

THE OPEN BALKAN AS A DEVELOPMENT DETERMINANT OF THE WESTERN BALKAN COUNTRIES

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ABSTRACT

The paper starts from the concept of the *Open Balkan* as a community of countries in the Western Balkans, aimed at strengthening their economic cooperation and development for faster integration in the European Union. Significant attention is paid to the analysis of the interdependence of (in)stability of the state and the economic development of small countries. The position of the *Open Balkan* and its members is also analysed on the basis of the selected global composite indices. An important subject of the analysis is also the condition of institutional capacities of the members of the *Open Balkan* and their institutional cooperation from the perspective of faster progress towards the European integration. Two main hypotheses have been tested in the paper: (H1) CEEs countries are not a homogeneous group of countries; and (H2) The Western Balkans is a relatively homogeneous regional integration. To test the convergence hypothesis between 16 Central and Eastern European countries (CEEs), annual data from World Bank's database on the value of real gross domestic product per capita (in constant dollars 2017, PPP) in the period 2000-2026 were used (projected values for the period until 2026). We employed the method developed by Phillips & Sul (2007) that allows identification of clusters of convergence on the basis of an algorithm that is data-driven and thereby avoids a priori classification of the data into subgroups. Based on the results obtained, it can be concluded that Serbia is the "locomotive" of the Western Balkans and that all countries in this area should join the regional initiative for cooperation, the *Open Balkan*.

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1. INTRODUCTION

Examples of the integration processes of the countries that are geographically close, e.g. the Benelux countries (Korauš et al., 2018), the Nordic countries (Stie & Trondal, 2020), the Baltic countries (Musiał & Šime, 2021), the Visegrad countries (Kajánek, 2022), which are in line with European values and the Schengen Agreement (Felbermayr et al., 2018) could be a good guide for successful regional cooperation in the Western Balkans. Regional initiatives could contribute to the socio-economic development of the Western Balkans. These initiatives are aimed at strengthening political and economic cooperation between the Western Balkans countries. Unlike the previous regional initiatives, which were focused on securing peace and strengthening security and stability in the region (e.g. the South-East European Cooperation Process initiated in 1996 and the Stability Pact for Southeast Europe launched in 1999), the recent initiatives (such as *the Regional Economic Area*, *Open Balkan* and *Common Regional Market*) are focused on strengthening cooperation and economic development of the Western Balkan countries.¹ Further, recent initiatives aim to ensure faster implementation of the EU rules and procedures and the integration of the Western Balkans into the European single market. The regional cooperation between six Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Kosovo* and Serbia) was officially formed by the Berlin Process, launched in 2014.

The Regional Economic Area Initiative was launched in July 2017 at the Berlin Process summit held in Trieste. The aim of this initiative is to make the Western Balkans more attractive for investment and trade and to speed up its integration into the European Union. The implementation of the adopted Multi-Annual Action Plan for a Regional Economic Area (MAP REA) refers to four areas (*trade, investment, skills and mobility* and *digital integration*) and should enable unobstructed flow of goods, services, capital and highly skilled labour within the Western Balkans. The initiative was supported by six Western Balkan countries and the following activities were accomplished: the signed Regional Roaming Agreement, the adopted regional investment reform agenda and the established Declaration on Recognition of Higher Education Qualifications in the Western Balkans and the Framework for the Liberalization of Trade in Services within the Western Balkans.

The Mini Schengen Initiative was launched in 2019 by signing a declaration of intent to form “mini-Schengen”, a concept of the community of states in the Western Balkans, in order to improve economic integration and to create

¹ See more: Griessler (2020).

a common market based on the free movement of people, goods, services and capital and on the uniform border crossing procedures. Members of the Mini Schengen are Albania, North Macedonia and Serbia. The invitation to join was also sent to Bosnia and Herzegovina and Montenegro. In July 2021, the regional initiative Mini Schengen was renamed the *Open Balkan*.

As a continuation of the initiative for establishing the Regional Economic Area, an Action Plan for the Common Regional Market for the period 2021-2024 was adopted at the Berlin Process summit held in Sofia in November 2020. This document includes Mini Schengen proposals on four freedoms (free movement of goods, services, capital and people). The following key objectives of the establishment of the *Common Regional Market* were identified: improving the competitiveness of the economies of the Western Balkans; formation of a regional digital, investment, industrial and innovation area harmonized with the rules and standards of the European Union; and providing support for the faster integration of the Western Balkans into the European single market. In order to achieve these objectives, the activities that need to be implemented by 2024 were defined in four key areas: *regional trade area*, *regional investment area*, *regional digital area* and *regional industrial and innovation area*. The contribution of the summit held in Sofia also lies in the adoption of the Green Agenda for the Western Balkans. The activities that need to be undertaken within the five pillars², envisaged by the European Green Deal, were presented in this agenda.

As a continuation of economic cooperation within the *Open Balkan* initiative, in November 2021, the leaders of Albania, North Macedonia and Serbia signed a joint statement “The future of enlargement – a view from the region”. The signatories of this statement reaffirmed their commitment to the European perspective of the Western Balkans region through: commitment to European values, rules and standards, and democratic principles; involvement of the Western Balkans in the development of trade and tax policy of the EU; significant participation of universities from the Western Balkans in the European higher education and research area; exploiting the export potential of high quality products to the EU market; involvement of the chambers of commerce in the process of implementing the Memorandum of Understanding and Cooperation on Facilitating Import, Export and Movement of Goods in the Western Balkans; development of a detailed plan for the implementation of trade facilitation measures, etc. Additionally, in December 2021, these three leaders signed agreements that cover three areas: labour market access, the interconnection of electronic identification schemes and cooperation on veterinary medicine and

² Climate action, Circular economy, Biodiversity, Zero pollution for air, water and *soil* and *Sustainable food systems and rural areas*.

food safety. Six signed agreements include: The Agreement on Conditions for Free Access to the Labour Market; The Agreement on Connecting Electronic Identification Schemes for Citizens, the Agreement on Cooperation in Veterinary, Phytosanitary, and Food and Feed Safety in the Western Balkans; The Agreement on Mutual Recognition of Approved Business Entities for Security and Safety (two agreements: one between Serbia and Albania and the other between North Macedonia and Albania); and the agreement related to the cooperation of accreditation bodies in Albania, North Macedonia and Serbia.

2. CHARACTERISTICS OF THE DEVELOPMENT OF THE WESTERN BALKAN COUNTRIES AND THE OPEN BALKAN INITIATIVE

A global insight into the basic characteristics of the development of the Western Balkans (5 countries + Kosovo*) in the late 2020s can be obtained by analysing the data presented in the Table 1:

Table 1: Selected macroeconomic and other indicators in the Western Balkans

INDICATORS	ALB	BiH	KOS*	NM	SER	MON
Land area (sq. km), 2020	27,400	51,200	10,887 ^c	25,220	87,460	13,450
Population, total (Thousands), 2020	2,837.74	3,280.82	1,775.38	2,072.53	6,908.22	621.31
Agricultural land (% of land area), 2018	42.8	43.2	52.4 ^b	50.1	39.6	19.1
External balance on goods and services (% of GDP), 2020	-14.7	-14.0	-32.2	-12.8	-8.3	-35.0
Gross fixed capital formation (% of GDP), 2020	23.0	22.0	30.0	21.0	21.00	28.0
Gross fixed capital formation, private sector (% of GDP), 2020	-	10.0 ^a	20.0	16.0	16.0	20.0
Exports of goods and services (% of GDP), 2020	23.1	34.5	21.7	58.1	48.2	26.0
Gross national expenditure (% of GDP), 2019	115.0 ^e	117.0	132.0	113.0	108.0	135.0
Personal remittances, received (% of GDP), 2020	9.8	9.3	18.6	3.4	7.3	12.6
Foreign direct investment, net inflows (% of GDP), 2019	7.8	2.2	3.6	4.4	8.3	7.5
ICT service imports (% of service imports), 2020	0.0 ^d	0.2	-	0.7	1.0	0.5 ^d
Current account balance (% of GDP), 2020	-8.8	-3.8	-7.0	-3.4	-4.1	-25.9
Military expenditure (% of GDP), 2019	1.5	0.9	1.1	1.3	2.1	2.1
Trade in services (% of GDP), 2020	26.2	9.7	23.8	23.1	24.2	28.4
Profit tax (% of commercial profits), 2019	14.1	8.4	9.3	11.0	13.0	8.3
Labour tax and contributions (% of commercial profits), 2019	18.8	13.6	5.6	0.0	20.2	13.4

INDICATORS	ALB	BiH	KOS*	NM	SER	MON
External debt stocks (% of GNI), 2020	74.2	72.1	39.3	89.9	74.4	200.6
Unemployment, total (% of total labour force) (national estimate), 2020	11.7	15.9	26.2	17.2	9.0	17.9
Unemployment, youth total (% of total labour force ages 15-24) (national estimate), 2020	27.0 ^c	36.6	49.7	37.0	26.6	36.0
Gross savings (% of GDP), 2020	11.0	16.0	27.0	26.0	21.0	5.0
GNI per capita, PPP (constant 2017 international \$), 2020	13,485.3 ^c	14,381.6	11,062.2	15,310.8	17,665.4	18,546.1
Domestic credit to private sector (% of GDP), 2020	38.7	58.5	51.6	56.2	45.5	60.0
Inflation, consumer prices (annual %), 2020	1.6	-1.1	0.2	1.2	1.6	-0.3
Services, value added (% of GDP), 2020	48.4	55.8	47.6	57.0	51.9	58.0
Manufacturing, value added (% of GDP), 2020	6.0	13.0	13.0	13.0	13.0	4.0
Agriculture, forestry, and fishing, value added (% of GDP), 2020	19.1	6.1	7.4	9.1	6.3	7.6
GNI growth (annual %), 2020	0.9 ^c	-3.7	-5.2	-4.4	1.5	-14.9
GDP per capita, PPP (constant 2017 international \$), 2020	13,192	14,509	10,795	15,931	18,231	18,259
GDP per capita (constant 2015 US\$), 2020	4,424.3	5,367.0	3,993.0	5,092.7	6,533.20	6,522.6
GDP growth (annual %), 2020	-4.0	-3.2	-15.3	-5.2	-0.9	-5.3

^a2004, ^b2007, ^c2017, ^d2018, ^e2019.

Source: Created by authors, using data from ([World Bank, 2021](https://data.worldbank.org/)).

Considering that the initiative for regional cooperation the *Open Balkan* has been accepted by Albania, North Macedonia and Serbia so far, we will especially point out their important development features and the justification of the approach to the mentioned initiative. From data given in Table 1, it can be seen that out of the total area in North Macedonia, Albania and Serbia, agricultural land accounts for about 50%, more than 2/5 and approximately 40%, respectively. Per capita arable land is the highest in Serbia (0.37 hectares), while this indicator is approximately the same (about 0.2 hectares) in North Macedonia and Albania.

It can be seen that, in 2020, North Macedonia (58.1%) and Serbia (48.2%) had a significantly higher share of exports of goods and services in gross domestic product than Albania (23.1%). The remittances inflow share in GDP was represented mostly in Albania (9.8%), followed by Serbia (7.3%) and North Macedonia (3.4%), but in Kosovo* even 18.6%.

Serbia, with 8.3%, had the largest relative importance of inflow of foreign direct investments (expressed as their share in GDP), followed by Albania (7.8%) and North Macedonia (4.4%). The unemployment rate, both overall and of youth, is

the lowest in Serbia (9% and 26.6%, respectively), while it is slightly higher in Albania and significantly less favourable in North Macedonia. Regarding the value added (expressed as % of GDP), it is noticed that the highest representation of the primary sector is in Albania (close to 1/5), while it is almost 3 times lower in Serbia and 2 times lower in North Macedonia; the share of the manufacturing industry in Albania is more than twice as low (6%) compared to North Macedonia (13%) and Serbia (13%). When it comes to services, this indicator is much more favourable in North Macedonia and Serbia compared to Albania. The level of economic development, measured by the amount of real GDP per capita, is the highest in Serbia (around \$ 6,533), followed by North Macedonia (around \$ 5,092) and Albania (with more than \$ 4,424). In the period of the COVID-19 pandemic (2020), GDP per capita in Serbia fell significantly (-0.4%), which is 7 times less than in Albania, or 11 times less than in North Macedonia. The share of military expenditures in GDP in Serbia is 2.2%, which is about twice as much as in Albania and North Macedonia. When it comes to external debt (as the percentage of gross national income), North Macedonia (about 89%) is in the lead compared to Serbia (about 74%) and Albania (about 74%). Gross national consumption in GDP, on the other hand, is the highest in Serbia (over 37%), followed by North Macedonia (close to 30%), while this indicator reaches more than a fifth (23.3%) in Albania.

The mentioned data, as well as the other indicators from Table 1, show that there is a justification for including Serbia, Albania and North Macedonia in the *Open Balkan* Regional Cooperation Initiative. In addition, a superficial insight into the development indicators of other Western Balkan countries (Bosnia and Herzegovina, Montenegro, Kosovo*) leads to the conclusion that they could also benefit significantly from joining the mentioned initiative for regional cooperation.³ In fact, the entire Western Balkans could count on significant gains in terms of freedom of movement of people, goods and capital, cooperation in the field of disaster protection and ensuring lasting peace.

3. MATERIALS AND METHODS: (IN)HOMOGENEITY OF THE WESTERN BALKANS AND SUSTAINABILITY OF THE *OPEN BALKAN* INITIATIVE

Empirical testing for the presence of convergence process is based upon the literature on waste growth (Baumol, 1986; Barro & Sala-i-Martin, 1997; Bernard & Durlauf, 1995, etc.). The main approach when testing a convergence hypothesis across different economies or regions is based on the neoclassical growth model.

³–See more: Rikalović i dr. (2021).

It consists of estimating the sign of coefficient β , which typically represents responsiveness of the average growth rate to the gap between the steady-state income and the income at the beginning of the observation period. This approach was later extended to a pooled data analysis with the development of the panel data estimation methods. One side of the problem with this approach is that it tests the presence of the so-called “ β ” convergence which can be criticized both from the theoretical and from the empirical point of view (Phillips & Sul, 2009). Because of this, we decided to implement the novel approach (Phillips & Sul, 2007) for testing the convergence hypothesis based on a nonlinear time-varying factor model⁴.

This method of detecting panel convergence termed “*log t*” regression test is based on a clustering algorithm that can model long-run equilibria within a heterogeneous panel outside of the co-integration setup. Main advantages of the model refer to the fact that it does not impose assumptions about trend stationarity or stochastic non-stationarity. This makes the model able to detect the convergence process despite the presence of non-stationarity in the time series. Because it can distinguish asymptotic co-movement of two time series, unlike other methods such as stationarity tests, it will not reject the convergence hypothesis erroneously. In addition to this, the suggested approach allows the researcher to test for the existence of the convergence clubs in the data. So far, a common approach when dealing with the possibility of convergence clubs has been based on *a priori* dividing units of observation into individual groups on the basis of some distinguished characteristics (e.g. geographical location, level of income, OECD/non-OECD countries) and then testing for the presence of convergence within each group. Contrary to this, the method proposed by Phillips & Sul uses an algorithm to identify clusters of convergence inside the entire sample of data. The algorithm is data-driven, which avoids *a priori* classification of the data into subgroups.

A detailed explanation of the algorithm is given in the original work of Phillips & Sul (2007), and we provide only a brief description of its basic steps:

- In the first step, cyclical component of the variable X_{it} - for which convergence hypothesis is tested - is isolated and removed from the cyclical component.
- The second step consists of forming a group of k first individuals for which $\log(t)$ regression⁵ satisfies the condition $t_k > -1.65$ for the subgroup $\{k\}$,

4 More about this method, which was also applied in the following research: Молнар & Яндрић (2019).

5 To test the null hypothesis of convergence, Phillips & Sul (2007) developed a regression *t*-test. They call the one-sided *t* – test - the log t test.

$k+1$ }. If no group satisfies the condition, the algorithm concludes that there is no convergence of subgroups in the panel. When there is a subgroup that fulfils the former condition, the log (t) regression is repeated, so that the individuals for which the test yields the highest value are now all grouped together.

- In the third step, individuals not being in the core group are sequentially included, and another log (t) test is conducted for each of them⁶.
- The fourth step practically includes performing step 3 on the remainder of the individuals who are not a part of the obtained initial convergence club⁷.

To test the hypothesis of convergence between 16 Central and Eastern European (CEE) countries, we used annual data on the value of real gross domestic product per capita (in constant dollars 2017, PPP method) in the period 2000-2026. Data were taken from the World Bank database, and the projected values for the period until 2026 were taken into account.

The basic research hypotheses we depart from are the following: (H1) CEE countries are not a homogeneous group of countries; and (H2) The Western Balkans is a relatively homogeneous regional integration.

Following the methodology and algorithm described by Phillips & Sul, in the first step we present the results of the log (t) test applied to 16 analysed countries, in the period 2000–2026. For the purposes of econometric analysis, the GDP per capita series has been transformed into a logarithmic form. The log (t) estimates, obtained using the least squares method, give a slope coefficient of -0.6005, with a standard error (which is consistent even in the conditions of heteroskedasticity and autocorrelation) of 0.0020 and a t-statistic of -300.53, which is lower than the critical value of -1.65 (see Table 2). The null hypothesis of convergence in the whole sample was rejected (which confirmed our first hypothesis).

6 If the test statistic is higher than criteria c^* the selected individuals form initial convergence club. For the small T sample critical value c^* can be set to 0 so it is highly conservative, while for the large T the asymptotic 5% critical value of -1.65 is recommended.

7 If the resulting t statistic of the performed log (t) regression is higher than -1.65, these individuals are representing additional convergence group. If not, steps two and three are repeated within these individuals to determine if they can be divided into smaller convergence clubs. When there is no k for which $t_k > -1.65$ for the remaining individuals in the panel, we conclude that they exhibit divergent behaviour.

Table 2: Log (t) test statistics

Variable	Coefficient	Standard error	T - statistics
log (t)	-0.6005	0.0020	-300.5376
number of observation units: 16; number of periods: 27			

Source: Authors' calculations.

However, this does not mean that convergence does not exist in the form of smaller clubs. We continued to apply the previously described Phillips & Sul grouping algorithm to test for the presence of club convergence within smaller groups in the analysed sample (thus attempting to test the second research hypothesis). Table 3 shows the test statistics for log (t) regression for the initial classification of convergence clubs, as well as for the possibility of merging two clubs into one larger club.

Table 3: Convergence club classification - initial and club merger testing

			Coefficient	T - statistics
Club 1	8 countries	Hungary Poland Romania Estonia Latvia Lithuania Slovakia Slovenia	0.575	52.67
Club 2	3 countries	Bulgaria Croatia Serbia	0.228	17.546
Club 3	5 countries/ territories	Albania BiH Kosovo* Montenegro North Macedonia	(-)0.02	(-)0.408
club merger testing				
Club 1 + 2	HU, PO, RO, ES, LA, LIT, SL, SLO		Coefficient	T - statistics
	BUL, CRO, SER		(-)0.3193	(-)36.6002
Club 2 + 3	BUL, CRO, SER		Coefficient	T - statistics
	ALB, BiH, KOS*, MN, NM		(-)0.3727	(-)67.6723

Source: Authors' calculations.

According to the presented results for the initial classification, three clubs can be identified (as can be seen from Table 3): *the first* - Hungary, Poland, Romania, Estonia, Latvia, Lithuania, Slovakia and Slovenia; *the second* - Bulgaria, Croatia

and Serbia; and *third* - Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Kosovo*.

The possibility of merging the identified clubs (the first and second; the second and third) was rejected, as the corresponding t-statistics are lower than -1.65, which shows that the initial classification of clubs is also final. We believe that in this way we have confirmed the second hypothesis that the Western Balkans is a relatively homogeneous whole, since, apart from Serbia (which is in the second club together with Bulgaria and Croatia), the other 5 Western Balkan countries belong to the same (third) identified club. It could be concluded that Serbia is actually the “locomotive” of the Western Balkans and that all countries in this area should join the regional initiative for cooperation, the *Open Balkan*.

4. RESULTS: *THE OPEN BALKAN* AND SELECTED GLOBAL COMPOSITE INDICES

One of the important indicators used for international comparisons is a group of six indicators that measure the quality of governance (Worldwide governance indicators - WGI)⁸. They were designed for the needs of the World Bank project, and have been monitored since 1996 (for more than 200 countries). Each of the indicators (voice and accountability; political stability; government effectiveness; regulatory quality; rule of law and control of corruption) can be presented on a scale from 0 (worst case) to 5 (best situation)⁹. Table 4 below shows the position of the Western Balkan countries, according to each of the indicators in 2019.

Table 4: WGI, Western Balkan countries, 2019.

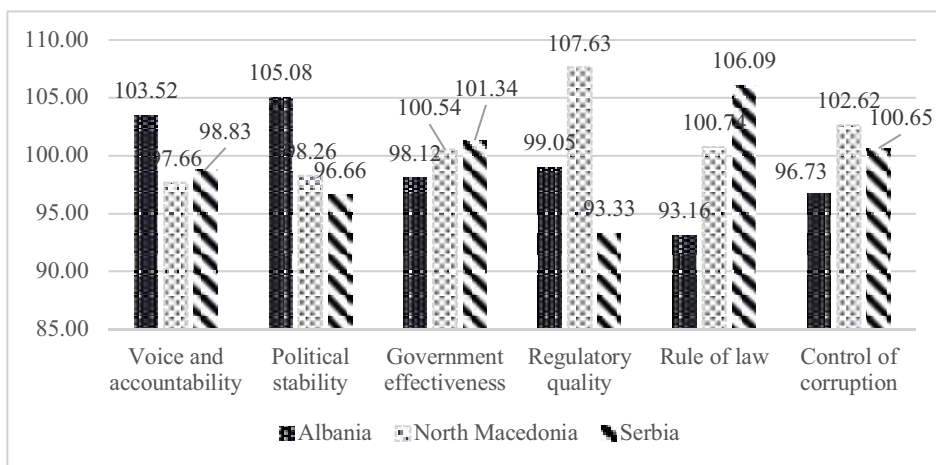
Country/ Territory	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
Albania	2.65	2.62	2.44	2.77	2.09	1.97
BiH	2.30	2.10	1.87	2.31	2.27	1.89
Kosovo*	2.37	2.11	2.15	2.15	2.11	1.94
Montenegro	2.53	2.51	2.66	2.87	2.60	2.47
North Macedonia	2.50	2.45	2.50	3.01	2.26	2.09
Serbia	2.53	2.41	2.52	2.61	2.38	2.05

Source: Authors' calculation, using data from ([World Bank, 2019](#)).

⁸ See more about this indicator at: [World Bank \(2019\)](#).

⁹ This is a modification that was applied in [Tanasković \(2018\)](#), for easier understanding and interpretation of the index. Namely, the original values of the indicators range from -2.5 to 2.5, but due to the simplicity of monitoring, they are often modified by reducing the value of 2.5 to the lowest and highest value to indicators ranging from 0 to 5.

Based on the previous table, it can be argued that the area of Kosovo* in 2019 achieved lower values than the average for the Region in all 6 dimensions. In the area of voice and accountability, Albania holds the best position in the Region, while BiH holds the worst; regarding political stability, the most favourable situation is in Albania and the worst in Kosovo* and BiH; government effectiveness is the highest in Montenegro and the lowest in BiH; regulatory quality is the best in North Macedonia and the worst in Kosovo*; in terms of the rule of law, the best situation is in Montenegro and the worst in Albania. Graph 1 below presents the relative position of the *Open Balkan* countries (Albania, North Macedonia, and Serbia) compared to the region.



Graph 1: WGI, relative position of the *Open Balkan* countries, 2019 (*Open Balkan* = 100)
Source: Authors’ analysis

Freedom House measures the level of democratic governance in 29 countries in Central Europe and Central Asia in its annual report “Nations in Transit”¹⁰. Democracy assessment includes separate assessments in 7 categories/areas that largely represent the institutional basis of liberal democracy: democratic governance at the national level, electoral process, civil society, independence of media, democratic governance at the local level, judicial framework and independence, as well as corruption.

The assessment of democracy, which represents the average for these 7 categories, ranges from 1 (the lowest level of democracy) to 7 (the highest level of democracy). Countries can be classified into one of the following five

10 See more: [Freedom House \(2022a\)](#).

categories depending on the level of assessment: consolidated democracies (score 5.01 to 7), semi-consolidated democracies (score 4.01 to 5), transitional or hybrid regimes (score 3.01 to 4), semi-consolidated authoritarian regimes (score from 2.01 to 3) and consolidated authoritarian regimes (score from 1 to 2).

Since 2020, *Freedom House* has introduced the “percentage of democracy” indicator, which translates the democracy score from 0 to 100, with 0 representing the lowest and 100 the highest level of democracy.

Table 5: Level of Democracy, Western Balkans, 2021

Country/Territory	Total score	Status	Democracy Percentage	Democracy Score
Kosovo*	36		35.71	3.14
North Macedonia	47		47.02	3.82
Bosnia and Herzegovina	39	transitional or hybrid regime	39.29	3.36
Albania	46		45.83	3.75
Serbia	48		48.21	3.89
Montenegro	47		47.02	3.82

Source: Created by authors, using data from ([Freedom House, 2022](#)).

It turns out that Kosovo* has the lowest percentage (35.71) and reach (3.14) of democracy in the Western Balkans. In 2021, Serbia had the highest level of democracy, followed by Montenegro, North Macedonia and Albania. Besides Kosovo*, the situation in the field of democracy is also worrying in BiH.

The Global Peace Index has been published since 2007 by the Institute for Economics and Peace, which develops the measurement methodology and quantifies the economic benefits of peacetime situations¹¹. This index shows the degree of peace/tranquility achieved in a country, taking into account developments in three areas: 1) existing domestic and international conflicts, 2) social security and safety, and 3) militarization¹². The lower the score is, the more peaceful the country is.

¹¹ For more details see: [Rikalović et al. \(2019\)](#).

¹² The first area concerns the assessment of the extent to which a country is involved in internal and external conflicts, as well as the evaluation of its role in these conflicts and the duration of its involvement in these conflicts. The second area is the assessment of the degree of harmony/discord within the state. The third domain refers to the valorization of the connection between the level of militarization of society and the availability of weapons and the achieved degree of peace/tranquility in one country, both domestically and internationally. The Global Peace Index is a composite indicator that includes 23 indicators classified into the three areas mentioned above ([Institute for Economics and Peace, 2018, p. 79](#)). All ratings of these indicators are normalized on a scale from 1 to 5. During the construction of this index in 2007, a group of independent experts assigned each of these 23 indicators an appropriate weight (from 1 to 5) in accordance with

The data from the following table (Table 6) indicate that the situation in the area of peace/tranquility in the Western Balkans improved in 2021 compared to the previous period.

Table 6: Global Peace Index, Western Balkans, 2008-2021

Country/Territory	GPI (0-5), 2008	GPI (0-5), 2017	GPI (0-5), 2018	GPI (0-5), 2021
Kosovo*	/	2.007	2.078	2.017
North Macedonia	2.119	2.133	2.058	1.744
Bosnia and Herzegovina	1.974	2.035	2.065	1.970
Albania	2.044	1.908	1.849	1.824
Serbia	2.11	1.888	1.851	1.797
Montenegro	/	1.950	1.893	1.847

Source: Created by authors, using data from ([Institute for Economics and Peace, 2008, 2017, 2018, 2021](#)).

It is noted that the situation regarding peace/tranquility in 2021 is the most unfavorable in Kosovo*, and the best is in North Macedonia. However, important improvement during the period 2008-2021 can be noticed for Serbia, North Macedonia and Albania. In the case of BiH, the value of the GPI remained at the same level in 2021 compared to 2008. Last year (2021), the state of peace and tranquility in the Region was, besides Kosovo*, more unfavorable in BiH.

Since 2012, the global anti-corruption coalition Transparency International has been monitoring and publishing data on the level of corruption. The level of corruption is measured using the Corruption Perceptions Index (CPI)¹³. Table 7 presents the values of the Corruption Perceptions Index for the observed countries, as well as the ranking of these countries in 2020.

their relative importance. The expert team consisted of: Prof. Kevin P. Clements (New Zealand), Sabina Alkire (UK), Ian Anthony (Sweden), Isabelle Arradon (Belgium), Manuela Mesa (Spain), Ekaterina Stepanova (Russia), by ([Institute for Economics and Peace, 2018, p. 78](#)).

¹³ More about the Corruption Perceptions Index at: [Transparency International \(2018\)](#). The mentioned index aggregates data and information from numerous sources which express the perception of business people and experts on the level of corruption in the public sector in a particular country. The Corruption Perceptions Index can take a value from 0 (state of complete corruption) to 100 (complete absence of corruption). So, the lower the value of this index is, the worse the situation is regarding corruption in the country.

Table 7: Corruption Perceptions Index, Western Balkans, 2020

Country/Territory	CPI (0-100), 2020	Rank 2020 (from 180 countries)	Barometer of global corruption (%)*
Montenegro	45	67	10%
Serbia	38	94	15%
Bosnia and Herzegovina	35	111	20%
Kosovo*	36	93	8%
North Macedonia	35	111	/
Albania	36	104	25%

Source: Created by authors, using data from ([Transparency International, 2020](#)).

* Percentage of public service users who have paid bribes in the last 12 months.

The previous table shows that the Corruption Perceptions Index in North Macedonia, Bosnia and Herzegovina, Albania and Kosovo* in 2020 took the value of 35-36, ranking them among the countries with the highest perceptions of corruption in the Region. The average value of this index for the entire Region in 2020 was 37.5, which indicates that the situation in Montenegro and Serbia in terms of corruption was slightly better than in the rest of the Region. However, the global corruption barometer warns that the percentage of public service users who have paid bribes in the last 12 months is worrying.

The following Table 8 presents data on the value of the Corruption Perceptions Index in the analysed countries during the period from 2012 to 2020.

Table 8: Corruption Perceptions Index, Western Balkans, 2012-2020

Country/Territory	Corruption Perceptions Index									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	average 2012-2020
Montenegro	45	45	45	46	45	44	42	44	41	44.1
Serbia	38	39	39	41	42	40	41	42	39	40.1
BiH	35	36	38	38	39	38	39	42	42	38.6
Kosovo*	36	36	37	39	36	33	33	33	34	35.2
North Macedonia	35	35	37	35	37	42	45	44	43	39.2
Albania	36	35	36	38	39	36	33	31	33	35.2

Source: Created by authors, using data from ([Transparency International, 2021](#)).

Looking at the entire period, Kosovo* and Albania are characterized by the highest level of corruption perception in the Region.

The World Bank's Doing Business project follows, according to the latest methodology, eleven different elements of the business environment for which

data are collected from 190 countries/economies¹⁴. Table 9 presents the position of Western Balkan countries according to the Doing Business list:

Table 9: Doing Business list: global rank and ranks by individual elements of ease of doing business, Western Balkans, 2019

Country/ Territory	Global rank (for 190 economies), 2019	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Payi-ng taxes	Tradi-ng across borders	Enforcing contracts	Resolving insolvency
North Macedonia	10	47	13	57	46	12	7	31	29	37	30
Kosovo*	44	13	100	113	37	12	95	44	51	50	50
Serbia	48	40	11	104	55	60	83	79	23	65	49
Montenegro	50	90	75	134	76	12	57	68	47	44	43
Albania	63	50	151	140	98	44	26	122	24	98	39
BiH	89	183	167	130	99	60	72	139	37	75	37

Source: Created by authors, using data from (Doing Business, 2019).

In 2019, from the countries of the Western Balkans, North Macedonia was very highly ranked at the global list, with Kosovo* (44th), Serbia (48th), Montenegro (50th), Albania (63th) and BiH (89th) lagging far behind.

In order to see the position of the selected countries in the long run in Table 10, we give the value of the Ease of Doing Business Index for the period 2010–2019:

Table 10: Average value of the Ease of Doing Business index, selected countries, 2010–2019

Country/Territory	Average value of the Index 2010–2019
North Macedonia	81
Kosovo*	71
Serbia	72
Montenegro	72
Albania	67
Bosnia and Herzegovina	63

Source: Created by authors, using data from (Doing Business, 2018).

¹⁴ The elements which are monitored are quantified on the basis of indicators that are less perceptive of real market circumstances (number of days to obtain a permit, number of procedures, the cost of obtaining an electricity connection, etc.). They aim to state the type of regulatory solution that is being applied (how the law regulates the protection of minority shareholders, types of archiving data used in public administration, legal mechanisms for regulating bankruptcy, etc.). See more about the index methodology: Doing Business (2019a).

The presented data from the previous table suggest that the conditions for doing business are more favourable in North Macedonia, Serbia and Montenegro compared to the average value for the Region (71). The Ease of Doing Business index lags far behind the average in Albania and Bosnia and Herzegovina, while this indicator for Kosovo* is at the level of the average of the Region.

5. INSTITUTIONAL CAPACITIES OF POTENTIAL PARTICIPANTS OF THE *OPEN BALKAN* INITIATIVE IN THE FUNCTION OF ACCELERATING THE EU INTEGRATION

Given that the strategic goal of the Western Balkan countries is EU membership, the institutional conditions for their development are largely determined by the standards and legal framework of the Union. The following Table 11 shows the EU accession process of the Western Balkan countries:

Table 11: The achievements of the Western Balkan countries in the EU accession process

Country	Start of negotiations about SAA	Signed SAA	Entry into force of the SAA	Membership submission	EU grants candidate status	EC approved a date for the start of negotiations	Beginning of negotiations membership	Joining the EU
Albania	1/31/2003	6/12/2006	4/1/2009	4/24/2009	6/27/2014	/	/	/
Bosnia and Herzegovina	11/25/2005	6/16/2008	6/1/2015	2/15/2016	/	/	/	/
Montenegro	10/10/2005	10/15/2007	5/1/2010	12/15/2008	12/17/2010	6/26/2012	6/29/2012	/
Kosovo*	10/28/2013	10/27/2015	4/1/2016	/	/	/	/	/
North Macedonia	4/5/2000	4/9/2001	4/1/2004	3/22/2004	12/16/2005	/	/	/
Serbia	10/10/2005	4/29/2008	9/1/2013	12/22/2009	3/1/2012	1/21/2014	1/21/2014	/

Source: Authors' review of the literature, using data from ([Parlamentarna skupština Bosne i Hercegovine, 2021](#); [Skupština Crne Gore, 2021](#); [Ministarstvo za evropske integracije Republike Srbije, 2021](#); [European Commission, 2021](#); [European Commission, 2021a](#); [European Commission, 2021b](#))

The process of opening individual chapters in negotiations with Serbia is quite slow. So far, just over one half of the total number of chapters have been opened. By the end of 2021, although Serbia fulfilled the conditions for the opening of Cluster 3, only Cluster 4 was opened: Green Agenda and Sustainable Connectivity - Chapters: 14 - Transport Policy, 15 - Energy, 21 - Trans-European Networks and 27 - Environment and Climate Change.

At the end of March 2020, a decision was made for North Macedonia and Albania to start negotiations, but no date was set for the start of negotiations. Montenegro opened all chapters. In the case of Bosnia and Herzegovina, the next step is for the Commission to make a recommendation to the Council of the European Union on the possibility of approving candidate status and setting a date for the opening of accession negotiations. Here, it should be borne in mind that there are significant institutional obstacles in the functioning of Bosnia and Herzegovina itself to accelerate the process of European integration.

However, changes are happening within the EU (the process of its reform and restructuring, debates on two Europes, a multi-speed *Europe*, *Brexit*, policy change and a new methodology for further enlargement and treatment of the Western Balkans), as there are other challenges (problems caused by the corona virus pandemic, as well as its energy situation and its current geopolitical position in the world). However, the acceleration of the institutional setup of the Western Balkan countries according to the European standards and values remains *sine qua non*, without which they cannot progress both on their European path and in general.

6. DISCUSSIONS AND CONCLUSIONS

The Western Balkans could count on significant gains in terms of free movement of people, goods and capital, cooperation in the field of disaster protection and ensuring lasting peace. So far, Serbia, Northern Macedonia and Albania have fully joined the regional cooperation initiative *Open Balkan*.

The full implementation of the regional cooperation initiative *Open Balkan* is currently facing significant political obstacles, such as the unresolved status of Kosovo*, major problems in the functioning of Bosnia and Herzegovina, etc. In addition, Montenegro has its own agenda, according to which it expects to join the European Union soon and before other countries in the region, and therefore does not show much interest in the mentioned regional initiative. Given the above limitations that the implementation of this initiative encounters, it cannot be expected that it is currently fully achievable. Therefore, in order to make the *Open Balkan* initiative successful, a flexible approach emerges, taking into account the concrete benefits that each Western Balkan country could have from participating in the regional cooperation initiative.

The countries of the Region that have not joined the *Open Balkan* yet should be given the opportunity to be involved for a certain period of time in certain issues of interest to them as well on a project, network and flexible principle

(for example, in some dimensions such as investment, transport, culture, sports, youth). In that context, it would not be necessary to institutionalise cooperation between *the Open Balkan* and the interested countries, but the principle of bilateral cooperation of an individual member of the Initiative and a country that has not joined the *Open Balkan* yet could be used.

Given that the *Open Balkan* follows the EU values, the principle of cooperation between border regions could be applied, as well as the formation of cross-border regions. The emphasis here is on developing territorial cooperation, which, for example, can solve current problems of energy supply in the Western Balkans and environmental challenges. In fact, this treatment of the *Open Balkan* enables the “training” of applying European standards and values in the case of the Western Balkan countries while waiting for full EU membership. The regional cooperation initiative *Open Balkan* encourages and strengthens the cooperation of the Western Balkan countries in regard to their faster progress in the process of European integration.

The regional cooperation initiative named *Open Balkan* could also be open to accession of countries outside the Region. Perhaps some EU member states, such as Romania, Bulgaria, Hungary, as well as other Central and Eastern European countries, would be interested. The application of the “Open” era model in tennis (participation of players in the US Open, Australian Open, etc.) in the function of *the Open Balkan*, could provide free access in time, content, space and similar aspects to all other countries in Europe and abroad based on their interests and expectations.

Conflict of interests

The authors declare there is no conflict of interest.

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ОТВОРЕНИ БАЛКАН КАО РАЗВОЈНА ОДРЕДНИЦА ЗЕМАЉА ЗАПАДНОГ БАЛКАНА

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САЖЕТАК

У раду се полази од концепта *Отвореног Балкана* као заједнице земаља Западног Балкана, у циљу јачања њихове економске сарадње и развоја ради брже интеграције у Европску унију. Значајна пажња посвећена је анализи међузависности (не)стабилности државе и економског развоја малих земаља. На основу одабраних глобалних композитних индекса анализиран је и положај *Отвореног Балкана* и његових чланица. Важан предмет анализе је стање институционалних капацитета чланица *Отвореног Балкана* и њихова институционална сарадња из перспективе бржег напредовања ка европским интеграцијама. У раду су тестиране двије главне истраживачке хипотезе од којих се пошло: (1) земље ЦИЕ нису хомогена група земаља и (2) Западни Балкан је релативно хомогена регионална интеграција. За тестирање хипотезе конвергенције између 16 земаља Централне и Источне Европе (ЦИЕ) коришћени су годишњи подаци из базе података Свјетске банке о вриједности реалног бруто домаћег производа по становнику (у сталним доларима из 2017. године, ППП метод) у периоду 2000-2026. година (пројектоване вриједности за период до 2026. године). Користили смо метод који су развили Phillips и Sul (2007) који омогућава идентификацију кластера конвергенције на основу алгорита базираног на подацима. На тај начин се избјегава да се подаци класификују унапред у одговарајуће подгрупе. На основу добијених резултата могло би се закључити да је Србија „локомотива“ Западног Балкана и да би све земље на овом простору требало да се придруже регионалној иницијативи за сарадњу *Отворени Балкан*.

Кључне ријечи: *индикатори развоја, глобални индекси, економске интеграције, Отворени Балкан, Западни Балкан, ЕУ.*

