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FRAGMENTATION AND CONFLICT OR INTEGRATION AND CO-OPERATION IN THE BALKANS? OPTIONS AND STRATEGIES OF DEVELOPMENT FOR THE 21ST CENTURY

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Fragmentation and Conflict or Integration and Co-operation in the Balkans? Options and Strategies of Development for the 21st Century

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1. Introduction

Recent reports by international organisations and a number of studies (Petrakos and Totev 1999a, 1999b, Dobrinsky 1999, Jackson and Petrakos 1999) have indicated that among transition countries in Europe, the Balkan countries have an inferior economic performance and structure compared to the Central European ones. The available data seems to indicate that the Balkan countries have not been able to recover from the shock of transition from centrally planned to market economies, despite the fact that this process has lasted for nearly 10 years. A number of Balkan countries in transition have experienced repeated economic crises during this period that have caused a serious divergence from the record of the other European transition countries.

There is already a number of propositions that explicitly or implicitly compete in their attempt to account for differences in performance among transition economies in Europe and especially for this inability of the Balkan transition countries to follow the Central European ones (Petrakos and Christodoulakis 1998). The most widely shared explanation relates poor outcomes with delayed and non-persistent policies of privatisation and market liberalisation. Although everybody would agree that poorly designed or implemented policies cannot have significant results, it can be the case that properly designed or implemented policies do not have significant results either, if other background factors have an offsetting influence. The exclusive reliance on "policy failures" to explain diverging patterns of performance does not leave ground for a convincing answer to the question why all lagging behind European countries in the transition process happen to be in the South.

Searching for alternative explanations, we have to take into consideration first the evidence provided in the literature and the propositions (some times speculative) about the factors that have produced such a differentiated outcome in various transition countries. A non-exclusive list of these factors would include: (a) "Policy failure" explanations, according to mainstream economic thinking, that attribute poor transition performance to delayed reforms and non-persistent policies of privatisation and market liberalisation, (b) "Market failure" explanations that consider the "shock therapy" of massive privatisation, liberalisation and deregulation in the absence of appropriate institutional arrangements as the primary factor explaining repeated crises in a number of transition countries, (c) Explanations pointing to different initial conditions with respect to the structure of the economies and the enterprises, as well as to different initial conditions with respect to infrastructure and human capital development, (d)

Explanations pointing to different conditions with respect to geographical features such as centrality, adjacency, proximity and accessibility of major European markets and different ranking in the new European economic order that affect capital mobility, attraction of higher functional order activities and diffusion of technology and know-how, (e) Explanations related to institutional differences and differences in historical experience with market mechanisms and operations.

The transition countries in the Balkans are not the only ones in the region that face serious economic difficulties and challenges. Greece on the one hand, despite being the most developed and stable economy and the only member of the European Union (EU) in the region and despite recent progress, is facing serious structural problems in its economy. It is in fact the only EU country that has not met the Maastricht criteria and therefore is for the moment left outside the EMU. On the other hand, Turkey, despite its significant size and strong potential for growth and development, is also plagued by a number of very serious economic and structural problems.

For the residents of the Balkans, these disappointing facts are in absolute contrast with their pride and own vision of their identity, the diverse environment and resources of the region, its historical and cultural heritage and the fact that large parts of the region were for centuries the civilisation and development centre of the known world. In the minds of many people there is a question why in the post-1989 European architecture the Balkan region has been such a profound case of failure and why from all possible development paths, the one that eventually materialised seems to be the worst?

Without ignoring the importance of the other factors mentioned before, this article provides an additional explanation of this diverging performance. It is argued here that the prevailing fragmentation and conflict in the Balkan region, as well as the existing ethnic rivalry and regional instability are major factors that significantly impede growth, structural change, economic progress, transformation and development. In the following sections we present a number of theoretical propositions and analyse some basic economic characteristics of the Balkan region related to market size, development potentials, trade relations and foreign direct investment. On the basis of these characteristics we will attempt in the concluding section to highlight the costs and benefits of the options available to the individual countries in the region with respect to regional conflict or regional co-operation.

2. Geography and development: the questions we fail to ask

In this section we address some issues concerning the geography of development and relate them to the prospects and possibilities of the Balkan countries to reverse existing trends in their economic performance. We do that by asking the following set of questions: (a) Is it possible for a country engaged (in one way or another) in a regional conflict to prosper? (b) Is it possible for a country to prosper in a depressed and unstable region? (c) Is it possible for a country to grow and develop without having economic relations with its neighbouring countries? (d) Is it possible for the Balkan region to really converge – even in the distant future – towards the EU economic standards without eliminating first all sources of tension and conflict among Balkan countries?

Economic theory offers an analytical framework, which helps us to understand some neglected aspects of international relations and provide an answer with some policy value to these questions. In this section we are going to examine: (i) the role of rationally formed expectations and positive or negative externalities in the expansion of economic activities, (ii) the role of internal and external economies of scale for economic efficiency and competitiveness, and (iii) the role of regional trade multipliers for growth and development. The analysis of these issues will provide a basis for the discussion of the preceding questions.

Expectations, uncertainty and externalities

It is argued here that fragmentation and conflict impedes economic growth for at least three interacting reasons. First, it generates *uncertainty* and does not allow economic agents to plan for the future and commit themselves to specific economic activities, as their expectations about the future are formed not on the basis of competitive advantages, specialisation and available opportunities, but on the basis of political factors and external forces that are largely independent from market processes and unpredictable.

Therefore, political instability, social - ethnic unrest and unsolved frictions with neighbouring countries over ethnic minorities or territorial disputes, are factors generating serious uncertainty to markets and economic activity. Their immediate impact is to cancel running or planned (domestic or foreign) investment projects, while their long-term impact is to put at serious risk the prospects of the country for growth and development.

Moreover, a country can be affected by the *negative externalities* of a regional crisis, even if it is not directly involved. The war in Serbia and Kosovo has affected Greece, by reducing tourism, trade and investment activities in the country and imposing longer transportation routes for its exports to EU markets. In addition, and this is equally serious, the *expectations* of people and firms about the future have become less optimistic, despite the significant progress of the economy.

Overall, instability and conflict in a region will affect negatively all countries, regardless of their actual involvement, as expectations are formed on the basis of risk aversion, not the specific conditions prevailing in each country. Negative expectations about the future, may affect in a very direct way the real economy today, if economic units cancel or postpone their activities and take defensive positions. This, may have a "domino" effect to all countries in the region, its magnitude being a function of proximity and intensity of relations with the area and the parties involved in the conflict.

Internal and external economies of scale

Second, market fragmentation, the result of socio-political fragmentation, generates serious inefficiencies in the productive sector of each country, as several industries, in order to operate efficiently and be competitive, require *internal and external economies*

of scale, not available in small markets. Internal economies of scale are attained when industrial firms have a sufficient size and production level, which guarantees that resources are combined efficiently and therefore output has a competitive price. Therefore in order for industrial firms to benefit from economies of scale, they must operate in large national markets, or be able to promote their products in a larger geographical market that exceeds national borders. External economies of scale are attained when industrial firms develop dense inter-firm relations with other firms operating in the same sector (joint R&D programs, labour force training programs, subcontracting joint supplies, etc.) or in forward and backward related sectors (supplier-producer and producer-consumer relationships). In order for a firm to benefit from external economies of scale, the national productive base must be rich in productive activities (a condition that cannot be met by small economies) or open to co-operation with other nearby economies.

As a result, small economies are required to be open and allow their firms to operate in a larger geographical market. For firms operating under economies of scale, neighbouring countries are the best markets for their products. This is because consumers in neighbouring countries usually have similar preferences implying an easier and deeper market penetration. In addition, adjacency and proximity between two countries implies a lower transportation cost.

Regional multipliers, intra-industry and intra-regional trade.

Third, fragmentation and conflict in a region is a major obstacle to growth and development, as it restricts the operation of regional multipliers and does not allow for the benefits of regional interaction and export-led growth to be fully realised. The concept of regional multiplier is based on two conditions: First, trade is more intensive among neighbours because of the benefits of similar preferences and lower transportation cost. Second, this intensive interaction implies that high growth rates in one country can be quickly transmitted to neighbouring countries due to increasing demand for imports. Therefore, growth in one country can partly be driven by exports to expanding neighbouring economies that experience a fast increasing demand. Generalising this argument, it becomes obvious that in a region with no major obstacles to communication and interaction, each country: (a) benefits from the progress made in the other countries and (b) contributes to that progress and the overall progress of the region.

In addition, international economic theory and evidence indicates that trade among neighbours is the most beneficial type of trade, because of its sectoral structure and composition. The critical issue here is whether two countries (or groups of countries) tend to specialize and trade products that belong to different industries (inter-industry type of trade) or tend to trade more intensively products within the same industry (intra-industry type of trade). Several studies have shown that the inter-industry type of trade is suitable only for countries with comparable levels of development. This is because in the case of trade between a developed and a developing country, the first will specialize in capital and technology-intensive products, while the second will necessarily specialize in labor or resource-intensive products, missing the opportunity to industrialize and therefore missing the opportunity to develop. Also the inter-industry type of trade relations are considered to cause, in several cases, severe adjustments to the productive

base of a country as some sectors shrink and some others expand, a process that is not always free of social friction.

On the other hand, trade within the same industry is not associated with major structural adjustment (as adjustment takes place within the industry or even within the firm) and it usually characterizes neighboring countries with similar levels of development and similar tastes. In addition, intra-industry trade allows for the expansion of economic relations in a more diversified manner, without exerting pressure for a strict specialisation that would perhaps require severe structural adjustments in the countries involved. This leaves some room for restructuring policies in order to reorganise productive resources *within* sectors, maintaining existing specialisations and avoiding major sectoral shifts of resources that could generate structural unemployment and reduce the diversity of the production base. It is not a coincidence that all developed countries have the highest share of their trade taking place within sectors and in addition taking place with neighbouring countries.

To sum up, intra-regional or cross-border trade, or trade among neighbours is essential for the growth and development of a country for the following reasons: (a) It allows for a higher volume of trade and therefore for export-led growth due to similar consumer preferences and lower transportation cost, (b) it allows small economies to benefit from economies of scale in industrial production, by providing a larger geographical market that is easily accessible and (c) it allows for a sectoral structure of economic relations (intra-industry), that does not threaten the diversity of its productive base.

3. The evidence we need to consider

Any effort to understand the potentials of the Balkan region and the development options and strategies available to individual countries, depends necessarily on a set of basic information concerning the relative standing of each country and the region in the broader European context. In Table 1 we present information about population, area, Gross Domestic Product (GDP) and Gross National Product (GDP) per capita for all Balkan countries and the EU. The information is presented in absolute figures and also as a share of the EU figure. Starting with population, we observe that with the exception of Turkey and Romania, the other Balkan countries are relatively small or very small in size, especially if one compares with the total population of the EU. Three countries (Albania, FYROM and Slovenia) have a population size that is less than 1% of the total population of the EU. When however all Balkan countries are considered as a group, the picture changes considerably. The total population of the Balkan region amounts to 132 million people, which is equal to about 35% of the population of the EU.

Examining the size of the territory of each Balkan country separately, the picture is similar. Turkey and Romania possess a significant area, followed by Greece, Bulgaria and Serbia. The other countries possess very small territories, the smallest being those of Slovenia and FYROM. When however the Balkan region is considered as a whole, the picture changes considerably, as it covers an area that is equal to about 48% of the area of the EU.

Turning now to the economic figures of the Table, we see that the general picture is very different. With the exception of Turkey (which has the larger GDP) and Greece, that have in relative terms a significant economy, the other countries in the region have to a large extent very small and insignificant economies. It is very indicative that all together the eight (8) Balkan countries in transition have a GDP level that is smaller than the GDP level of Greece alone and of course of Turkey. Comparing the size of the Balkan economies as a whole to that of the EU, we get a disappointing figure. The size of the economy of the 10 Balkan countries put together is equal to only 5% of the size of the EU economy. Even more disappointing are the figures related to GNP per capita that measure development and welfare levels. With the exception of Greece and Slovenia, all the other countries have GNP per capita figures that are less than 20% of the average figure of the EU. Some countries like Albania, Bosnia, FYROM and Bulgaria have welfare figures that are not considered acceptable for European countries. Greece is the only country in the region with a GNP per capita figure that exceeds the 50% of the EU average.

To summarise, despite its potential (given by population and territorial size), the importance of the Balkan economy (given by GDP) and its weight and significance (given by GNP per capita) are very limited in the European context. Some countries are unsustainablly small in terms of population and economic activity and insignificant in terms of development levels. This is not necessarily a problem in an integrated regional economic space. However, the small economies of the region operate in a politically fragmented and in some cases frictional or even hostile regional environment. This intensifies the problems of inefficiency in their productive base, making it unsustainable in the new gobalised economic environment.

In Table 2 we present information about the flows and stock of Foreign Direct Investment (FDI) in the Balkan transition countries, the transition countries in Central Europe[1], Greece, Turkey and the EU. The information is presented in million USD and in figures per capita. Looking at inward flows first, we observe that the Balkan transition countries received in 1997 only 28% of the FDI going to transition countries in Central Europe, despite the fact that these two groups have a similar size in terms of population. We also observe that Turkey, despite its population and GDP size, has received an insignificant amount of FDI in the same year. Comparisons among countries or groups of countries are equally dramatic when we look at per capita flow figures. Greece, the only country in the region enjoying relative stability and the only member of the EU, has the highest FDI per capita flow figure, which is close to 50% of the EU figure. Among transition countries, the Balkans have a per capita figure that is less than half the Central European one. Finally, Turkey is a destination of a relatively insignificant amount of foreign investment in 1997.

Looking at accumulated (stock) FDI and FDI per capita figures, the picture is similar. The Balkans are a less frequently chosen destination than Central Europe, while Turkey is in an inferior position. Greece, is the only country in the region that stands out with an FDI stock per capita figure that is equal to 62% of the EU figure.

[1] The Czech Republic, Hungary, Poland and Slovakia

Why are these figures important and what do they really mean? FDI flows or stock indicate the attractiveness of a country or a region to international investors. Therefore, the first point of this Table is that international investors (small and large private foreign firms, multinational corporations or even foreign public sector firms) are, under present conditions, less willing to invest in the Balkans than in other competing destinations like the countries in Central Europe. The only exception to this rule is Greece, a politically stable country and a member of the EU. Taking into consideration that the vast size of the region and its low cost production base[2] is a real advantage for foreign firms operating in global markets, there must be some other offsetting factors hindering the expansion of foreign firms in the region. These factors are the fragmentation of the region in many small, unstable and at times conflicting countries. As it has been discussed before, fragmentation implies small and insignificant market sizes, while conflict implies an uncertain business environment. These two factors are the most important ones in explaining the absence of FDI in the region.[3] The limited amount of FDI in the region has several negative effects, as foreign capital is an important supplement to domestic capital formation and its in several cases the avenue of technological progress and structural change in host economies. It is not accidental that all countries, even the most advanced ones, have adopted special promotion programs and openly compete with each other in order to attract a significant volume of FDI. As the economy becomes more and more globalised, FDI will play an increasingly more important role for the development, technological advancement and structural change of host countries. The fact that the Balkans run a real danger to be left outside this trend, is a measure of the marginalisation of their economy with long term consequences for growth and prosperity in the region.

In Table 3 we present information concerning the trade relations of each Balkan country[4] with all the others and the EU. In Table 4 we present information about the share of exports and imports of a selected group of Western European and Balkan countries with their neighbours. All exports and imports data are for 1997. Starting from Table 3, we observe that several Balkan countries, despite being neighbours and despite similarities in development levels, culture and consumer preferences, have insignificant trade relations. For example, Bulgaria exports only 2.0% of its total exports to FYROM and only 1.4% to Romania. Similarly, Turkey exports only 0.7% of its total exports to Bulgaria and 1.1% to Greece. The countries with the lowest share of intra Balkan trade relations are Turkey, Romania and Greece with a share of 4.2%, 7.9% and 11.2% respectively of total exports going to the other Balkan countries and a share of 2.7%, 4.6% and 3.7% respectively of total imports coming from other Balkan countries. The countries with the highest shares are Croatia, FYROM and Bulgaria with a share of 30.3%, 25.9% and 23.1% (11.4%38.2% and 9.8%) of their exports (imports) going to (coming from) other Balkan countries. It is worth noting that geography affects intra-regional trade, as the more perimetric countries with respect to the Balkan region, like Turkey and Romania, have the lowest intra-regional interaction. On the contrary, central Balkan countries like FYROM and Bulgaria have a higher intra-regional interaction. It is also worth noting that all countries (except FYROM) have higher export than import shares with the other Balkan countries, because of their dependence on imports from developed countries.

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[2] Labour cost in the Balkan countries is the lowest in Europe.

[3] Other factors that have been found in the economic literature to have an impact on the direction of FDI are proximity or adjacency of host countries to the large and more developed EU markets, as well as cultural affinity.

[4] Except Albania, Bosnia and Serbia, for which there is no reliable information.

Looking at Table 4 we observe that significant differences exist between Western European and Balkan countries with respect to the share of exports and imports with neighbouring countries. Austria, for example, has 59.2% of its exports going to neighbouring countries and 60.6% of its imports coming from neighbouring countries. Similarly, Belgium and Luxembourg have 46.9% (49.9%) of their exports (imports) going to (coming from) neighbouring countries. On the other side of the spectrum, Greece and Romania have 8.1% and 4.7% (2.8% and 4.2%) respectively of their exports (imports) going to (coming from) neighbouring countries. Obviously, in understanding the real magnitude of these differences, one has to take into consideration several factors such as the size and the development level of neighbouring countries, or the existence of the Single European Market among EU members. Nevertheless, it remains a fact that intra-regional and cross-border trade in the Balkans is very limited compared to the other countries and regions in Europe.

These figures indicate that the Balkans, besides their perimetric location in Europe (Petrakos 1997a), are found today in a unique unfavorable situation resulting from distorted economic relations, as in several cases their borders are meant to be barriers to communication and trade with neighboring countries. This type of "border condition" where borderlines in the region operate as barriers to economic and social relations, is a rare situation in the history of international relations (Petrakos and Christodoulakis 1997).

This condition, along with perimetric position in the European economic space generates an overall unfavorable index of geographic location, with serious long-term implications for the economic structure and performance of the region. The "missing factor" in the trade relations among neighbors generates a significant reduction in the trade potential of the region, limiting market accessibility for exporting industries and limiting the prospects for export-led growth.

Because of these conditions, the trade relations of the Balkan countries have necessarily taken an inter-industry character with the more advanced and distant countries of Western Europe (Landesmann 1998), with a serious impact on the industrial structure of the region. As we have already seen, international economic theory indicates that trade with neighboring countries is more intensive and usually takes an intra-industry character, implying greater room for more industries to develop. This is because international specializations are not mutually exclusive and the division of labor takes place *within* and not *between* sectors (Petrakos 1997b, Petrakos 1999). Therefore, the lack of trade relations among Balkan countries pushes them further towards an inter-industry type of specialization with the technologically more advanced western European countries that is rather unfavorable for the prospects for industrial development in the region. In that respect, the old and recent "border conditions" in the region have generated a "missing factor" in trade relations that in its turn has imposed additional constraints on the already weak structure of the Balkan economy.

Overall, it is claimed here that the performance of the Balkan economies has been affected by their artificial division in the pre- and post 1989 period and the consequent restrictions imposed on the structure and level of the external economic relations of the region. Although there is no direct empirical evidence to support it, we are confident that

a simple spatial trade model would predict for each Balkan country a very different level and structure of trade than the existing one, should barriers to trade with neighboring countries had not been imposed.

4. Conclusions: can we make the right choices for the future?

This paper has not intended to provide arguments about the essence of the so many disputes and conflicts among ethnic groups or countries in the Balkans. Our contribution is in a different direction. We have tried to show that fragmentation and conflicts have a serious cost for all countries in the region and not only those directly involved every time in a dispute or a war. As a result, it is to the best interest of the people and the governments in the Balkans to take seriously under consideration these costs and examine in a more thorough and informed way the available options. In doing so, they have to look less often at their divided past and more often at the possibility for a common future. Other countries, such as Germany and France, or Germany and UK that have fought in the past many bloody wars, did that after the Second World War, and they have enjoyed for half a century the benefits of stability and prosperity. Learning from others, has always been a recipe for success, if one is careful enough to chose the right examples.

In examining available options, people and governments in the Balkans also have to take a closer look at their immediate environment and the prevailing integration trends in Europe. As we move with a faster pace towards a global economy, being part of a large economic union is a vital condition for survival and prosperity, especially for small countries. Under certain conditions, it is very likely that in two decades all European countries will be members (in fact regions) of the strongest economic organisation on earth: the European Union. Given that this is the declared strategic goal of all European countries that are not currently EU members, three points deserve consideration by policy and opinion makers in the Balkans. First, under existing conditions with respect to ethnic tensions and disputes, it is highly unlikely that any other Balkan country (except Slovenia) will ever join the EU. Second, even if one or two more Balkan countries eventually manage to become members, their benefits from membership will be lower and their costs higher, if large parts of the Balkan region remain outside the Union. Third (and perhaps more important), existing tensions and conflicts about borders and ethnic groups will become more or less irrelevant with membership in a larger, stronger, integrated and internally open European Union.

If these points make sense, then it is relatively easy to highlight the two distinct options available to the people and governments in the Balkans. On the one hand, stands the option of *solving* existing differences in accordance with the "national interests" of each country. This option may require the intensification of the disputes and it is understood by the parties involved as a zero-sum-game. Some win and some loose. Our earlier analysis, however, has shown that although there will certainly be losers at the Balkan scale, it is highly unlikely that there will be any winners at the European scale. The Balkans may have a different balance of powers, or different borders, but they will still be fragmented, perhaps devastated by the conflict, poorer than ever and outside the EU. If their strategic goal is still EU membership, it is clear that this option leads to a no-win situation.

The other option implies an understanding that the common interests and goals of the countries in the region are much more important than the issues that divide them. In that sense, it is a more difficult choice, as it requires a change in the prevailing perceptions of the people of each country for their neighbours. This option promotes regional co-operation on the understanding that: (i) this is a better framework to discuss differences, (ii) it promotes (the so much needed) regional stability and (iii) the unsolved issues of today, might be largely irrelevant in the broader European context of tomorrow. This option leads to an all-win situation, to the extent that all countries meet their strategic goal to become members of the EU and offer its stability, institutions and prosperity to its people.

The second option has an additional advantage, as it is in line with the declared vision of the EU for a larger and non-exclusive Europe. This coincidence of intentions generates a unique historic opportunity to create an open, stable and prospering economic space from the Atlantic to the Black Sea and from the North Sea to the Mediterranean. This could be the most valuable contribution to the next generation. The United States of Europe are not a more difficult project today than it was the United States of America two centuries ago. Then, as in America, the Mediterranean, which is the Sun Belt of Europe, will gradually attract quality resources and activities that will allow for a fast convergence to the development levels of the West and the North. To make a precarious comparison, it could become the California of Europe. For the people in the Balkans, this is the best available way to regain the prestige and the pride of their glorious (but distant) past.

This option requires that the EU undertakes two important steps. First, it invites all Balkan countries *to join in the foreseeable future the EU*, and works hard and consistently for the homogenization of their status through an *en-block* association agreement that will take into consideration the peculiarities of the region and be more generous than the existing ones with Bulgaria and Romania. This policy is a cornerstone for the future of the Balkan region and it is the only one that allows in the long run the unification of the Balkan and European space and the better accessibility and connection of Southern with Northern and Western Europe. Secondly, it implements an EU *strategic development plan* for the Balkan region at various spatial, operational and sectoral levels with a special emphasis on the issues of intra-regional cooperation and integration. This development plan should include effective transportation and telecommunication networks that will allow the integration of the Balkans and reveal the special weight of Southeastern Europe as an emerging regional market with significant size, and a strategic advantage for the expansion of the EU economic relations in the Black Sea region, Eastern Mediterranean and the Middle East.

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Table 1. Market size and development level of the Balkan countries (1997)

Countries	Population		Area		GDP		GNP/head	
	million	%	th. m^2	%	Million USD	%	USD	%
Albania	3	0.80	27	0.86	2,276	0.03	750	3.21
Bosnia	4	1.07	51	1.63	3,260	0.04	785	3.36
Bulgaria	8	2.14	111	3.54	9,484	0.12	1,140	4.88
Croatia	4	1.07	56	1.79	19,081	0.24	4,610	19.73
FYROM	2	0.53	25	0.80	2,061	0.03	1,090	4.66
Greece	11	2.94	129	4.11	119,111	1.47	12,010	51.40
Romania	23	6.14	230	7.34	35,204	0.44	1,420	6.08
Serbia	11	2.94	102	3.25	15,147.4	0.19	1,429	6.12
Slovenia	2	0.53	20	0.64	17,905	0.22	9,680	41.43
Turkey	64	17.09	770	24.56	181,464	2.25	3,130	13.39
Balkans	132	35.25	1521	48.51	404,993.4	5.01	5,221	22.34
EU	374.5	100.00	3,135.5	100.00	8,082.297	100.00	23,367.3	100.00

Sources: World Bank (1998-99), CIA (1997), EBRD (1997)

Table 2: Inward flows and stock of Foreign Direct Investment in the Balkans, the Central European countries and the EU (1997)

Area	Inward Flows		Stock	
	million USD	per capita	million USD	per capita
Balkan Transition Countries	2,455	55.30	7,494	312.77
Central European Transition countries	8,556	125.20	40,401	736.31
Greece	1,500	136.36	21,864	1987.64
Turkey	606	9.47	6,431	100.48
EU	108,172	288.84	1,195,643	3192.64

Sources: Estimated from United Nations (1998)

Table 3: Trade relations among Balkan countries

Share of exports to Balkan Countries

Countries	Albania	Bosnia	Bulgaria	Croatia	FYROM	Greece	Romania	Serbia	Slovenia	Turkey	Balkans	EU	*Total*
Bulgaria	0,5	0,1		0,3	2,0	8,8	1,4	0,0	0,2	9,9	23,1	45,0	*100,0*
Croatia	0,1	15,0	0,2		1,8	0,3	0,3	0,0	12,2	0,2	30,3	51,3	*100,0*
FYROM	1,1	0,1	1,9	3,5		1,7	0,4	10,1	4,7	2,5	25,9	43,1	*100,0*
Greece	1,7	0,0	2,0	0,2	0,4		1,9	0,3	0,2	4,5	11,2	54,7	*100,0*
Romania	0,0	0,1	0,7	0,2	0,1	2,1		0,2	0,2	4,2	7,9	56,6	*100,0*
Slovenia	0,1	3,4	0,2	10,0	1,8	0,3	0,3	1,3		0,4	17,8	63,6	*100,0*
Turkey	0,2	0,1	0,7	0,1	0,3	1,1	1,4	0,2	0,1		4,2	46,7	*100,0*

Share of imports from Balkan Countries

Countries	Albania	Bosnia	Bulgaria	Croatia	FYROM	Greece	Romania	Serbia	Slovenia	Turkey	Balkans	EU	*Total*
Bulgaria	0,0	0,0		0,2	0,6	4,9	1,4	0,0	0,2	2,5	9,8	41,9	*100,0*
Croatia	0,0	1,5	0,2		0,5	0,3	0,3	0,0	8,3	0,3	11,4	59,4	*100,0*
FYROM	0,2	0,1	5,3	4,7		2,0	0,7	11,4	9,1	4,7	38,2	41,5	*100,0*
Greece	0,1	0,0	1,5	0,1	0,1		0,7	0,0	0,1	1,2	3,7	67,9	*100,0*
Romania	0,0	0,1	0,5	0,1	0,0	1,7		0,1	0,2	1,9	4,6	52,5	*100,0*
Slovenia	0,0	0,3	0,2	5,0	0,6	0,2	0,2	0,4		0,5	7,3	67,4	*100,0*
Turkey	0,0	0,0	0,8	0,0	0,1	0,9	0,8	0,1	0,1		2,7	51,0	*100,0*

Source: Estimated from IMF (1998)

Table 4: Trade relations of selected countries with their neighbouring countries

	Exports to neighbouring countries as a share to total exports	Imports from neighbouring countries as a share to total imports	Total
Austria	59.2	60.6	*100.0*
Belgium-Luxembourg	46.9	49.9	*100.0*
France	43.7	42.9	*100.0*
Switzerland	41.8	54.8	*100.0*
Greece	8.1	2.8	*100.0*
Bulgaria	22.1	9.4	*100.0*
Croatia	28.4	12.4	*100.0*
FYROM	14.8	19.0	*100.0*
Romania	4.7	4.2	*100.0*

Source: Estimated from IMF (1998)

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