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FINANCIAL CRISIS AND BALKAN PERSPECTIVES ON THE EU

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Abstract

In this paper we put emphasis on the financial crisis and prospects of the euro and the Western Balkans. Here are highlight the problems with the size of the status quo related to the euro-zone financial and political crisis, which will make a frame and describe the current crisis and its management in order to assess its consequences. They will be reviewed and the consequences for the Balkans, which includes problems with the Balkan EU perspective. It will also sketched what should be done in institutional terms in order to prevent future crises.

Part of the paper is devoted to assessing proposals for a European Monetary Fund, which would define a plan in the context of labor. It will eventually make a different perspective on issues that are still open and critical and which are important for crisis management in the euro zone, and will refer to the resolution of sovereign debt.

Keywords:

EU, Balkan crisis, finance, economics, politics

1. Introduction

The reasons for the financial crisis, which has grown into a global and economic crisis, have been rooted since the period of expansive growth in the period 2003-2007. During that period, developing countries recorded surpluses on the current balance of payments accounts, generating higher investment saving rates, which created the possibility of placing surplus domestic savings in developed countries. The crisis arose from the combination of unsustainable global macroeconomic imbalances and structural weaknesses of the financial system in the context of the overly loose monetary policy, liquidity, asset price growth and the growth of financial innovation and globalization, with a weak regulatory framework and weak financial sector control and non-financial institutions. All of this has affected the

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the mitigation of its creditors. This promise must be based on two pillars (Amato et al., 2010).

The first pillar consists of the new banking rules for each bank, including large cross-border banks, in case of default and compensation in full to their creditors and shareholders - with the only exception of insured deposits. A strong incentive for bank managers and equity holders is to limit the risks and create a much stricter market share, also extending to independent borrowers. A good start would be to make it clear that banks will have to bear the losses that are hidden in their balance sheets and government deficits, to rescue their creditors. The second pillar should be provided by the European Monetary Fund (EMF) - a permanent extension of the current EFSF, which is now approved by the EC - approved with sufficient capital and access to market financing and the protection of the euro and the financial system of the Union from the collapse and the debtor crisis. His mandate should not include covering losses of public and private insolvency. The main task should be to mitigate the financial shocks of deposit financial institutions, and thus to preserve confidence. It could be given by a loan from member states that will establish strict conditionality, and will never save their credit banks as was the case with the Greek interventions. And this could help manage the outcome of large cross-border banks, which would provide capital to bridge the banks arising from liquidation, and abandoning shareholders and creditors to bear the full residue of losses.

5.2. Perspectives for Macedonia

Despite the great importance of the candidate country for domestic financing, external risks are also not negligible, since the liabilities of the banking sector countries range from 13% to 20% of total liabilities. These external financing risks only partially occurred during the recent financial crisis, and none of the countries has so far experienced such a sharp turn in external financing.

Macedonia's foreign financing is mainly channeled through foreign banks, which in the majority of cases in the EU have over 90% of the total assets. The presence of EU banks is generally considered a factor of stability for the banking system of the Western Balkan economies, with the credit that their lending is less limited by local shocks. However, the crisis underlined the possibility of two-way overflow, that is, the shocks originating from the home country of the parent banks could also adversely affect the subsidiaries.

However, experience has so far confirmed the strategic and long-term interest rates of the parent banks in the region. One indicator is that the share of external liabilities in the total liabilities has steadily increased in Macedonia during the crisis. This suggests that subsidiaries have not faced severe types of fines. Overall, the banking system in Macedonia has weathered the pressures in domestic and international sources of funding during the crisis, and this is quite good. For the donation with high level of capital contributed elasticity.

Liquid risks were also contained through the abundance of liquidity provision by central bank, in the same way as in the further deterioration of international liquidity and the conditions for possible restructuring further into the balance sheet of some Western European parent banks in the face of the current debt a crisis in the EU, which could lead to a sudden deterioration of the liquidity requirements for the banking systems in candidate countries. If the reduced availability or higher cost of external financing prevails and domestic savings remain stable, increased competition for retail deposits can raise cost financing and reduce net interest margins in the future, which could exacerbate the pressures caused by the extremely robust but recently deteriorated profitability. Observed as a whole, thus, the future economic and non-economic well-being in the Balkans will be largely dependent on the correct and sustainable institutional solutions of the EU debt crisis.

6. Conclusion

What is important for the countries of the Western Balkans is the fulfillment of the criteria for EU membership and the precisely defined sets of economic and political conditions. This includes the stable democratic institutions, the fnational market economy and the capacity for adopting and implementing

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EU legislation. These criteria stem from the basic EU law, as well as from the fundamental values of the EU and the preconditions for the formation of post-national European identity. The ability to fulfill the obligations of membership with the implementation of the EU legal order is related to the technical conditionality.

The impact of the financial crisis on the European perspective of the Western Balkan countries is of crucial importance for the economic progress of these countries and a basic precondition for public support for EU integration. Hence, the reduction of the negative impact of the crisis on economies and the improvement of the economic situation of the population in those countries is vital for the support and their European perspective. At the same time, despite the difficult economic impact of the crisis on these countries, their economies and the living standard of their population can be said that these countries and the countries of the Western Balkans are provocatively oriented.

The impact of the crisis on the Western Balkan countries is followed by European and global trends but with a certain delay of one year behind the development of the crisis in the EU. In almost all countries, the real or projected GDP growth is still at stake. One constant problem is a very low level. Unsettled, all countries in the region need greater, and sustainable growth. The export is the one that stimulates further stimulation. In terms of their European integration and the global and financial crisis, almost all countries in the region are eager to invest more in securing macroeconomic stability, continuing to consolidate their fiscal policy and balancing their national budgets in order to improve negative trends arising from the problematic budget deficits in recent years; they need to maintain a prudent fiscal discipline, responsible banking and public finances. Also, these countries have to deal with the high unemployment rate and continue with structural reforms in the education, social sphere, and health systems, and to improve the level and skills of the workforce. The expansion of the private sector and the more effective protection of property rights can increase the competitiveness and ability of markets. Despite the fragile recovery, there is still a need for greater efforts and deeper reforms, which is confirmed by the analysis of country projections. However, the question remains whether these countries could be affected for the second time since the crisis, in view of the predictions that Europe might fall back into recession, or to repeat a second recession that will have a very negative impact on the economic situation of the Western countries Balkan.

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