

IMPACT ON GLOBALIZATION TREND OF MOVEMENT OF EXTERNAL DEBT IN THE WESTERN BALKANS

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Abstract

Globalization is seen as a process of transformation of regional phenomena into global and represents the interdependence of world society with the operation of the remote locations. It is considered the main vehicle for the implementation of neo-liberal concept of economy that is in the Western Balkans, its implementation began in the early nineties of the XX century.

The Western Balkans is its geographical position was the boundaries between cultures, religions, nations and states. Throughout history, the political turmoil in this region has been a major conflicts, which affected the economic policies of the countries and the region. In this way, the region lost balance as reflected in the decrease in the volume of trade and increased borrowing mainly from international financial institutions. The growth of debt resulted in the increase in external debt (public and private sectors), which led to an imbalance in economic development and macroeconomic stability in the society.

The aim of the paper is to determine to what extent the process of globalization has led to an increase / influence on increasing trend of foreign debt in the countries of the Western Balkans (Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia) in the period 2004-2014. years. The work is in addition to the introduction consists of three parts. The first analyzes the problem of growth of external debt, the second analyzes the trend of the external debt of the private and public sector, while the third analyzes the current account balance and economic growth in the Western Balkans. In addition, at the end of the data concluding observations.

Keywords: Globalization, analysis, external debt, the countries of the Western Balkans

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1. Introduction

The neo-liberal concept of economy that is accepted eighties of the XX century, as the primary means used for implementing globalization, which was a process of transformation of local or regional phenomena into global (Toskovic, 2016). The processes of globalization represented the result of the promotion of geo-economic interests of the most powerful country (Balažic, 2006) and beyond can be understood as the evolution in the development of mankind, which are approaching different people, ie, the harmonization of cultural, religious, traditional and other differences (Radonjić, 2004). Thus, as a theoretical controversy raised the issue of whether it is historically necessary or just one big global myth, because if the world is set up, it should be that the controls (Ajvaz, Ristić, 2014).

The application of the neoliberal concept, in 2008 there has been the emergence of the global economic crisis that has resulted in recession. The beginning of the recession meant a change in the conduct of economic policy for most economies (Prašćević, 2008). In this way, with its densely interwoven streams of interconnections, the globalization of large imbalances has transferred the whole world (Veselinovic, 2012). All this through large transfers of capital between countries, multinational companies and financial institutions (Marković, Tošković, Gačić, 2013).

The western part of the Balkans is a political category indicates that the countries of South-East Europe (SEE6) that are not members of the European Union; Serbia (Kosovo), Bosnia and Herzegovina, Montenegro, Macedonia and Albania, which vary in size, population and the recent development (Toskovic, Popovic, Markovic, 2015). Unlike the developed societies, in which the future development is determined by the present, the Balkans, the past determines the development of the present and the future of their nation and the country (Mitrovic, 2002). Thus, there is the global economic crisis that began in 2007, has not bypassed countries of the Western Balkans. However, in some countries, the poor state of the economy is not only a consequence of the global economic crisis, but also a social crisis and the failure of reforms.

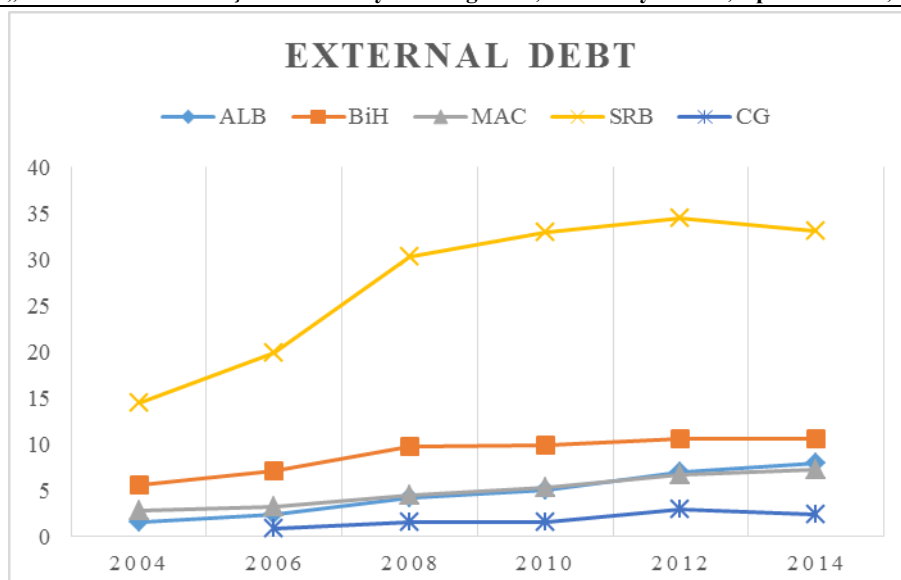
This is determined by the fact that in the Balkans the population accustomed to a hard life, uncertainty, low standard of living, isolation, political instability, poor quality of public services, poor infrastructure, corruption, inefficiency of the rule of the country, violation of rights, restriction of freedom, loss of property, loss transaction. At the same time, it is also evidence that the economic crisis is not surprised by the population of these countries. In all countries, the crisis has had the same causes, which are more or less intensity work on the Western Balkans, which are related to the poor state of the economy, high poverty, political instability, lack of rule of law (Kovačević, 2010).

The poor state of the economy reflected the recession, rising unemployment, current account deficit and high external debt, which will be analyzed in the sequel. However, the transition process did not lead to economic growth and development, but also resulted in a fall in economic activity, an increase in unemployment, an increase in foreign trade deficit and balance of payment turbulence (Toskovic,

2. The problem of the growth of foreign debt in the Western Balkans

External debt is defined as total debt of the public and private sectors of a country to foreign creditors, and non-residents, which in addition to the debts of the state also includes the debts of banks and the debts of private companies. External debt is one of the fundamental macroeconomic indicators that has great significance for decisions relating to the long-term sustainability of development of each country. Monitoring and maintenance of external debt within the limits of real economic opportunities is one of the fundamental aspects of the overall macroeconomic stability of the country (Adžić, Toskovic, Markovic, 2014).

The emergence of the crisis, several countries in the region faced a major fiscal challenges that have arisen as a combination of weak growth and failure to curb public spending, which led to an increase in the fiscal deficit, the level of public and external debt. The highest level of debt in the region of the Western Balkans was recorded by Serbia, whose debt reached the highest level in 2012, amounting to 34.4 billion USD, due to the second wave of the crisis (Chart 1). Problems with the repayment of foreign debt in the countries of the Western Balkans, have led to an imbalance in economic development, macroeconomic stability and the society. By giving financial injections, the IMF intervened selectively, which is only possible with adequate debt management policy, which will allow the country to use an external debt without creating problems in the balance of payments and the consequences for public revenues (Adžić, Tošković, Marković, 2014).



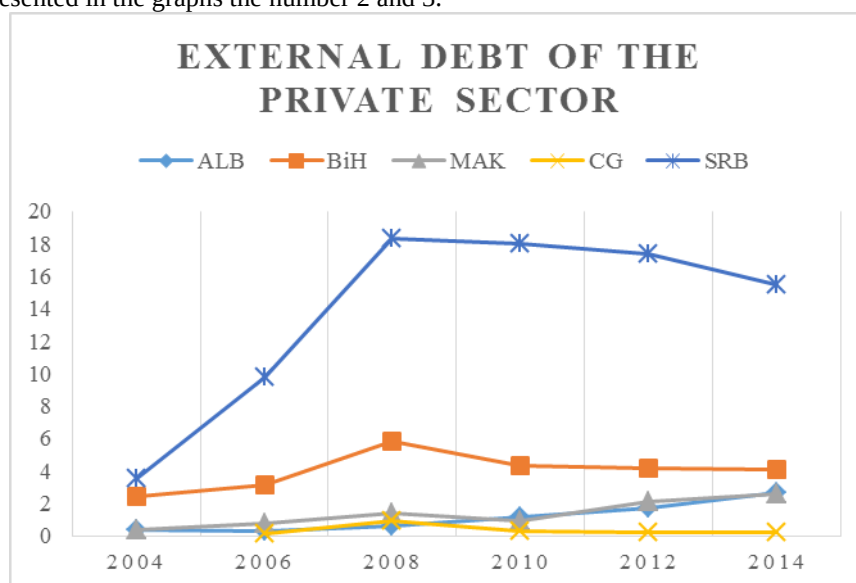
Graph 1. Total external debt in billions of USD

Source: World Bank

The maximum amount of the total external debt observed in billions of USD in early 2004, was recorded in Serbia whose debt by as much as 12.96 billion was higher than Albania. By the beginning of the global economic crisis, Serbia has significantly increased its external debt, which until 2008 increased to 15.94 billion dollars. Other debt by the Bosnia and Herzegovina, which is a period of four years, external debt increased to 24.5 billion USD. In the coming years, Serbia has continued the trend of growth of foreign debt in a much larger amount than the other countries in the region. The countries of the Western Balkans, in the reporting period (2004-2012), the highest amount of foreign debt measured in absolute amount had Serbia in the amount of USD 25.6 billion and BiH 9.37 billion, and the smallest debt had Montenegro with 1.98 billion USD.

3. Analysis of the trend of the external debt of the private and public sectors

In order to determine whether it is in the countries of the Western Balkans came to the realization of economic growth in the next part of the paper we analyze the external debt of the private and public sectors. External debt is made up of private sector debt and public sector debt. Private sector external debt includes the debt of private banks and private individuals, while external public sector debt includes the debt of state banks, central banks and public institutions. Trend of the external debt of the private and public sectors in the Western Balkan countries in the period 2004-2014. was presented in the graphs the number 2 and 3.



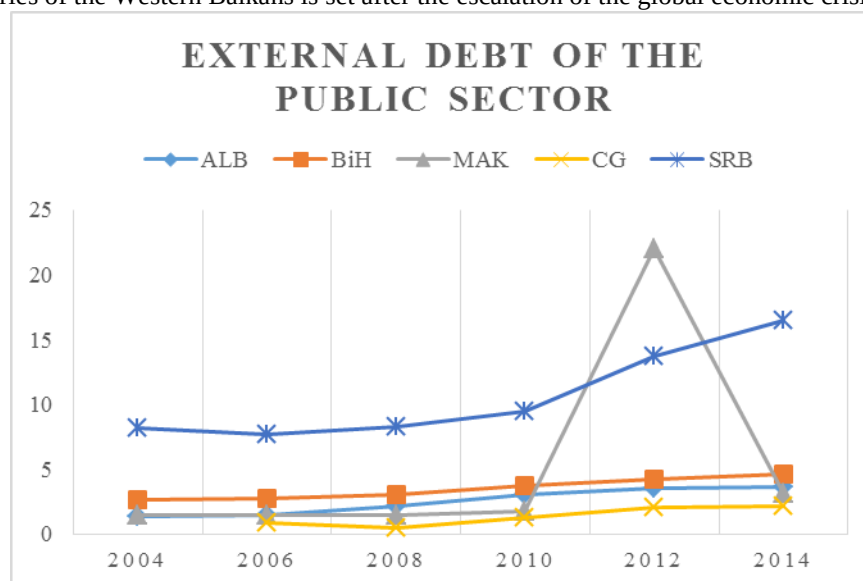
Graph 2. The external debt of the private sector in billions of USD

Source: World Bank

The analysis of data revealed that in early 2004 the external debt of the private sector was moderate, which has long had the highest Serbia in the amount 3.5 billion USD. The highest level of debt in the period 2004-20014. the year was also Serbia with 14.2 billion USD, while Albania had the smallest debt in the amount of 1.2 billion. All countries are in a year of crisis, 2008 recorded a high growth of debt, which is at the forefront Serbia with 18.3 billion while the lowest level still had Albania with 0.6 billion USD.

In the following graphic display number 3 is represented by the external debt of the public sector and its trend over the period from 2004 - 2014 in the five surveyed countries of the Western Balkan. By analyzing the structure of external debt, in 2004 it was found that the public sector recorded higher external debt of the private.

The smallest public sector debt in absolute amount in the period 2004-2014. year had Montenegro in the amount of 1.4 billion USD. For her followed by Macedonia, whose debt rose to 1.9 billion, while the largest debt recorded Serbia, where there has been an increase in debt to 10.6 billion. Certainly, the external debt of the public sector in the countries of the Western Balkans is set after the escalation of the global economic crisis.

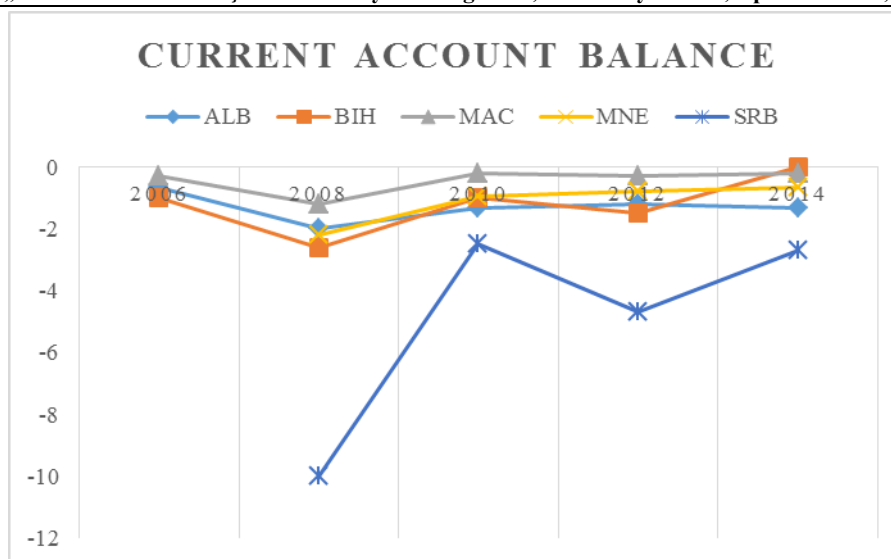


Graph 3. The external debt of the public sector in billions of USD

Source: World Bank

4. Current account balance and the Western Balkans

The state increased the external debt explains the picture of the current account balance, which is in all the Western Balkan countries in all analyzed years (2005-2014) was negative. Current account balance includes the trade balance and the balance of non-commodity transactions. All countries in the region in 2008 and the beginning of the economic crisis recorded the largest deficit of the current account balance. In the years after the crisis, there was an increase deficits (Chart 4).



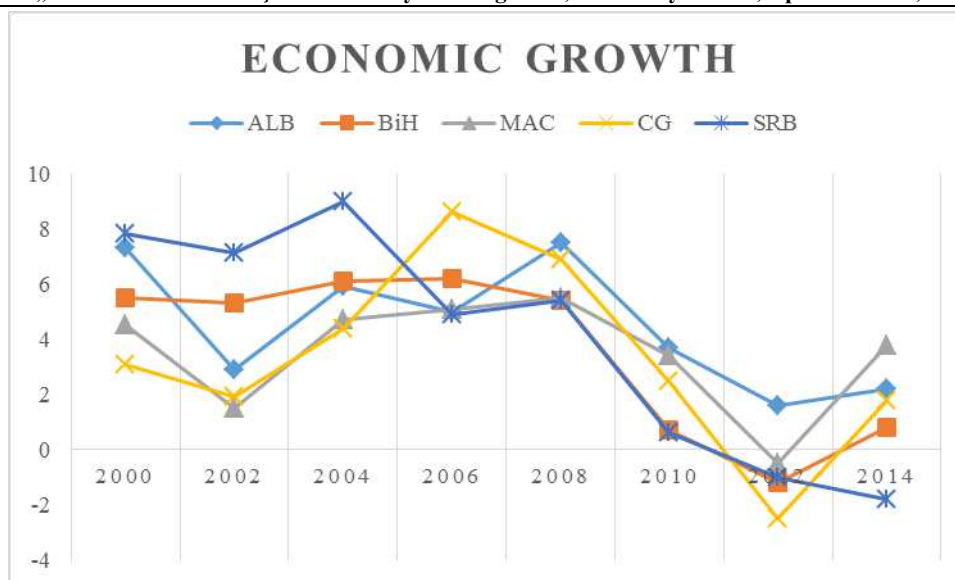
Graph 4. Current account balance in billion USD

Source: World Bank

The total current account balance has been analyzed since 2005 for Albania, Bosnia and Herzegovina and Macedonia, while Serbia and Montenegro data became available after the separation of the State Union in 2006. The analysis shows that the largest deficit of the current account balance recorded in the year of the occurrence of economic crisis (2008), when it averaged was -3.7 billion. Already in 2009, the average decreased to -1.5 billion, while in 2014 decreased to -1.1 billion. Already in 2009, the average decreased to -1.5 billion, while in 2014 decreased to -1.1 billion. The average current account balance is the highest recorded in Serbia, where it amounted to -4.8 billion USD. Bosnia and Herzegovina was ranked second in the amount of -1.4 billion. The approximate average values recorded by Albania in the amount of -1.3 and -1.1 Montenegro, while the lowest average current account balance recorded a Macedonia where the average stood at -0.4 billion.

Based on the presented data leads to several common features specific to the region of the Western Balkans. All five countries analyzed had a similar tendency of recession and economic growth. In the period 2004-2008, all countries had a stable and continuous tendency of growth of GDP (excluding Serbia 2006). After this period, the entire region of the Western Balkans is strongly felt the effects of two waves of the global economic crisis, which was reflected in a recession. The strongest recession in 2009, she felt Montenegro in 2009 amounting to -5.7%, while Serbia was second at -3.1%. The only country that has had a positive economic growth of 3.4% was Albania. After three years of recovery, the region met with the second wave of economic crisis in 2012, when he again experienced a decline in GDP. Montenegro has again recorded the biggest drop in the amount of -2.5%, followed by Macedonia with -1.2%, while Albania again only had positive growth of 1.6%. A slight recovery in the region was recorded in 2013 in all countries of the region (Figure 5).

During the analyzed period, the highest average level of economic growth in the period 2004-2014. Albania was made in the amount of 4%. After Albania, the highest average recorded by Montenegro and Macedonia 3.4% minimum average economic growth had Bosnia and Herzegovina 2.7% and Serbia amounting to 2.6%.



Graph 5. Economic growth 2004-2014. year

Source: World Bank

5. Conclusion

The processes of globalization and transition countries of the Western Balkans were faced with large fiscal challenges that have arisen as a combination of weak growth and failure to curb public spending, which led to an increase in the level of public and external debt. Problems with the repayment of foreign debt in the countries of the Western Balkans, have led to an imbalance in economic development, macroeconomic stability and the society.

During the analyzed period of ten years, the highest level of external debt in the Western Balkans, Serbia recorded. At the same time, Serbia had the strongest growth dynamics of external debt, reaching the highest level in 2012, due to the second wave of economic crisis. Also, other countries in the region had a constant tendency to increase, but not as intense as it is recorded in Serbia. Behind Serbia, Bosnia and Herzegovina is the most indebted country in the region, while Montenegro recorded the lowest level of debt. Yet, for all the countries is characteristic that in the year of the crisis (2008) recorded a high growth of external debt.

By analyzing the trend and structure of the external debt of the private and public sectors in the Western Balkan countries in the reporting period, it was found that the public sector recorded higher external debt of the private. When it comes to the external debt of the private sector, Serbia is the most indebted country in the whole region, with a progressive increase in the occurrence of the global crisis. The high level of external spirit of the private sector in post-crisis years has seen a certain tendency to fall or regional terms, is not returned to the level before the crisis. When it comes to the external debt of the public sector, Bosnia and Herzegovina, Albania and Montenegro during the period did not have significant changes in the level of indebtedness. The second wave of the global financial crisis has hit the most powerful Macedonia, which had a multifaceted growth of the external debt of the public sector, but quickly was followed by a fall to before-crisis levels, while Serbia during the same period of 2012, in a milder but constant increase in the external debt of the public sector.

The state increased the external debt of the public and private sector explains the picture of the current account balance, which was in all the Western Balkan countries in all analyzed years negative. All countries of the region at the beginning of the economic crisis, recorded a large deficit of the current account balance, which continued in the post-crisis period. Based on the presented data leads to the conclusion that all countries in the region in the pre-crisis period 2004-2008. year had a stable and continuous economic growth tends, however, this trend in the years during and after the crisis changed when the region felt the consequences of the crisis and the recession.

Due to problems with repayment of foreign debt a negative impact on economic growth and macroeconomic stability, external debt sustainability of each country is of great importance. The conclusion is that the Western Balkans countries necessary security investments, workers' wages, exports and total demand. The governments of the Western Balkan countries that have initiated the strengthening of awareness, so that these countries have many years of decline.

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