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Master's Thesis

**Globalization Challenges and Opportunities for the
Western Balkans Economies**

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Declaration

I declare that I have worked on my diploma thesis titled "Globalization Challenges and Opportunities for the Western Balkans Economies" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break any copyrights.

In Prague on 30.11.2023

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Globalization Challenges and Opportunities for the Western Balkans Economies

Abstract

The goal of this diploma thesis is to analyze the current state of play in globalization for the Western Balkan states, notably Serbia, North Macedonia, Kosovo, Albania, Bosnia and Herzegovina, and Montenegro. The thesis relied heavily on the quantitative approach, where relevant socioeconomic indicators were analyzed with the help of time series analysis, descriptive analysis, and correlation analysis. One of the main goals of the thesis lies in formulating a series of recommendations and also coming up with a relevant conclusion about the current state of globalization and also the direction of internalization processes for the region.

Ultimately, it is suggested that the globalization processes are actively happening and developing for the region as all countries managed to increase their levels of economic activity, development, and also participation in the world economy. Additionally, it is concluded that all countries entered the path of active globalization and internalization and as time will progress, the degree of being integrated into the world economy will keep on increasing.

Keywords: Western Balkans, globalization, opportunities, challenges, trade levels

Globalizační výzvy a příležitosti pro ekonomiky západního Balkánu

Abstrakt

Cílem této diplomové práce je analyzovat současný stav globalizace pro státy západního Balkánu, zejména Srbsko, Severní Makedonii, Kosovo, Albánii, Bosnu a Hercegovinu a Černou Horu. Práce se silně opíraly o kvantitativní přístup, kde byly analyzovány relevantní socioekonomické ukazatele pomocí analýzy časových řad, popisné analýzy a korelační analýzy. Jedním z hlavních cílů práce je formulovat řadu doporučení a také přijít s relevantním závěrem o současném stavu globalizace a také o směru internalizačních procesů pro region.

Nakonec se navrhuje, aby se globalizační procesy v regionu aktivně odehrávaly a rozvíjely, protože všem zemím se podařilo zvýšit úroveň jejich ekonomické aktivity, rozvoje a také účasti na světové ekonomice. Rovněž se dospělo k závěru, že všechny země vstoupily na cestu aktivní globalizace a internalizace a jak bude čas postupovat, míra integrace do světové ekonomiky se bude stále zvyšovat.

Klíčová slova: Západní Balkán, globalizace, příležitosti, výzvy, obchodní úrovně

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List of abbreviations

USD	United States Dollar
EU	European Union
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
GER	Gross Enrolment Rate
BaH	Bosnia and Herzegovina
USA	United States of America
MT	Metric Tons
WB6	Western Balkans 6
SME	Small and Medium Enterprises
IMF	The International Monetary Fund
WTO	World Trade Organization
OECD	Organization for Economic Cooperation and Development

MNC	Multinational Corporation
TNC	Transnational Corporation
SEE	South-Eastern Europe
CEFTA	Central European Free Trade Association

1 Introduction

Due to increased interconnectedness and interdependence, globalisation is transforming economies, communities, and cultures worldwide. Academics have debated its pros and downsides. This thesis examines the effects of globalisation on a wide range of economic variables to illuminate the Western Balkans economy's current situation, inequalities, and growth prospects. This section introduces and examines globalisation concepts to frame this thesis. The term and notion of globalisation can be understood by studying localization and regionalization in global growth. The Western Balkans' unique economic structure, cooperation initiatives, integration efforts, and tensions considering EU membership will be examined. Current globalisation trends will be examined, with a focus on the main causes affecting the international scene.

The thesis' empirical component will analyse Western Balkan economic statistics. The analysis includes real GDP, real GDP per capita, FDI, exports, imports, poverty, primary school enrolment, electricity access, carbon dioxide emissions, and Gini index. These indicators are essential for measuring an area's prosperity and globalisation response. Results and discussion will present these metrics' conclusions. It will show how globalisation is proceeding in the Western Balkans, highlighting regional similarities and contrasts. The good and bad of globalisation will be thoroughly examined to determine inequality's roots and solutions.

The findings will help policymakers, regional stakeholders, and international organisations maximise globalization's benefits and minimise its negative consequences on the Western Balkans economy. The conclusion will summarise the research's key findings and emphasise the region's globalisation challenges and opportunities. This thesis aims to help policymakers, researchers, and practitioners comprehend globalization's effects on Western Balkan economies. This report highlights the challenges and opportunities in the Western Balkans to contribute to global economic integration and help establish sustainable and equitable development strategies.

2 Objectives and Methodology

2.1 Objectives

The main objective of the following diploma thesis lies in the analysis of the level of globalization in the economies of the Western Balkan countries – Albania, Kosovo, Serbia, North Macedonia, Bosnia and Herzegovina, and Montenegro. To be more specific, to measure their economic development based on multiple different indicators of globalization processes, associated with the participation of each of the aforementioned countries in the world economy and convergence with the economies of the developed world.

Apart from the main objective of the diploma thesis, there is also a series of side aims, where the first sub-objective is to identify and, above all, to describe major challenges for each of the Western Balkan states. The identification of those challenges will help to formulate a series of relevant recommendations that will eventually be aimed at accelerating the convergence of the region with the developed world and that will equally help those countries to catch up with their more prosperous and, to some extent, more globalized neighbors – the European Union.

The analysis aims to genuinely help to contribute to the economic development and convergence of such a promising region as the Western Balkans, which has high geopolitical importance to almost all major actors of the world economy.

2.2 Methodology

The methodology of the work is represented mostly by the quantitative approach. At the same time, it is essential to point out that this diploma thesis is not only represented by an analytical part. Effectively, before going for the quantitative approach associated with socioeconomic indicators, the thesis first explores the relevant scientific framework associated with the Western Balkans. By collecting different research findings or sources and citing prominent scholars, it will be possible to precisely define the direction for the empiric analysis that will follow next.

The empirical analysis employed in the diploma thesis is heavily represented by 3 specific types of analyses:

- 1) Time series analysis, which is largely based on the description of the movement of indicators in time with the help of scatterplots. Consequently, the base index is implemented for the purpose of finding the percentual increment or decrement respectively to the base year. The chain-base index is calculated according to the following formula:

$$\text{Chain - Base Index} = \left(\frac{X_{1,2\dots n}}{X_1} - 1 \right) \quad (1)$$

- 2) Correlation analysis, which will be implemented for the purpose of understanding the relationship between socioeconomic indicators among the states of the Western Balkan region. Clearly, there are many different indicators associated with the concept of correlation, but the thesis employs the Pearson correlation coefficient, which is computed according to the following formula:

$$r = \frac{\sum(x_i - \bar{x})(y - \bar{y})}{\sqrt{\sum(x_i - \bar{x})^2 \sum(y_i - \bar{y})^2}} \quad (2)$$

Furthermore, for the purpose of defining the strength of the correlation in a more sophisticated way (rather than just judging based on absolute values of the indicator), there will also be a computation of a relevant t statistic associated with a given Pearson correlation coefficient. By testing the significance of this correlation coefficient at the significance level of 5 percent, it will be possible to identify with greater confidence the presence or absence of the correlation between specific indicators for the countries of the Western Balkans. T statistic for the correlation coefficient is computed as follows:

$$t \text{ value} = \frac{r_{xy}\sqrt{n-2}}{\sqrt{1-r^2}} \quad (3)$$

- 3) Descriptive statistics, which is traditionally used for the purpose of describing different tendencies in analyzed data. Those measures are traditionally represented

by measures of central tendency, which are associated with the description of similar traits in data, and measures of dispersion, which are concerned with the variability of data. When it comes to measures of central tendency, the following ones are implemented:

$$\bar{x} \text{ (mean)} = \frac{\sum x_1, x_2, \dots, x_n}{n} \quad (4)$$

$$\tilde{x} \text{ (median)} = \begin{cases} \frac{n+1}{2}, & \text{if } n \text{ is odd} \\ \frac{\left(\frac{n}{2}\right) + \left(\frac{n+1}{2}\right)}{2}, & \text{if } n \text{ is even} \end{cases} \quad (5)$$

When it comes to measures of dispersion, the following ones are implemented:

$$\text{Range} = \text{Max} - \text{Min} \quad (6)$$

$$\partial \text{ (standard deviation)} = \sqrt{\frac{\sum (x_i - \bar{x})^2}{n-1}} \quad (7)$$

$$V \text{ (coefficient of variation)} = \frac{\partial}{\bar{x}} \quad (8)$$

Besides that, after specifying all indicators and techniques used in the thesis, it is vital to mention the main sources of data and applications used for the data analysis, as well as the time period selected for the diploma thesis. Of course, the longer the time period of the analysis, the more accurate and consistent a particular estimator is, but it is essential to understand that irregular events are quite likely to negatively influence the quality of the analysis. For this purpose, it was decided to take a look at the development of each socioeconomic environment after the start of the Great Recession, which hit the hardest in 2008 and from that year onwards, economies started to recover.

Consequently, the analysis is delivered with the help of two main data sources – the first one is the World Bank, which is one of the institutions created after the Bretton Woods conference, which has a detailed database with relevant socioeconomic indicators useful in the context of this research. The second data source used in the analysis is represented by

the National statistical offices of selected states, i.e., Kosovo, Serbia, Albania, North Macedonia, Montenegro, and Bosnia and Herzegovina. Socioeconomic indicators selected for the analysis are:

- 1) Real GDP (expressed in billions of 2015 constant US dollars).
- 2) Real GDP per capita (expressed in billions of 2015 constant US dollars).
- 3) Foreign direct investment net inflow value (expressed in billions of US dollars).
- 4) Exports (expressed in billions of 2015 constant US dollars).
- 5) Imports (expressed in billions of 2015 constant US dollars).
- 6) Poverty level (expressed in percentage points based on the frontier of 5.5 USD per day).
- 7) Gross primary enrollment rate (expressed in percentage points).
- 8) Access to electricity (expressed in percentage points).
- 9) CO₂ emissions per capita (expressed in mt, i.e., metric tons per person per year).
- 10) Gini index (expressed in points). Since Gini index is a complex indicator, it is important to highlight its meaning – it represents the difference between the current state of income distribution and the hypothesized ideal distribution, thus showing the distortion that exists. Therefore, whenever the index is small, it indicates that income equality is higher. It is calculated according to the following formula:

$$G = \frac{\sum_{i=1}^n (2i-n-1)x_i}{n \sum_{i=1}^n x_i} \quad (9)$$

At last, for the purpose of describing data and performing the aforementioned calculations, Microsoft Excel was selected as the main mean of processing and analyzing data due to its simplicity and sophisticated visual interface.

3 Literature Review

3.1 Globalization

3.1.1 Concept

At some point in the late twentieth century, humanity entered a new era of societal progress. The predominant trend of this age is globalization. Globalization refers to the process by which many nations become interconnected via developing a unified system of technological, financial, economic, socio-political, and cultural ties enabled by modern information and communication technology (Dicken, 2003). Since globalization is a process that can be measured, it is important to isolate the factors that impact globalisation most. There are sub-categories of the broader term that are described in individual paragraphs below:

- Economic globalization – the world's economies are merging into a single world economy. The free flow of currency and developing technologies have a levelling influence on the disparities between national economies. A single economic environment is emerging as the foundation for economic activity expands across boundaries. The International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), and the Organization for Economic Cooperation and Development (OECD) have all taken on larger responsibilities as a result of economic globalization (Moutsios, 2009). Some multinational corporations (MNCs) have budgets bigger than the Gross Domestic Product (GDP) of whole nations, giving them enormous sway over political decisions and the globalization processes – a brief overview is presented in Figure 1 (Ahmad & Eijaz, 2020).
- Political globalization - manifests itself in the institutionalization of international political systems, such as the European Union system, which was developed as an interstate system - a system of alternately warring and unifying states and empires. The modern world order has remained multicentric, owing to the transition to a type of association based on producing and selling things for profit, known as capitalism. States claiming to be hegemons have chosen to control trade and access to resources imported from the periphery over conquering other states and collecting taxes from them. The globalization of political markets is manifested principally by an increase in the number of economic entities to which national governments and international

organizations must respond. It is no longer necessary to speak of the sole "national" or "territorial" affiliation of economic organizations whose interests are considered by governments when discussing nation-states. In a broad sense, one is referring to the fact that the variety of sources of political support for the administration extends beyond territorial-state borders (Chase-Dunn, 2020).

- Social globalization - mass migration is a global phenomenon in which individuals from less developed countries relocate to more developed countries for jobs and a better life. This issue is exacerbated by the unequal growth of nations and the abject poverty that plagues many sections of the world. This has repercussions for the host countries' educational and cultural systems. It also produces a change in the social order. A worldwide innovation and technological system are now being developed, which includes telecommunications, biotechnology, computer science, new materials and energy sources, space technologies, and so on, and is a crucial area of social globalization (Lucas, 2015).
- Informational globalization - the process of subjects and objects in the information space becoming more and more connected to one another. The development of global information networks characterizes it, the widespread advancement of communications, and the trend toward computerising many facets of society. It takes place in the context of the emergence of the world's financial and economic markets (Rattle, 2010).
- Ecological globalization - globalization processes significantly impact both the environment and environmental policy. For instance, international trade can seriously harm the ecosystem when pricing disregards environmental costs. To restore ecological equilibrium and create a natural setting that promotes good health, global society must collaborate to discover answers to new environmental concerns (Raimi, 2022).

There is a policy that corresponds to this process and promotes certain interests. Still, globalization is also a process that unfolds spontaneously due to altering economic patterns and advancements in communication technologies (Young, 2006). The increasing speed of globalization in the modern world has made the creation of supranational organizations necessary, as it threatens the sovereignty of individual governments (Luhmann, 1997). Nation-states continue to play a central role in international relations, with many countries'

foreign policies being driven by domestic concerns. At the same time, supranational administrative structures are now being built in response to the growing importance of both governmental and non-governmental international organizations and the impact of transnational businesses (TNCs). Therefore, disagreements arise regularly between the national interests of states and the requirements of international organizations and between national security objectives and the interests of multinational corporations (Johnson, 2016).

Figure 1, Market cap of Microsoft compared to the GDP of countries



Source: Wallach, 2021

A movement in the opposite direction accompanies globalization: regionalizing economic activity (Hirst, 2015). This is globalization on a smaller scale, encompassing a group of countries that form associations in which there is greater or lesser liberalization of trade, capital, and people movement within the framework of the corresponding integration

grouping (for example, the Eurasian Economic Union, of which Belarus is a member, along with Russia, Armenia, Kyrgyzstan, and Kazakhstan). The notion of "glocalization," created from the phrases "globalization" and "localization," has also emerged to explain the inconsistency of globalization processes in the modern world (Félix-Jäger, 2020). Globalization is defined as the presence of multidirectional trends: against the backdrop of globalization, regional distinctions are kept and enhanced rather than disappearing. There is a growing interest in local characteristics, historical customs, dialect revival, and so on (Hutchinson, 2012). Managing globalization for the benefit of everybody continues to be a significant problem. The United Nations Millennium Declaration, adopted in 2000, states: "... We believe that the main task before us today is to ensure that globalization becomes a positive factor for all peoples of the world. This is because, while globalization provides many possibilities, its advantages are now highly unevenly dispersed, as are its drawbacks. We acknowledge that underdeveloped nations and countries in transition confront unique obstacles in responding to this critical problem (Summit, 2000)." Globalization, globalization, nations' growing interconnectedness and interdependence have gained prominence in recent decades. Understanding the significance and evolution of globalization into the phenomenon's historical foundations, the foundational moments that helped shape the current globalization, the colonial period, the Industrial Revolution, and the creation of global organizations. Trade Organization (Stearns, 2020).

3.1.2 History of Globalization

Globalization depends on trade, which precedes civilization. The major event occurred in the first century BC. Luxury Chinese goods arrived in Rome for the first time after being hauled hundreds of kilometers along the Silk Road. Local and regional trade expanded internationally. Silk, like spices, was a premium item in Asia-Europe trade. These had little impact on the global economy. Silk and spices created international trade links, which made intermediaries rich (Millward, 2013). Global trade began during the Age of Discovery. European explorers unintentionally discovered the Americas by connecting East and West. The Portuguese, Spaniards, Dutch, and British "discovered," subdued, and linked new areas to their economies due to the scientific revolution and advances in astronomy, mechanics, physics, and shipbuilding. Christopher Columbus' "discovery" of America, which destroyed pre-Columbian cultures, is well remembered. Commerce's share of global GDP was little,

yet it affected people's lives. Potatoes, tomatoes, coffee, and chocolate arrived in Europe, lowering spice prices (Albala, 2003).

Modern economists disagree that globalization has begun. The Age of Discovery was fueled by global trade (Costa, 2011). However, the global economy remained fragmented and uneven. European empires had global supply systems, but most communication was between colonies. European empires created colonial economies instead of global ones. The nineteenth-century globalization wave, which ended in 1914, changed things (Sachs, 2019). "British" industrialization became the world's strongest trading engine. Steamships and railways may transport goods thousands of miles across borders and inside countries. Industrialization allowed Britain to produce iron, textiles, and manufactured goods in great demand worldwide (Wrigley, 2017). The current situation was bound to lead to a major disaster, and it did. World War I stopped globalization and everything Western high society expected. War replaced trade, disaster replaced productivity, and nations closed their borders. In the years between the great wars, global financial markets killed the global economy. The US Great Depression slowed South American economic growth and damaged banks globally (Eichengreen, 2014).

After WWII, economic growth fell to 60% of GDP, the slowest in almost a century (Krausmann, 2009). Globalization remained a narrative. The global economy restarted after WWII. The US led a new empire and used second industrial revolution technology like the car and airplane to revive global trade. The Iron Curtain divided the world into two influence zones, dividing its growth into two phases (Applebaum, 2012). By 1989, when the Iron Curtain fell, globalization was really global. International trade grew after World War II thanks to the EU and US free trade groupings (Van Ark, 2008). In the first decade of the 21st century, globalization is not obvious or accepted by all political and economic actors. Recent researchers, especially Asians, have noted this. Globalization benefits states, businesses, social societies, and individuals by creating opportunities. Researchers have long discussed globalization's extraordinary role in society and individual development (Teodoro, 2020). Around the same time, the following changes took place in theoretical approaches to the problem of development and practical policy:

- Development at the global level and the level of individual countries and regions was recognized as a universal value;
- Development problems (poverty, hunger, disease, illiteracy, bad ecology, etc.) are no longer perceived as relating exclusively to third-world countries; they have become global problems;
- An integrated approach to development problems has been formed, taking into account not only the economic but also the political, cultural, and social aspects of this phenomenon;
- Disappointment in the results of catch-up development in most non-Western countries led to the understanding that development problems cannot be solved in a short time and by simply copying Western economic models;
- Fragmentation and heterogeneity of the processes of social development were recognized as a reality and even a norm (Jones, 2020).

Today, researchers are progressively moving from the customary negative appraisals of globalization from the 1990s. It was then primarily seen as the global expansion of "Western" ideas like liberalism, democracy, and the market economy, as opposed to dividing the globe into imaginary dichotomies such as capitalism-socialism, West-East, North-South, and warring cultures. Globalization in the twenty-first century is no longer viewed as a source of dependency for poor nations on industrialized ones but rather as a potential for growth that every individual and social society may take advantage of (Song, 2020).

At the same time, the global human community's integrity becomes the primary shape and norm of life. In this context, socially oriented globalization, as well as localization and regionalization, is one of the core concerns of world political science. Development study focuses on humankind, which is today fragmented by national borders, ethnic, religious, socioeconomic obstacles, and global difficulties. Still, it aims for wholeness in the distant and ideal future. For example, Mariia Hryhorak has provided a graph depicting the dynamics of international trade volume and global GDP. Based on this graph, it can be seen that there is confident and stable growth, but the market crash in 2008 and the coronavirus pandemic in 2020 certainly prevented this growth dynamics from spreading to more and more countries (Hryhorak, 2021) (Figure 2).

Figure 2, Global trade and GDP growth (2000-2021)



Source: IJCRT, 2021

3.1.3 Localization and Regionalization

Localization is a specific economic regionalization. This approach constantly interacts with globalization processes of standardization and unity, boosting TNC profitability. This synergy of globalization and regionalization might boost economic growth through diversity and creativity (Carayannis, 2010). Glocalization demonstrates how globalization and regionalization benefit the planet. More local uniqueness is needed as globalization accelerates. This complicates globalization and makes it operate well together. Glocalization is growing as individuals interact and local roots become closer to the world's origins. Remember that political and legal adaption is frequently the biggest difficulty when marketing in new markets. Restrictions may be based on government technical requirements, antitrust laws, national and religious traditions (such as Muslim pork and alcohol bans), or sanctions against a country whose enterprises enter another state's market. These regulations usually prevent enterprises from entering global markets (Barry, 2015). Globalization alternatives fail, worsening sanctions policies to help one country or group.

Roland Robertson, a leading globalization and glocalization researcher, claims that most of what is labeled "local" is really "local" answers to global problems (Robertson, 1995). In the post-industrial economy, globalization, and regionalization (localization) are fast intertwined (Powell, 2013). Most manufacturers of goods and services for an international market recognize that their success depends on their unique items. The global economy's leaders must face the truth that homogeneous goods and services are losing popularity. People have also learned that merging "everything and anything" swiftly leads to oligopoly and monopolization, which benefits oligarchic groups that control many global assets (Tepper, 2018). SMEs have less room to grow, individuals are less excited, and the market economy is collapsing into a state-run system of sharing and redistribution (Graham, 2010).

These global economic problems have also affected several regions, particularly the Western Balkans. This region's complicated financial system is shaped by internal and external pressures. The advantages and disadvantages of small and medium-sized firms, the state's role, and the market economy in the Western Balkans will be examined in the following. From ancient trading networks to global markets, globalization has helped establish nation-state interdependence. This past has affected nation-state relations in numerous ways. The Western Balkans become a globalization case study as the spotlight shifts to the region. Due to globalization, several Western Balkan republics are affected. This chapter will discuss the dynamics and challenges Western Balkans countries have in integrating into the global economy (Roy-Mukherjee, 2021).

3.2 Western Balkans

3.2.1 Economic Structure

Because of the high importance of an outside factor that can make "frozen" conflicts worse at any time, the Balkan sub-region of South-Eastern Europe (SEE) is always a complicated place in terms of religious and land conflicts. Because of this, not all countries in the Western Balkans are still around today, and the relationships between the countries that make up this area are often uncertain. To start, it is important to know which countries are part of the Western Balkans.

Figure 3, Map of the Western Balkans Region



Source: Gateway, 2023.

The Western Balkans include the following regions and countries:

- Albania,
- Bosnia and Herzegovina;
- North Macedonia
- Serbia
- Montenegro
- Kosovo

The Western Balkans are of great importance to the European Union (EU) in terms of security, stability, trade, and transit routes. One of the reasons is the interests of the United States, Germany, and Great Britain (and to a lesser extent Italy, Greece, Austria, CEE countries, and France), China, Turkey, and a number of Middle Eastern states (Saudi Arabia, the United Arab Emirates, Qatar, and Kuwait). Most of these groups will put into practice their policies toward the Balkans. At the same time, political and economic competition is intensifying around the world (Thompson, 2022).

In terms of socio-economic growth, the countries of the Western Balkans do not lag behind the EU countries by enormous figures. According to the United Nations (UN) method for classifying countries, states in the area are considered to still have a transition economy thus taking an intermediate classification between developing and already developed countries (Fantom, 2016). Making market relationships is a process that is still going on and is not done yet in certain countries of the region. Before a country can join the European Union, one of the most important things it must do is finish the process of socioeconomic change and set up a market economy. Since all of the Western Balkan states, except for Albania, used to be parts of the same state, these processes started happening in four of the five countries that make up the Western Balkans in the same way (Pavlakovič, 2022).

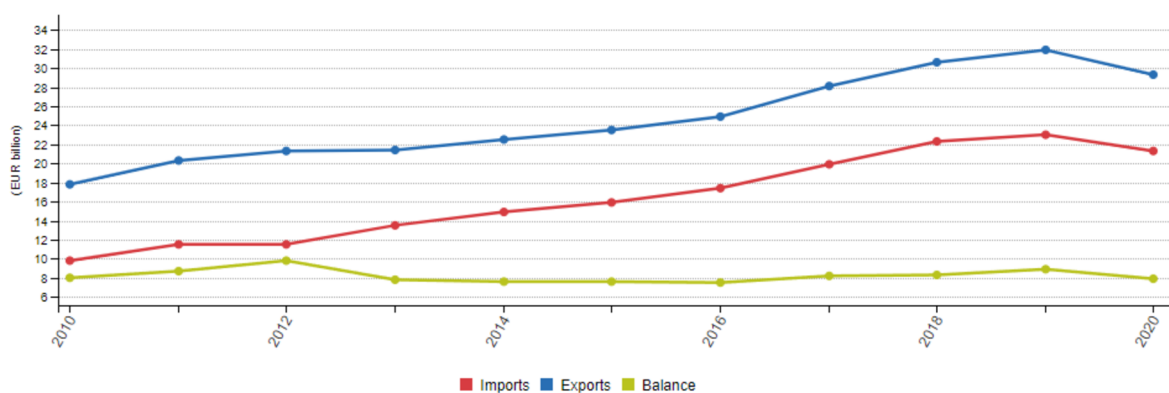
Countries in the area are still building their economies using one of three different types of economic models. The process of privatizing state property started earlier in North Macedonia than in the other countries that are examined before (Stojanovski, 2022). As a direct result of market reforms put in place by the government, small and medium-sized businesses now make up a much bigger part of the general income of the country. It stands out because there is a lot of security in the field of work and because the state has laws in

this area. There is a conversation going on in society between labor and capital, but it is not very strong. Compared to its neighbors, this country spends a larger share of its public funds on health care, while education only gets a slightly smaller share. Even though the picture is not completely clear, it seems likely that North Macedonia's social and economic model is moving in the direction of one that is common in mainland Europe. People often call this kind of business a "social market economy (Merkel, 2021)."

Albania was able to make a lot of progress in privatization, the private sector now contributes the most to its economy than any other Western Balkan state. Albania has one of the lowest unemployment rates in the area, compared to the average for the area as a whole. The level of social security that society offers is still insufficient, and a small part of the national income goes to public spending on health and education, which is seen as a major problem (Grahovac, 2017).

Bosnia and Herzegovina, Serbia, and Montenegro are the three countries that followed a somewhat similar path. Because privatization went the slowest in this group of governments, private business activity in this part of the Western Balkans is the lowest it has been anywhere in the area (Davirova, 2021). All of the countries in this group have high rates of both the private economy and crime, which is something that sets them apart from the rest of Western Balkans. Small and medium-sized businesses still do not make much of a difference in national economies.

Figure 4, Import, exports and trade balance of the EU27 and Balkans (2010-2020)



Source: Eurostat, 2020

The proportion of gross domestic product (GDP) that farmland and the primary sector as a whole makes up in the Western Balkans is much higher than in the EU-27, which is an obvious difference between the two groups of countries. Compared to both the EU countries and the averages for this area (in terms of percentage of GDP), the service sector's input to the total value GDP is pretty low and those countries have to make a lot of progress and still perform a structural economic change. As a result of the change in the social model, almost all of the Western Balkans' growth now comes from sources in other parts of the world (Đurašković, 2021).

Figure 5, Map of CEFTA members (yellow countries) in 2023



Source: Worlddata, 2023

However, the EU's concept is not the first-ever historical attempt to establish a firm connection with the Western Balkans - the Central European Free Trade Association (CEFTA) that established in 1960 already sought the objective. This is an international organization established to promote free trade and economic integration in the interests of its member countries that are traditionally regarded as candidates for joining the EU. Thus, the Central European Free Trade Association is a regional free trade pact that has included

the non-EU member nations Western Balkans 6 (WB6) and Moldova since 2007. The organization promotes the development of participating countries' regional trade and investment policies; regulates and eliminates customs restrictions; and works to maintain the transparency of regional trade activities by providing statistical data on all aspects of the cooperation. This coordinating organization is critical for the establishment of a single market because, within the scope of the single Market Plan, CEFTA maintains coordination between WB6 states and their partners, particularly the European Union thus laying foundations for their potential accession to the Union (Jošić, 2021).

3.2.2 Cooperation and Integration

The 2008 global financial and economic crisis was a disaster for the Balkan area and the whole world. Rising foreign debt, increasing unemployment, rising utility prices, and a peripheral economic structure were among the issues. The Eastern European economy began to focus on equal Western Europe in terms of affluence, as detailed throughout many years of economic advancement, although this tendency was often interrupted. According to Kundera (2019), the statement about the "Two-Speed Europe" plans made at the beginning of February 2017 was directly tied to the EU's aspirations to include the Western Balkans. Thanks to this effort, the nations of the area desiring to become EU members are now explicitly classified according to their suitability for the first time. The paper provides the equivalent hierarchy that specifies the EU's Western Balkan enlargement policy. According to the EU, the Western Balkan area includes Albania, the four former Yugoslav republics - Serbia, Montenegro, Macedonia, Bosnia and Herzegovina - and the self-proclaimed Republic of Kosovo.

All of the nations in the area, from Bulgaria in the west to Slovenia in the east, were impacted in some way or another by the widespread political crisis (Bohle, 2022). It is characterized by large-scale protests (in Bulgaria, Bosnia and Herzegovina, Montenegro, Serbia, and Macedonia), regular elections and re-elections (in Serbia, Macedonia, Croatia), challenges in forming a ruling coalition, parliamentary boycotts (in Croatia, Macedonia, Kosovo, and Albania), and even persecution for political reasons (in Montenegro and Macedonia) (Bak, 2019). The amount of foreign impact on internal processes in the area is incomparably more than it was back when Yugoslavia was a unified country because objective internal political difficulties have arisen. The decisions that are necessary for

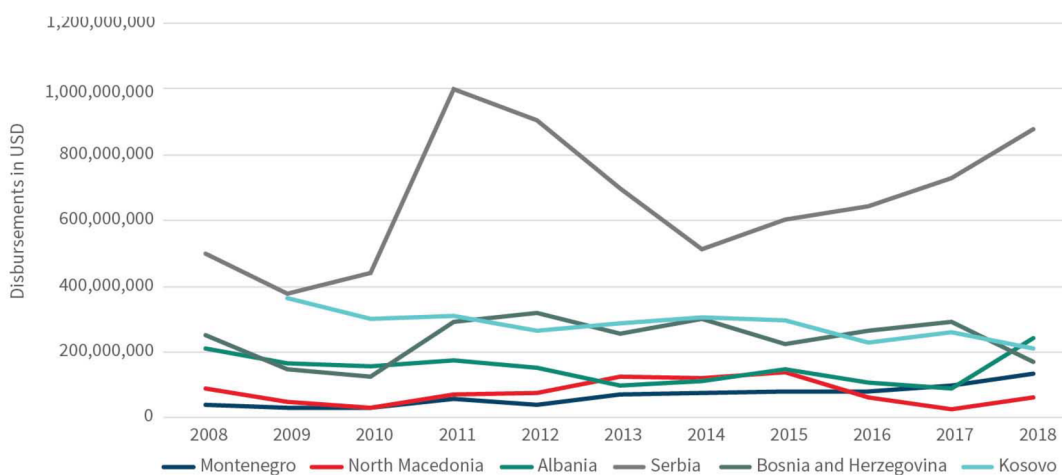
Brussels are carried out in the countries that make up the Balkan Six through authoritarian tendencies and eminently managed democracies, the emergence of which is arbitrary or unwittingly contributed to the policy of the European Union; however, the relations of the countries listed above with the European Union will be analyzed in the following chapter.

3.2.3 Tensions

Seeking both political and economic dominance in the region, the European Union aims to establish a significant presence in the Balkans across politics and business. The European Union is already the largest trading partner for all countries in the region. More than 65% of all foreign direct investment in the region comes from the EU (Schill, 2019). From the point of view of the economic reserve and economic forces for the countries of this region, this is important.

The Union also draws on the experience of well-known think tanks to back up its claim that potential countries have no other path for further growth and development other than the European direction (Wunsch, 2018). The argument is the financial assistance provided by the European Union (Figure 6). The European Union has drawn up a plan worth more than a billion euros to help the Western Balkans fight COVID-19 and get back on their feet after the pandemic. In addition, the help and unity of the EU, in the fight against the COVID problem, has been much more than any other partner has given to the region (Zweers, 2020). While it might be true that other governments haven't offered greater assistance, the EU's contributions, when compared to those of other governments, are not substantial.

Figure 6, EU Assistance (2008-2018)



Source: Ruy, 2022

Still spreading the “European idea” to potential new members has become more difficult since 2008 and has not become easier since. Due to the financial crisis and the resulting economic downturn, people are less optimistic about the European Union's ability to set standards in this area. Due to the major problems that Southern European countries such as Greece, Spain, and Portugal were facing and the restrictions placed on them by Brussels, the EU growth model was questioned as a way to force the countries of the Western Balkans to join. Scholars in the Western Balkans have tried many times to explain how frustrated would-be countries are with the slow process of accession. They pointed out that for the incentives to support change and modernization to work, the enlargement process must remain legal and open to potential EU members. That is if they are still confident that the current member states will accept them as new members, the speed at which they can join will only depend on how quickly the common law is passed (Noutcheva, 2009).

In turn, the decrease in hopes of candidate countries about their chances of accession affects the geopolitical position of the EU in the region, which makes it more important for the Balkan countries to improve ties with Russia and China. On the other hand, enlargement remains the single most successful instrument of European foreign policy when it comes to maintaining control over local political processes on its borders, ending nationalism, and reducing the influence of outside players. Accordingly, Brussels and many EU member states view the Western Balkans as a neglected and risky environment. The European Union is aware that the countries of the Balkans can join the EU to achieve their own goals in the region. The countries in the Balkans have a complicated foreign policy because they have no clear chance of joining the European Union and they need to solve the problems caused by the crises of the last few years. This shows that their foreign policy has many different parts (O’Brennan, 2014).

3.3 Current Trends in Globalization

Social philosophers have written extensively about globalization in the past two decades. Since globalization's interpretation by jurists, legislators, and the international community is very political and dry academic arguments and mutually exclusive, these studies and articles have studied many conceivable outcomes. Because it can reveal itself in several ways (Blind, 2023). Although this thesis said that present globalization is founded in

history, the focus is on turning points like the fall of the "socialist camp" (Mark, 2020). We must consider scholars' view that globalization began in the 1960s without analyzing its origins. One article claims that globalization is a result of the scientific and technological revolution and information technology. Human socialisation begins with ethnic group formation, which underpins globalisation (Atamanyuk, 2020).

From the Great Migration of Nations, which broke tribal isolation and united ethnic groups, to the Ancient East, Rome, Egypt, and Alexander the Great, globalization has been present throughout human history. The new term hides long-standing processes of national, regional, and global connectivity and the creation of a single world system (De Wit, 2021). As globalization research publications have increased, the demand for a typology of globalization theories (Zajda, 2021) has grown. The intricacy of globalization is to blame. Globalization is seen as a linear increase in reliance on international commodities and financial markets from the economic standpoint. varied scientific theories of globalization have varied definitions, notably economically. Before evaluating other issues, economic globalization must be prioritized (Balsalobre-Lorente, 2020).

Globalization has accelerated in recent decades. Many markets, including money, technology, products, and labor, have been more networked and integrated into a multilayered network. Globalization has accelerated as a result. The globalization of the economy has created a single market and information space and liberalized commerce in goods and services. Consumers have access to a variety of goods and current, reliable, and relevant information about them and their marketplaces. By communicating their needs to businesses, customers are becoming more involved in markets (Guillen 2020; Autio, 2021). Businesses must create more solid business models to withstand globalization's negative effects, such as market volatility and increased competition. Globalization caused these factors. Gross-Golacka (2020) states that a company plan's efficiency in using natural, material, financial, and intellectual resources is one of its most important determinants in long-term success. The transformation has led organizations to focus on networking and building communities of sellers, partners, consumers, and rivals.

A fifth of global commodities and services are generated by multinational enterprises. As examples, Cadestin (2019) cites Microsoft, Oracle, Procter & Gamble, Mars, General

Motors, and McDonald's. According to Hommes et al. (2019), 2007 was the first year in history that urban populations outpaced rural populations. Over one billion devices will be internet-connected by 2023. Because information is so easily accessible, transparency has expanded, especially in the professional world. Business will increasingly require comprehensive transparency on all corporate procedures and activities, according to Dahlqvist et al. (2019). Due to economic and political globalization, migration patterns are becoming more complicated and diverse. The hunt for work is the main reason people leave their countries, while refugees make up one-third of worldwide migration (Milner, 2021). Since more companies are manufacturing in China, you no longer need to buy from your country. The lowering of trade barriers, internationalization of knowledge, and quick development of new technologies have contributed to this success. However, since globalization continues to change the world, it is crucial to comprehend its effects and the challenges it poses to many businesses and communities (Shih, 2020).

4 Practical Part

4.1 Limitations

It is essential to start the analytical part of the thesis by mentioning that the analysis is part of a couple of limitations, which are inevitably connected to data availability and the quality of this data. Effectively, the main fundament and basis for any economic or statistical analysis is having good data that fully reflects the actual situation with a particular phenomenon. In the case of West Balkan states, it is possible to say with a certain degree of confidence that the unavailability of data is the most significant limitation of the analysis, where data for specific indicators mainly associated with social and technological dimensions are not fully available for some countries and some particular years. The statistical approach is selected as the main one because this is the only feasible way of describing the most recent performance of the Western Balkans.

Above all, after conducting the data collection procedure, the worst data availability is identified for the case of Kosovo and Bosnia and Herzegovina. For the case of the first country, the reason for this problem is quite self-explanatory – the country emerged not a while ago, and it is pretty expected that the country's statistical office will not be so advanced. Yet, for the case of Bosnia and Herzegovina, it is possible to say that out of 6 countries (without considering the possibility of Kosovo), the country seems to have the biggest problems with the national statistical office as the government misses a lot of fundamental data for some of the most important socioeconomic indicators.

Nevertheless, despite this significant setback, it is still fair to believe that conducting the analysis described in the methodology will be feasible as data from the majority of years is still available. Each chapter of the practical part is dedicated to a specific indicator, where a pertinent analysis will be applied.

4.2 Real GDP

Firstly, the thesis begins with the analysis of the real GDP variable, the dataset for which is presented in Table 1.

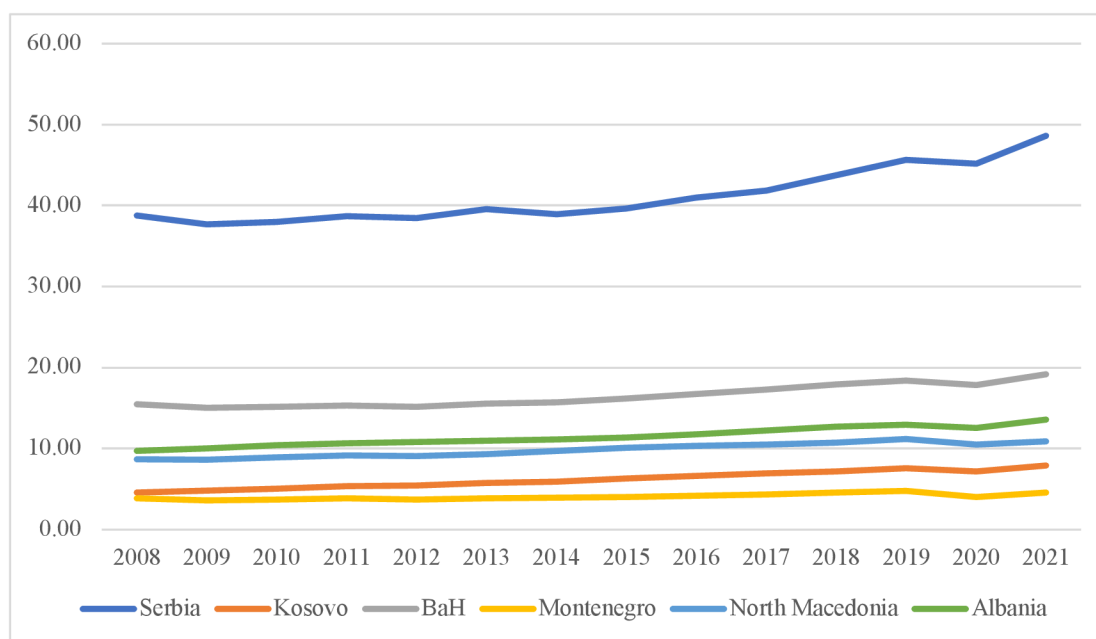
Table 1, real GDP (billions of constant USD) per country (2008-2021)

Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	38.74	4.58	15.51	3.83	8.66	9.72
2009	37.68	4.81	15.04	3.61	8.63	10.05
2010	37.96	5.05	15.17	3.71	8.92	10.42
2011	38.73	5.37	15.32	3.83	9.13	10.69
2012	38.47	5.46	15.19	3.72	9.09	10.84
2013	39.58	5.75	15.55	3.85	9.35	10.95
2014	38.95	5.94	15.73	3.92	9.69	11.14
2015	39.66	6.30	16.21	4.05	10.06	11.39
2016	40.98	6.65	16.72	4.17	10.35	11.76
2017	41.84	6.97	17.25	4.37	10.46	12.21
2018	43.72	7.20	17.90	4.59	10.76	12.70
2019	45.62	7.55	18.40	4.78	11.19	12.97
2020	45.20	7.14	17.83	4.05	10.50	12.52
2021	48.62	7.91	19.18	4.55	10.92	13.58

Source: The World Bank, 2023

Before proceeding to the first kind of analysis that will be implemented, it strikes as apparent that the biggest economic power out of the region is Serbia, whose volume of the economy exceeds other countries by almost 2 times. Consequently, it is possible to come to an intermediate conclusion that the smallest economy out of all states of the Western Balkan region is Montenegro, which has a really low volume of the economy. Nevertheless, after spotting the main tendencies in the table, it is possible to continue to the creation of a scatterplot graph that will facilitate the interpretation and comparison of individual states with each other. The graph is shown in Figure 7.

Figure 7, development of the real GDP in time (2008-2021)



Source: own processing based on the World Bank, 2023

As it can be observed in Figure 7, the gap between Serbia and other Balkan countries becomes even more visible after depicting the situation with the real GDP in the time interval from 2008 to 2021 on the graph. Additionally, it is also possible to say that the pace at which the economy of Serbia increases seems to be one of the highest *if not the highest* judging solely by the slope of the function for Serbia by the end of 2021. At the same time, it is also vital to make a distinction between Bosnia and Herzegovina and the rest of the group since the country seems to also stand out from the other smaller states. However, the difference between Bosnia and Herzegovina and Serbia is still visible enough, and it is quite likely that this gap will keep on increasing as the economy of Bosnia does not seem to have undergone a serious leap forward over the course of almost one and a half decade. At the same time, the situation with the rest of the countries from the region – Kosovo, Montenegro, North Macedonia, and Albania does not seem too optimistic as they did not really make huge progress by the beginning of the new decade when comparing their real GDPs with the base year of 2008. Evidently, this phenomenon becomes even grimmer when bearing in one's mind the role of the catch-up effect described by Solow (Genc & Termos, 2011). *There* is no evidence to support the claim that all those developing or, to some extent, countries in transition are fully enjoying their convergence with the economies of the developed world

according to Bernard & Jones (1996), which seem to be rising at the pace higher than the one spotted amid Western Balkan states. Nevertheless, to take an even deeper look at the statistics behind the dataset, it is necessary to proceed to the descriptive analysis with the help of formulas specified in the methodology of the work. The result of the analysis is shown in Table 2.

Table 2, descriptive analysis of the real GDP (2008-2021)

	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
Min	37.68	4.58	15.04	3.61	8.63	9.72
Max	48.62	7.91	19.18	4.78	11.19	13.58
Mean	41.13	6.19	16.50	4.07	9.84	11.49
Median	39.62	6.12	15.97	3.98	9.88	11.26
Range	10.93	3.33	4.14	1.17	2.56	3.86
St. deviation	3.39	1.07	1.38	0.37	0.88	1.16
Coef. Of var.	0.08	0.17	0.08	0.09	0.09	0.10
Base Index (2021)	25%	73%	24%	19%	26%	40%

Source: own processing based on the World Bank, 2023

Clearly, the descriptive analysis from Table 2 supports what has been mentioned earlier regarding the situation with the indicator for the group. Two countries effectively stand out from the rest – Serbia, whose average level of the real GDP is equal to 41.13 billion constant 2015 USD, and Bosnia and Herzegovina, with a level of 16.5 for the same indicator. On the other hand, not all the remaining countries have a similar value of the real GDP – Albania and North Macedonia have somewhat similar figures thus distancing themselves from Kosovo and Montenegro, which have the smallest size of the economy. As a matter of fact, disparities in the sizes of economies are tied to the sizes of countries and the sizes of the domestic labor force, which both form the list of factors of production that traditionally explain why one country significantly produces more than others. At the same time, by judging the figures for the coefficient of variation and standard deviation, the indicator seems to be in development since there is a relatively high variability of data. This statement is also **reinforced** by the figure identified for the range, which is especially high for Serbia, suggesting that the country has undergone a period of relatively successful economic expansion. This can particularly be spotted in the figures for the base index. At the same time, Serbia managed to increase its real GDP in 2021 by only 25% compared to 2008, while

the majority of countries (with the exception of Bosnia and Herzegovina with 24%, and Montenegro with 19%), managed to achieve a bigger economic expansion – 73% for Kosovo (the biggest economic advancement), 40% for Albania and just 26% for North Macedonia, which is relatively similar to Serbia and Bosnia and Herzegovina. All in all, the fact that all countries have a positive figure for the base index suggests that all of them managed to gradually increase the volume of their production. Finally, it is essential to take a look at the very last piece of analysis for the real GDP variable – correlation analysis. In Table 3, the matrix with correlation coefficients for each pair is presented.

Table 3, correlation matrix for the real GDP

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	0.92	1				
BaH	0.98	0.95	1			
Montenegro	0.85	0.90	0.92	1		
North Macedonia	0.88	0.99	0.94	0.93	1	
Albania	0.94	0.99	0.96	0.90	0.97	1

Source: own processing based on the World Bank, 2023

Clearly, it strikes as pretty obvious that the correlation between literally all countries from the list when it comes to the variable of the real GDP is incredibly strong. This suggests that countries either undergo similar business cycles or they do have strongly connected economies. At last, a slightly modified correlation matrix with t-ratios instead of correlation coefficients (Table 4) is presented to see if there are any insignificant correlation coefficients.

Table 4, matrix of t-ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	7.91	1				
BaH	17.17	10.64	1			
Montenegro	5.51	7.20	7.99	1		
North Macedonia	6.31	19.85	9.17	9.04	1	
Albania	9.41	29.19	11.90	7.03	13.19	1

Source: own processing based on the World Bank, 2023

Ultimately, based on the fact that the critical value of the t statistic for the given case is equal to 2.14 (df = 14, $\alpha = 0.05$), it is possible to say that the null hypothesis about the insignificance of correlation coefficients was rejected for every single correlation coefficient. Thus, it is possible to say with a 95% level of confidence that all correlation coefficients are correlated, and countries' real GDPs move in the same direction.

The next variable, contrary to the real GDP, deals with another economic phenomenon – economic development. The next chapter is dedicated to the real GDP per capita once again expressed in constant 2015 USD.

4.3 Real GDP per Capita

For the purpose of analyzing the variable, it is essential to specify the dataset, which is used for the analysis. The dataset for the second variable is presented in Table 5.

Table 5, real GDP per capita per country (2008-2021)

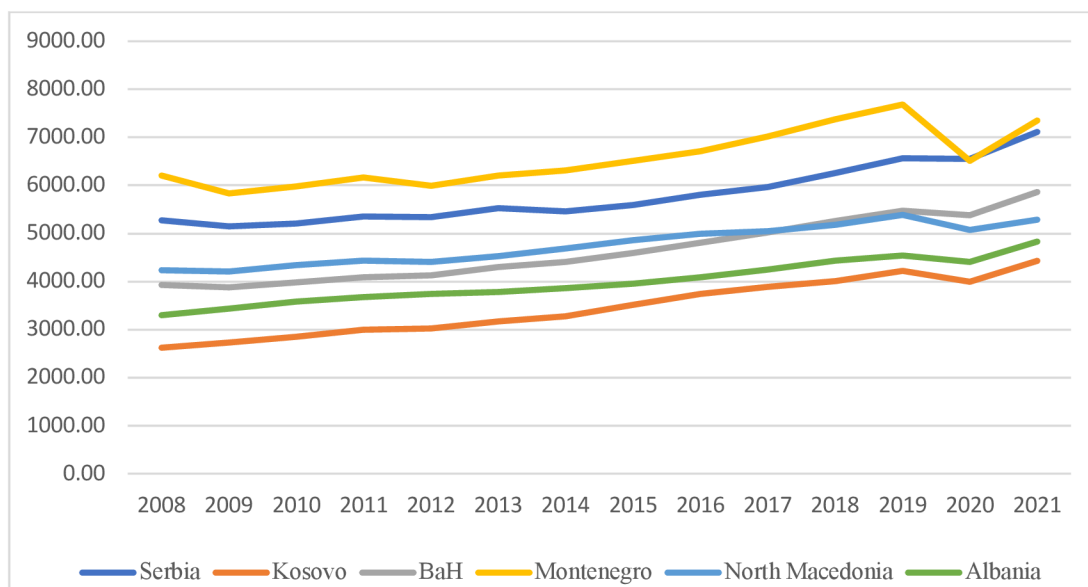
Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	5270.96	2621.42	3932.00	6205.79	4230.73	3298.48
2009	5147.57	2731.38	3878.42	5833.63	4207.80	3432.17
2010	5206.09	2843.38	3980.42	5982.17	4339.96	3577.11
2011	5354.20	2997.22	4091.56	6168.82	4433.89	3678.05
2012	5343.58	3021.37	4133.88	5995.75	4408.30	3736.34
2013	5524.97	3163.46	4297.47	6202.48	4530.68	3780.70
2014	5462.74	3279.04	4403.65	6306.99	4687.30	3855.76
2015	5588.98	3520.77	4599.90	6517.16	4861.55	3952.80
2016	5805.90	3739.18	4803.86	6707.82	4994.56	4090.37
2017	5959.52	3890.20	5015.22	7023.40	5043.69	4249.80
2018	6261.53	4009.11	5263.85	7381.77	5184.69	4431.54
2019	6567.91	4219.08	5476.36	7684.15	5386.20	4543.39
2020	6552.09	3990.97	5373.17	6515.51	5067.21	4410.46
2021	7113.58	4429.96	5862.46	7350.45	5287.07	4830.60

Source: The World Bank, 2023

For sure, the very first aspect that comes to one's mind when looking at one of the most crucial indicators explaining a given country's level of development is the fact that all countries from the list have a relatively low level of development, which they managed to increase over the course of the previous decade. Consequently, the country with the highest level of development is Montenegro, where the total volume of goods and services in real

terms produced per one inhabitant is equal to 7350.45 USD. Indeed, Montenegro is the country having the smallest size of the economy but yet, its level of development is rather stunning. At the same time, the second most developed state when it comes to the selected indicator is Serbia with the level of the real GDP per capita of 7113.58 USD. Other countries from the list seem to be located somewhere near each other with the volume of the indicator being somewhat close to 5000 USD. For a better observation of the development of the indicator for each country, it is needed to proceed to the depiction of the dataset on a scatterplot presented in Figure 8.

Figure 8, development of the real GDP in time (2008-2021)



Source: own processing based on the World Bank, 2023

After looking at Figure 8, it becomes transparent that all countries' level of economic development was badly hit during the coronavirus crisis in 2020. At the same time, the absolute worst damage was inflicted on Montenegro, which suffered a tremendous loss of economic welfare and for some time was lagging behind Serbia. Clearly, the explanation behind the phenomenon that happened to Montenegro is rather straightforward – this country's main specialization is tourism, and the international situation did not allow the country to focus on its common source of revenue. All in all, the dynamics of the indicator's development for the Western Balkan region is positive as all countries managed to increase their level of economic development and they are slowly approaching the ranks of other more developed European nations. At the same time, it is possible to say that the economic development of North Macedonia, Albania, and Kosovo is still far away even from the first

two countries from the region – Serbia and Montenegro. At first, those countries would have to close the gap in the economic development between themselves and their neighbors, and only then they could set a new objective. Now, after briefly commenting on the economic development of all six countries, it is time to proceed to the analysis of descriptive statistics for the very same variable. The summary with calculations is presented in Table 6.

Table 6, descriptive analysis of the real GDP per capita (2008-2021)

	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
Min	5147.57	2621.42	3878.42	5833.63	4207.80	3298.48
Max	7113.58	4429.96	5862.46	7684.15	5386.20	4830.60
Mean	5797.11	3461.18	4650.87	6562.57	4761.69	3990.54
Median	5556.97	3399.90	4501.78	6411.25	4774.43	3904.28
Range	1966.01	1808.53	1984.04	1850.52	1178.40	1532.12
St. deviation	608.81	588.92	652.49	585.36	405.71	451.23
Coef. Of var.	0.11	0.17	0.14	0.09	0.09	0.11
Base Index (2021)	35%	69%	49%	18%	25%	46%

Source: own processing based on the World Bank, 2023

First, it is essential to pay attention to the average figures for each country, where the highest average value for the indicator is identified in Montenegro. At the same time, the figures for the coefficient of variation and standard deviation suggest that all countries have been going through times, where the level of the real GDP per capita was changing rather actively. Nevertheless, it is at last vital to comment on the pace at which each country develops respectively to its previous performance with regard to the selected indicator. Despite the fact that Montenegro is the most developed country in this indicator, it managed to increase its figures for the real GDP per capita by just 18% in 2021 compared to 2008, which is not that impressive. At the same time, less developed countries are in fact closing the gap between them and more developed Serbia and Montenegro. As matters stand, Kosovo is the fastest developing economy, followed by Bosnia and Herzegovina, and Albania. Yet, the situation with North Macedonia is not so favorable – the country is at the bottom of the list of the Western Balkans and its growth rate for the variable is not so high – just 25%. Nevertheless, it is at last essential to take a look at the correlation coefficients behind all possible pairs. It is suggested that they will be significantly correlated since the real GDP per capita is inevitably associated with the real GDP of a particular country. The correlation matrix is shown in Table 7.

Table 7, correlation matrix for the real GDP per capita

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	0.94	1				
BaH	0.98	0.99	1			
Montenegro	0.85	0.90	0.90	1		
North Macedonia	0.91	0.99	0.97	0.93	1	
Albania	0.96	0.99	0.99	0.88	0.96	1

Source: own processing based on the World Bank, 2023

According to all values of the correlation coefficients, it is possible to say with a certain amount of confidence that all countries' economic development is strongly connected with other countries from the region since all of them are correlated in a strong positive way. Additionally, the calculation of t-ratios for all correlation coefficients is performed once more. The result of the calculation is shown in Table 8.

Table 8, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	9.94	1				
BaH	17.86	21.61	1			
Montenegro	5.66	7.30	7.03	1		
North Macedonia	7.41	21.93	12.90	8.86	1	
Albania	12.03	24.88	21.59	6.50	12.69	1

Source: own processing based on the World Bank, 2023

As it was suggested earlier, it is confirmed that all countries' real GDP per capita is strongly correlated with each other as every single correlation coefficient is significant at the significance level of 5 percent, suggesting that countries do undergo similar periods of economic development. The next variable that will be analyzed is the FDI net inflow, which will be discussed in the next chapter.

4.4 FDI

Foreign direct investments and investments in general are regarded as one of the main ingredients of economic growth. In addition to that, this variable is quite important in terms of globalization processes, so analyzing it would show the way how each individual country

from the list manages to accumulate foreign investments. The dataset used for the analysis is shown in Table 9.

Table 9, FDI net inflow (billions of USD) per country (2008-2021)

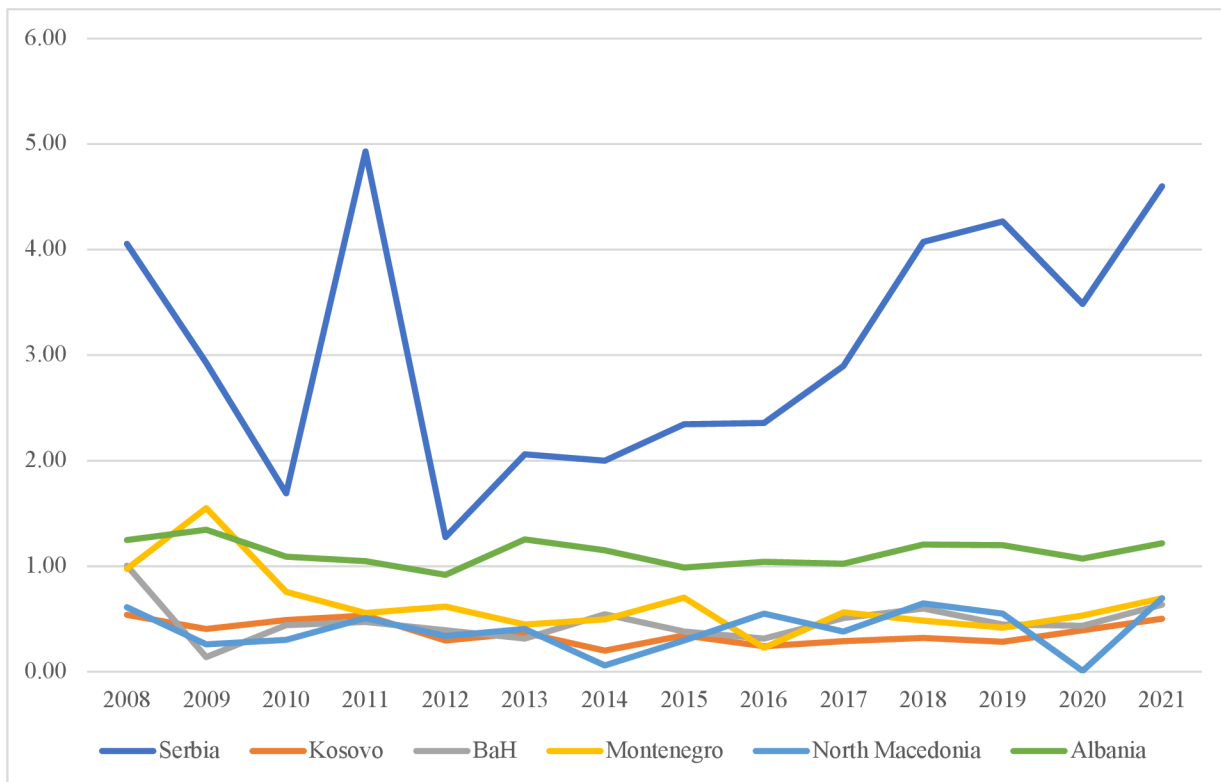
Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	4.06	0.54	1.00	0.98	0.61	1.25
2009	2.93	0.40	0.14	1.55	0.26	1.35
2010	1.69	0.49	0.44	0.76	0.30	1.09
2011	4.93	0.54	0.47	0.56	0.51	1.05
2012	1.28	0.29	0.39	0.62	0.34	0.92
2013	2.06	0.37	0.31	0.45	0.40	1.25
2014	2.00	0.20	0.54	0.50	0.06	1.15
2015	2.34	0.34	0.38	0.70	0.30	0.99
2016	2.36	0.24	0.31	0.23	0.55	1.04
2017	2.89	0.29	0.51	0.56	0.38	1.02
2018	4.07	0.32	0.60	0.49	0.65	1.20
2019	4.27	0.29	0.45	0.42	0.55	1.20
2020	3.49	0.39	0.43	0.53	0.01	1.07
2021	4.60	0.50	0.64	0.69	0.70	1.22

Source: The World Bank, 2023

For sure, when considering the world's most developed countries which have tens or sometimes even hundreds of billions poured into their domestic economies, the level of investments identified for all Western Balkan states is rather low as it does not even exceed the frontier of 5 billion USD. At the same time, when considering the fact that these are all small countries with the total population of the region not exceeding 20 million inhabitants, the numbers look solid. Additionally, it is possible to say that the absolute leader when it comes to FDI is Serbia, which is then followed by Albania. FDI, as an indicator, is a much more specific one rather than the GDP. According to publications and articles such as the one from Debass & Ardovino (2009), diaspora, i.e., a network of people deriving from a specific environment plays one of the most crucial roles in ensuring high levels of FDI for specific countries. Unsurprisingly, both Serbia and Albania have the highest network of people whose relatives or themselves originally came from the country, so it is believed that

this phenomenon partially explains their leading positions. Nevertheless, it is essential to proceed to a more detailed analysis, which will be shown in Figure 9.

Figure 9, development of the FDI in time (2008-2021)



Source: own processing based on the World Bank, 2023

The gap between Serbia and other countries is easily distinguishable on the graph and based on the recent development of the FDI value for the country, it is likely that this gap will keep on increasing even further. On the other hand, the situation of Albania is definitely better than the one observed for the rest of the countries with the exception of Serbia, but its level of FDI remained at the same level over the course of the last decade without any significant improvements or leaps forward. The same applies to other countries – they do seem to remain pretty undesirable for international investments. The next step would be focusing on the descriptive analysis once again, which will be presented in Table 10.

Table 10, descriptive analysis of FDI (2008-2021)

	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
Min	1.28	0.20	0.14	0.23	0.01	0.92
Max	4.93	0.54	1.00	1.55	0.70	1.35
Mean	3.07	0.37	0.47	0.64	0.40	1.13
Median	2.91	0.36	0.45	0.56	0.39	1.12
Range	3.66	0.34	0.87	1.32	0.69	0.43
St. deviation	1.17	0.11	0.20	0.31	0.21	0.12
Coef. of var.	0.38	0.30	0.42	0.49	0.52	0.11
Base Index (2021)	13%	-7%	-36%	-29%	14%	-2%

Source: own processing based on the World Bank, 2023

The average figures for every country underpin what has been said earlier – the two countries with the biggest level of foreign direct investments are Albania and Serbia. The lowest figures of the FDI are identified in Kosovo and North Macedonia. It is suggested that this is explained by the fact that both countries do not really offer a very stable political environment. The case of Kosovo is pretty straightforward, as the country is endlessly entangled in the conflict with Serbia over its sovereignty, while North Macedonia is subject to turmoil because of its relationship with neighbors – notably Greece and Bulgaria. Of course, having bad relationships with one’s neighbor partially limits the potential to host international investments of a specific country due to the fact that quite often those are companies from neighboring countries that venture into economies based on cultural and other similarities. The next step would be analyzing the correlation between each pair of countries. The correlation matrix is shown in Table 11.

Table 11, correlation matrix for the FDI

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	0.48	1				
BaH	0.45	0.37	1			
Montenegro	0.03	0.45	-0.06	1		
North Macedonia	0.55	0.30	0.41	-0.13	1	
Albania	0.37	0.26	0.12	0.47	0.24	1

Source: own processing based on the World Bank, 2023

Contrary to the first two cases, the foreign direct investment variable does not seem to be the one where all countries will be correlated with each other. Clearly, this is pretty logical since there are infinitely many factors that influence the attractiveness of a particular country – exchange rate, interest rate, inflation rate, and political environment, so it does not really come as a big surprise that countries are not strongly correlated with each other. At the same time, the correlation seems to be positive for the majority of them, which still might mean that there is a specific tendency with them. For the final touch, the thesis will proceed with the computation of t-ratios for each pair of coefficients available in Table 12.

Table 12, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	1.90	1				
BaH	1.73	1.37	1			
Montenegro	0.11	1.73	-0.21	1		
North Macedonia	2.26	1.08	1.55	-0.44	1	
Albania	1.37	0.95	0.42	1.87	0.87	1

Source: own processing based on the World Bank, 2023

Based on the principle, that the correlation is significant only in the cases when the t-ratio is greater than 2.14, it is possible to say that the only significant correlation coefficient for the analyzed case is the one between North Macedonia and Serbia, but it can alternatively be said that this is an example of the spurious correlation, where there is, in fact, no real relationship but on a specific time interval, there might be such a relationship. Nevertheless, it is essential to continue with the variable related to trade levels, it is one of the most important indicators of globalization – exports.

4.5 Exports

The dataset for the analysis of the variable is presented in Table 13.

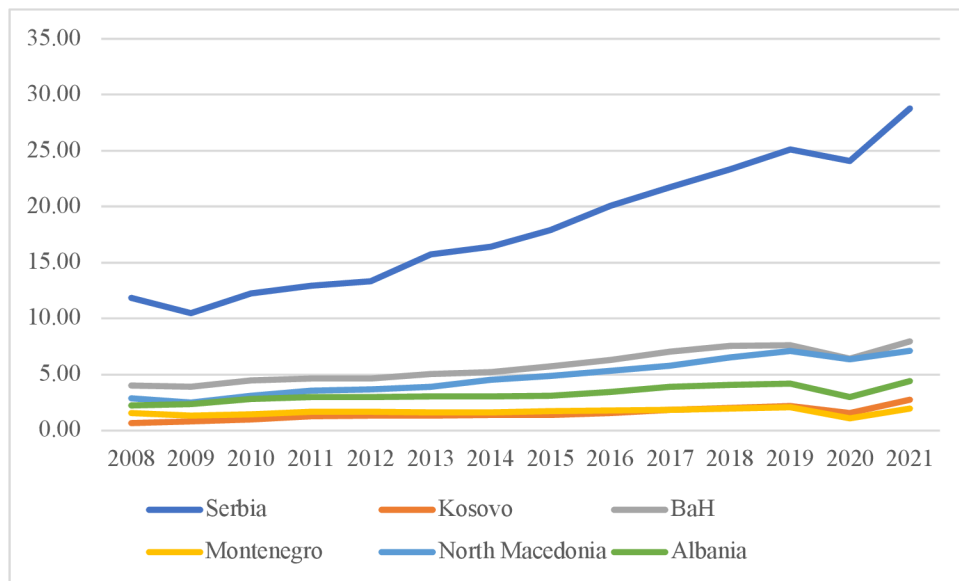
Table 13, exports (in billion 2015 constant USD) per country (2008-2021)

Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	11.85	0.66	4.04	1.54	2.90	2.24
2009	10.49	0.79	3.91	1.34	2.50	2.35
2010	12.25	1.01	4.46	1.44	3.09	2.80
2011	12.94	1.30	4.67	1.65	3.59	2.98
2012	13.31	1.32	4.67	1.65	3.66	2.99
2013	15.72	1.31	5.04	1.63	3.88	3.04
2014	16.39	1.39	5.25	1.62	4.52	3.08
2015	17.92	1.41	5.76	1.71	4.91	3.10
2016	20.07	1.56	6.30	1.81	5.35	3.46
2017	21.72	1.87	7.04	1.84	5.80	3.91
2018	23.35	2.04	7.54	1.97	6.54	4.07
2019	25.14	2.20	7.60	2.08	7.12	4.18
2020	24.08	1.56	6.39	1.09	6.34	3.02
2021	28.77	2.75	7.96	1.98	7.12	4.42

Source: The World Bank, 2023

Exports traditionally form the basis for the country's GDP, where the figure for imports is subtracted and then the resulting figure is added to the country's GDP. Nevertheless, for the case of the selected variable, the situation is pretty straightforward with Serbia being significantly ahead of other Balkan states from the list. At the same time, it is possible to say that the other two biggest exporters from the Western Balkans are Bosnia and Herzegovina, and North Macedonia, whilst Montenegro, Kosovo, and Albania export little amounts overseas. Interestingly, the low volume of export in Albania is rather paradoxical, when considering that the country has the second-highest figure for the FDI. It is anticipated that the main explanation lies in the country's isolation from the rest of the world during the dictatorship of Enver Hoxha. At the same time, the fact that the country is actively increasing its volume of exports is a good sign suggesting that the country manages to find new international partners. The next step would be depicting the situation on a single graph, which is presented in Figure 10.

Figure 10, development of exports in time (2008-2021)



Source: own processing based on the World Bank, 2023

Without any doubt, the way how Serbia managed and still manages to find international partners and increase its volume of exports is remarkable. Additionally, it is vital to understand that this increase in the country's engagement in trade can help the country to achieve a way more effective economic growth. At the same time, it is possible to say that other countries from the region do not fully manage to follow in the footsteps of Serbia as they remain on more or less the same level in 2021 as they did in 2008, which is not a positive indicator at all not just for the economic growth, but also for the prospect of the potential increase in the pace of the globalization. Nevertheless, the thesis proceeds with the breakdown of descriptive statistics for the export variable. The result of the analysis is indicated in Table 14.

Table 14, descriptive analysis of exports (2008-2021)

	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
Min	10.49	0.66	3.91	1.09	2.50	2.24
Max	28.77	2.75	7.96	2.08	7.12	4.42
Mean	18.14	1.51	5.76	1.67	4.81	3.26
Median	17.16	1.40	5.50	1.65	4.71	3.06
Range	18.29	2.09	4.05	0.99	4.62	2.18
St. deviation	5.77	0.56	1.39	0.27	1.59	0.66
Coef. Of var.	0.32	0.37	0.24	0.16	0.33	0.20
Base Index (2021)	143%	314%	97%	29%	145%	97%

Source: own processing based on the World Bank, 2023

Despite the fact that at first glance, Serbia was the absolute winner when it comes to the increase in exports, the reality is slightly different – Kosovo has an absolutely stunning figure of 314% for the base index suggesting that the country managed to increase its level of exports by 314% in 2021 compared to 2008. The second-best result is identified for North Macedonia and only then for Serbia. Yet, the reality for all countries is not so grim as they all almost doubled their exports by 2021 compared to 2008 with the exception of Montenegro, which remains a highly tourism-oriented country and it might prove itself to be rather dangerous for the country in case if there will be a similar pandemic to the COVID-19 one. Nevertheless, the situation with exports suggests that all countries slowly integrate themselves into the world economy apart from Montenegro. The next step would be checking the correlations between all countries from the list. The correlation matrix is shown in Table 15.

Table 15, correlation matrix for exports

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	0.93	1				
BaH	0.97	0.95	1			
Montenegro	0.51	0.70	0.65	1		
North Macedonia	0.99	0.92	0.98	0.55	1	
Albania	0.88	0.97	0.95	0.80	0.90	1

Source: own processing based on the World Bank, 2023

Despite the fact that the correlation is nowhere near the strengths of correlations for the variables of GDP, the correlation is still strong (for the majority of cases) and positive (for all cases). This additionally suggests that all countries have decided to focus on their better integration into the world economy with the help of active participation in trade. Table 16 presents the overview of t-ratios for each coefficient.

Table 16, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	8.67	1				
BaH	14.53	10.28	1			
Montenegro	2.07	3.38	2.98	1		
North Macedonia	20.59	8.15	17.19	2.30	1	
Albania	6.56	14.06	10.72	4.55	7.04	1

Source: own processing based on the World Bank, 2023

Based on the rule of thumb mentioned earlier concerned with the significance for coefficients having the t-ratio above 2.14, it is possible to say that every single correlation coefficient is significant with the exception of the correlation between Montenegro and Serbia

4.6 Imports

Before proceeding to comments regarding the dataset presented in Table 17, it is essential to specify that it is anticipated that there will be a somewhat similar pattern to the one identified for the previous variable since both variables – exports and imports are associated with the same phenomena, but they represent just different parts of the same equation.

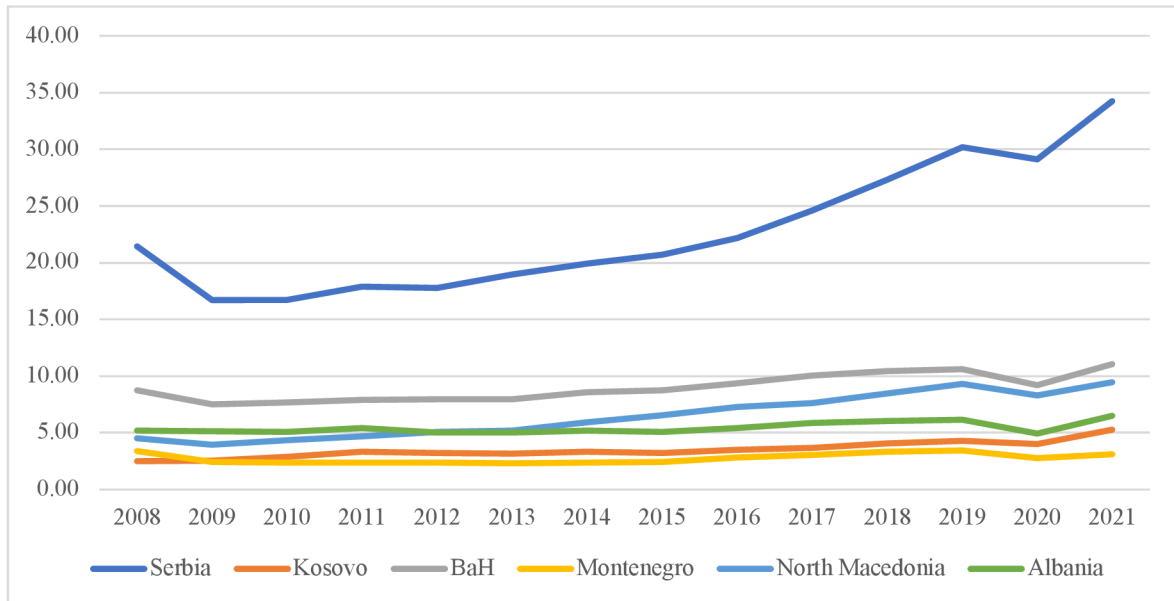
Table 17, imports (in billion 2015 constant USD) per country (2008-2021)

Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	21.41	2.50	8.77	3.38	4.51	5.18
2009	16.73	2.57	7.51	2.44	3.95	5.12
2010	16.71	2.87	7.70	2.37	4.36	5.09
2011	17.91	3.31	7.92	2.38	4.71	5.40
2012	17.80	3.25	7.97	2.39	5.10	5.04
2013	18.95	3.18	7.97	2.32	5.21	5.01
2014	19.92	3.34	8.57	2.35	5.95	5.22
2015	20.71	3.25	8.72	2.46	6.54	5.07
2016	22.16	3.50	9.35	2.83	7.27	5.42
2017	24.62	3.69	10.07	3.07	7.65	5.87
2018	27.28	4.09	10.46	3.35	8.47	6.02
2019	30.19	4.27	10.60	3.45	9.32	6.15
2020	29.10	4.01	9.18	2.75	8.30	4.94
2021	34.24	5.28	11.06	3.13	9.46	6.50

Source: The World Bank, 2023

What is rather interesting to notice when looking at the dataset is that all countries from the list, without any exception do have a trade deficit since the volume of their imports is significantly higher than the volume of exports – especially it becomes evident when comparing two tables. Nevertheless, it is vital to understand that despite the fact that it might be regarded as something negative in the context of protectionism and self-sufficiency, high figures for imports suggest that countries are able to cooperate with other actors in the international market thus adding a point to the globalization assessment of the Western Balkans. All in all, the thesis will continue with the presentation of the development of the variable in time for the six states in Figure 11.

Figure 11, development of imports in time (2008-2021)



Source: own processing based on the World Bank, 2023

Effectively, the value of imports is inevitably tied to the size of the domestic market, as mainly explained by the size of the population and the economy, so it does not come as a big surprise that Serbia and Bosnia and Herzegovina are the biggest-importing countries out of the list – just in the same way as it was with exports. Overall, it is suggested that the situation with this variable fully repeats the situation with exports, so it will promptly be continued with the descriptive analysis presented in Table 18.

Table 18, descriptive analysis of imports (2008-2021)

	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
Min	16.71	2.50	7.51	2.32	3.95	4.94
Max	34.24	5.28	11.06	3.45	9.46	6.50
Mean	22.69	3.51	8.99	2.76	6.48	5.43
Median	21.06	3.33	8.75	2.60	6.24	5.20
Range	17.52	2.77	3.54	1.13	5.51	1.56
St. deviation	5.55	0.73	1.17	0.43	1.92	0.50
Coef. Of var.	0.24	0.21	0.13	0.16	0.30	0.09
Base Index (2021)	60%	111%	26%	-7%	110%	26%

Source: own processing based on the World Bank, 2023

Clearly, the descriptive analysis underpins what has been said earlier in the previous paragraph - the two-leading countries in imports are Serbia and Bosnia and Herzegovina. On the other hand, it is quite interesting to note that all countries have been increasing their

imports over the course of the last decade, which can suggest that the demand for foreign goods has risen in all of those countries. Based on the fact that the countries went through a period of relatively good economic performance with the increase in welfare, this does not come as a big surprise. At the same time, Montenegro seems to follow a distinctive path since it is the only country that managed to decrease its imports in 2021 compared to 2008, based on the base index of negative seven percent for 2021. This might be connected to a potential strategy of becoming self-sufficient and autarkic, which is surely an attainable strategy due to the country's astonishingly low population of under one million inhabitants. The thesis continues with the correlation matrix presented in Table 19.

Table 19, correlation matrix for imports

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	0.90	1				
BaH	0.93	0.85	1			
Montenegro	0.74	0.48	0.83	1		
North Macedonia	0.94	0.91	0.94	0.65	1	
Albania	0.76	0.79	0.87	0.71	0.74	1

Source: own processing based on the World Bank, 2023

In fact, despite the negative figure for Montenegro's base index of imports, the correlation analysis suggests that all countries seem to move in the same direction with imports since all correlation coefficients are positive and the majority of them have high absolute values – with the exception of 0.48 for the pair Montenegro and Kosovo. The next step would be the identification of non-significant correlation coefficients according to the hypothesis testing. T-ratios are presented in Table 20.

Table 20, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1					
Kosovo	7.16	1				
BaH	8.61	5.52	1			
Montenegro	3.81	1.88	5.08	1		
North Macedonia	9.33	7.65	9.13	2.94	1	
Albania	4.03	4.50	6.25	3.48	3.85	1

Source: own processing based on the World Bank, 2023

In fact, as it was specified earlier, the only non-significant correlation coefficient is the one indicating the relationship between Montenegro and Kosovo. However, even despite this, it is possible to say that all countries follow in the same footsteps when it comes to their participation in the world economy.

4.7 Poverty Level

After focusing on the economic domain, it is essential to continue to the social one, where the first variable to be analyzed is the poverty rate. At the same time, it is vital to underline that a series of difficulties with this variable is encountered since there were many missing values and a complete lack of statistical information documented in the official sources for BaH. For this purpose, just two types of analysis will be performed – the descriptive and correlation ones based on the available data shown in Table 21.

Table 21, poverty rate (in percentage points) per country (2008-2021)

Year	Serbia	Kosovo	Montenegro	North Macedonia	Albania
2008	-	-	-	-	33.4
2009	-	59.9	-	40.8	-
2010	-	58.1	-	37.8	-
2011	-	57.2	-	37.2	-
2012	25	42.4	26.3	35.7	36.7
2013	28.3	38.4	23.3	34.1	-
2014	28.2	39.8	22.6	29.8	38.7
2015	27.2	35.7	21.3	28.8	26.2
2016	24.6	35	17.3	24.9	25.4
2017	21.7	34.2	17.2	23.1	25.5
2018	17.2	-	18.5	20.28	18.2
2019	12.1	-	-	-	10.9
2020	-	-	-	-	-
2021	-	-	-	-	-

Source: The World Bank, 2023

Unfortunately, it strikes as evident that there are serious problems with data availability for the majority of countries for the selected indicator. At the same time, it is concluded that the countries suffering the least from poverty-related problems are Serbia and Montenegro, while the worst situation is identified in the case of Kosovo. At the same time, indicators for the countries suffering the most do seem to reside on an adequate level that suggests that overall, the Western Balkan region does not suffer so much from poverty-related issues,

which are likely to even become less visible due to the increase in the economic development discussed earlier. Nevertheless, the next step would be the descriptive analysis presented in Table 22.

Table 22, descriptive analysis of poverty rate (2008-2021)

	Serbia	Kosovo	Montenegro	North Macedonia	Albania
Min	12.10	34.20	17.20	20.28	10.90
Max	28.30	59.90	26.30	40.80	38.70
Mean	23.04	44.52	20.93	31.25	26.88
Median	24.80	39.80	21.30	31.95	25.85
Range	16.20	25.70	9.10	20.52	27.80
St. deviation	5.78	10.73	3.42	6.93	9.36
Coef. Of var.	0.25	0.24	0.16	0.22	0.35

Source: own processing based on the World Bank, 2023

Figures representing variability show that the levels of indicators for each country were moving at a large pace. Effectively, when recalling the previous table, it becomes pretty evident that this is a downward-sloping movement where poverty rates were diminishing for all countries, which is a good sign. Proceeding further, the final step would be the correlation analysis, which is presented in Table 23.

Table 23, correlation matrix for poverty rate

	<i>Serbia</i>	<i>Kosovo</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1				
Kosovo	0.44	1			
Montenegro	0.57	0.93	1		
North Macedonia	0.77	0.87	0.92	1	
Albania	0.88	0.92	0.78	0.86	1

Source: own processing based on the World Bank, 2023

The situation with the variable related to poverty seems to repeat the overwhelming majority of previously analyzed variables, where all countries' indicators are related to each other. At the same time, there seem to be two evident cases, where the correlation is expected to be non-significant – Kosovo and Serbia (0.44) and Montenegro and Serbia (0.57). Table 24 presents the overview of t-ratios for correlation coefficients.

Table 24, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>Kosovo</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1				
Kosovo	1.69	1			
Montenegro	2.38	8.98	1		
North Macedonia	4.20	6.16	8.15	1	
Albania	6.45	8.41	4.26	5.78	1

Source: own processing based on the World Bank, 2023

In fact, only one correlation coefficient is categorized as non-significant, and this is the correlation coefficient showing the relationship between Serbia's poverty rate and the poverty rate of Kosovo.

4.8 Primary Enrollment Rate

The primary enrollment rate is a crucial variable that explains the situation with the education and human capital, which both inevitably influence a particular country's ability to manipulate the potential GDP and ensure stable economic growth over a long period of time. The dataset with the information for every single country from the Western Balkans with the exception of Kosovo, and Bosnia and Herzegovina is presented in Table 25.

Table 25, gross primary enrollment rate per country (2008-2021)

Year	Serbia	Montenegro	North Macedonia	Albania
2008	100.63	121.90	87.66	95.68
2009	97.69	115.84	87.47	93.10
2010	95.90	110.43	87.39	93.49
2011	101.49	98.31	87.54	95.01
2012	100.57	97.33	87.13	97.59
2013	100.90	96.32	90.95	99.98
2014	101.13	96.01	91.41	104.11
2015	101.34	95.40	93.89	105.54
2016	100.57	95.94	94.20	105.55
2017	100.31	98.11	97.13	107.05
2018	100.30	100.00	98.18	106.99
2019	99.64	100.63	96.58	104.81
2020	97.71	101.66	95.48	100.15
2021	96.81	102.25	97.10	95.92

Source: The World Bank, 2023

On the surface, the situation with the enrollment rate does not seem positive, but, according to the essence of the GER, the fact that all countries' gross enrollment rate approaches one hundred is a really good sign, which indicates that more and more people attend schooling in a specific age dedicated to education rather than enrolling later due to inability to attend education in time. Due to the complex essence of the indicator and the fact that it is pretty apparent that all countries slowly approach the figure of 100%, the chapter dedicated to the indicator will be finished since a further interpretation and computation of correlation coefficients are not likely to prove itself to be useful and interpretable.

4.9 Access to Electricity

The situation with the variable related to access to electricity is also rather complicated since it does not allow to perform the same series of analyses as before. At the same time, the situation with this indicator is pretty favorable for all countries of the region, which can be observed in Table 26.

Table 26, access to electricity per country (2008-2021)

Year	Serbia	Kosovo	BaH	Montenegro	North Macedonia	Albania
2008	100	-	100	100	99.20	100
2009	100	-	100	100	99.20	100
2010	99.72	99	100	100	100	100
2011	100	-	99.71	99	99.73	100
2012	100	99.75	100	100	100	99.90
2013	99.92	99.75	99.50	99.70	100	100
2014	99.66	99.68	100	97.70	100	99.95
2015	99.90	99.86	99.7	100	100	99.98
2016	100	99.80	100	100	100	99.89
2017	100	99.80	100	100	100	99.89
2018	100	-	100	100	99.80	100
2019	99.80	100	100	100	100	100
2020	100	-	100	100	100	100
2021	100	-	-	-	-	-

Source: The World Bank, 2023

As it usually happens with countries in transition, their situation with specific socioeconomic indicators might not be favorable but in turn, they are still much more

advanced than countries of the developing world. Based on Table 26, it is possible to say that neither of the Western Balkan states experience problems with access to electricity, which is one of the most important indicators of technological advancement, which is in turn an indicator of globalization itself. Henceforth, the thesis will continue with the next variable, which is associated with carbon dioxide emissions.

4.10 CO₂ Emissions

Once again, a serious limitation is faced – there is no information available at all for Kosovo. Also, data is available only up to 2019. Despite of this, the dataset for the indicator is presented in Table 27.

Table 27, CO₂ emissions in mt per capita per country

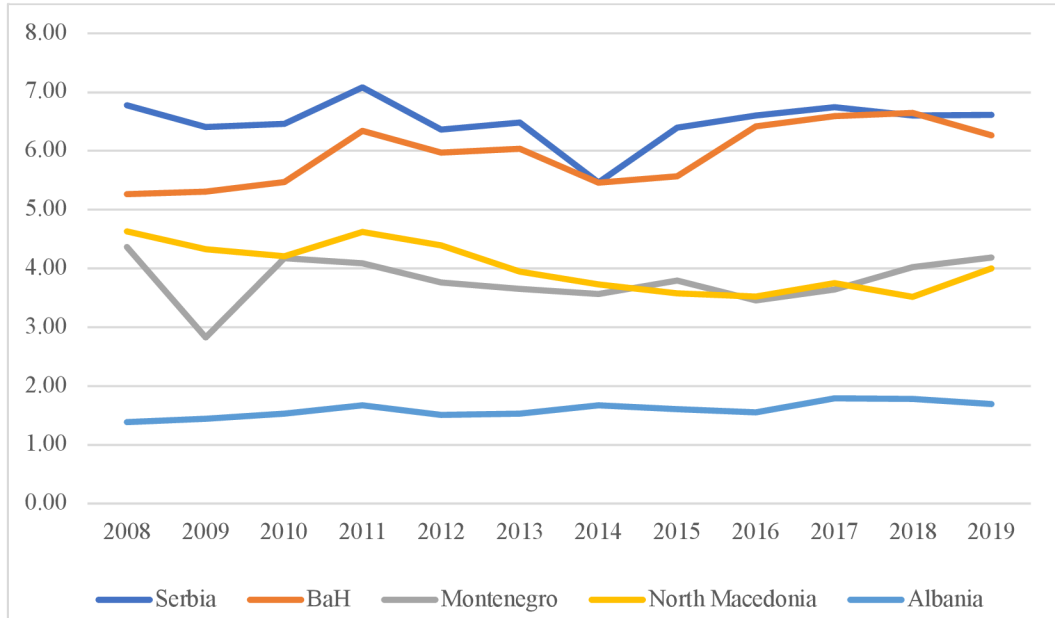
Year	Serbia	BaH	Montenegro	North Macedonia	Albania
2008	6.78	5.26	4.37	4.63	1.39
2009	6.40	5.31	2.83	4.32	1.44
2010	6.46	5.47	4.17	4.21	1.53
2011	7.08	6.34	4.09	4.62	1.67
2012	6.36	5.98	3.76	4.39	1.50
2013	6.49	6.04	3.65	3.95	1.53
2014	5.46	5.46	3.57	3.72	1.67
2015	6.40	5.57	3.79	3.58	1.60
2016	6.61	6.42	3.46	3.52	1.56
2017	6.74	6.59	3.64	3.75	1.79
2018	6.61	6.65	4.02	3.52	1.78
2019	6.62	6.27	4.18	4.00	1.69

Source: The World Bank, 2023

Based on the dataset, it is possible to say that countries seem to have a relatively low level of carbon dioxide per capita, especially when comparing it to figures of the USA (13-15 mt (put in the list of abbreviations, so it can be there) per capita) and Russia (13 mt (the same applies to this) per capita). At the same time, Albania seems to be the country polluting the environment the lowest – just 1.5-2 mt per capita, which is a minor figure. Clearly, this is associated with the presence of industry in countries and luckily for their environments, all of those countries do not really have a strong industry associated with metals or hard

manufacturing, so it is quite apparent that the volume of pollution will not be high. The narrative continues with the overview of the development of those variables in time in Figure 12.

Figure 12, development of CO₂ emissions per capita in time (2008-2019)



Source: own processing based on the World Bank, 2023

Interestingly enough, despite an obvious economic expansion of each of the analyzed countries, the overall level of CO₂ emissions does not seem to grow, which might be enough to suggest that countries go through an economic transformation, where they move their factors of production to services, which resulted in higher value-added for each country and also the same level of pollution. The next variable's descriptive analysis is presented in Table 28.

Table 28, descriptive analysis of CO₂ emissions per capita (2008-2021)

	Serbia	BaH	Montenegro	North Macedonia	Albania
Min	5.46	5.26	2.83	3.52	1.39
Max	7.08	6.65	4.37	4.63	1.79
Mean	6.50	5.95	3.79	4.02	1.60
Median	6.55	6.01	3.77	3.97	1.58
Range	1.62	1.38	1.54	1.11	0.40
St. deviation	0.38	0.51	0.42	0.41	0.13
Coef. of var.	0.06	0.09	0.11	0.10	0.08
Base Index (2019)	-2%	19%	-4%	-14%	22%

Source: own processing based on the World Bank, 2023

Clearly, the dynamic for the majority of countries was negative, which is visible in the value of the base index for every single country with the exception of Bosnia and Herzegovina, and Albania. This might suggest that those countries were instead focused on increasing the share of industry in its structure of the gross domestic product. Alternatively, it is quite apparent that the economic growth and development of the Western Balkan states are likely to have been supported by the economic transformation with the emphasis put on services since the picture is common for such situations. The correlation analysis is shown in Table 29.

Table 29, correlation matrix for CO₂ emissions per capita

	<i>Serbia</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1				
BaH	0.45	1			
Montenegro	0.37	0.12	1		
North Macedonia	0.35	-0.39	0.24	1	
Albania	0.03	0.73	0.15	-0.56	1

Source: own processing based on the World Bank, 2023

Effectively, the countries seem to follow an individual path in matters related to carbon dioxide emissions since the correlation between them is rather low. Further analysis involving t-ratios for every single pair is shown in Table 30.

Table 30, matrix of t ratios for correlation coefficients

	<i>Serbia</i>	<i>BaH</i>	<i>Montenegro</i>	<i>North Macedonia</i>	<i>Albania</i>
Serbia	1				
BaH	1.75	1			
Montenegro	1.37	0.42	1		
North Macedonia	1.30	-1.48	0.86	1	
Albania	0.09	3.70	0.51	-2.36	1

Source: own processing based on the World Bank, 2023

In fact, the only two significant correlation coefficients are the one reflecting the relationship between Bosnia and Herzegovina and Albania, and the one reflecting the relationship between North Macedonia and Albania. In the case of the first one, the correlation is positive, which underpins the suggestion that both countries rely on increasing the share of industry in their economy. At the same time, the negative correlation between North Macedonia and Albania might explain the same logic but with regard to North Macedonia being actively engaged in increasing services, while Albania does so for the industry.

4.11 Gini Index

The final variable, where the availability of data is the worst is the Gini index, which is traditionally associated with the degree to which there is an income inequality in a particular country. Due to data availability problems, just the interval between 2012 and 2017 without Bosnia and Herzegovina is considered as there is no information available for the country on the selected period. The dataset is presented in Table 31.

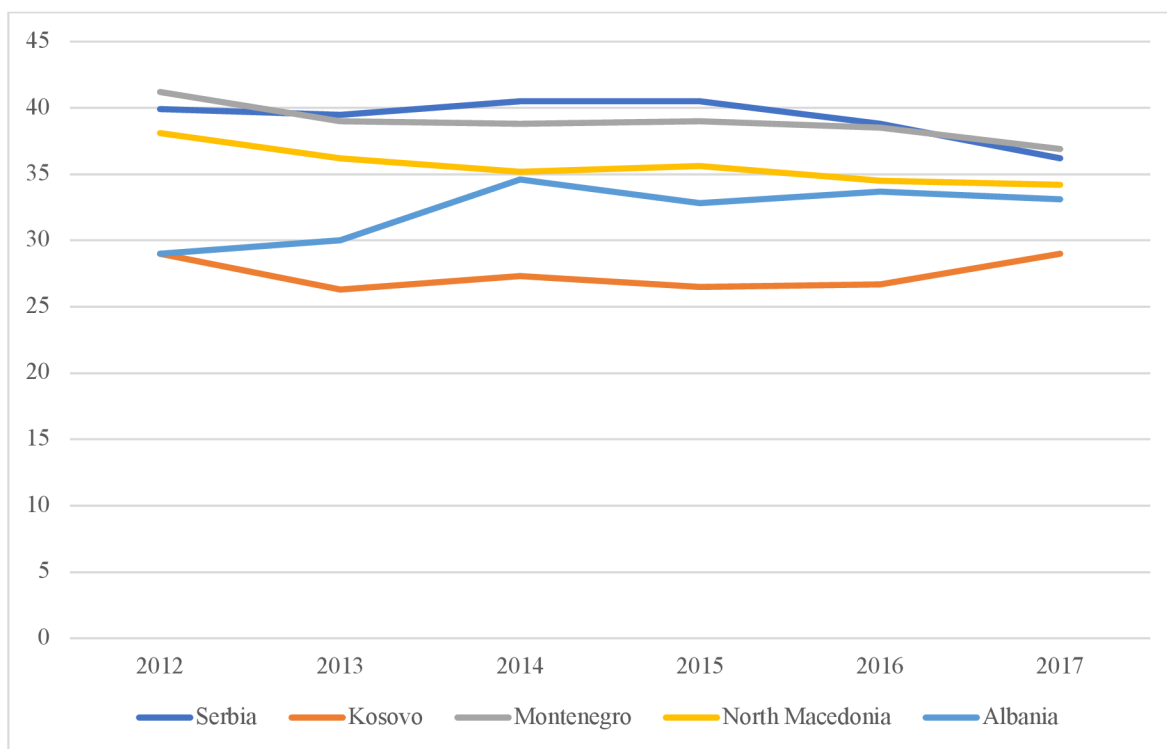
Table 31, descriptive analysis Gini index (2012-2017)

Year	Serbia	Kosovo	Montenegro	North Macedonia	Albania
2012	39.9	29	41.2	38.1	29
2013	39.5	26.3	39	36.2	30
2014	40.5	27.3	38.8	35.2	34.6
2015	40.5	26.5	39	35.6	32.8
2016	38.8	26.7	38.5	34.5	33.7
2017	36.2	29	36.9	34.2	33.1

Source: own processing based on the World Bank, 2023

Due to a relatively low number of observations, further elaboration on the indicator will continue based on the graph from Figure 13.

Figure 13, development of the Gini index in time (2012-2017)



Source: own processing based on The World Bank, 2023

Despite the fact that the situation when income inequality increases as countries' economic performance improves or increases, the situation for the majority of Western Balkan states seems to be different. Notably, Serbia, Montenegro, and North Macedonia managed to decrease the degree of income inequality alongside the increase in economic production. On the other hand, the cases of Kosovo and Albania are not so remarkable as both countries, in fact, went through the decade, when the income inequality became higher. Further reflections on the nature of the globalization are described in the next chapter.

5 Results and Discussion

5.1 Current Status of Globalization

To begin with, based on the analytical part of this diploma thesis, it is ultimately possible to come up to a conclusion about the current state of globalization of the Western Balkan region. According to the methodology selected, one can comment only on the socioeconomic performance of countries with regard to their integration into the world economy without putting any emphasis on the cultural integration and westernization of communities. Thus, before ultimately answering the question of whether Western Balkans follow the path of globalization or not, it is downright essential to specify that despite small major differences in the development of the selected indicators for some countries, it is assumed that countries follow the same trend of development when it comes to socioeconomic dimensions, which is justified by their shared history, culture and also structure of economies for the majority of countries. For this purpose, when coming up with a specific conclusion, it is vital to put emphasis on the region itself, which, despite having a series of conflicts and problems, still develops in a cohesive way, as it was also mentioned by Markovic (2019).

Thus, when considering the economic development and the catch-up effect as one of the main indicators for the globalization phenomenon, it is essential to underline that all countries managed to significantly increase their level of economic activity, and the sizes of their economies and also contribute to the overall level of development in a positive way, according to the results of analyzing the real GDP and the real GDP per capita. This might be one of the main factors that suggest that all countries from the region have almost successfully finished the transition process and they are on the way to joining the ranks of the world's most developed countries if correct actions are taken by the government and obstacles are removed. Hence, from this perspective, it is suggested that the globalization through economic expansion is something that is actively happening in the selected region. The thesis comes up with a series of similar conclusions as Roy-Mukherjee & Udeogu (2021).

Additionally, the fact that the countries made a huge leap forward in trade (with increases in both exports and imports, with the exception of Montenegro) underpins the suggestion that countries have successfully entered the path of globalization. What is even more important to note here is that active participation in international markets does not only increase the degree of cooperation and internalization of Western Balkan states, but it is also likely to positively contribute to their economic growth thus triggering another leverage for accelerated globalization. On the other hand, it is essential to ensure that countries will keep barriers to trade as low as it is possible otherwise it might negatively influence those countries' potential, as it was noted by Tešić, (2012).

When it comes to social indicators, where GER, Gini index, poverty rate, and access to electricity were analyzed, it is possible to come up to the conclusion that countries' performance approaches the performance of other most prominent welfare states, which do not also have high sizes of their domestic economies and huge population, but they manage their economic activities quite well, which is also noted by Haggard & Kaufman (2020). Nevertheless, when it comes to one of the most important indicators of globalization – FDI, not all countries have managed to increase their accumulation of foreign direct investments, and to be more specific, the only country where the growth of FDI seems to be the most viable is Serbia. At the same time, it is concluded that the Western Balkan region is rather limited to the FDI since for the majority of countries, there is there is only diaspora that might be interested and not so much foreign investors that might be interested in investing in their historical motherland or the motherland of their parents. The role of diaspora is also highlighted by Balasubramanyam & Wei (2007), who believed that having a scattered network of people deriving from one country can accelerate globalization and the volume of accumulated investments.

Overall, it is presumed that the rate at which those countries go through the globalization process is optimistic, but it is not astonishingly high, so those countries have to work on ways how to accelerate internationalization and become even more integrated into the world economy thus enjoying benefits from this integration. A similar conclusion is also formulated by Savićević et al. (2022).

5.2 Differences and Challenges

On the other hand, one of the biggest challenges to potential globalization accompanied by economic expansion is the series of conflicts that are present in the region, notably the conflict between Kosovo and Serbia, as well as the one between Serbia and Albania. The situation with the second one cannot anyhow be compared to the first one, since the relationship between Serbia and Albania is not as fruitful as it could be due to tensions that exist between the states as a consequence of ethnic conflicts and massacres happening over the course of the 90s and 2000s. Yet, the situation with the first conflict is quite serious especially when considering that Serbia is one of the main economic driving forces of the region, so its welfare and prosperity might create a spillover of positive effects on its neighbors, according to Fagan & Sircar (2015).

Considerably, all ethnic and cultural conflicts that exist within the region prevent the region from a proper economic integration, which is expected to provide an endless number of positive effects for all countries of the region thus accelerating their potential inclusion into the European Union. At the same time, this might not at all be easy as some countries from the region have rather tense relations with some of the EU members, such as North Macedonia, which had to be renamed in order to please Greece. In fact, North Macedonia is definitely not the only country whose presence in the region makes matters worse for the investment climate in the region. In light of recent circumstances, when all countries with the exception of Serbia supported sanctions against Russia, it becomes clear that the full globalization of the region is impossible without the change of the political vector of Serbia. Indeed, Serbia might have its own political interests and cultural ties with Russia but reluctance to impose sanctions on the country distances the country from major international communities thus stagnating the globalization processes. This is also highlighted by Bechev (2023).

Another important challenge to the globalization of the region is political instability and the label that is often being put on those states classifying them as “the third world”, whilst the economic performance of Western Balkans has significantly been improving over the course of the last decade. However, a series of wars from the 90s and international political

issues within the region do not add credit to the reputation of the region thus scaring potential investors, which is also highlighted by Knez et al. (2022).

5.3 Recommendations

All in all, one could stick to the series of typical recommendations that had already been formulated by countless scholars, where they recommend getting rid of all conflicts and moving towards a united Western Balkans. However, it is fair to believe that there might be something else done in order to get Western Balkans on the right track of globalization. Unfortunately, due to limitations connected to the sizes of populations and the size of diaspora, those countries are rather limited to just a specific level of FDI. On the other hand, there are plenty of examples where small countries that do not also have large populations managed to become highly internalized and well-known over the world eventually hosting billions of US dollars in investments – Norway, Switzerland, etc. Thus, it is suggested that due to the structure of Balkan economies and relatively positive situation with social and environmental pillars of sustainable development, countries can focus on ensuring environmental neutrality and reaching a good level of sustainable development (which is pretty realistic, since the region has an outstanding performance in all three pillars and particularly in the environmental and social ones). By completely changing the image from countries in transition into countries on the active path of sustainable development, those countries can become well-known all over the world and prompt many international investors and institutions to consider those countries as potential hubs for their operations. Additionally, this plan can gradually become reality due to the fact that countries seem to go through the same business cycle, and once a significant level of integration can be achieved, it might even be likely that they won't have to aim for joining the EU, instead on focusing on forming a union of their own.

On the other hand, if the recommendation described in the previous chapter will not work, those countries are expected to be the next ones to be invited to the European Union, once they will fulfill Copenhagen's criteria for joining the EU, which they all seem to care about. All in all, it is suggested that as the time will progress further, Western Balkans' prospects for a brighter future will keep on increasing.

6 Conclusion

The goal of this diploma thesis was to analyze the current state of play in globalization for the Western Balkan states, notably Serbia, North Macedonia, Kosovo, Albania, Bosnia and Herzegovina, and Montenegro. The analysis relied heavily on the quantitative approach, where relevant socioeconomic indicators were analyzed with the help of time series analysis, descriptive analysis, and correlation analysis. After performing the series of calculations and reflections, it was eventually possible to formulate a series of recommendations and also come up with a relevant conclusion about the current state of globalization and also the direction of internalization processes for the region.

Ultimately, it is concluded the globalization processes are actively happening and developing for the region as all countries managed to increase their levels of economic activity, development, and also participation in the world economy. One of the main results of the analysis is the statement that all countries entered the path of active globalization and internationalization and as time will progress, the degree of being integrated into the world economy will keep on increasing. On the other hand, it is identified that conflicts within the region and notably the one between Kosovo and Serbia as one of the most significant obstacles to globalization in the region. Additionally, it is anticipated that the economic prosperity of the region to some extent depends on the economic success and advancement of Serbia as the majority of countries from the region are inevitably dependent on the spillover of economic benefits from Serbia.

For the series of recommendations, it is recommended that due to the low population and network of nationals from Western Balkans around the globe, which partially limits the investment potential of countries, they would better have to focus on sustainable development, which might finally help the region to get rid of the series of stereotypes and labels. To be more specific, it is anticipated that once the world and investors will see that those countries have entered the path of effective sustainable growth, it will erase the label of a politically, economically, and culturally unstable region devastated by the series of ongoing ethnic conflicts. Ultimately, it is suggested once those obstacles are overcome, the region can achieve significant results that might in fact even lead to a creation of a union similar to the EU but between the Western Balkan states. Alternatively, it can also help those

countries to gradually join the EU, if the idea of local integration will not be appreciated by individual states and their governments.

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