

Integrations eu crisis and the impact on the western balkans

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Abstract

The EU crisis is considered to be a global circle of crisis that affects all the EU countries as well as the countries that are in transition (South Eastern Europe) and continents such as America, Asia, and others in many aspects.

EU crisis has affected the Balkan countries to various extends. Since the integration of the Western Balkan is in progress, this kind of crisis may also affect the further integration of the Balkan with the EU, in fact it will slow it at least for several years. Western Balkan countries heavily depend on EU, especially on export. There is a reduction in export, and this will be affecting negatively a reduction in GDP, because Europe is one of the largest export markets for many countries, even for many continents.

The Greece crisis has a direct impact on several countries in Balkan. For some of them Greece is a significant trade partner and one of the key foreign investors. Greece problem of stagnation will slow down the economic development of the entire region. The slower economic recovery in the Balkans as a consequence of the Greek crisis may make it more difficult for the candidate states to implement the reforms required by the EU.

Considering this, there are many dilemmas that leads the Balkan countries think: if the EU membership is still an attractive prospect or whether they still want to be part of the European family? Somehow this notion "EU crisis" is affecting directly the EU as a global leader. In the eyes of others it makes losing its existing image, especially it reduce its economic power.

Key words: EU, Western Balkans, economic and financial crisis, macroeconomic indicators.

Introduction

The beginning of the euro-zone has begun in 2007 when the U.S. bank broke up mortgages, which was based on bad i.e. the uncollectible loans. Sophisticated financial instruments and derivatives, have infected the whole world through the global banking structure. What began as a financial crisis quickly has transformed itself into a real economic crisis. GDP in the EU (and the euro area) in 2009 fell by 4.6%. The largest drop in GDP was recorded in the Baltic countries, ranging from 14% to 17% of GDP. Croatia's GDP that year dropped nearly 6%. Unemployment also rose to record levels in Spain, Ireland, Greece, Croatia. The lack of harmonization of economic policies and irresponsible conduct of fiscal policy, are the main causes of the fiscal crisis. If the Member States led responsible policies that encourage the competitiveness of the economy, no shocks on the financial markets would not be able to make them insolvent and bankrupt.

Concerns about the quality of the capitalist crisis and to resist them, remain visible. Every day more referring

unemployment figures in many countries worldwide, including the U.S., Russia, EU, etc. Many economies in the stalemate of the planet seems that the crisis continues to be present by adding concerns. Current financial crisis and the effects of major economic, financial and social that expected to leave behind, crisis considered as one of the biggest shocks in the history of capitalism lifted and some questioned affecting some fundamental concepts of self or taboo system and the way of his government.

Before the crisis, the market was dominated by an optimistic atmosphere. But, it all has started from banks.

I. The beginning of the economic crisis and its impact

Nowadays, economic crisis i.e. recession has begun in USA. In a globalized world recession from one country to another can be easily transmitted. Since the USA is still the strongest country in the world, its impact on the world economy is the biggest.

Crisis that emerged in the U.S. market are felt around the world. The size of this crisis is obvious and growing. Countries affected by the crisis have begun to take measures, but it showed the need for all countries of the world should take the necessary measures set.

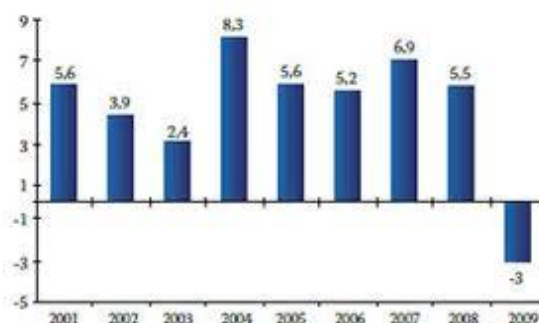
Before the crisis, the market was dominated by an optimistic atmosphere. It all started from banks. As the price of house objects in the U.S. were on the rise, banks were providing loans in this area planned profit. However, when prices began to fall on the same objects in the U.S., those with low power payments were tortured them and banks in payment have taken homes whose loans were not repaid. Banks in need of cash began with the sale of taken homes, as the increase in demand occurred due to a larger decrease in prices. The same drop in prices has conditioned in that and obligations based on residential buildings also lose value. This state has led financial institutions in serious condition. Because of the lost value banks fel in crisis in terms of capital, that are faced with the problem of cash, so that they could pay to exercise by taking a loan from other financial institutions. However, as the environment was very vague and risky borrowing that cost them more.¹There was a narrowing in the financial system. Confidence in the financial markets had been a great. As the extent of the financial crisis is very large, it has deeply influenced the world market. This crisis is so frightening that led to the confiscation of some banks. Banks and other financial institutions are core actors in the market infrastructure. Banks are the principal providers of payment accounts, instruments and financial services to end users.²

Countries affected by the crisis have taken various measures to make the minimum level to remain damages and losses caused by the crisis. U.S. took over the management of some banks that Ireland put all his savings under the state guarantee. Some countries have declared support package and invested large amounts of money into the market to rescue and supported the Bank's capital. Danger that in the period when the financial system reduces, individuals with savings it can out of concern that banks will bankrupt to withdraw their money from banks.

If the money transformed into gold and other valuables that can keep around, then it may increase the problem and cause bankruptcy of some banks that now operate normally.

The experience of previous crises, although the intensity and extent of less than the present, has shown that, as the decline in pessimism of governments, business or citizens, as well as the consequences of the actions under its panic, were as harmful as the real causes of the crisis itself.

Annual rates of change in real GDP during the period 2001-2009 as a percentage.



Source: State Statistical Office

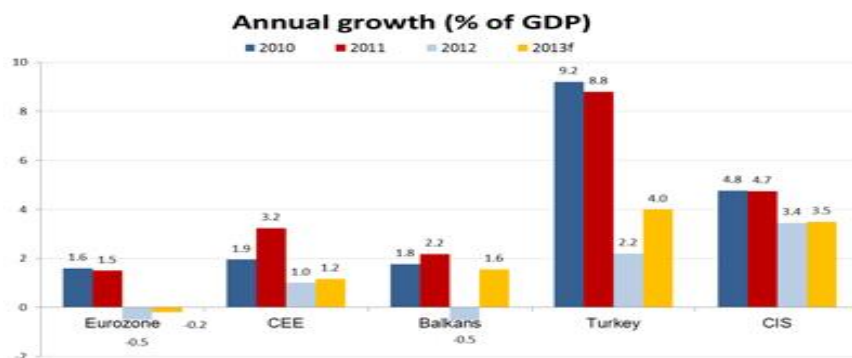
II. European Union countries and the economic crisis

In Europe, what started out four years ago as a sovereign debt crisis, morphed into a euro currency crisis and led to the fall of several European governments, has now triggered a full-blown crisis of public confidence: in the economy, in the future, in the benefits of European economic integration, in membership in the European Union, in the euro and in the free market system. The public is very worried about joblessness, inflation and public debt, and those fears are fueling much of this uncertainty and negativity.

Europeans largely oppose further fiscal austerity to deal with the crisis. They are divided on bailing out indebted nations. They oppose Brussels' impending oversight of national budgets. At the same time, Europeans who now use the euro have no desire to abandon it and return to their former currency. And anti-German sentiment is largely contained to Greece, at least for the moment.

¹ Kilibarda M., Nikčević A., Milić D. & Mićunović A. (2011): *Globalna Finansijska Kriza i Odgovor Evropske Unije; Centralna Banka Crne Gore - Sektor za Istraživanja i Statistiku; Crna Gora, Podgorica, 2011.*

² European Central Bank (2013): *The payment system; www.ecb.europa.eu.*



The crisis has exposed sharp differences between some Europeans. Germany is the most admired nation in the EU and its leader the most respected. The Germans have been judged to be Europe's most hardworking people. And the Germans are the strongest supporters of both European economic integration and the European Union. Greece is the polar opposite. None of its fellow EU members surveyed see it in a positive light. In turn, Greeks are among the most disparaging of European economic integration and the harshest critics of the European Union. And they see themselves as Europe's most hardworking people. These are among the key findings from a new survey by the Pew Research Center's Global Attitudes Project, conducted in eight EU nations and the United States among 9,108 respondents from March 17 to April 16 (2012).

Mixed view of European Unity

	EU favorable rating	EU integration strengthened economy	Euro good thing	EC Bank favorable rating
	%	%	%	%
Britain	45	30	--	29
France	60	36	31	47
Germany	68	59	44	40
Spain	60	46	37	25
Italy	59	22	30	39
Greece	37	18	46	15
Poland	69	48	--	54
Czech Rep.	34	31	--	38
Median	60	34	--	39

Pew Research Center's

III. Impact of the crisis on the normal development of countries in transition (Western Balkans)

Fall of the Berlin Wall and the beginning of the transition of the former socialist countries it has caused great difficulties for most of these countries. However, 2004 and 2007 years some of the most successful countries have become EU member. It is a confirmation that these countries have for a relatively short period of time managed to adapt to the requirements and criteria of the EU. EU accession has been significantly improved standards of most inhabitants of these new members. However, many of the facts shows

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Global and very serious economic crisis, in all likelihood, they will hardly be very difficult to hit this group of countries, which is not surprising, given that the foreign capital in these countries have a key role in boosting the overall economic development. Given that the developed countries are represented in a very serious crisis, it is quite

that membership in the EU, except significant benefits, involve many sacrifices.

Transition is a short time led to sharp polarization. Small number of very rich and very powerful individuals and a larger number of medium population, have worked hard to retain job and a decent income. In a bad position were found transition losers, who lost their previous positions and jobs. Citizens, consumers and businesses reflected and continue to reflect the fear for their jobs, their money and investments, while politics and government accountability required of maximum performance in handling the crisis and its effects not only economic, but especially social.

obvious that the inflow of foreign capital in the coming years will be seriously reduced.

Of course, global losses from this crisis are enormous.² There is almost no branch of industry where heavy economic crisis not long ago was knocking on the door, but at least for now, significant effects of the crisis on the private security market is not yet affected to a great extent.

¹ Civici A. (2010); *Kriza Financiare...Apo Globale?*; ISBN Tiranë, 2010.

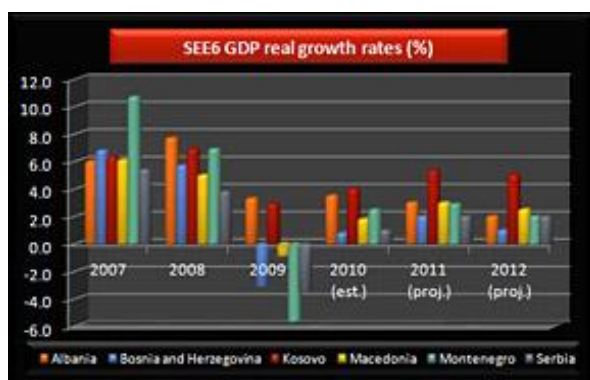
² Civici A. (2010); *Kriza Financiare...Apo Globale?*; ISBN Tiranë, 2010.

Chain reaction caused by the recession in the countries of the American continent will leave definite consequences in this field, which will certainly, result in reducing the amount of traffic services and a reduction in investment in the segment of private security in general.

Chaos in the global financial system is such that the governments of northern countries acceded to the measures advocated progressive movements for years, such as the nationalization of banks. These measures were taken for the purpose of short-term stabilization and once the storm passes, the bank will most likely return to the private sector, and therefore we have a very brief opportunity to mobilize that this does not happen.

The Western Balkan economies are expected to grow at a slower pace this year, the World Bank (WB) said in a report this month, covering Albania, Bosnia and Hercegovina (BiH), Kosovo, Macedonia, Montenegro and Serbia. Given their vulnerability to the effects of the euro-zone crisis, the six countries, dubbed SEE6 in the paper published on November 15th, should adopt policies to foster stability and long term growth.³

WB predicts lower growth of Balkan economy in 2012 (World Bank)



III. Greece Financial Crisis

Concerns about the serious financial crisis have passed Greek considerably its borders. Even in the priority agenda of the EU itself, in 2010, "Greek issue" seems to be the first. Greece turns to European country not only hit hard by the financial crisis, but above all by a bad management of its public finances. Greece also results as a country that has not had quite the financial situation under control as a result of major defects in the system of statistics and macroeconomic data base.

The financial crisis is a process of simultaneous conflicts of three identities - national, European and global, where it is manifested in Greece as Greek nationalism.

³ World Bank (2012): *Golden Growth; Restoring the Lustre of the European Economic Model*.

Complete financial crisis born in Greece occurred spontaneously. Demonstrations of tens of thousands of disgruntled workers started due to government austerity measures implemented in order to settle the growing deficits and debts of Greece. In recent years the growth of the public debt was a major problem in this country. Radical economic reforms and EU assistance are really needed, or rather necessary to overcome such negative phenomenon. So, the measures that the government has planned to carry out the reforms, was to reduce the public debt from almost 13% to nearly 9% of the national gross domestic product (GDP).

However, the financial crisis began in Greece so as Greek debt rose sharply to about 404 billion dollars, or 13% of the country's GDP. After a certain time it was seen that the crisis is serious, for several reasons.

First, the credibility of Greece's rapidly declined. Events that occurred diminished confidence in the country, which had an impact on foreign investors. Greece was forced to reduce public costs, which means the dismissal of civil servants, reducing salaries, postponing retirement, savings on health care, tax increases, and with it an increase in unemployment from the current 9.6% to about 16%, and all this with the aim of deficit budget to be reduced to 8.7%. Considering the consequences, we see that the population of that which will be most felt this crisis, for the simple reason that their deteriorating living standards.

However, the fact that Greece belonged to the EU has been providing security. EU helps Greece because he was alone in the panic of the crisis spreading to other countries. The problem is that the Greek state has entered into debt, but the problem of all other states is that there is a danger of the spread of the crisis so great. Greece is now saved by Euro-zone countries and the IMF.

Analysts cite several factors that led to the financial crisis. Greece has overly consumed but the EU did not report a dramatic increase in the deficit. They also argue that the EU has not been carefully analyzed the financial data that arrived from Athens.

Greek crisis keeps larger economic problems in Europe. Member States such as the Netherlands and Germany, spend enough, and their economies are oriented towards exports. Meanwhile, countries such as Greece and Portugal were using up too much so that they have accumulated huge debts. In order to find durable solution affected countries such as Spain, Greece, Portugal and Italy, should implement reforms to encourage economic growth, reduce production costs and more effective regulation of the public sector.

The EU provided financial assistance to Athens, though the crisis would not spread to the whole Europe. But the European bloc countries were not quite ready to carry out fundamental reforms needed to establish the financial equilibrium of the EU economy. The loan will perhaps save

Greece but it will not be enough for the resolution of far greater problem of balancing the European economy as a whole.

The financial crisis in Greece threatens to spill over to the rest of Europe. There is a warning that the required reforms are needed in Greece and in the EU. Greek economy is all the more affected by the painful effects of a new international crisis. That means trouble for the Greek economic growth, especially for reasons that may not be helpful for a large amount of local products for export from the grid.

The government of Greece should react against the global economic crisis. Otherwise, the situation in the country would lead to recession. If the Europe on the political plan is not answering on the Greek financial crisis, threatens the EU will be faced with a crisis of confidence. The situation would threaten the long process of European integration. Greek financial crisis threatens not only the EURO exchange but also the entire European Union.

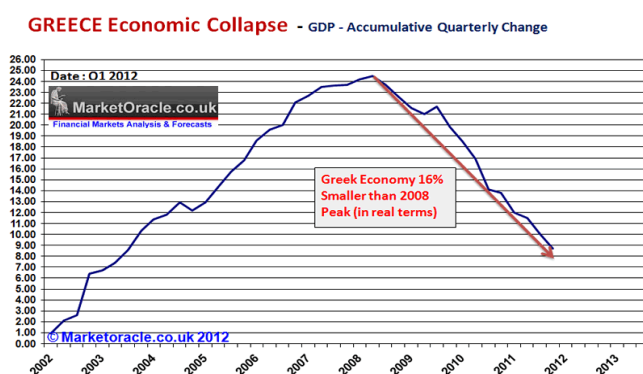
The Greek economic adjustment and its social implications are painful: there is no doubt about this. The question, however, is: how did Greece get in such a situation and does it have any alternative? The major effort of adjustment reflects the severity of the macroeconomic imbalances that have accumulated over years in Greece. Misguided economic and fiscal policies, lack of structural reforms: all these policies undermined the sustainability of public debt and created a very large competitiveness gap. It is not the adjustment programme which is causing the recent decline in GDP. The current economic depression is an unavoidable correction of the substantial positive output gap that has built up until 2009.⁴

yesterday. In Greece and Spain there are two or technocrat government professionals who are committed to a rapid reform package. Considering that reform should not always and not all expect to positivity.

Current economic and financial crisis that shook the world is dedicated to a considerable extent of the lack of norms and ethical crisis, there is no doubt that the world and its economy will begin a new cycle, a new era in terms of organization and its functioning.

We can say that developed countries are not in the position of rulers. They are already integrated in the global competition. As for the group of countries of Central and Eastern Europe, they are already converted to the rules of market economy and the global market. So now we find ourselves in front of a variety of actors, whose interests are highly discrepant with each other.

Ultimately, we can say that the crisis is part of the ups and downs scenario cycles that occur frequently in the capitalist system, despite the latter is among the harshest who has known this system. In the current situation, the only thing that can be done is to obtain as many measures for depreciation of its negative effects.



CONCLUSION

It is considered that the Euro-zone is at a critical stage especially countries such as Greece, Portugal, Italy, Spain

⁴ European Central Bank (2012): *Exchange of Views on the Economic and Social Crisis in Greece*; www.ecb.europa.eu.

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