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Abstract
The application of the neoliberal concept in the Western Balkans has had effects on the economies of those countries that can say das resulted in unsustainable economic growth and macroeconomic instability. Besides the application of the same given the developments that had features of weakness especially since 2008, from the onset of the global economic crisis.

The consequences of the liberalization of international economic developments have enabled the countries of the Western Balkans obtain foreign investment in the form of foreign direct investment, but their economies have done even more dependent on foreign capital, which is increasingly going in economic activities that have a faster way could fertilize the invested capital.

Keywords: liberalization, privatization, foreign direct investment.

Classification JEL: B22, B59, F62

1. Introduction
The neoliberal concept developed in the late twentieth century as a more liberal economy, pointing to the liberalization of economic flows, privatization, deregulation and reduction of the state role in the economy.

During this period, the Western Balkan countries are suffering huge impact of general social crisis, which was due to civil wars in Yugoslavia, sanctions against Serbia and Montenegro, then the NATO bombing of the two countries.

There are also ongoing global political problems that have contributed to the disruption of economic ties and the creation of continuous crisis in the economy of the Western Balkans.
All Western Balkan countries have since 1990 entered the transition process and the application of basic principles of neoliberal concept, as the leading system which tended. On the basis that they were conducting systemic economic reforms. The consequences are visible through the transition indicators, as using them can measure the progress of reforms.

The implementation of transition reforms in the early years was hampered by the civil war in Bosnia and Herzegovina and of great political instability in other republics of the once united Yugoslavia, which later gained independence and became an independent state.

The last feature of the Western Balkans is a tad belonging to countries in transition, that are in the first phase of transition and reorganization undergone continuous recession, the consequences of which is very difficult to mitigate and with many difficulties and sacrifices. This changes the socio-economic realities in the area of understanding of the Western Balkan and Serbia [1].

2. Some factors impact on the Western Balkans

Selected macroeconomic factors observation impact on the economy of the Republic of Serbia and the Western Balkans in the period 2000-2012 observation in this study were developed through three factors: liberalization, privatization and display the inflow of foreign direct investments in the countries of the Western Balkans.

After that presents the results of such an operation mentioned factors on the balance of payments of the Republic of Serbia, and the expression is given with an illustration for the 2007-2012 period of the mil. Euro.

2.1. The processes of liberalization as factors of influence

The liberalization of foreign trade, which was imposed by the international financial institutions, primarily by the International Monetary Fund and then to the World Bank, initiated primarily the liberalization of imports, while the liberalization of exports defined and implemented earlier. It is further meant that foreign investors swam on the domestic market or the market of the Republic of Serbia, with a primary interest in exploiting local resources (raw materials), with at the same time placement of their goods and services.

The consequence of such a liberal attitude towards the Republic of Serbia is extinguishing domestic production, which was not competitive enough to compete with the offer of foreign companies, domestic exports. Similarly, the ground surrounding the Republic of Serbia, such as: Albania (ALB), Bosnia and Herzegovina (B and H), Macedonia (MAK), Montenegro (CG), a display-industry annual growth for the period 2000-2012 the authors provide in Figure 1. based on the data processed by the authors collected from published data of the World Bank [2]. The same has been done and to see figure 2 by the same source, the authors focused on data.

![Figure 1 Trends in the industry 2012–2000% in the period years](image-url)
This has resulted in the growth of imports of foreign goods, which further led to growing foreign trade deficit. The economy of the region was not ready for liberalization, which, along with an overvalued exchange rate in the Western Balkans, resulted in an imbalance in foreign trade, because domestic goods were scarce, while the import of goods proved to be more competitive in the market of the Western Balkans. It should be noted that there has been deterioration in foreign trade, the rise in imports, which was further increased the deficit of foreign trade balance.

Only the countries of the Western Balkans, the authors give in Figure 2.

![Figure 2 - The foreign trade deficit in millions USD 2012–2000. In the countries of the Western Balkans, I see the movements in imports (blue color, see the chart above) and exports (red, lower show chart).](image)

### 2.2. Privatization as a factor of influence on the economy of the Republic of Serbia

Privatization in support of the neoliberal concept of economic development is also experienced failure in many countries. Privatization has been carried out on the basis of recommendations of the Washington consensus. She represented the process of transfer of assets and capital from state to private property that is in these countries carried out the regulations. Companies from the national property turned into private at drastically lower prices than they were at this point really worth, a large number of workers have lost their jobs. In order to evaluate the privatization process launched in the case of Serbia [3].

In Serbia, the privatization process started in 1989, initiated the adoption of the Law on Social Capital (Yugoslavia) (Fig. List SFRJ, no. 83, 1989), [4] which enables the transformation of socially-owned enterprises to private ownership. It is based on the sale of shares, the sale of companies in whole or in part. As the dominant form of privatization find the capital increase (99.26%), sales and wages in shares.

Four years later (1994), the Law on amending and supplementing the Law on conditions and procedure of turning social into other forms of ownership, creating a basis for the revision of privatization carried out since 1989. The annulment sought to inflationary gains that have been achieved by purchasing shares of the company during the period of hyperinflation (1992-1993) . New Act on grounds of change of ownership of the social capital of the FRY in 1996, linked to the
freedom of the two republics to define independent personal privatization procedure. Already in 1997 Serbia adopted the Law on Ownership Transformation, whose essence is still the sale of shares to employees with pre-emption rights they had and foreign investors. Four years later, after the political changes in the new Law on Privatization (2001), which was based on the sale and transfer of capital without compensation (70% through public tenders, auctions and the remainder is shared employees and citizens).

Besides the political changes in the FRY, from 2000, the government immediately stressed the need for the urgent establishment of relations with international financial institutions, notably the IMF and the World Bank in order to obtain financial assistance, which would finance the economic recovery. In this context it is necessary to mention the adoption of the Law on Privatization [5], as the crown of the law which they had to take all legal entities in the country.

Using the financial resources of the IMF was conditional on the reform program which included liberalization of foreign trade, price liberalization, privatization of large and small enterprises, banking reform, competition policy, economic restructuring and raising its efficiency (not on achieved), but they realized IMF recommendations:

- credibility and credit rating of the country by attracting foreign investors and
- Income from the sale of public enterprises.

According to the Privatization Agency [6] in Serbia in the period 2002-2006, was conducted around 1400 privatization. Only for the period 2000-2012 is shown in figure 3.

![Figure 3 Number of privatized enterprises 2000-2012 years.](image)

As good example bad attitude toward privatization may be noted that in Serbia in the period 2012–2002, terminated the contract on the privatization of 671 (41.5% of total privatization through tenders and auctions), while a failure to comply within the group of companies tendering termination of 55%, which explains the success of privatization in Serbia. At the same time observed the processes of reduction in income from privatization and the growth of the budget deficit.

Based on the display resulting effects of the use of neo-liberal concept in Western Balkan lead to unsustainable growth and non-existence of stabilizing. This amplifier is the advent of the global economic crisis, a start was 2008.

2.3 Liberalization and foreign direct investment Western Balkans

The transition process in the Western Balkans began in 1990, the implementation of systemic economic reforms. Due to continuous deficits in these countries, it was necessary to find
new sources of investment. Thus, foreign direct investment could secure economic growth and development. It also can reduce macroeconomic imbalances. 2008.

In the period 2000 the countries of the Western Balkans have experienced significant inflows 2007—of investments, while the highest inflow in the period 2006 Investments that were intended for the industrial sector were coming to a lesser extent, by which exports were reduced, while imports twice been increased mainly from EU countries which are countries of the Western Balkans were the main investors.

The economic growth in the region is generated due to inflow of direct investment where the largest number has arrived in the form of the acquisition-downloads (M & As), or the privatization of the domestic economy, while the number of Greenfield investments was lower.

Using the experience and the examples of published papers, the authors provide a view of Figure 4, which relates to a view of the movement of direct investment [7].

![Figure 4](image_url)

**Figure 4**, the value of M & As in Serbia million 2006–2012. Years

Only the movement of foreign direct investment billion US dollars for the period 2000-2012 is shown in Figure 5.

![Figure 5](image_url)

**Figure 5** - the movement of foreign direct discourage investments, billions of USD in the period 2012–2000. Years
3. Showing result of the influence factors on the balance of payments of the Republic of Serbia

The results of these developments are reflected in the display of the balance of payments of the Republic of Serbia can best be seen through the display of trends in the balance of payments of the Republic of Serbia. The authors provide an overview for the period 2008 -2014 in mil. euro, and therefore, the occurrence of crisis in the following table.

Table 1 Balance of payments of the Republic of Serbia, EUR million

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.A.a Goods</td>
<td>-8,488</td>
<td>-5,066</td>
<td>-4,719</td>
<td>-5,496</td>
<td>-5,634</td>
<td>-4,159</td>
<td>-4,111</td>
</tr>
<tr>
<td>1.A.b Service</td>
<td>-196</td>
<td>9</td>
<td>-10</td>
<td>154</td>
<td>111</td>
<td>313</td>
<td>465</td>
</tr>
<tr>
<td>1B Primary income</td>
<td>-983</td>
<td>-479</td>
<td>-658</td>
<td>-1,368</td>
<td>-1,097</td>
<td>-1,419</td>
<td>-1,343</td>
</tr>
<tr>
<td>1.C Secondary income</td>
<td>2,541</td>
<td>3,504</td>
<td>3,351</td>
<td>3,054</td>
<td>2,949</td>
<td>3,166</td>
<td>3,003</td>
</tr>
<tr>
<td>1. Capital account</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>-3</td>
<td>-8</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>The balance of the current account and capital account</td>
<td>-7,120</td>
<td>-2,032</td>
<td>-2,037</td>
<td>-3,659</td>
<td>-3,680</td>
<td>-2,083</td>
<td>-1,978</td>
</tr>
<tr>
<td>The balance of the financial account</td>
<td>-6,598</td>
<td>-2,280</td>
<td>-1,553</td>
<td>-3,340</td>
<td>-3,351</td>
<td>-1,630</td>
<td>-1,705</td>
</tr>
<tr>
<td>3.1 Direct investments, net</td>
<td>-2,486</td>
<td>-2,068</td>
<td>-1,133</td>
<td>-3,320</td>
<td>-753</td>
<td>-1,298</td>
<td>-1,236</td>
</tr>
<tr>
<td>3.2 Portfolio investments, net</td>
<td>91</td>
<td>49</td>
<td>-67</td>
<td>-1,600</td>
<td>-1,676</td>
<td>-1,883</td>
<td>-369</td>
</tr>
<tr>
<td>3.3 Other investments, net</td>
<td>-2,516</td>
<td>-2,626</td>
<td>549</td>
<td>-197</td>
<td>214</td>
<td>855</td>
<td>1,703</td>
</tr>
<tr>
<td>3.4 Foreign exchange reserves</td>
<td>-1,687</td>
<td>2,363</td>
<td>-929</td>
<td>1,801</td>
<td>-1,137</td>
<td>697</td>
<td>-1,797</td>
</tr>
<tr>
<td>4. Net errors and Discounts</td>
<td>522</td>
<td>-249</td>
<td>485</td>
<td>318</td>
<td>329</td>
<td>453</td>
<td>273</td>
</tr>
</tbody>
</table>

Source: Authors

4. Macroeconomic indicators such factors influence

The above-mentioned factors can be considered and through the impact of events that can be read out via the display on publicly available documents state.

The authors give an overview of some important indicators for the period 2008-2012 for the Republic of Serbia on the basis of available data of the National Bank of Serbia.
Only given on table 2.

Table 2 Macroeconomic indicators for Serbia, 2008-2012

<table>
<thead>
<tr>
<th>Indicators</th>
<th>First observation</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Real GDP growth%</td>
<td>3.8</td>
<td>-3.5</td>
<td>1.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Consumer prices %</td>
<td>8.6</td>
<td>6.6</td>
<td>10.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Unemployment%</td>
<td>13.6</td>
<td>16.1</td>
<td>19.2</td>
<td>23</td>
</tr>
<tr>
<td>Current account balance,% of GDP</td>
<td>-21.6</td>
<td>-6.6</td>
<td>-6.7</td>
<td>-9.2</td>
</tr>
<tr>
<td>Budget deficit%</td>
<td>-1.7</td>
<td>-3.4</td>
<td>-3.7</td>
<td>-4.2</td>
</tr>
</tbody>
</table>

Source: Authors

Presented indicators can give a somewhat different picture than the one picture that we have of the authors of that observation are based solely on financial View accommodation [8], [9], [10], the display primary movements primarily of agriculture [11], [12], [13], [14], in the Republic of Serbia and the author of the immediate environment of the Republic of Serbia, as Croatian who observe the evaluation and impact of the same on the results [15]. Accordingly, economic activities can be considered for the internal viewpoint, which is evident in the financial accounting of enterprises [16], [17], [18], with the continued maintenance of the value of legal entities' assets [19], [20], which generally have implications on macroeconomic interference and activity in one economy.

4.1. The competitiveness of the Western Balkans

The competitiveness of the Western Balkan countries can show that this factor is manifested; the authors describe a period of three years 2008-2010 in Table 3

Table 3 Analysis of progress in competitiveness

<table>
<thead>
<tr>
<th>The competitiveness of the Western Balkan countries in the case of 5 countries</th>
<th>Index value</th>
<th>Absolute growth</th>
<th>The relative growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>3.90</td>
<td>3.77</td>
<td>3.84</td>
</tr>
<tr>
<td>Montenegro</td>
<td>4.11</td>
<td>4.16</td>
<td>4.36</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>3.56</td>
<td>3.53</td>
<td>3.70</td>
</tr>
<tr>
<td>Macedonia</td>
<td>3.87</td>
<td>3.95</td>
<td>4.02</td>
</tr>
<tr>
<td>Albania</td>
<td>3.55</td>
<td>3.72</td>
<td>3.94</td>
</tr>
</tbody>
</table>

Source: Authors

5. Conclusions
It can be concluded that results neoliberal concept of transitional economy through reforms in the Western Balkans have not led to economic stability (reduced GDP growth of high inflation, high foreign debt, high unemployment, high dependence on FDI).

In order to return the lost trust requires a change in the current neo-liberal economic policies through greater coherence of the country and the market control and market regulation by the state, the implementation of government regulations and policies, review the impact of the international financial institutions, the launch of the industry, increase public spending and the other, which certainly may be the subject of research in the futures.

The study have indicated that that the shortcomings of the neoliberal concept of economy (privatize-liberalize-stabilize) in Western Balkan particularly to be expressed in terms of the world economic, caused by the decrease of the economic growth and stabilizing.

Also, it was concluded that the liberalization of international economic flows Western Balkan enabled countries to come to an influx of foreign capital in the form of FDI, which has made their economies dependent on foreign capital.

6. Bibliography


