

FORMER YUGOSLAV COUNTRIES IN THE BALKAN CONTEXT AND DIFFERENCES IN THEIR ECONOMIC DEVELOPMENT

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UDK: 911.3:914.971

COBISS: 1.02

Abstract

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In this article we will talk about the perception of Balkan, how the people who lives there and people from the West see it and how it become that Balkan have so negative connotations. Also we will present how the former Yugoslav countries, as once a part of Balkan, has the different economic growth which exsisted and still exist between those countries. We will try to explain why some of them economically gone very far and others are still falling behind.

Key words

Balkan, former Yugoslavia, former Yugoslav countries, differences in development

1. Introduction

Europeans used different names for part of Europe which was many centuries isolated from rest of the continent and which today is called Balkan. That often depends on cultural connection and political reasons. Earlier British travellers called this area Haemus (old Greeks called it *Aemus* and old Romans *Haemus*). Italian writer and diplomat Cllimaco first wrote name Balkan in 15th ct. In 19th ct. for the same mountain are used two names: Balkan and Haemus. Word Balkan is Turkish word for mountain. Travellers used word Balkan not for the whole peninsula, but just for the mountain. The most common names for Balkan till Berlin congress (1878.) were: European Turkey, Turkey in Europe, European Ottoman Empire, European Levant, Oriental Peninsula etc. Local national names were also used such as Greek peninsula, Slavic-Greek peninsula or Southslavic peninsula. Ottoman rulers called this area Rum-eli or Land of Romans, Rumeli-i-sahane or Empirical Rumeli and also *Avrupa-i-Osmani* (Ottoman Europe). "As the result of Turkish government, at the end of 17th ct. almost one third of east Balkan population was ethnically and by language belonging to Turkish people. At the northwest parts German element was spreading fast, especially after Austrian-turkish war (1683-1699). In 19th ct. germanization was also fast in Dalmatia and after 1878 in Bosnia and Herzegovina" (Stojanović 1997).

As for religion, most of Balkan states are Orthodox except Bosnia where the Christianity developed late and never had strong institutional base. That's why islam had faster and bigger influence there than in other parts of Balkan. "Islam today is still part of cultural elements in Balkan" (Rihtman Auguštin 1997). But name Balkan stays and in the second half of 19th ct. replaced the name European Turkey.

Balkan was always divided in three spheres of influence: Russian, Austro-Hungarian (middle European) and Turkish. Later in 20th ct. in the Balkans started to appear Soviet (in Romania and Bulgaria) and American influence (Greece).

In the 19th ct. term Balkan didn't have negative connotations. At the beginning of 20th ct. this term starts to get different social, political, ideological, economical, cultural and civilisational connotations. During the Cold War was suppressed Balkan determination and conflicts were on the line West-East. More often term Balkan and balkanisation are used from 1989. and that in negative sense. "Balkan can't never be a role model" (Rihtman Auguštin 1997). Part of this Balkan was also former Yugoslavia, although some areas were more and some less "Balkan" – similarities and differences in former Yugoslav countries will be also mentioned in this article.

2. Balkan inside

We can often hear in everyday speech about Balkan mentality – who has it or who doesn't. Being Balkan man (or women) means to be rough, primitive, lazy, slovenly, uncultured or something similar. It also means that many people talks with similar languages, but not understanding each other the best sometimes. The legacy we still all have from Turks are many Turkish words that we still use in our everyday life.

Many people see Balkan as something dark, mystic, place where people are still connected with nature powers. It's seen as something being slow and falling behind in comparison to rest of the Europe. But Balkan is a place where people are simple,

where they fought for their national independence, for better life and technical and economical development, and at the same time keeping the rest of Europe far from wars with Turks, so that Europe could develop. That was denied to Balkan countries and this area stayed economically most undeveloped in Europe till today.

"Balkan people needed to wait 19th ct. and decline of power of Ottoman Empire to start progressing a little. Industrialization had to wait creating of social basis which allowed development of industrial policy: order and law, opening schools, hospitals, modernisation of roads, opening efficient institutions for assessment and distribution of economy data. Policy of industrialization need to made economy base: monetary, fiscal and public services. Also big problem till the second half of 19th ct. was there were no bigger urban centres in this area, and making social and economic basis depended on urban development. Bigger urban centres started to appear thanks to stronger technical development between 1950-1970. In communist countries also grew small towns and developed new industrial cities." (Stojanović 1997).

"When the Balkan states finally industrialized they couldn't compet on international market with the states which had power steam machines and other sources of energy, and on the other hand they couldn't make their own market very fast. Many of people were afraid of sudden industrialization. Between 1830 and 1990, biggest Balkan states, including Yugoslavia, tried 6 times to conduct industrialization, under different socio-political surcomstances. First four try of industrialization try to conduct bourgeoisie and other 2 times (except in the case of Greece) state. So, even when they were progressing, Balkan states were still declining for other European countries because they lost in touch with advanced industry and technology." (Stojanović 1997).

3. Which is and which is not Balkan?

Balkan peninsula is surrounded with Adriatic, Ionian and Black sea, but on the north, borders are not clear. Northern border are rivers Sava and Danube for which there are historical and cultural reasons. Western Europeans often thinks that the Balkan is on the economic and civilisational bottom of Europe – European third world. Balkan is the bridge between East and West, Europe and Asia, but also a social bridge between high civilisation and "nothing", so its often considered as half civilised, half developed, half oriental and half colonial. The heart of the Balkan is area of southeast Europe which was a long period under the Turkish dominance and isolated from West Europe at that period. Balkan peoples has negative image about themselves which created Western Europeans. Some people think that with making Balkan as something bad, Westerners wants to make good picture of themselves as "real" Europeans. Balkan in that way becomes "storage of negativity". Just one month ago one British officer who participated in UN forces situated in Croatia said: "All people from Balkan are bad – everything is connected with revenge to them".

Sometimes with balkanisation is connected southeast and central Asia because of similarity with original, but its only one, true Balkan, one at the southeast Europe. Western Europe is "true" civilised Europe and the East something towards Asia. On the West there are modern cities and modern trade and on the East centralized birocratic state which overlooked cities and towns. On the West is Latin Catholicism and on the East orthodox Christianity. Division of West and East is maintained through difference of Roman Catholicism and orthodox Christianity as consequence of political and ideologically rivalry of Rome and Constantinopol. Another important

boundary between Europe and outer non-european borders is border between Christianity and islam.

In the whole Balkan we have multiple division of orientalism. For Slovenians easterners are Serbs, as well as for Croats, for Serbs easterners are Bosnians, although they are geographically western than Serbians. But common to all of them are Turks, who also see themselves as westerners in comparison to Arabs, Persians and others. Western Europeans often use to blame Balkan countries for terrorism which was part of national movements. First World War began at Balkans. Creators of images from West often blamed Balkan for whole war, but there was big part of western European powers who wanted that war also. The term balkanisation is connected with system of mini-states which is contrary to aspiration of western-european nationalists who wants big and homogeneous state. Some detailed explication of balkanisation tells us about decomposition process of bigger area on smaller and mutually hostile units which make balkanisation similar to libanonisation.

4. Former Yugoslavia and Balkan

In former Yugoslavia there were "more" and "less" Balkan regions. With less Balkan regions were connected some adjoining parts of Balkan, but more important were some other outer characteristics. Most of the authors classify this former Yugoslav countries as Balkan countries: Serbia, Monte Negro, Macedonia and Bosnia and Herzegovina. Main reason for that is long term ottoman rule and absence of western influences on those societies. Croatia was short period of time under ottoman rule and Slovenia wasn't at all – for them term Balkan is used much less. Slovenia and Croatia always wanted to be part of Central Europe – which represents positive and sentimental way of thinking. Eastern Europe, on the other hand, is always mentioned in negative sense. Even today, Eastern Europe, Russia and Balkans are often considered as contrast to civilized Central Europe. "No one of Balkan country inhabitants doesn't want to be considered as Balkan people" (Čapo Žmegač 1997).

Serbia didn't like Croatian and Slovenian moves towards Central Europe. But "Slovenians and Croats wanted to go out of Yugoslavia because they believed they are more progressive, advanced, good workers, tolerant and democratic, towards lazy and intolerant Balkans from the east of country." (Rihtman Auguštin 1997). Some authors last few years consider Croatia as part of Western Balkan, but West Balkan is just a Balkan. West Balkan is term which coined euro-bureaucrats. Yugoslavia was state of repeating conflicts on national basis and it's not impossible to say that new West Balkan association could go in that way too.

The main reasons for some authors to classify Croatia as Balkan state is that some parts of its territory were under Turks one period of time and also the fact that Croatia was part of Yugoslavia during most of 20th ct. "But from the end of 17th ct. Croatia developed as part of Austrian and Venetian space, later just the first one. Because of that Croatia is zone of contact, dividing line or meeting point of empires and traditions" (Čapo Žmegač 1997).

Yugoslav people in the period of Yugoslavia existing, thought of themselves as part of Danube or Adriatic region, or as a elite of nonaligned countries. Some stronger acceptance of term Balkan was in Serbian and Macedonian science through existence of Institute of Balkan in Serbian academy of science and art or in

Macedonian magazine Balkan forum. Serbian geographer Jovan Cvijić looked in Balkan in positive way and the main role in this area he gave to Serbs.

Foreign creators of Yugoslavia try to make good picture of Yugoslavia as their successful project which has achieved their main goal – peace in Balkan. Therefore, because that picture have to stay good, many Yugoslav interior crisis and conflicts were covered. From 1918-1990 Yugoslavia was state of many conflicts on the national basis. Every few years in many parts of Yugoslavia, from Croatia to Kosovo and Bosnia there were some conflicts which were solved by dictatorship bat. For other countries Yugoslavia's presented pictures of succes was stronger than picture of country with many internal crisis.

Even before, for some European countries in the times of Ottoman empire, Turks in this part of Europe were factor of stability and balance of power. Just the thought on existence of many Slavic-orthodox Balkan states looks dangerous to them. Western Europeans, although led antiislamic and strong fundamentalist Christian campagne, wanted long lasting Ottoman empire in Balkan.

In the years after retreating Ottoman empire, process of westernization of Balkan start to begin. Turks didn't take care of establishing local political and cultural elites and Balkan Christian elites didn't have part in Ottoman empire. After Ottoman rule old state institutions and local government were disappearing and new were established. The role model was European administrative homogenous national state. Modernisation of Balkan begun with trade, industrialization and making new bourgeoisie. New languages are standardise and institutions like schools and army, construct wide masses into citizens of new national states.

But Balkan societies have little trust towards state because it reminds them to Ottoman state as alien and non friendly. People and local government try to take the most from central government which results in corruption and "gray" economy. Croatia today, with spreading of EU on the east and south of continent, becomes closer to western-europeans standards. In its history Croatia has two big falls – after decline of Austro-Hungary and other after Second World War. First opportunity for Croatia to become closer to Western Europe was after break up with Yugoslavia. Of course, Croatia has its interest in Balkan, from safety issues, economy and national interests, but for that it needs not Western Balkan Union but seriously build-up states with which Croatia can cooperate.

Next part of this article will be dedicated to economical differences that existed in former Yugoslav republics, and on the other hand, it will show how these states developed and at what economic level are today.

5. Economic Development of the ex Yugoslav Republics from 1957 to 2005

There was virtually no change in the share of the individual republics in Yugoslavia's total domestic product during the examined period, 1957–1988. The relative shares of the individual republics remained for many years the same. Thus, their ratios of participation in the gross domestic product (GDP) were static in the long-term. No republic showed either a significant increase or decrease in its relative share.

Yugoslavia consisted of six republics and two autonomous regions – Voivodina and Kosovo, which were part of Serbia. In 1992. was formed by republics of Serbia and

Montenegro, Federal Republic of Yugoslavia, and later simply Serbia and Montenegro. We grouped the republics of Serbia and Montenegro into one entity when presenting data from the Yugoslav period, since this enables comparisons to be made with the period after 1990, when these two republics were within one state. When this paper was near completion, Montenegro became independent, yet it will take some time before the World Bank publishes its first official data for Serbia and Montenegro as separate states. For this reason, this paper will continue to treat Serbia and Montenegro as one country. However, Serbia's economy constitutes a much larger system than Montenegro's. For example, the Montenegro's GDP at the end of the 1980s amounted to about 5.4% of Serbia's GDP (i.e. Serbia, together with its two regions, Voivodina and Kosovo).

From 1957 to 1988 Serbia and Montenegro maintained the largest economy among all the Yugoslav republics (and thus also the highest share in the Yugoslav GDP). Serbia and Montenegro participated with 39-40% in Yugoslavia's GDP. This proportion did not change in about thirty years. Obviously, this ratio pertained mainly to Serbia, since Montenegro's share in producing Yugoslavia's GNP was small – more or less 2%, while Serbia's was around 37-38%. Croatia had the second largest economy in Yugoslavia; with a share in the GDP between 25% and 28%. Croatia, incidentally, also showed the greatest change among all the republics in the Yugoslav period. In 1957 Croatia's participation in Yugoslavia's GDP was 28%, whereas in 1988 it fell to 25%. Slovenia had the third largest economy in former Yugoslavia, with a 17% share in the country's GDP. Bosnia and Herzegovina participated with nearly 13%, and Macedonia with 6% of Yugoslavia's GDP. If we now divide ex-Yugoslavia into a western and an eastern half, then the West – i.e. Slovenia, Croatia, Bosnia and Herzegovina (SCBH), produced 55% of Yugoslavia's GDP, and the East – Serbia, Montenegro and Macedonia (SMM), produced 45%. The population distribution between the West and the East was about equal – 50:50%.

After the break-up of Yugoslavia and the creation of five new states; through the war and the transition period, the previously existing percentages of economic production significantly changed. We did not present data for the period 1990–1999, since the World Bank did not provide all the relevant statistics for Serbia and Montenegro during that decade. To be exact, such material is given for Slovenia from the beginning of the 1990s, and several years later for Croatia and Macedonia and Bosnia and Herzegovina, but most of the data for Serbia and Montenegro was published for the first time only in 2000. According to the data for 2000 and 2005, Serbia and Montenegro no longer made up the largest economy in the former Yugoslav region. The leading position has been taken by Croatia and Slovenia. Croatia's portion in the aggregate gross national income (GDI) of all the states in the former Yugoslav area had increased from 25% (1988) to 34% (2000) and Slovenia's from 17% (1988) also to 34% (2000). At the same time, Serbia and Montenegro's part fell notably from 39% (1988) to 17% (2000), and Bosnia and Herzegovina's from 13% (1988) to 8% (2000). Macedonia's portion remained about the same, around 6%. In the period 2000–2005 there was a certain economic recovery in Serbia and Montenegro and the country's share in the aggregate GDI in the ex-Yugoslav area rose from 17% to 24%. If we now divide the former Yugoslav area into its western and eastern sections, i.e. into SCBH and SMM, then SCBH produced 77% (2000) and 71% (2005) of the region's GDI, and SMM 23% (2000) and 29% (2005).

Now we will analysis levels of *per capita economic development*, which present a different perspective from that of absolute economic mass (i.e. share in the overall GDP).

From this perspective, traditionally the most developed republic in former Yugoslavia had been Slovenia, with a per capita gross domestic product 74–100% above the Yugoslav average in the period 1957–1988. Croatia had been the second most developed republic, with a per capita GDP 20–26% above the Yugoslav average. *All* the other republics had had a per capita GDP *below* the Yugoslav average: Serbia and Montenegro 8–12% below the average, Bosnia and Herzegovina 26–35% less and Macedonia 31–38% under the average. Certain shifts in increasing or decreasing the level of development among republics can be noticed in the period 1957–1988. Thus, an increase in the level of development is evident in Slovenia, and a slight reduction can be seen in the level of development of Bosnia and Herzegovina.

As was to be expected, a large divergence in the levels of per capita economic development occurred among the new independent states in the area of former Yugoslavia. Slovenia and Croatia became even more developed and rose further above the average level in the ex-Yugoslav area, while Serbia and Montenegro, Macedonia and Bosnia and Herzegovina moved in the opposite direction. And, so, the train composition became extremely elongated. The differences became enormous! Slovenia's per capita GNI rose to 293% (2000) above the average in the former Yugoslav area. This was an increase from 98% (1988) to 293% (2000). Croatia, which had been the second most developed republic in Yugoslavia, also progressed, from 25% above the average in 1988 to 81% in 2000. The greatest decline was experienced by Serbia and Montenegro, which had been 11% below the average in 1988 and 63% below the average of the former Yugoslav area in 2000. It is interesting to note that in 2000 Serbia and Montenegro became the most undeveloped country in the former Yugoslav area. Bosnia and Herzegovina also experienced a significant fall in its level of development. However, from 2000 to 2005 the overall situation in the ex-Yugoslav area reverted somewhat back to the pre-war proportions (before 1988).

6. Reviewing recent changes

Today there is usually limited interest as to why the period 1957–1988 remained so static, practically without any noticeable changes in the relative levels of development of the individual republics in former Yugoslavia. Therefore, we will not try to answer this question, which is of interest mostly to historians or, more precisely, to economic historians. We are more concerned with the reasons why such major changes occurred between 1990 and 2000, and in predictions regarding developments in the near future. Although no clear answers exist – certain assumptions can be made.

In the case of some (former) republics, the situation is quite obvious. Macedonia did not experience any significant changes either in the size of its economy or in its level of development relative to other countries in the ex-Yugoslav area. Hence, the Macedonian case does not require further explanation. The pronounced drop in Bosnia and Herzegovina's share in the GDP/GDI of the former Yugoslav area, and the decrease in the country's per capita level of development, was to be expected, due to the severe and devastating effects of the war in that country. The war was

the main cause of this decrease. The present state of peace has installed a highly bureaucratised administration and an internal division into two (and sometimes three) separate units. International aide has stimulated passivity and a bureaucratic orientation in the population. In the Yugoslav period, a strong military industry had existed in Bosnia and Herzegovina, as well as similar economic concerns that had nurtured an intense real-socialist mentality in the workers, which had been deeply anti-entrepreneurial. Thus, the pre-war hard-line socialist structure, with the state acting as a nursemaid, was followed first by devastation, internal divisions and mistrust during the war, and later by activities on the part of the international community that created rigid bureaucratic mastodons on the local and the national level, and which through international aid increased the passivity of a *milieu* that had already been passive and non-entrepreneurial in the previous era. The international community, or more precisely the United Nations, has been taking care of Bosnia and Herzegovina for a long time. In order to end the war and reduce tensions the UN has established a regime of supervision in the country. UN supervision in Bosnia and Herzegovina is still in effect and the powers of UN administrators are immense, greater than the authority of all the levels of government in Bosnia and Herzegovina, including the country's central parliament, its government and presidium (which amounts to making Bosnia and Herzegovina a "protectorate"). To this should be added strong indications that a large part of the population, perhaps even the majority, does not even want the state of Bosnia and Herzegovina – but rather views other states, primarily Croatia and Serbia, as its own. This applies mostly to Croats and Serbs, but maybe also to certain segments of the Bosniak group that have been traditionally been inclined towards one or the other neighbouring country. Therefore, expecting economic success in Bosnia and Herzegovina seems quite illusive.

On the other hand, the change in the relative proportions of the three largest economies: Croatia, Slovenia and Serbia and Montenegro, is especially interesting. Slovenia and Croatia registered considerable economic growth after 1988, while Serbia and Montenegro entered into decline. Slovenia had an advantage in that it managed virtually to avoid war. Croatia, however, suffered highly from the war (after Bosnia and Herzegovina), since the war was fought on Croatian territory. Serbia and Montenegro, the state that had launched the war, likewise endured financial burdens and pressures resulting from the war, including several years of economic (and other) sanctions implemented by the international community. These sanctions also hit Macedonia, despite the country's innocence and non-involvement, since they practically closed its route to West Europe (the export route to the South was blocked by a Greek embargo, in protest to the use of the Macedonian name, and so Macedonia had for a time to rely on Bulgaria as an export outlet, which was complicated by the fact that Macedonian and Bulgarian exports to West Europe were of the same general type and therefore mutually competitive).

It is interesting to note that although Croatia was the victim of Serbian and Montenegrin aggression, the Croatian economy advanced, while the Serbian and Macedonia economy regressed. This should be noted as a phenomenon! Why? According to one opinion, made in the mid 1980s (when the future development in Europe could already be predicted with a high degree of accuracy) – in the expansion of market economies to the East, to the then-existing socialist world, areas that were geographically and in a civilisational sense closer to West and Central Europe would be much more successful in the new market economy than regions oriented towards the oriental-despotic Balkan zone. Subsequent events

confirmed this view, e.g. if we compare the successes of Hungary and the Czech Republic on the one hand, with Bulgaria and Romania on the other hand. Thus, the more western, more "European" countries – Slovenia and Croatia, showed better results than the more eastern and more Balkan-oriented countries – Serbia and Montenegro. Of course, in all the mentioned countries both types of influences exist – western, European and eastern/Balkan – the differences being in their relative intensities and prevailing tendencies. In the 1990s the government of Serbia and Montenegro was more intensely socialist and less inclined towards changes in the direction of a market economy than the Slovenian and Croatian governments. At the same time, corruption in Serbia and Montenegro was much more intense and deeply-rooted than in Slovenia and Croatia. International sanctions, as a result of the Serbia and Montenegro's hostile participation in the war, brought on further losses and furthered the country's economic deterioration. The advantages that Belgrade had had, as the capital city of former Yugoslavia, were lost. However, the most important reason that brought about this deterioration during the 1990s was probably the deep drop in the "quality" of Serbia and Montenegro's society. Slovenia managed to develop its society during this period. Moreover, Slovenia managed to replace the loss of the former Yugoslav market by redirecting its production to the market of the European Union and to other world markets. Slovenia showed a strong inclination towards a market economy, which it quickly implemented, but without typical East European rashness. It seems that Slovenia was more prepared to establish a market economy and had less elements of predatory capitalism than was usual in most, if not in all, East European countries.

7. Cooperation between the Republics/States in the period 1957–2004

In the former Social Federal Republic of Yugoslavia the republics existed as relatively closed economic systems, only partly linked to the economies of other republics, or to the rest of the world. It is interesting to note that in 1988 practically all outside plants of Zagreb-based industries were located within 70–80 km of Zagreb, yet in the Slovene area of Brežice, just 25–30 km from Zagreb there was not even one such outside facility from Zagreb. Thus we can conclude that the border between the Republic of Croatia and the Republic of Slovenia was very "hard" during the period of Socialist Yugoslavia. To a certain degree, in relation to Zagreb-based industries, Slovenia was another country, better said a "foreign" country, "another world", in which outside plants were not located. At this time Yugoslavia's economic system was as a whole closed, and Zagreb-based industries set up outside plants not just within Yugoslavia, but for the most part mainly in Croatia, and only to a lesser degree in other former republics and, of course, not outside of Yugoslavia.

During the Yugoslav period, most sales of products and services took place within the individual republics. For example, in 1987 two thirds of all sales of products and services were carried out within one and the same republic. There were no significant differences among the various republics. Bosnia and Herzegovina was the most closed republic in which 70% of all sold products and services took place within the republic, whereas Slovenia was the most open with a percentage of 63%. These two figures indicate how small the differences were. About 1/5 of all sales took place in other republics, and 1/10 on the world market. Croatia "exported" the least to other republics (19%), and Montenegro the most (27%). Slovenia had the greatest share (13%) in real exports (to countries outside Yugoslavia), and Serbia the smallest (9%). Yet differences between the republics were small also in this case. This data confirms that the republics were relatively closed systems and that

they *did not* participate extensively in a common “Yugoslav market”, which generally accounted for only about 20% of their products and services.

8. Market shifting and change of focus in the former Yugoslav Area

Among the republics, Serbia and Croatia, as the two largest economies, were also the largest markets for the republics in 1987 (in the internal Yugoslav market). Croatia was the largest market for Slovenia and Serbia, while Serbia was the largest market for the other republics. The most focused economies in terms of exports to other Yugoslav republics were Montenegro – which directed 56% of its internal Yugoslav exports to Serbia, Bosnia and Herzegovina which sent 43% of such exports to Serbia, and Slovenia which sent 46% of its internal exports to Croatia.

Serbia and Montenegro had a 49% share in total Yugoslav exports, which corresponded to their share in producing the total domestic product of the country. Thus Serbia and Montenegro were the leading exporters in former Yugoslavia. If participation in producing the domestic product is compared to shares in exports, then it turns out that Slovenia was the most focused on export. Namely, Slovenia had a 21% share in all Yugoslav exports, whereas it produced 17% of the domestic product. In the case of Croatia, on the other hand, the situation was reversed. This republic produced 26% of the Yugoslav GDP and had a 22% share in exports from Yugoslavia.

With the break-up of Yugoslavia, the importance of the former Yugoslav area as a market greatly declined, and market focuses shifted. We can see this in the case of Croatia. In 1987 Serbia was the most important (Yugoslav) market for Croatian exports, followed by Slovenia and by Bosnia and Herzegovina. In 2004 the situation was much different: the most important export destination was Bosnia and Herzegovina, followed by Slovenia, whereas Serbia was much less important. For example, in 1987 (considering only the internal Yugoslav market), Croatia exported 37% of its exports to the Serbian market, 32% to the Slovenian market and 23% to the Bosnia and Herzegovina’s market. In 2004 54% of all exports from Croatia went to Bosnia and Herzegovina, 28% to Slovenia and 14% to Serbia and Montenegro.

Besides the shift in market focusing, it should be noted that the area of former Yugoslavia generally became less important as a market for Croatian exports in 2004, than it had been in 1987. In 1987 Croatia had sent 37% of its exports abroad and 63% to Yugoslav markets, whereas in 2004 73% of all Croatian exports went to other parts of the world and 27% to countries in the former Yugoslav area. These percentages suffice to illustrate that the former Yugoslav area – although still an important market for Croatia, was much less important than the Yugoslav market had been in 1987. The trends from 1999 to 2004 indicate an increase in trade between Croatia and other ex-Yugoslav countries: Bosnia and Herzegovina, Slovenia and Serbia and Montenegro. Between 1999 and 2004 there was also an increase in trade with distant Macedonia, although to a lesser degree. Nevertheless, despite this quick increase in trade between the countries of former Yugoslavia, it is difficult to imagine that exports and imports between former Yugoslav countries will ever assume the same importance as they had in the internal Yugoslav context in 1987. Other foreign markets are still much more important. For example, the largest markets for Croatian exports in 2004 were Italy (23%), Bosnia and Herzegovina (14%) and Germany (11%) and the largest import markets were Italy (17%), Germany (15%) and Russia (7%).

Bosnia and Herzegovina is the second most important market for Croatian exports. Two reasons seem to account for this. First, Croats in Bosnia and Herzegovina are traditionally the main buyers of products from Croatia. As we mentioned previously, many Croats in Bosnia and Herzegovina perceive Croatia as their homeland, some even as their primary homeland, others at least as their second homeland, and the purchase of products from Croatia would appear to confirm such a conclusion. To this we might add that many ethnic Croats have become important merchants in Bosnia and Herzegovina, and they have a personal say in what goods they will display on the shelves of their shops. When discussing exports from Croatia or Serbia to Bosnia and Herzegovina we must always consider the importance that indigenous diasporas, Croats and Serbs, have in this trade, or rather the influence that their ethnicity and inclination towards their second homelands has on their choices to buy merchandise from Croatia or Serbia.

If we look at trade in goods between Croatia and Slovenia, then we will notice that the importance of the Croatian market for Slovenian exports decreased between 1995 and 2000, and afterwards began to increase once more. From the regional perspective, Croatia carried out most of its exports (41%) and imports (34%) with countries in its near vicinity: Italy, Austria, Slovenia and Hungary. Countries in the Stability Pact for South-East Europe (in the so-called West Balkans), were much less important trade partners for Croatia: accounting for only 19% of all Croatian exports and 4% of all imports. As for Slovenia, in 2003, for example, this country exported 66% of the total value of its exports to the European Union, and 17% to South-East Europe. Within this framework, Slovenia exported 23% of its total exports to Germany and 9% to Croatia.

In conclusion, we may presume that the recent jump in trade between countries in the area of former Yugoslavia is a short-term trend, resulting from the elimination of barriers that for a long time had hindered mutual free trade. However, it is likely that this development will soon arrive at a point of saturation, and that the basic focus will continue to target the neighbouring West European regional market and other world markets.

A second key indicator of economic activities between countries in the area of former Yugoslavia are direct foreign investments. In Croatia most foreign investments have come from Austria (26%), Germany (18%) and the US (12%). From countries in the former Yugoslav area, the most foreign investments in Croatia have come from Slovenia, although they have a relatively small share in the total number (3.8%). On the other hand, most Croatian investments abroad have been directed to Switzerland (37%), Bosnia and Herzegovina (15%) and Serbia and Montenegro (11%). From this we may conclude that countries in the area of former Yugoslavia are fairly weak economically and cannot compete with regional and global economic giants, although Croatian investors do occasionally decide to invest in neighbouring countries that are less developed than Croatia: Bosnia and Herzegovina and Serbia and Montenegro.

9. West and the European Union – new priorities

The most developed countries in the area of former Yugoslavia are distinctly oriented towards the West. In the case of Croatia this can be seen if we examine the frequency of border crossings. Most travellers cross Croatia's borders with Slovenia (53%) and with Bosnia and Herzegovina (36%). Relatively few crossings

occur in the East, over the border with Serbia and Montenegro (6%). Thus we can conclude that a strong spatial orientation exists towards the West – towards the more modernised and developed part of Europe. Of course, almost the entire overland tourist flow arrives via Slovenia and Hungary. The frequency of border crossings with Bosnia and Herzegovina is also high, due to the fact that Croatia is Bosnia and Herzegovina's gateway to the West, and in general an exit route for Bosnia and Herzegovina, as is evident from the geographic position of the two countries: Croatia envelops Bosnia and Herzegovina on three sides. Croats from Bosnia and Herzegovina, who have more intense transactions with Croatia, likewise increase border traffic. Also, the shortest route from Slavonia (North-East Croatia) to Dalmatia (South-East Croatia) goes through Bosnia and Herzegovina (as does air traffic from Zagreb to Dubrovnik). Border traffic between Croatia and Serbia and Montenegro is, on the other hand, surprisingly weak, accounting for only 6% of all border crossings into and out of Croatia.

A second example is Slovenia and its rhythm of motorway construction. Slovene first built the route *Slovenica*, for the purpose of connecting Maribor, Celje, Ljubljana and the Slovenian coast. In the second phase, motorways were built in the direction of Slovenia's western or northern neighbours: Italy, Austria and Hungary. Motorways to Croatia were not constructed in this phase. It is interesting to note that *Slovenica* (Maribor-Celje-Ljubljana-the Slovene coast) is more oriented towards the Italian city of Trieste, than towards the Slovene port of Koper. This was the result of strong Italian demands, yet it was also due to the logic of building the European motorway network. Namely, *Slovenica* will become part of the European route connecting the Hungarian capital, Budapest, with the Italian North (Trieste, Milano, etc.). In the third phase, Slovenia began to build motorways also in the direction of Croatia, in order to link the two capitals: Ljubljana and Zagreb. There are two reasons for this: 1) the Slovenian capital required an eastern exit, and 2) there were strong demands from the local community in Novo Mesto (the Slovenian town located halfway between Ljubljana and Zagreb). To be exact, a large part of Slovenia, the entire Dolenjsko region, is located between Ljubljana and Zagreb, and since motorways were not built in this direction, this part of Slovenia suffered disadvantages. The strength of the lobby in Novo Mesto was an additional reason for beginning the construction of the motorway Ljubljana-Zagreb. To be precise, there is a Renault assembly plant in Novo Mesto, in which Renault's popular Clio model is assembled, which is why Novo Mesto has become Slovenia's leading industrial exporter. This was a key reason and the force behind initiating the construction of the motorway, which will bring Novo Mesto out of isolation and secure its development.

Yet the disappearance of the "Iron Curtain" opened up several new and interesting European routes. Thus a virtually straight line of communication now links the Mediterranean, from Rijeka, via Zagreb and Budapest, to Kiev in the Ukraine and to locations further in the East. Another virtually straight line connects the North Sea/Baltic with the Adriatic, from Copenhagen, via Berlin, Prague, Vienna and Zagreb, to Rijeka. Finally, there are plans to develop the Adriatic-Ionian route, which will link Croatia with Greece, through Montenegro and Albania.

As a third example of orientations, we looked at the frequency of articles dealing with the European Union and the region (i.e. the area of former Yugoslavia) published in three important daily papers in Croatia, Slovenia and Serbia and Montenegro, in October and November 2005. It is interesting to note that according to this indicator Croatia, in comparison to Slovenia and Serbia and Montenegro, was

more oriented towards the European Union (72%), than towards the region (former Yugoslavia) (28%). On the other hand, in Slovenia, although it is now a member of the EU, there were more articles on the region (former Yugoslavia) (59%), than on the European Union (41%). In Serbia and Montenegro 55% of the published articles dealt with the European Union and 45% with the region (former Yugoslavia).

10. Conclusion

Yugoslavia consisted of six republics and two autonomous regions – Voivodina and Kosovo, which were part of Serbia. In 1992. was formed by republics of Serbia and Montenegro, Federal Republic of Yugoslavia, and later simply Serbia and Montenegro.

Some of these republics are seen as part of Balkan and some are not. On this question – What is Balkan? - we could get different answers, depends who is answering. But, majority would not like to be put in the category of Balkan or anything connected to it. Reason is that between former Yugoslav states there were and still are big differences in economy, culture and religion. But their will to become a part of Western Europe is very strong, to be a part of something stable, as Yugoslavia was a state of crisis. Although Western Europe gave small efforts toward building quality nation states in this part of Europe. Forecast for the future of Western Balkan (if EU will insist with concept of Western Balkan) is poor results for local societies.

What will happen with economies of former Yugoslav states in the future? No one knows the answer to this question. Nonetheless, it might be predicted that Serbia and Montenegro will develop and that their economic distance from Croatia and Slovenia will lessen, although it is doubtful whether they will arrive at the relative levels of development that existed during the Yugoslav period (either Serbia or Montenegro, which are now two separate countries). At present it is difficult to make such a conjecture, yet we can assume that the distance in the level of economic development between Slovenia and Croatia on the one hand, and Serbia and Montenegro on the other hand, will be greater than in the period of former Yugoslavia.

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FORMER YUGOSLAV COUNTRIES IN THE BALKAN CONTEXT AND DIFFERENCES IN THEIR ECONOMIC DEVELOPMENT

Summary

In former Yugoslavia there were "more" and "less" Balkan regions. With less Balkan regions were connected some adjoining parts of Balkan, but more important were some other outer characteristics. Most of the authors classify this former Yugoslav countries as Balkan countries: Serbia, Monte Negro, Macedonia and Bosnia and Herzegovina. Main reason for that is long term ottoman rule and absence of western influences on those societies. Croatia was short period of time under ottoman rule and Slovenia wasn't at all – for them term Balkan is used much less. Slovenia and Croatia always wanted to be part of Central Europe – which represents positive and sentimental way of thinking. Eastern Europe, on the other hand, is always mentioned in negative sense. Even today, Eastern Europe, Russia and Balkans are often considered as contrast to civilized Central Europe.

All that differences in common state from 1918-1990 influenced on that Yugoslavia was state of many conflicts on the national basis. Every few year in many parts of Yugoslavia, from Croatia to Kosovo and Bosnia there were some conflicts which were solved by dictatorship bat. For other countries Yugoslavia's presented pictures of succes was stronger than picture of country with many internal crisis.

From 1957 to 1988 Serbia and Montenegro maintained the largest economy among all the Yugoslav republics (and thus also the highest share in the Yugoslav GDP). Serbia and Montenegro participated with 39-40% in Yugoslavia's GDP. This proportion did not change in about thirty years. Obviously, this ratio pertained mainly to Serbia, since Montenegro's share in producing Yugoslavia's GNP was small – more or less 2%, while Serbia's was around 37-38%. Croatia had the second largest economy in Yugoslavia; with a share in the GDP between 25% and 28%. Slovenia had the third largest economy in former Yugoslavia, with a 17% share in the country's GDP. Bosnia and Herzegovina participated with nearly 13%, and Macedonia with 6% of Yugoslavia's GDP. If we now divide ex-Yugoslavia into a western and an eastern half, then the West – i.e. Slovenia, Croatia, Bosnia and Herzegovina (SCBH), produced 55% of Yugoslavia's GDP, and the East – Serbia, Montenegro and Macedonia (SMM), produced 45%. The population distribution between the West and the East was about equal – 50:50%.

After the break-up of Yugoslavia and the creation of five new states; through the war and the transition period, the previously existing percentages of economic production significantly changed. According to the data for 2000 and 2005, Serbia and Montenegro no longer made up the largest economy in the former Yugoslav region. The leading position has been taken by Croatia and Slovenia. Croatia's portion in the aggregate gross national income (GDI) of all the states in the former Yugoslav area had increased from 25% (1988) to 34% (2000) and Slovenia's from 17% (1988) also to 34% (2000). At the same time, Serbia and Montenegro's part fell notably from 39% (1988) to 17% (2000), and Bosnia and Herzegovina's from 13% (1988) to 8% (2000). Macedonia's portion remained about the same, around 6%. In the period 2000–2005 there was a certain economic recovery in Serbia and Montenegro and the country's share in the aggregate GDI in the ex-Yugoslav area rose from 17% to 24%.

With the break-up of Yugoslavia, the importance of the former Yugoslav area as a market greatly declined, and market focuses shifted. We can see this in the case of Croatia. In 1987 Serbia was the most important (Yugoslav) market for Croatian exports, followed by Slovenia and by Bosnia and Herzegovina. In 2004 the situation was much different: the most important export destination was Bosnia and Herzegovina, followed by Slovenia, whereas Serbia was much less important. In conclusion, we may presume that the recent jump in trade between countries in the area of former Yugoslavia is a short-term trend, resulting from the elimination of barriers that for a long time had hindered mutual free trade. However, it is likely that this development will soon arrive at a point of saturation, and that the basic focus will continue to target the neighbouring West European regional market and other world markets.