

**Western Balkan Countries and  
European Neo-regionalisation  
Case study: CEFTA and its impact on  
Kosovar economy: 2007-2013**

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**Abstract**

Selection of “the problem” of neo-regionalisation for study directly deals with its importance as a determining factor of many developments in the arena of international relations. Its importance appears especially when it is manifested as a theoretical approach, as an analytical category and as a new practice of economic and political organisation in the regional level and in the same way in the international aspect as well.

Although studiers concede that the world is going towards larger units of integration in global level, however, regionalisation (neo-regionalisation) is becoming a new identity for people in the 21st century. This is valid especially for the European societies and states aiming to be part of the supranational structures of the European Union.

In relation to this, the study below is focused on new integrating practices in Europe, which is known as “Neo-regionalism” in order to see how this new practice is influencing in intensifying the regional cooperation. To make the study even more concrete, a concentration in case study has been made in regional cooperation within CEFTA with a particular focus in its implications towards Kosovo and vice versa. The theses will also be discussed whether Kosovo has benefited or lost from this cooperation to review the possibilities of continuing further cooperation or to quit it.

Undoubtedly, the establishments presented above may be used for reaching a concrete conclusion for the results of this cooperation, what is going to serve as a platform for drawing some recommendations for further coordination of actions for cooperation in the regional plan.

**Key words:** Regionalisation, neo-regionalisation, CEFTA, supra-nationalism, integration processes, bilateral agreements, intensification of regional cooperation.

### 1. Methodological approach

The deductive logic of working characterises the study provided below. This is especially emphasised at the theoretical review regarding the political economy of regional integration which explains the nature of structural changes in international economy and international trade, what helps to better understand the position of regionalisation as a practice of regional economic cooperation. The deductive logic appears also in the case study with focus on new integration practices in Europe after 1990's, known as "neo-regionalisation", to see how this new practice impacts the intensification of regional cooperation. Going lower into analysis, the attention is directed to the case study of regional cooperation within CEFTA, having a specific observation on its impact in Kosovo economy and vice versa.

Nevertheless, time after time the inductive logic is applied as well, especially after having built findings grounded on empirical data. This data is going to serve for raising new hypothesis related to the perspective of regional economic and political cooperation.

### 2. Theoretical review: Structure of international economy and position of regionalisation

The idea of cooperation between the countries of a region, or all countries of the world appears from a simple logical premise, that none of these countries is not economically sufficient alone to fulfil the needs it has. As a result, interdependency appears, which as a result imposes integration. Another important premise is the fact that states (and other economic stakeholders) appreciate this integration, because the economic interests are those which bring tangible benefits and do not marginalise the national sovereignty.<sup>1</sup> Therefore, interdependency and integration have been the permanent premise in the international society, regardless the different levels of intensification of cooperation they have marked in cooperation and interdependency, thus impacting time after time in formation and reformation of the international economy.

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1 Schneider, describing the behaviour of states as rational economic stakeholders, uses the concept of "state capitalism" to indicate that it presents an economic system in which the governments manipulate with the results of the market for political purposes. According to him, the governments have even represented the state capitalism because it serves for political and economic purposes - and not because it is a good mean to generate prosperity: Henrique Schneider, *State-capitalism and Globalization - a challenge to whom?*, Iliria International Review - 2012/2, Felix-Verlag, Holzkirchen, Germany and Iliria College, Pristina, Kosovo, 2012, p. 119.

In this context, studiers contend that the last decade of 20th century is a witness of radical structural changes in the international system in general and in particular in the economic system,<sup>2</sup> where integrations and free trade are becoming *sine qua non* in spreading and structuring of the global markets,<sup>3</sup> and where lately globalisation has become a determining feature of the international economy since the beginning of 21st century.<sup>4</sup>

But not only at this time is this universal applicability of trade valid. During the modern history, the trade has been considered either as an international public good or from which everybody benefits, or a battlefield where winners and losers are. However, matters for which this debate is made is important because of the volume and growing importance of international trade, for the largest part of national economies. According to the studier: "the volume of exchanged goods and services between nations is taking a growing share of the generation of wealth, mainly by offering economic growth opportunities in new regions and by reducing the costs of a wide array of manufacturing goods. By 2007, international trade surpassed for the first time 50% of global GDP, a twofold increase in its share since 1950".<sup>5</sup>

This finding imposes the need to clarify the fact that in the international trade in reality is being developed in a real global and unique market, or is this happening based on regional markets?

When speaking about structural changes in international economy, a fact to be mentioned is that movements towards economic regionalisation which were accelerated by mid 1980-s, had an important impact in modelling the world economy, and by the end of 1990-s it had approximately 180 agreements of regional cooperation and almost all members of WTO were involved in one or more formal regional organisations.<sup>6</sup> Furthermore, Gilpi stresses the fact that in Western Europe and elsewhere, trade has become quite regionalised and this development has raised the concern that maybe that the international economy has been put on the move towards creating regional economic blocks. This has pushed studiers to concluding that world trade models today act in two conservatory tendencies. One of the tendencies goes towards integration of industrialised regions with each other in a real world market. The second

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2 Robert Gilpin, *Global Political Economy: Understanding the new international economic order*, Dita 2000, ISP, Tirana, 2009, page 13.

3 Bedri Selmani, *Globalisation: Transition and integrations*, Albanica & Zenith, Prishtina, 2006, page 15.

4 Skender Kërçuku, *Features of competition and development of markets in an age of globalized economy*, Iliria International Review - 2011/2, Felix-Verlag, Holzkirchen, Germany and Iliria College, Pristina, Kosovo, 2011, p. 1-24. See further: Morten Bech, *Foreign Exchange volume during the financial crisis and now*, BIS Quarterly Review, March, 2012, page 33.

5 Jean-Paul Rodrigue, *The Geography of transport system: Chapter 5: International Trade and Freight Distribution*, on: <http://people.hofstra.edu/geotrans/eng/ch5en/conc5en/ch5c2en.html> [12 November, 2013]

6 Gilpin, *Global Political Economy*, 2000, ISP, Tirana, 2009, page 294.

tendency is the large division which is being created in the industrialised West into three competitive trade blocks, where each block is integrated within it, but not very open to the two other blocks.<sup>7</sup>

In this state, what becomes imperative for study is connected with regional practices of organisation and cooperation. To describe these practices or phenomena the term “regionalisation” is used, which represents the centre of gravity in discussions of this work.

### 3. Conceptual framework: regionalisation and neo-regionalisation

An understanding of aspects related to regional cooperation as part of overall activity in the international economy depends directly on defining the term “regionalisation”. There is a range of explanations for this issue, but what is more important is the fact of referring a definition which contains typical elements to describe a regional cooperating activity. For example, Louise Fawcett, trying to understand “the newest spheres of expansion of regional action”, makes the difference between “regionalisation” as a policy or project of cooperation and coordination, and “regionalisation” as a project and process which includes a “concentration in activities in regional level”.<sup>8</sup> Whereas, Hettne and Söderbaum, with the purpose of promoting a more coherent theoretical construction, further developed a “new theory of regionalisation” (NTR) concentrated on the basic concept of “regionness” which is regarded as a process “which leads to the models of cooperation, integration, of complementariness and convergence within a particular international geographical area”. Therefore, they used the term “neo-regionalisation” to refer to latest “wave” or “generation” born in the immediate period following end of the Cold War,<sup>9</sup> and that the term neo-regionalisation describes in the best way the nature of regional cooperation in the Western Europe of the period following the end of bipolar ideological rivalry.

7 Joshua Goldstein, *International Relations*, Ditura, Tirana, 2003, page 333. Related to this, Gilpin also discusses that the international trade in its largest part is developed in these three regions. Here the EU is referred to as the largest world market, followed by NAFTA, in Northern America and ASEAN in the Asian and Pacific region. See at: Gilpin, 2009, page 294-309.

8 Christophe Solioz and Paul Stubbs, *Regionalisms in South East Europe and Beyond, Towards Open Regionalism in South East Europe*, 2012, p 17.

9 Bjorn Hettne and Fredrik Soderbaum, *Theorising the rise of regionness*, page 45. See more: Francis Baert Philippe De Lombaerde, Fredrik Söderbaum, Luk Van Langenhove and Francis Baert, *The Problem of Comparison in Comparative Regionalism*, Jean Monnet/Robert Schuman Paper Series Vol. 9 No. 7, April, 2009.

#### 4. Contextual framework: Neo-regionalisation in European context

In the European context, revival of regional cooperation mainly came as a result of changes in the political constellations (and afterwards of the economic as well) in the countries of Central and Eastern Europe. In some cases this cooperation was designed as temporary agreement, which depended and prepared the way towards membership into European Union. This was clearly true for institutions decided by the four of Vishegrad (Poland, Hungary, Czech Republic and Slovakia) as the Central Europe Free Trade Area is (CEFTA), established in 1992.<sup>10</sup> In addition, in the European context there was a revival or creation of many new regional agreements such as the Black Sea Economic Cooperation Scheme (BSECS), followed by Commonwealth of Independent States (CIS), etc.<sup>11</sup> Nevertheless, the cooperation between states at the beginning was difficult because of competition between them so that everybody becomes “preferred candidate” to gain a place in EU, the advice of EU that their membership would occur after several years and that the applications would be reviewed in group and not individually, led these states towards cooperation with each other even though the trade amongst the group still remained in low levels.<sup>12</sup> Such an approach was thought to be adequate also for other countries of South Eastern Europe (SEE) or Western Balkans intending to be part of EU. Related to this, EU drafted a new strategy for this part of Europe. First of all creation of a Stability Pact for SEE should be mentioned, and then inauguration of the process of Stabilisation Association Agreements, to the EU document<sup>13</sup> for the Western Balkans. And it was exactly this document the one to determine clear lines for possible integration of the countries of this region in EU, proposing three main instruments:

- a) Stabilisation Association Agreements,
- b) Pact of Stability and
- c) Regional Cooperation.

10 David Armstrong, Lorna Loyd, John Redmond, *International Organisations in World Politics*, AIIS, Tirana, 2009, page 288.

11 Jelica Minić, *A Decade of Regional Cooperation in South Eastern Europe – Sharing Guidance, Leadership and Ownership: Dialogues Ownership for Regional Cooperation in the Western Balkan Countries*, Published by Friedrich-Ebert-Stiftung, June, 2009, page 15. Except Europe, regional initiatives are occurring all over the globe such as North America Free Trade Agreement (NAFTA), Association of South Eastern Asia Nations (ASEAN), Andean Community, Mercado Comun del Sul (MERCOSUR), South Africa Development Community (SADC), South Asia Association for Regional Cooperation (SAARC), etc.

12 Armstrong, Loyd, Redmond, *International Organisations in World Politics*, 2009, page 288.

13 This document, called “Sollana-Paten Report on Western Balkans was approved in the Summit of European Council in Lisbon, on 24 March in 2000. See more at: Blerim Reka, *European Union Law*, KIEAL, Prishtina, 2000, pages 173-178.

When discussing about the third instrument, it has been thought that this regional cooperation in the best way would be intensified by promoting free trade, or as Chriss Paten would cite: "Open market, open mind". Promotion of free trade, and overall regional cooperation, was a test for these countries with intention of enabling them learn the rules of the game of loyal competition before they would enter the European market, as the largest competitive market in the world. In this aspect, the countries of Western Balkans (upon recommendation by EU)<sup>14</sup> chose CEFTA as the most adequate institution to accomplish their assignments and reach their goals. In fact, CEFTA has now been changed into a pre-accession instrument into EU. Each country of former communist block which has now become a member of EU, has priority been member of CEFTA. In the same way every country that is in process of accession into EU, today is a member of CEFTA.

However, except the causes which have encouraged the regional cooperation, the studiers of regionalisation have been focused in three main issues:

Shall the regionalists promote the welfare of majority of population in the participating states? Would they promote regional security? Would it be harmonised or would it work against multilateral liberalisation of the market, a thing which is seen by many economists as essential for global improvement of economic welfare?<sup>15</sup>

To answer to these and other questions, for simplicity of analysis, the focus is set on the context of regional cooperation of Kosovo and other countries operating within CEFTA. And except these questions, amongst the most important matters which would need to be discussed would be the following:

What principles lead the cooperation within CEFTA: those of mercantile character or liberalisation ones? Which were the costs of membership of Kosovo in CEFTA, Has Kosovo won more or lost from cooperation within this system? What are the steps Kosovo should take for improvement of its economic position within this regionalisation?

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14 Based on EU recommendations, the new members prepared for membership in CEFTA, must priority prepare through creating free trade zones, or signing bilateral agreements with each in order to create a free trade zone.

15 Armstrong, Lloyd, Redmond, *International Organisations in World Politics*, 2009, page 288.

## 5. Findings and analysis: CEFTA and its impact in promoting the regional cooperation.

In 2005, the European Commission through the Pact of Stability, has taken initiative for creation of a free trade zone amongst the Western Balkans countries and the countries of the Eastern Europe: Rumania, Bulgaria, Moldavia, Serbia and Montenegro, Bosnia and Herzegovina, Croatia, Macedonia and Kosovo. This is the first time of negotiating for the Southeaster Europe countries of a regional agreement and signing between them. Kosovo is part of CEFTA since 2007. The agreement of CEFTA at that time on behalf of Kosovo was signed by UNMIK as the only authority who had the right to represent Kosovo in foreign relations.<sup>16</sup> Following declaration of independence of Kosovo, the institutions did not articulate a clear position regarding representation of Kosovo in international agreements. Five years after membership of Kosovo in CEFTA, and three years following declaration of independence, Kosovar opinion is divided into those thinking that Kosovo must stay in CEFTA and those who think that Kosovo must leave CEFTA.<sup>17</sup>

The primary mission of CEFTA has been and continues to be promotion of free trade, enhancement of political and multilateral cooperation. Therefore, Kosovo and other member states have become members of this regional mechanism based on the rational interests, especially for advancement of its position in this direction. In this context, CEFTA appears as a “binom”, a political-economy mixture of cooperation, in the sense of increase of results being positive that in one field influences directly on increase of cooperation also in other opposition fields. However, what is important to be verified is related to the fact how this mission of CEFTA matches with the factual state in the field, and whether the political circumstances have influenced and others in the change of its primary mission.

The case of Kosovo is a classical adequate example to understand this phenomenon. This occurs because of some specific circumstances which are a typical characteristic for Kosovo and its position regarding this regional political-economic event.

But to make such a conclusion, the use of economic theories of liberalisation and mercantile process become an imperative. In fact these two theories have dominated the debate related to every explanation of economic activities including that of regionalisation. For liberalisation it is important that politics

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16 This practice took the legal grounds in the Resolution 1244 of SC of UN, this resolution has even been continuously interpreted whenever any dispute has occurred in between Kosovo and other countries regarding trade activities within CEFTA. Recently the interpretation of the resolution was made when the customs stamps were replaced by *UNMIK Customs into Kosovo Customs*.

17 Kosovo in CEFTA: to be or not to be? Analysis of policies, the Institute for Advanced Studies GAP, Prishtina, March, page 2.

is in service of promoting the free trade, whereas for mercantile process, the economy (even that of free trade) should be in service of politics. Simply said, here a competition appears for domination between politics and economy.

## 6. Benefits and regionalisation costs for Kosovar economy.

Integration of Kosovo in CEFTA, depending from what perspective it is estimated, nevertheless it results into a two sided peril. Although favourable at the first glance, opening of the Kosovar market toward the regional one means providing a kind of possibility of developing the free trade, but also at the same time to guarantee the same to the others. This would be something brilliant for a country with competitive mature economy, but for an infant economy of post war Kosovo (almost totally destroyed) does not have the same logic. In fact, unification, what in this case would be through CEFTA, would be productive for Kosovar economy, but this occurs only for those countries which exercise a type of domination within this strange nomenclature. This is a logical establishment, even paraphrasing here the French studier Bourdieu who declares that "unification gives power to the dominator", and thus we manage to understand that these non-written rules did not leave aside without leading the principles of trade even within CEFTA, with a harmful cost on the back of Kosovar economy.

According to this studier, the world market is a political creation, "product of planned politics more or less intentional"<sup>18</sup>. Unfortunately the mercantile principles dominate also functioning of CEFTA, something else that is not done out of order and which has been done during all history. On the other hand, in the case of CEFTA, liberal principles mainly remain in statement and political level. Therefore, seen from the liberal angle, Kosovo politically seems to benefit in some forms from being part of this regional event. This first of all happens from those countries which have positive political stances for the country, thus grounded on "preferential treatments" as an instrument which may be regarded to somehow promote the doctrine of trade liberalisation. This has been expressed by the European Union for Kosovo.

Initially we shall see at analysing and assessment of positive costs, or of how the cooperation should have occurred, to give a greater weight to the arguments which estimate the opposite or the negative costs which indicate how the cooperation is really going.

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18 Zbigniew Brzezinski, *Selection: Global domination or global leadership*, Zenith, Prishtina, 2006, page 182.



### 6.1 Benefits

Observed from the angle how the cooperation of Kosovo should have functioned with other countries in this regional mechanism in normal situation, there is no dilemma that benefits would be seen in this aspect. From the political point of view it is undisputable that Kosovo has only benefits from CEFTA. Kosovo has become a participant with full sovereignty in this regional initiative.

Taking into consideration the potential of economic development of Kosovo, in the future it must have been based in trade, production and export, CEFTA appears as an important mean for achievement of these objectives. As part of CEFTA, Kosovo is open for a market of nearly 20 million customers and a GDP of Euro 120 billion, open for trade experience, technology, competition. Membership in CEFTA expands the market for Kosovo, from a market of 2 million inhabitants into a market of 20 million inhabitants, and this fact is a strong point for absorption of foreign direct investments.<sup>19</sup>

Another important element of CEFTA are the rules of origin. CEFTA allows Kosovar producers to import raw materials from CEFTA member states and to use them for acquiring the Kosovar products without risking the Kosovar origin of final product. In other words, every raw material imported from CEFTA countries may be used as it would be Kosovar product and the final product would be exported with a zero customs tariff (preferential treatment) in each country of CEFTA.<sup>20</sup> Moreover, the concept of origin of goods becomes important in the case of preferential treatment that a country makes to products of another country. For example through the system known as "Autonomous Trade Preferences", European Union allows Kosovar products to enter the common European market without any customs duties,<sup>21</sup> a treatment which would not be possible to be enjoyed in an Asiatic country for example. In this situation, for EU it is important that only Kosovar goods benefit from this treatment.

Furthermore, it is important to understand that large investors are not so much interested in a 2 million inhabitants market of Kosovo (what would be without membership of Kosovo), as much as they are interested in a regional market of 20-30 million where they can use the labour and the market of raw materials, and where they can sell their products afterwards. In addition these investors see this regional market also as an opportunity to access in preferential manner to the giant European market. This regional market cannot be materialised if CEFTA is not effectively implemented. The free trade is the most important instrument which determines the dimensions of a market.

19 Kosovo in CEFTA: to be or not to be? Analysis of policies, the Institute for Advanced Studies GAP, Prishtina, March, page 2.

20 Lutfi Zharku, *What is CEFTA?* Republic of Kosovo, Ministry of Trade and Industry, page 4. In bilateral agreements of free trade this benefit would not be possible. Not to risk the origin of its production, a Kosovar producer has been obliged to use only raw materials from the country where the final product would be exported. Whereas CEFTA allows this producer to import raw materials from any country of CEFTA and to export final product in any country of CEFTA.

21 See for more: Myrvete Badivuku, Erdin Maloku, *How affordable are the costs compared to benefits brought by the euro to the Kosovo's economy*, Iliria International Review – 2011/1, Felix-Verlag, Holzkirchen, Germany and Iliria College, Pristina, Kosovo, 2011, p. 60-65.

## 6.2 Costs

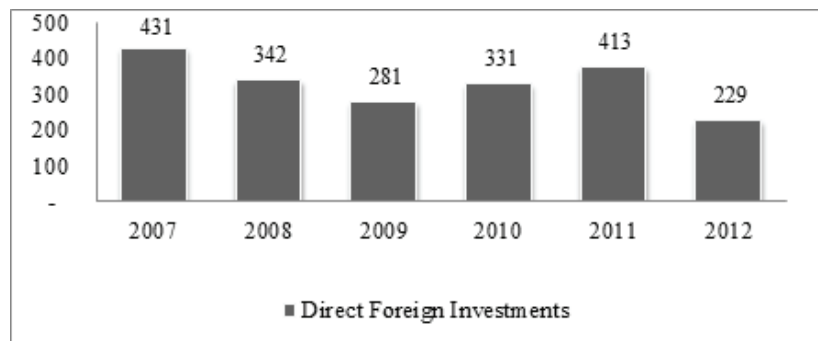
Negative costs imply the distinction between expectations of a more positive result and a realistic result which could be more unfavourable than it was expected. As mentioned above, Kosovo politically has expected and aimed positive results from being in CEFTA, in the sense that the integration in this regional structure has been estimated as a competitive advantage, especially when it was thought that regionalisation shall be the key to overcoming the obstacles to advance its interests. This liberal rhetoric did not result into being so productive in this case, thus giving credit to mercantile approaches. As regards to it, the economist Gilpin reminds us of "regionalisation is not an alternative to state-nation, as some think of, but it is more than embodiment of common efforts of particular states to collectively promote their interests"<sup>22</sup>.

## 6.3 Trade balance of Kosovo in regional tendencies

Now we focus on analysing trade relations of Kosovo with the partners within CEFTA and those outside it such as countries of European Union. Empiric data speak clearly by reflecting the real status of trade balance of the country in the period from membership in CEFTA until today.

If we analyse expectations of Kosovo from the moment of getting membership in CEFTA, related to increase of level of foreign investment, we notice that since 2007, when membership occurred, the foreign investments not only have not increased, but they have marked a significant decrease. Incomplete application of agreement of CEFTA, is one of the reasons for the fall of foreign direct investments.<sup>23</sup>

**Figure 1:** Foreign direct investments in Kosovo.



Source: Graphic appears with the data from the Central Bank of Republic of

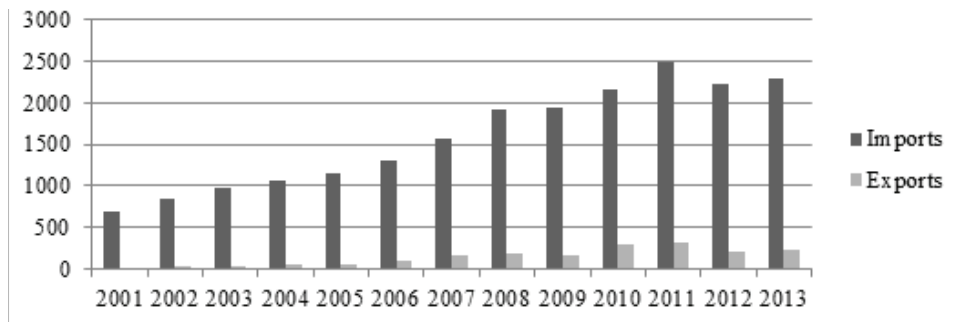
<sup>22</sup> Gilpin, *Global Political Economy*, 2000, ISP, Tirana, 2009, page 22.

<sup>23</sup> See for more: Myrvete Badivuku-Pantina, Skender Ahmeti, Arbër Reçi, *Developments in Kosovo's economy analysed on a macroeconomic point of view*, Iliria International Review – 2011/2, Felix-Verlag, Holzkirchen, Germany and Iliria College, Prishtina, Kosovo, 2011, p. 53.

Kosovo, Monthly Statistical Bulletin, September, 2013, Nr.145, page 9.

Moreover, since the end of the war, Kosovo faces a high trade deficit. Kosovo imports much more than it exports. Although in years, the export ability of Kosovo has gone growing, at the same time import as well has increased, by all the time holding the trade deficit in high level.

**Figure 2: Export and Import in Kosovo.**



Source: Kosovo Statistics Agency, Statistics of Foreign Trade, Series 3: Economic Statistics, December 2012, page 8.

Kosovo trade deficit remains high, and this deficit has not been softened after entering of Kosovo into CEFTA, but in contrary it has grown. This deficit is reaching the value of 2 billion Euro. Despite the complaints from local institutions and the letters sent from SRSG (Special Representative of Secretary General) that replacement of stamps is not in contradiction with Resolution 1244, Serbia and Bosnia continue to block the goods from Kosovo, while at the same time they export their goods in unhindered manner to Kosovo.<sup>24</sup>

Moreover, the irony stays at the fact that instead of Kosovo responding back to these countries, in conformity with the statutory provisions through provisional re-balancing measures,<sup>25</sup> it still considerably imports from these two countries.

Except Serbia, another trade partner is Macedonia. Kosovo imports from Macedonia and Serbia over 81% of import of Kosovo from CEFTA countries. Only from Macedonia, Kosovo has imported around 47.8 per cent of the total of import from CEFTA countries.<sup>26</sup>

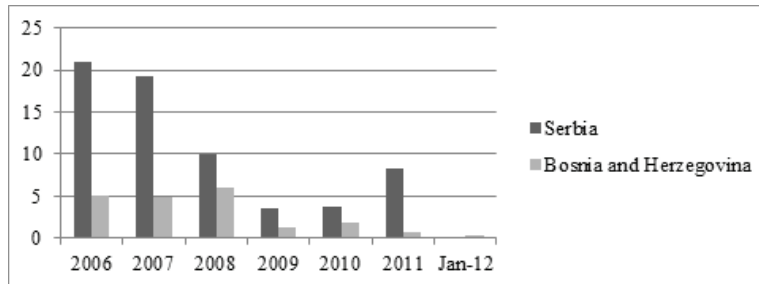
The data below show the real state of the ratio between export and import of Kosovo with Serbia and Bosnia and Herzegovina.

<sup>24</sup> Kosovo in CEFTA, GAP, Prishtina, March, page 3.

<sup>25</sup> Provisional re-balancing measures implying undertaking temporary measures for protection of domestic products against one state which violates the Agreements and damages the economy of the country.

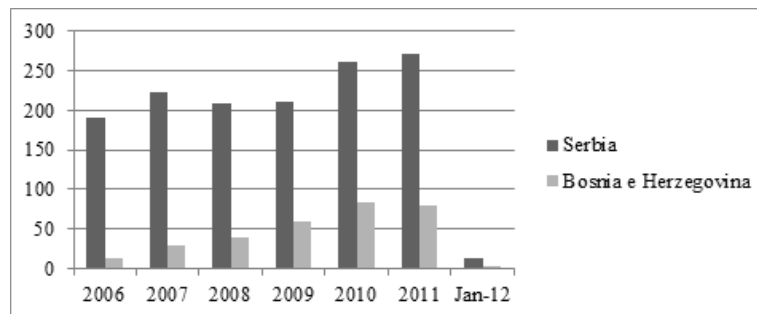
<sup>26</sup> ISPE (Institute for Political and European Studies), *Strategy for promotion of export*, First Draft, Prishtina, 2010, page 20.

**Figure. 3:** Export to Serbia and Bosnia and Herzegovina, in millions of Euros.



Source: Graphic appears with the data from the Central Bank of Republic of Kosovo, *Monthly Statistical Bulletin*, September, 2013, Nr.145, page 95.

**Figure. 4:** Import from Serbia and Bosnia and Herzegovina, in millions of Euros.



Source: Central Bank of Republic of Kosovo, *Monthly Statistical Bulletin*, September, 2013, Nr.145, page 99.

Analysing values of export with the CEFTA member countries makes us see that export has slowly grown after becoming member of CEFTA. In 2006 export with the CEFTA countries was Euro 51.7 million, while in 2010 this value reached Euro 70.9 million. An increase of 37% within 4 years, which is an unsatisfactory growth, when taking into consideration the low scale of export in general.<sup>27</sup>

<sup>27</sup> Kosova in CEFTA, GAP, Prishtina, March, page 3.

**Table 1:** Export in Euro millions with other CEFTA member states.

Export						
	2007	2008	2009	2010	2011	01.2012
Montenegro	2.9	3.8	3.1	3.9	6.9	0.5
Macedonia	15.4	20.0	17.4	26.3	30.7	1.3
Albania	20.8	21.1	26.2	32.3	33.2	2.3
Croatia	1.8	0.8	2.2	2.7	2.7	0.1
Moldova	n/a	n/a	n/a	n/a	n/a	n/a
Total	40.9	45.7	48.9	65.2	73.5	4.2

Source: Central Bank of Republic of Kosovo, *Monthly Statistical Bulletin*, September, 2013, Nr.145, page 95.

Export marked a decrease in 2008 and 2009 which came as a result of blocking the Kosovar products from the Serbian and Bosnian authorities. In 2010 a slight increase was marked regarding export which appeared as a result of growth of export to Albania<sup>28</sup> and Macedonia, states which are used by Kosovo as alternative road following blockage from Serbia and Bosnia.

#### 6.4 Export with European Union

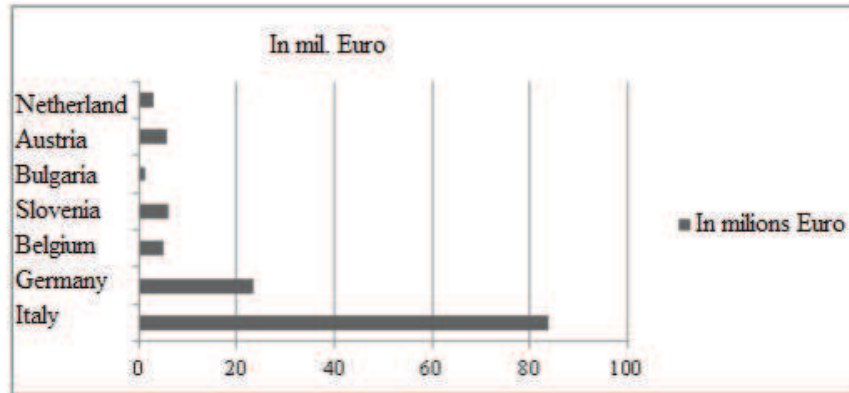
Another moment of appearance of mercantile principles or domination of the political course over the economic one has become obvious in the case of preferential treatment which was set by EU for Kosovo. Agreement for Autonomous Trade Measures expired in December 2010 and till now it has not been renegotiated. This agreement ended, the re-signing of which is being impeded by 5 countries, members of EU which haven't yet recognised the independence of Kosovo.

Export to EU represent a certain percentage of export of Kosovo. As noted from Figure 6, Italy is the country with the highest export into Kosovo, thus marking the value of Euro 46.5 million, followed by Germany with Euro 5.7 million. As regards to export of Kosovo to Italy, it consists mainly of the nickel metal base export.<sup>29</sup>

28 A detailed overview provided at: Myrvete Badivuku-Pantina, Skender Ahmeti, Arbër Reçi, *Developments in Kosovo's economy analysed on a macroeconomic point of view*, Iliria International Review – 2011/2, Felix-Verlag, Holzkirchen, Germany and Iliria College, Prishtina, Kosovo, 2011, p. 49-53.

29 ISPE (Institute for Political and European Studies), *Strategy for promotion of export*, First Draft, Prishtina, 2010, page.

**Figure 5:** Exports of Kosovo with European Union countries for January 2012.



Source: Central Bank of Republic of Kosovo, *Bulletin* No. 145,

## 7. Conclusions and recommendations

Based on the deductive logic we reached several understandings and explanations about the role and position of regionalisation as a form of intensification of the cooperation between states of a region. In addition to it, the deductive logic enables us to reach a series of conclusions regarding the characteristics of neo-regionalisation in the European context.

In this view, it was understood that the part of radical structural changes in the international economic system was regionalisation as well. Therefore, analysing of position of regionalisation makes us understand that the international trade is really being developed increasingly based on the regional markets! Furthermore, the practices indicate that in the Western Europe and elsewhere, trade has become quite regionalised, and this development has created the concern that maybe the international economy has been put on move towards creating regional economic blocks.

In the European context, it may be concluded that regionalisation was enlivened wholly for achievement of political intentions. This became even clearer in the case of regional cooperation between the Central Europe countries, which through the regional mechanism of CEFTA successfully reached to promote their rational political interests. This approach was applied also by countries of South-eastern Europe but not with the same success. The obstacles appeared in political aspect. This was noticed especially in the case of Kosovo, where because of political obstacles, coming from some countries of the latter, the tendencies for a regional cooperation significantly faded.

These characteristic developments accompanying the functioning of CEFTA lead us to the conclusion that: regionalisation as an approach of cooperation is efficient when unique solidarity between the member states and when these countries treat each other with a symmetrical logic. At the moment when functioning of a regional cooperation is dominated by the asymmetrical logic, like in the case of treatment of Kosovo in some countries, then the regionalisation except that it does not promote cooperation, it in contrary promotes conflicts. This becomes even more obvious in cases when between the member countries there are emphasised tense ethnic and political situations as it is occurring now with the treatments of Serbia and Bosnia and Herzegovina against Kosovo, what makes that these tendencies appear over the regionalist perspectives.

From such conclusions, we could draw a recommendation which refers to an approach which from the European Union (as a political sponsor of regionalisation in context of CEFTA) would need to eventually be applied with the purpose of promoting such regional cooperation in a higher level. The approach would be of such nature that would refer to political pressures and infringers of the agreements within this regional organisation. This is based on the above analysis, and it would be the best way which would enable overcoming obstacles towards strengthening of this cooperation.

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