

# **ECONOMIC COOPERATION BETWEEN THE WESTERN BALKAN COUNTRIES A KEY STRATEGIC APPROACH OF IMPROVING THEIR RELATIONS AND AN IMPORTANT REQUIREMENT TOWARDS THE EU ACCESSION**

Elhami Shaqiri\*

## **Abstract**

The economic interdependence and cooperation among the Western Balkan countries is a key strategic approach of improving their relations as well as an important requirement towards the EU accession. The long term view is to restructure relationships so that Western Balkan countries would have an incentive to see each other prospering, this because the wellbeing of “the other” has a direct impact on the wellbeing of “the self”.

The prospects of improving neighbour relations between the Western Balkan countries should be an incentive in order to provide a lasting stability and development in the region, as well as in order to be able to join the EU. According to Olli Rehn, a former European Commissioner for Enlargement, the development of regional cooperation is in the best interests of all the western Balkan countries: it is a key factor for establishing political stability, security and economic prosperity. It corresponds to a commitment made by the countries of the region at the EU–Western Balkans Summits of Zagreb (2000) and Thessaloniki (2003). Regional economic interdependence and cooperation among the Western Balkan countries is an integral element with regard to the EU accession requirement. The EU has made it clear in many occasions that improving relations between the western Balkan countries is in their best interest, not only for the reason that it encourages economic development, but also because it encourages stability and security among them.

This scientific research will try to illustrate some of the major implications with regard to economic interdependence and cooperation among the Western Balkan countries. The basic approach related to improving relations among the Western Balkan Countries has to do with building incentives to cooperate with each other. Regional interests are best met by mutual cooperation in a range of long established linkages and incentives to cooperate with each other. Understanding that development initiatives may have direct impact with respect to joining the EU as well as with respect to improving relations among the Western Balkan Countries, efforts should be made to ensure adequate support for this approach. Based on my field research as well as on my extensive reading on this subject I have come to realize that, regional cooperation is an important strategic approach of building positive relations. In this research paper therefore, I will analyze economic factors such as: regional cooperation, economic cooperation and other interdependent economic factors of vital strategic importance with respect to joining the EU as well as with respect to improving relations among the Western Balkan countries.

**Key words:** Economic Interdependence, Economic Cooperation, Regional Cooperation, EU Accession Requirements, Transformation and Restructuring, Stability and Security.

---

\*Asst. Prof. Dr. Elhami Shaqiri, International Balkan University, Faculty of Economics and, Administrative Sciences, International Economic Relations, Tel.: +389 2 32 14 831 / Ext. 155Fax: +389 2 32 14 832

## 1. INTRODUCTION

The economic interdependence and cooperation among the Western Balkan countries is a key strategic approach of improving their relations as well as an important requirement towards the EU accession. The long term view is to restructure relationships so that Western Balkan countries would have an incentive to see each other prospering, this because the well being of “the other” has a direct impact on the well being of “the self”.

The prospects of improving neighbor relations between the Western Balkan countries should be an incentive in order to provide a lasting stability and development in the region, as well as in order to be able to join the EU. According to Olli Rehn, a former European Commissioner for Enlargement, the development of regional cooperation is in the best interests of all the western Balkan countries: it is a key factor for establishing political stability, security and economic prosperity. It also corresponds to a commitment made by the countries of the region at the EU–Western Balkans Summits of Zagreb (2000) and Thessaloniki (2003). Regional economic interdependence and cooperation among the Western Balkan countries is an integral element with regard to the EU accession requirement. The EU has made it clear in many occasions that improving relations between the western Balkan countries is in their best interest, not only for the reason that it encourages economic development, but also because it encourages stability and security among them.

This scientific research paper will try to illustrate some of the major implications with regard to economic interdependence and cooperation among the Western Balkan countries. In this research paper therefore, I will analyze interdependent economic factors such as: regional cooperation, economic cooperation and other interdependent economic factors of vital strategic importance with respect to joining the EU as well as with respect to improving relations among the Western Balkan countries.

## 2. INTERDEPENDENT ECONOMIC FACTORS: *REGIONAL COOPERATION*

The basic approach related to improving relations among the Western Balkan Countries by *regional cooperation* has to do with building incentives to cooperate with each other. This would be an adequate approach which will enable reciprocal development among the countries in the region. Therefore, the well-being of the communities will improve, and as a result citizens will have better financial situations; with this, citizens can afford to invest if they wish so, or to spend more money for their needs and satisfaction. Certainly this approach will promote the economic development among the Western Balkan Countries and beyond for that matter. Therefore, the need to develop a regional cooperation approach in order to improve relations among the Western Balkan Countries is indeed of great significance.

This is an approach which would provide the bases to enable long term stability. The cornerstone of this approach is the improvement in economic prosperity and the new opportunities for cooperation and association. Therefore, this may lead to improved understanding and *regional cooperation agreements* among the Western Balkan Countries. In other words, this is a strategic approach which seeks opportunities to positively affect the

dynamics of improving relations among the Western Balkan Countries. It focuses on cooperation and attempts to positively influence community relations by building incentives for mutual cooperation among the communities.

Improving relations among the Western Balkan Countries by regional cooperation clearly is a good practice, but it is more than that, it is an explicit commitment to the improvement of relationships and social conditions, and to the creation of more prosperous societies. If the root causes of stagnation and regional economic and political deterioration relate to the economic and political issues then the process of interdependent economic factors of vital strategic importance with respect to joining the EU as well as with respect to improving relations among the Western Balkan Countries should look at these issues and their manifestation in a society. Looked at from this perspective the focus is to build regional cooperation incentives so that in the long term relationships between the Western Balkan Countries would be improved to that extent so that they would have an incentive to see each other prospering, this because the well being of “the other” would have a direct impact on the well being of “the self”. “The battered, war-torn and politically unstable image of the region in 2000 made such co-operation even more important as any perception of instability and economic chaos in one country would have a negative impact on the foreign investment prospects of its neighbors.” (Busek 2010, p.128)

Regional interests are best met by mutual cooperation in a range of long established linkages and incentives to cooperate with each other. Understanding that development initiatives may have direct impact with respect to joining the EU as well as with respect to improving relations among the Western Balkan Countries, efforts should be made to ensure adequate support for this approach. Based on my field research as well as on my extensive reading on this subject I have come to realize that, regional cooperation is an important strategic approach of building positive relations which primarily is based on the following initiatives:

1. To establish and further enhance regional cooperation.
2. To increase the awareness of governmental institutions of the neighboring countries that regional cooperation provides an important base with respect to improving relations among the Western Balkan Countries as well as with respect to joining the EU.
3. To establish and even more improve in particular the liaison between Western Balkan Countries but also of their respective NGO's (Non Governmental Organizations) working on common issues in terms of regional cooperation.
4. To establish new trade initiatives as well as to fully implement the existing trade initiatives such as CEFTA<sup>1</sup>. These trade initiatives will surely enhance trade between them which as a result would enable more regional cooperation between the regional countries and this would lead to further improved relations between them.

In line of this analysis, indeed, Busek has rightly pointed out that “politically unstable image of the region in 2000 made such co-operation even more important as any perception of instability and economic chaos in one country would have a negative impact on the foreign investment prospects of its neighbors.” (Busek 2010, p.128) Therefore, it is in the interest of the entire region to cooperate as it is a “win-win” case for all of them. Again, the focus of improving relations among the Western Balkan Countries by regional cooperation clearly is a good approach based on cooperation, which puts the emphasis on mutual cooperation particularly in terms of trade, which will clearly have a positive impact with respect to joining the EU.

---

<sup>1</sup> Indeed the implementation of CEFTA is supposed to provide a substantial boost to intra-regional trade as well as to enhance the ability of the region.” (Stability Pact, May 2006, p.7)

### **3. ECONOMIC COOPERATION AND TRADE RELATIONS BETWEEN THE WESTERN BALKAN COUNTRIES**

Economic cooperation and trade is a very important strategic approach related to improving relations among the Western Balkan Countries which is basically about promoting economic cooperation and trade among the Western Balkan Countries with the aim of establishing positive relations between them. Implementation of this strategic approach must be given a high priority so that to give an additional effort in improving relations among the Western Balkan Countries.

In relation to improving relations among the Western Balkan Countries by promoting economic cooperation and trade, I have analyzed thoroughly the key factors that influence economic cooperation and trade of the Western Balkan Countries. This is done by providing an in-depth study of the economic situation in the Western Balkan Countries and closely investigating selected core aspects that shape the degree of economic cooperation and trade. The underlying tool for this analysis is the analytical framework, which points out the individual factors that influence economic cooperation and trade among the Western Balkan Countries. By applying this tool, the degree of economic cooperation and trade among the Western Balkan Countries can be evaluated to some extent. This framework, therefore, provides the latest data on the key elements that are vital for a better economic cooperation and trade among the regional countries, which of course have direct impact on improving relations among the Western Balkan Countries.

An additional incentive of economic cooperation and trade is in order to improve the difficult economic situation, as well as to improve the tense situation in terms of relations between the communities. These two issues are of utmost importance for the current and future stability and sustainable multiethnic coexistence in the region of the Western Balkan Countries. Furthermore, it is also important to analyze how Foreign Direct Investments (FDI) influences the economic situation of the region in general. In this respect, Busek has rightly pointed out that “politically unstable image of the region in 2000 made such co-operation even more important as any perception of instability and economic chaos in one country would have a negative impact on the foreign investment prospects of its neighbors.” (Busek 2010, p.128)

Indeed, economic and trade relations between the Western Balkan countries represent a corner stone of their development, but also, and even more importantly, represent a strategic approach of building positive relations between them<sup>2</sup>. In this regard it is important to have a general overview of their economic developments, as well as to analyze their economic and trade relations between them. During the 1990 most of the Western Balkan countries have passed

---

<sup>2</sup> This kind of logic was also considered by the Stability Pact; indeed an important objective for the Stability Pact was to promote trade and investment in the region of Western Balkans. This was very clearly stated on the Core Objectives for 2006, namely: “To foster a business climate conducive to investment, trade and employment through enhancing regional co-operation in policy development, implementation and promotion, including improving the functioning of the free trade agreements, supporting implementation of the priority FDI and SME policy reforms identified under the Investment Compact and upgrading employment policies in SEE, thereby facilitating sustainable economic growth in South Eastern Europe. ” (Stability Pact, 2005, p.2)

through a relatively long transition period from centralized economies to free market economies. And most of them were confronted with ethnic conflicts following the breakup of former Yugoslavia, which unfortunately has influenced negatively their economic developments and even more negatively their trade relations.

International community was deeply concerned about the devastated economic and political situation in the Western Balkans due to the breakup of former Yugoslavia, and therefore the necessity for regional co-operation in Western Balkans grew even more strongly. There were several initiatives that have been undertaken in order to do something about it; however, one of the most important ones was the Stability Pact. The Stability Pact<sup>3</sup> for South Eastern Europe was launched in 1999 as the first comprehensive conflict prevention strategy of the international community, aimed at strengthening the efforts of the countries of South Eastern Europe in fostering peace, democracy, respect for human rights and economic prosperity. The Stability Pact provided a framework to stimulate regional co-operation and to advance integration into European and Euro-Atlantic structures.

The box below shows the role of the Stability Pact with regard to the region of South Eastern Europe in terms of fostering peace, democracy, respect for human rights and economic prosperity.

Box 1.: The Stability Pact for South Eastern Europe: a framework of fostering peace, democracy, respect for human rights and economic prosperity.

Background: The Stability Pact for South Eastern Europe was adopted at the initiative of the EU, in close co-ordination with the USA, and the G8, in Cologne in June 1999. More than 40 countries and organizations committed themselves to the initiative. At a summit meeting in Sarajevo in July 1999, the Stability Pact was officially launched under the political auspices of the OSCE and in the presence of regional Heads of State and Governments and the international community<sup>4</sup>.

Objectives: The main objectives of the Stability Pacts were the following:

1. Promotion of sustainable democratic systems;
2. Promotion of economic and social well being, and
3. Creation of a stable security environment.

These objectives were reflected in three main units - known as Working Tables.

Implementation: who and how? The Stability Pact was implemented through a Regional Table<sup>5</sup> and three working tables.

Working Table I: Democratization and Human Rights. The last decade of 1990s has been exceptionally difficult for the people of South Eastern Europe. Hostilities have created deep-seated resentments. The Stability Pact's Working Table I and its task forces and initiatives addressed these challenges by promoting democracy, education, an open media environment and cross border co-operation<sup>6</sup>.

<sup>3</sup> Source: Mission of the Stability Pact for South Eastern Europe: [www.stabilitypact.org](http://www.stabilitypact.org)

<sup>4</sup> (Stability Pact, May 2007, p.3)

<sup>5</sup> <http://www.stabilitypact.org/rt/>

<sup>6</sup> (Stability Pact, May 2007, p.8)

Working Table II: Economic Reconstruction, Co-operation and Development. The key goal of Working Table II was to facilitate a sustainable economic development through modernizing infrastructure, particularly energy and transport, as well as through trade liberalization, and investment promotion<sup>7</sup>.

Working Table III: Security Issues (covering Security and Defense, and Justice and Home Affairs). Working Table III successfully pursued its goal of enhancing regional co-operation on all security and Justice and Home Affairs issues, as a necessary component for social and economic development<sup>8</sup>.

Each Working Table was chaired by a senior political figure that brought valuable experience and contacts to strategic discussions. Day-to-day activities were conducted by the three Working Table Directors and a small staff of experts, who maintained links with the related regional and international actors.

*Source: Busek, Erhard. From Stabilization to Integration: the Stability Pact for South Eastern Europe. Wien: Bohlau Verlag GmbH und Co.KG, 2010; Busek, Erhard. "Five Years of Stability Pact for South Eastern Europe: Achievements and Challenges Ahead" London: LSE, Center for the Study of Global Governance, March 2004; Poortman, Christiaan. "The Road to Stability and Prosperity in South Eastern Europe" Washington, D.C: The World Bank, 2000; Stability Pact. "Eight years of the Stability Pact for South Eastern Europe – From Stabilisation to Integration" Brussels: Stability Pact for South Eastern Europe Secretariat, May 2007; <http://www.stabilitypact.org/rt/>*

Stability Pact has indeed played an important role with regard to the regional cooperation between the countries of Western Balkans. It is evident that the Stability Pact has undertaken many initiatives in order to promote democratic stabilization and economic development in the Western Balkan region. This was clearly evidenced by the Working Table I. "The Stability Pact Working Table I on Democracy and Human Rights launched a new Core Objective, Fostering and Building Human capital, reflecting the need for both SEE countries and the international community to invest in education, training and research in the region in order to underpin democratic stabilization and economic development." (Stability Pact, October 2006, p.4)

Stability Pact has certainly played an important role with regard to the regional cooperation between the countries of Western Balkans. And it also played a major role in conveying the message to the regional countries of Western Balkans that it is in their best interest to have good image of their region collectively in order to attract foreign direct investment. "It became clear to all of them that they are a regional market and are perceived as such by potential investors, whereby a wrong decision by one would reflect negatively on all of them." (Busek 2004, p.8)

Regional cooperation and integration between the Western Balkan countries is an important aspect of economic and trade relations between them. In fact cooperation and regional integration of these countries is considered to be of great importance with respect to their

---

<sup>7</sup> (Stability Pact, November 2004, p.8)

<sup>8</sup> (Stability Pact, October 2006, p.4)

development as well as their security and stability in general. In this respect the presidents of Kosovo, Albania, Montenegro and Macedonia have agreed to further improve their relations and push for the free movement of people and goods in the region through the creation of a mini Schengen zone in the Balkans<sup>9</sup>. Further more in this respect the four presidents said that “we wish to send a message to other regional leaders that the future of the Western Balkans depends on cooperation between the countries”<sup>10</sup>.

Certainly the economic and trade relations between the Western Balkan countries is a crucial strategic approach of building positive relations between them. Economic and trade relations between the Western Balkan countries are indeed essential with regard to their development as well as their security and stability in general. There are many arguments which speak for the advantages that regional co-operation has, both, in terms of economic development and also in terms of political stability. And both, economic development and political stability are interdependent with each other. Having a political stability is a prerequisite in terms of both local and foreign direct investments which are essential for generating new employment, and new employment in turn would generate more productivity and this as a result would have a positive impact on the economy. And if the economy would get better than living standards of the whole society would get better too. In this case individuals get richer and hence are able to invest and trade with each other even more. This of course induces them to interact with each other and hence will have a direct impact on building positive relations between each other. And all this will result in a better political stability. This again will impact even more positively the economic development. The cycle will continue.

Further arguments in terms of advantages that regional co-operation has are the following:

1. The argument of market: the bigger the market, the bigger the incentives of investment and hence the bigger the economic developments.
2. The argument of comparative advantages: if Macedonia is rich in mineral resources for instance, and if Serbia is more advanced in technology, then it is more advantageous for both to cooperate. That is for Macedonia to make use of the Serbian technology and extract mineral resources more efficiently, and for Serbia to make use of Macedonia's raw mineral resources in order to produce fine products which would be cheaper for Serbia to produce them than Macedonia.
3. The argument of strengthening negotiating position: the gains will be higher if negotiating collectively than individually. Indeed negotiating position will be strengthened vis-à-vis global partners. This will be advantageous for the entire region.
4. The argument of environmental management: pollution of the environment does not recognize borders. There are rivers, lakes, the air and other common denominators which are shared by different regional countries; therefore there is needed regional cooperation in order to take care of them.
5. The argument of building even further positive relations: regional cooperation is indeed a mechanism of building positive relations between countries of the region. In this regard

---

<sup>9</sup> Collaku, Petrit. “Four Presidents Push for Mini Schengen Zone in Balkans” BIRN: BalkanInsight, 28.06.2010.

<sup>10</sup> Collaku, Petrit. “Four Presidents Push for Mini Schengen Zone in Balkans” BIRN: BalkanInsight, 28.06.2010.

considering that all Balkan countries are multiethnic societies and that minority communities in one country are majority community in the other country. For example in Kosovo the Serbian community is a minority community, whereas in Serbia the Albanian community is a minority. The same scenario is with Macedonia, Albania and Montenegro. So, considering the reality that Balkan countries are multiethnic societies then it should be taken advantage of this fact in terms of trade. Minority communities of each country should be regarded as added value and as an important element in terms of economic cooperation and trade with each other.

Based on my field research, regional cooperation and integration between the Western Balkan countries represent an important aspect of economic and trade relations between them. Their economic and trade relations not only represent a cornerstone of their economic development, but also represent a strategic approach of building positive relations between them, and hence paving their way towards the EU accession. Many studies have shown that trade relations are in direct correlation with political relations between the countries, this partly, but also in correlation with the favourite business environments that countries create. And obviously these are reflected in trade figures that prevail between the countries. In other words, this can be stated as follows: say,  $T=R+B$ <sup>11</sup>, and also considering the above statements, that is,  $T=C+I$ <sup>12</sup>, and also,  $C+I=D+S$ <sup>13</sup>, then in this case we can say also that,  $T=D+S$ <sup>14</sup> as well as that  $R+B=D+S$ <sup>15</sup>, and that  $R+B=C+I$ <sup>16</sup>.

These correlations show the fact that trade development is a result of the regional cooperation plus favourite business environments that countries create for them. And also these correlations show that trade development is as a result of cooperation and regional integration. Furthermore, it can be said that, economic development as well as the security and stability in general are improved as a result of cooperation and regional integration. It is obvious that these economic and trade indicators are variables and are interdependent and that can be changed. And in order to have a good balance between them, given that they are interdependent and given that they can be changed, then we know that for example if we change  $R$ <sup>17</sup> for one unit, then we have to change  $C$ <sup>18</sup> as well as  $D$ <sup>19</sup> for the same unit in order to obtain  $T$ <sup>20</sup> and that in order to maintain an equilibrium, in order to maintain an optimal balance.

---

<sup>11</sup> Where: T stands for trade; R stands for relations (political relations); B stands for business environment.

<sup>12</sup> Where: T stands trade; C stands for cooperation; I stands for Integration (level of regional integration).

<sup>13</sup> Where: C stands for cooperation; I stands for Integration (level of regional integration); D stands for development; S stands for stability.

<sup>14</sup> Where: T stands for trade; D stands for development; S stands for stability.

<sup>15</sup> Where: R stands for relations (political relations); B stands for Business environment; D stands for development; S stands for stability.

<sup>16</sup> Where: R stands for relations (political relations); B stands for Business environment; C stands for cooperation; I stands for Integration (level of regional integration).

<sup>17</sup> R= relations.

<sup>18</sup> C= cooperation.

<sup>19</sup> D= development.

<sup>20</sup> T= trade, i.e. the desired trade.



Regional cooperation represents an important economic achievement for the Western Balkan countries with regard to their development in general. Breaking through their underdeveloped markets and creation of an integrated market of Western Balkan countries with highly educated labor force could attract more foreign direct investments. In reality foreign direct investments are primarily market oriented but also other factors could play an important role, such as: cheap and educated labor force, raw material of production, infrastructure and favorable fiscal policies<sup>21</sup>. Therefore, it is in the interest of the whole region to create comparative advantages, so that to attract more foreign direct investments. Only on this basis regional specialization is possible, and the factors of production will be used wisely.

Based on my field research analysis, economic and trade relations between the regional countries are in general associated with their macroeconomic developments. Many studies have shown that there is indeed a positive correlation between the regional cooperation and trade relations. And there is also a positive correlation between the fiscal policies and political stability on one hand and foreign direct investments on the other. What I am trying to say is a simple mathematics. For example, say that:  $Tr+Fp=Rc$ <sup>22</sup>; and that,  $Ps+Fdi=Rc$ <sup>23</sup>, then as a result we can say that,  $Tr+Fp=Ps+Fdi$ <sup>24</sup>. These correlations demonstrate that there are certain variables which influence economic and trade relations among neighbouring countries. Indeed these correlations demonstrate that trade development is a result of the regional cooperation. And also these correlations show that foreign direct investments are as a result of fiscal policies and political stability. It is obvious that these economic and trade indicators are variables and are interdependent and that can be changed. And in order to have a good balance between them, given that they are interdependent and given that they can be changed, then we know that for example if we change  $Tr$ <sup>25</sup> for one unit, then we have to change  $Ps$ <sup>26</sup> for the same unit in order to obtain  $Rc$ <sup>27</sup> as well as in order to maintain an optimal balance.

If we do some strategic analysis and say for example that political stability (Ps) is the desired result to be obtained. Given the fact that trade relations and fiscal policies ( $Tr+Fp$ ) are in direct correlation with political stability and foreign direct investments ( $Ps+Fdi$ ), then in order to obtain the desired political stability (Ps) we have to intervene on the components which (Ps) is in direct correlation with. And here holds the same logic as above, in order to have a good balance between the components: ( $Tr+Fp$ ) and ( $Ps+Fdi$ ), given that they are interdependent and given that they can be changed, then we know that for example if we change ( $Tr+Fp$ ) for one unit, then we have to change ( $Ps+Fdi$ ) as well for the same unit in order to maintain the balance and that in order to obtain the desired result. The same scenario holds for regional cooperation (Rc) which is in direct correlation with political stability and foreign direct investments ( $Ps+Fdi$ ) as well as with trade relations and fiscal policies ( $Tr+Fp$ ). In this line of thinking therefore, it can be stated

---

<sup>21</sup> Shaqiri, Elhami (2013). Globalization: The Tendency of Increasing Sales and Production Through Outsourcing . International Journal of Academic Research in Economics and Management Sciences. Volume 2, Pages: [99-110], Issue 4 (July, 2013)

<sup>22</sup> Where: Tr stands for trade relations; Fp stands for fiscal policies; Rc stands for regional cooperation.

<sup>23</sup> Where: Ps stands for political stability; Fdi stands for foreign direct investments; Rc stands for regional cooperation.

<sup>24</sup> Where: Tr stands for trade relations; Fp stands for fiscal policies; Ps stands for political stability; Fdi stands for foreign direct investments.

<sup>25</sup> Tr= trade relations.

<sup>26</sup> Ps= political stability.

<sup>27</sup> Rc= regional cooperation.

that components are interdependent and they can be changed. So, if with the aim of obtaining the desired result, we have to change one side of the equation, then in order to maintain the balance we have to change also the other side of the equation. In terms of simple mathematics, the above theoretical analysis can be stated as follows:

Following the logic that: Regional Trade (RT) = Regional Cooperation (RC) + Level of Integration (LI)

$$\text{i.e. } RT = RC + LI$$

$$\text{Or } (A = B)$$

And say that: Regional Cooperation (RC) + Level of Integration (LI) = Economic Development (ED) + Political Stability (PS)

$$\text{i.e. } RC + LI = ED + PS$$

$$\text{Or } (B = C)$$

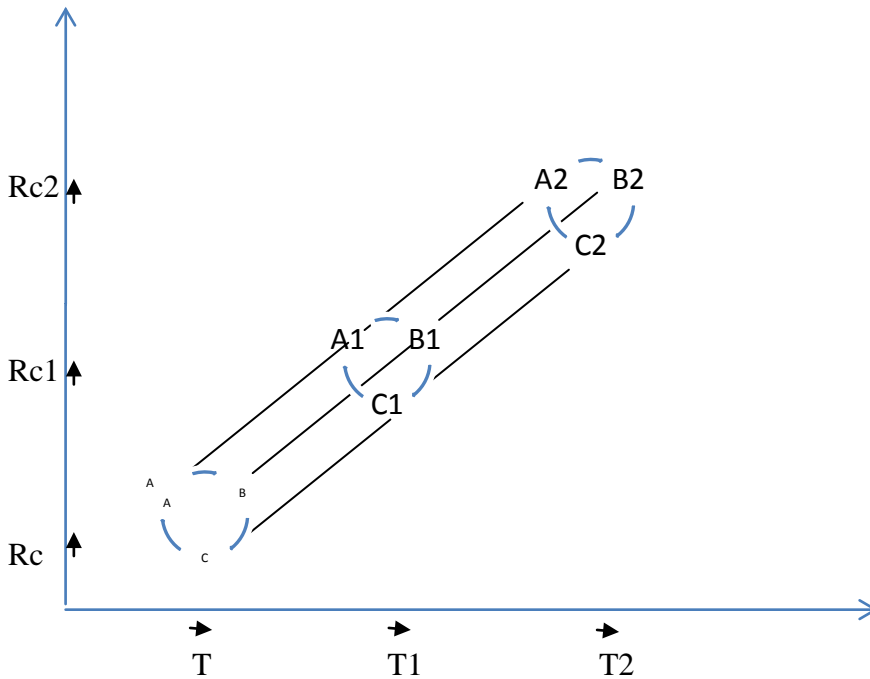
Then in this case we can also say that: Regional Trade (RT) = Economic Development (ED) + Political Stability (PS)

$$\text{i.e. } RT = ED + PS$$

$$\text{Or } (A = C)$$

Furthermore, in this regard the above theoretical analysis is illustrated by the following graph:

**Graph 1      Increase of Regional Cooperation (Rc)**

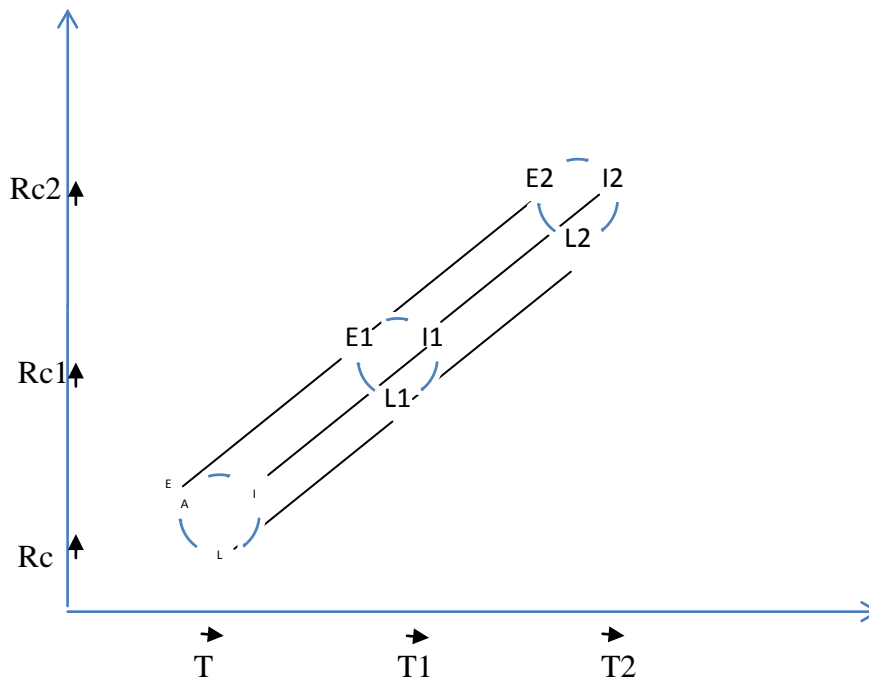


*Source: My own analysis.*

Given the fact that Regional Cooperation (RC) and the Level of Integration (LI) is in direct Correlation with the Economic Development (ED) and Political Stability (PS), then in order to increase Regional Cooperation (RC) we have to intervene on the components which (RC) is in correlation with. As a result we will have an increase of Regional Cooperation from  $R_c$  to  $R_{c1}$  and eventually to  $R_{c2}$  within timeframes: T, T1 and T2. And in order to have an optimal balance between the components: (RC+LI) and (ED+PS), given that they are interdependent and that they can be changed, then we know that if we change (RC+LI) for one unit, then we have to change (ED+PS) as well for the same unit in order to maintain the balance and to obtain the desired result.

Certainly the Regional Cooperation (RC) and the Level of Integration (LI) is in direct Correlation with the Economic Development (ED) and Political Stability (PS) between the Western Balkan countries, and this is a crucial strategic approach of building positive relations between them. Economic and trade relations between the Western Balkan countries are indeed essential with regard to their development as well as their security and stability in general. There are many arguments which speak for the advantages that regional co-operation has, both, in terms of economic development and also in terms of political stability. And both, economic development and political stability are interdependent with each other. Having a political stability is a prerequisite in terms of both local and foreign direct investments which are essential for generating new employment, and new employment in turn would generate more productivity and this as a result would have a positive impact on the economy. This theoretical analysis is illustrated by the following graph below:

**Graph 2      Increase of Regional Cooperation (Rc) & the Cycle of Economic Development (E); Investments (I) and Living Standards(L)**



*Source: My own analysis.*

Considering that the **Economy (E)** would get better, then **Investments (I)** would increase and this would have a positive impact on the **Living Standards (L)** of the whole society, they would certainly get better too. In this case individuals get richer and hence are able to invest and trade with each other even more. This of course induces them to interact with each other and hence will have a direct impact on building positive relations between each other. And all this will result in a better political stability. This again will impact even more positively the economic development. The cycle will continue.

Indeed the prospects of improving neighbor relations between the Western Balkan countries should be an incentive in order to provide a lasting stability and development in the region, as well as in order to be able to join the EU. According to Olli Rehn, a former European Commissioner for Enlargement, the development of regional cooperation is in the best interests of all the western Balkan countries: it is a key factor for establishing political stability, security and economic prosperity. It also corresponds to a commitment made by the countries of the region at the EU–Western Balkans Summits of Zagreb (2000) and Thessaloniki (2003). Regional economic interdependence and cooperation among the Western Balkan countries is an integral element with regard to the EU accession requirement. The EU has made it clear in many occasions that improving relations between the western Balkan countries is in their best interest, not only for the reason that it encourages economic development, but also because it encourages stability and security among them.

#### **4. CONCLUSION**

With this research paper I have tried to illustrate some of the major implications with regard to economic interdependence and cooperation among the Western Balkan countries. I have analyzed interdependent economic factors such as: regional cooperation, economic cooperation and other interdependent economic factors of vital strategic importance with respect to joining the EU as well as with respect to improving relations among the Western Balkan countries.

It has been evidenced that the economic cooperation among the Western Balkan countries even though it has been improved, unfortunately it is not yet optimal. All states of the region are relatively small, underdeveloped and among them have different contested issues. Their public administrations including the tariff and control systems are weak. Their markets are characterized by high unemployment and low purchasing power. If regional economic cooperation would be more intensified, then their economic growth would increase. And as a result this could generate more jobs. And as a result this would increase the purchasing power. And this would even more stimulate the economic growth and production. And this as a result would even more intensify their economic cooperation. This positive cycle would impact positively their relations. Therefore, regional countries would reach a higher level of cooperation. And as a result, both their economic and political situation would be improved, and therefore reach a higher level. And this positive cycle will continue.

Overall, as the economic development of Western Balkan countries is in direct correlation with their political developments, which in turn impacts their economic developments, it is of great importance to provide appropriate conditions in order for the economic development to take place as soon as possible. And also, a viable process of attracting

foreign direct investment should be of prime importance so that to provide a good bases of economic development in Western Balkan countries. This in turn would have a positive impact with regard to improving relations among the Western Balkan countries, and also this would facilitate the prospect of joining the EU.

## REFERENCES

Anastasakis, Othon (2002). *“Balkan Regional Cooperation & European Integration”* London: The London School of Economics and Political Science.

Allen, Kevin (1979). *Regional Incentives in the European Community- A Comparative Study*. Berlin: Wissenschaftszentrum.

Addison, J (1993). *Social Engineering in the European Community: The Social Charter, Maastricht and Beyond*. London: Institute of Economic Affairs.

Belloni, Roberto (2009). *“European Integration and the Western Balkans: Lessons, Prospects, and Limits”* Toronto: University of Trento.

Busek, Erhard (2010). *From Stabilization to Integration: the Stability Pact for South Eastern Europe*. Wien: Bohlau Verlag GmbH und Co.KG.

Busek, Erhard (2004). *“Five Years of Stability Pact for South Eastern Europe: Achievements and Challenges Ahead”* London: LSE, Center for the Study of Global Governance.

Collaku, Petrit (2010). *“Four Presidents Push for Mini Schengen Zone in Balkans”* Prishtina: BIRN, BalkanInsight, 28.06.2010.

De Wilde D’Estemal Tanguy, Rosoux Valéri-Barbara (2004). *La Politique Etrangère*. Bruxelles: P.I.E.-Peter Lang S.A.

Derek W. Urwin (1995). *The Community of Europe: A History of European Integration Since 1945*. London: Longman Group Limited.

European Commission (2005). *Regional Cooperation in the Western Balkans: A policy priority for the European Union*. ISBN 92-79-01374-2. Brussels: Publications.eu.int.

Fairclough, Gordon (2010). *“Clinton Calls On Balkans to Pursue Better Relations”* The Wall Street Journal, 12.10.2010.

Fontaine, Jean-Marc (1994). *Mecanismes et Politiques de Développement Economique*. Paris: Editions Cujas.

Giersch, Herbert (1991). *Towards a Market Economy in Central and Eastern Europe*. Berlin: Springer-Verlag Berlin Heidelberg.

Lopandic, Dusko (2002). *Regional Cooperation in Southeastern Europe: The Effects of Regional Initiatives*. Belgrade: Prometej.

Magnette, Paul (2002). *Régimes Politiques Des Pays Occidentaux*. Bruxelles: P.U.B.

Reka, Blerim (2010). *The Geopolitics and Techniques of EU Enlargement*. Brussels: Aspect-Brussels.

Shaqiri, Elhami (2013). *Globalization: The Tendency of Increasing Sales and Production Through Outsourcing*. International Journal of Academic Research in Economics and Management Sciences Volume 2, Issue 4.

Stability Pact. *“Working Table II: Strategy and Approach for 2003 and Beyond”* ProgressReport-2003. Brussels: Stability Pact for South Eastern Europe Secretariat, May 2003.

Stability Pact. *“Annual Report 2004”* Brussels: Stability Pact for South Eastern Europe Secretariat, November.

Stability Pact. *“Core Objectives of the Stability Pact and Respective Achievables for 2005”* Brussels: Stability Pact for South Eastern Europe Secretariat, May.

Stability Pact. *“Annual Report 2005”* Brussels: Stability Pact for South Eastern Europe Secretariat, November.

Stability Pact. *“Core Objectives for 2006”* Brussels: Stability Pact for South Eastern Europe Secretariat.

Stability Pact. *“Working Table II: Economy”* Progress Report-2006. Brussels: Stability Pact for South Eastern Europe Secretariat, May.

Stability Pact. *“Annual Report 2006”* Brussels: Stability Pact for South Eastern Europe Secretariat, October.

Stability Pact. *“Working Table II: Economy” Progress Report-2007*. Brussels: Stability Pact for South Eastern Europe Secretariat, November.

Telo, Mario (2007). *European Union and New Regionalism*. Bruxelles: Université Libre de Bruxelles.