which Serbia cooperates most stand out in terms of exports: Italy (USD 2381.7 million), Germany (USD 1737.6 million) and Russia (\$ 1,061.6 million). While the issue of import significant place: Italy (USD 2356.9 million), Germany (USD 2246.8 million), the Russian Federation (USD 1902.8 million) and China (1,509.9 million USD).

The fall in exports in B&H and the Republic of Serbian will further complicate: according to the statement of the Government of RS and the Ministry of Agriculture of the Republic of Serbian Bosnia and Herzegovina to the EU offers to open tariff quotas for agricultural products is extremely unfavorable, it is considered that changes in relation to traditional trade was extremely harmful agrarian sector to Republic of Srpska and B&H, and that tariff protection for agricultural products which is demonstrated special sensitivity should remain in force until joining the European Union.

The South East Europe countries, in addition to problems of transition and the liberalization of imports, following the problems of non-compliance of regulations concerning the quality of goods and services to the standards of the European Union. No matter what you are making great efforts for the harmonization of standards in its market is still being produced or imported, low quality goods that pose a risk to the health and safety of consumers (toys, textiles, cosmetics and other products)



(Grandov & Jovanović, 2011).

According to the process of stabilization and association is necessary to work on the improvement of economic relations within region through creation of a free trade zone, market liberalization and development of the existing financial and economic assistance.

## 6. Conclusion

People should be allowed to move freely, without having to stop and control at the borders, freedom of choice of where to work, live.

The global crisis was transferred to the South East Europe countries at the same time thought the account of goods and services of balance of payments-reduced demand for goods and services.

Period until 2030 was a time in which the Republic of Serbian complete the economic transition and all the elements to be harmonized with European environment and time in which the Serbian Republic of Bosnia and Herzegovina to become a member of the European Union.

The European Union provides an opportunity to producers from Serbia who are export oriented towards the EU, Turkey and members of CEFTA 2006 (Bosnia and Herzegovina, Montenegro) to use materials originating in the EU, to be considered local and thus finished product to be produced cost-competitive in these markets. The CEFTA 2006 Agreement is an innovative and ambitious free trade agreement that provides for the liberalisation of trade in industrial products and agricultural goods. It also incorporates provisions on free trade in services, as well as clauses on investment promotion and protection, provisions on government procurement and dispute-resolution mechanisms (RCC, 2013).

Load GDP taxes and contributions greater than 50%, a negative effect on the competitiveness of businesses and discourages foreign investments. As specific limitations that are in the process of transition within a negative impact on corporate behavior is the inefficiency of the judicial system.

Managing market development and the ability of companies to meet the competition of European Union companies are two of the most important economic conditions for the entry of neighboring countries into the European Union.

Countries in the region have not yet completed the transition process and it is necessary to create conditions for strengthening local enterprises to survive in the competitive European market, which is the primary objective or a requirement both for their entry, and to survive in the market of the European Union.

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