

The political economy of regional integration in the Western Balkans

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ABSTRACT

The paper aims to identify the roots and causes of the failure of existing regional economic integration efforts in the Western Balkans and the poor prospects for similar attempts in the future. Existing classical political and economic approaches are enriched by identifying a framework of analysis to capture regional economic integration. Seven political economic variables to measure regional economic integration endeavors are introduced, namely: coincidence in political interests and political barriers, common perceptions, values, principles, culture, complete and mature institutions, complementarily of productive basis, inter-state trade and financial flows and transactions, technology, infrastructure. The framework analysis is applied by measuring these variables within the Western Balkans region. It is concluded that potential economic integration efforts in the region may be achieved only through a top-down approach, namely a European Union/International Community forced process, rather than resulting from genuine efforts initiated by the respective countries of the region.

Keywords: Political economy, Regional Economic Integration, Western Balkans.

JEL classification: F59, G01

1. Introduction

During the last 20 years Western Balkans witnessed enormous social, political and economic changes. Thousands of pages have been written and excellent scientific work has been done in order to assess and evaluate the progress of the newly born states. A lot has been happening at national level, namely in terms of both socio-political and economic development. New states have emerged, newborn democracies have been established, and market economy structures are now in function. In other words, a new world now exists in the region, consisting of a series of traditional nation states with western oriented patters of development. It is also evident that FDI has been increasing, in the same period with Greece and Greek private firms have become the pioneer in the field. In the mean time Romania and Bulgaria have entered the European Union.

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