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SERBIA IN TRANSITION FROM SELF-GOVERNING SOCIALISM TO LIBERAL CAPITALISM[1]

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Abstract

The transformation of the socialist system and economy in the East-European countries and in the former SFR of Yugoslavia began with the pulling down of the Berlin Wall in 1989. For ten Countries from the Baltic, Central and Eastern Europe, this process was ended by their membership in the EU in 2004. With the exception of Slovenia, which has been an EU member state since 2004, and Croatia, which has been the 28th full member country of the EU since July 2013, the transformation into the "welfare state" (market economy and democratic society) in the other countries in the Western Balkans has been lasting for almost 25 years, without clear indications of whether it has reached an end.

With the collapse of the socialist ("eastern") bloc, liberal capitalism became the winner and the universal model of a future regulation of the world. "The invisible arm of the free market", as liberal capitalism used to be referred to, should automatically have ensured that the states have economic stability, a high rate of growth, welfare and peace. Transition countries accepted this concept of economic development and started joining the process of market liberalization, privatization and the deregulation of economy at a quick pace. It was believed that this concept would establish a welfare society in such countries.

As it turned out, transition per se does not lead a country to the "welfare state". On the contrary, the process of the transformation from socialism to liberal capitalism per se does not mean the welfare state, either; it rather brings with itself certain problems which are being faced by smaller developed countries of the market economy. It was anticipated that, in the developed countries of the market economy, in the shadow of the "invisible arm", there would always be the "invisible role of the state", whose shadow could have been seen in the periods of a crisis only, forcefully directing economic flows, putting them back to the wanted framework, surrendering them to the "invisible arm" of the market again.

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By accepting a liberal concept, Serbia, as well as the majority of other East-European countries, exposed itself to the powerful market competition of developed economies. In that way, for a longer period of time, developed countries assured their privileged position in less developed ones and ensured for themselves a high rate of economic growth. Although nowhere in the world has the liberal model of the development of an economy fully become a reality in its original form, a very deformed neoliberal model of the development of economy is forced on transition countries via financial institutions. The imposed concept is identified with the model of the free market in developed economies although, every step of the way, it reflects a visible interference of the state in economic flows, which failed to appear in transition countries. The attractivities of liberal capitalism, which the majority of insufficiently developed economies are not prepared to accept without bigger negative consequences, are excessively elongated.

An additional confusion in the development of the concept of neoliberal capitalism in East-European countries is created by the fact that such development has been founded on the concept of liberal capitalism, whereas the negative consequences of such development have been dealt with according to the socialist model of the development of economy. So, today, on the one hand, we have the development of economy based on the model of neoliberal capitalism, and, on the other, problems we deal with according to the socialist model of development.

The insufficient interference of the state in the transition process in former socialist countries led to the uncontrolled creation of monopolies and the market chaos instead of free market. The creation of monopolies is supported by the globalization processes. In the grip of these processes, Serbia has accepted such a concept of transition and economic development irrespective of the clearly visible negative consequences. The unprepared economy of Serbia is exposed to the competition of developed countries without having previously restructured its enterprises and accepted the economic role of the state in compliance with the new world environment.

This paper is aimed at applying a comparative analysis in order to determine the strengths and weaknesses of the model of neoliberal capitalism in Serbia and in countries in transition, imposed on and directed by international financial institutions as the only one breakthrough model of economic development.

Key words: *transition, neoliberalism, the welfare state, the European Union.*

JEL classification: *P21*

1. Introduction

At the beginning of the 1990's, significant economic and political changes that will have a big influence on the future global development of both socialist and capitalist systems in the world happened. That is reflected in the dominant impact of the "service" economy and information technology in the economic structure, the victory of the neoliberal over socialist economic doctrine, which restricted the role of the state and promoted the unlimited role of the free market in economic processes, the globalization of flows of goods, capital, workforce, and ideas, the disintegration of the USSR and the Warsaw Pact and the victory of the capitalist over socialist ideology. The USA remained as the only one great power in the world, but not for long, since an unexpectedly fast development and modernization would transform China into economically the most promising great power. That was the time of the triumph of capitalism, namely its most radical form – the neoliberal model[4]. It was believed to be "the final historical victory of the capitalist social-economic system, which proved its superiority and irreplaceability. After about ten years or so of its development, the structural weaknesses and contradictions of the capitalist system came to surface, accelerated by its radical neoliberal variant, which abolished all the limitations with a wild drive for profit maximizing and wealth accumulation". (Jurcic, 2012:767)

However, the deep financial crisis in the USA, which, in the year 2008, quickly transformed into the world financial and economic crisis, challenged the basic principles of the neoliberal model and undermined the faith in their long-term sustainability as the only one example of the successful economic and political organizing of the society and the economy in the world. So, the economies of Serbia and countries in transition were faced with the dilemma of which is the future successful self-sustainable model of economic development.

The consequences of the world crisis overflowed into the EU countries, too. As it showed, the weaknesses of the uniform system of the monetary union, the insufficient adaptation of the systems of socialist countries to the EU membership criteria and the consequences of the unevenness in the development of the economies of the old and new member countries rose to surface.

The paper is aimed at determining – by means of a comparative analysis – the advantages and weakness of the model of neoliberal capitalism in Serbia and countries in transition that have become EU member states which has been imposed and directed by international financial institutions.

2. Serbia after twenty years of transition

The fall of the Berlin Wall and the disintegration of the SSSR are the events to have ended the stage of the development of socialism in the world, when all East-European socialist countries, the USSR and the former SFRY's countries definitely

[4]The most visible consequence of the neoliberal policy was social disintegration and the deepening of the gap between the wealthy minority and the poor majority in the world. The two-thirds of the accretion of income account for 1% of the population that have at their disposal over 40% of the total value of private property.

opted for liberal capitalism as the road of the future development of the economic system. So, capitalism formally, as well, became the winner and the universal model of the future world order. It was expected that the market would be sufficient to use the strength of the “invisible hand” to ensure to the people of the world economic development, peace and welfare. Serbia accepted this concept as its road of development and, at the beginning of the 1990’s, started its transition process. It was believed that the very conducting of the process of transition, primarily property transformation and the introduction of the market model of business activities, would lead to social welfare. As it later became evident, it was only a political ideology rather than an economic doctrine, which became even more visible when the world economic crisis broke in the year 2007. Namely, differently from the countries which, during the transition process, accepted liberal capitalism as a form of the organization of the economic system, developed capitalist countries behind the invisible hand of the market, there is the state in the shadow which only becomes visible once serious disturbances have occurred in the market, when the market cannot perform its due function with its mechanisms. In other cases, the role of the state is invisible, but it vigilantly controls and encourages the development of economic entities creating more efficient and more competitive products. The state does not create products, but, through the market, it provides a space for an equal game between producers.

By accepting the concept of liberal capitalism, countries in transition – unprepared – are exposed to the market competition of developed countries. In this manner, the competition of developed countries has additionally destroyed economic entities that have appeared in the world market. In such an unequal market game, with the winner already known in advance, developed countries have in the long run ensured a product market in countries in transition and, in that way, secured their own further development on account of undeveloped countries. Developed capitalist countries justified all the economic activities in transition countries by the distorted neoliberal model of the capitalist economy although such a model of a distorted market was not being used in capitalist countries. As it showed, transition countries missed an intervention by the state, which should have prevented and corrected such incurred deformations. During the transition process, East-European countries prevalently thought that market economies did not need regulation by the state. The role of the state in developed economies is “to conduct the economic policy which will ensure a sufficient number of quality jobs for labor-capable population, which means: 1) the preservation of social achievements and the development of the regulatory role of the state in the elimination of market shortcomings; 2) a reduction in unemployment, poverty, and ensuring a sufficient amount of the lowest salary and pension; 3) equal opportunities for acquiring knowledge and, through one’s own work, reaching a sufficient level of the living standard, independently of one’s material status and religious commitment; 4) an active role played by the state in ensuring the whole society’s interest, in conducting a socially just income policy, in developing science, culture, health care, education, the preservation of the living environment, supporting innovations and technological advancement; and 5) ensuring democratic procedures in making the most important decisions at the state level, the fair provision of information to the society about what is going on in the country and control in order to successfully manage the state." (Jurcic, 2012:771) A different understanding of the role of the market led to big deformations in the economies of transition countries. The advantages of opening the economy and including in globalization processes were being overestimated, without having previously defined a new economic role of the state, whereas risks of the premature liberalization of the market and the unprepared privatization were being underestimated.

The origination of the transition process for only one reason – that private ownership is more efficient than state, i.e. social, ownership, as well as an opinion that the privatization itself would solve the problem of the low efficiency of the economies of East-European countries – proved to be a big mistake and a delusion. "The privatization process set in such a manner made other goals, such as investing and modernizing production, retaining the existing employment and increasing it, enterprises' development plans and so forth – which should have been the most important purchase condition – secondary." (Druzic, 2005:9-10)

Although the former SFRY's countries were best prepared for transition, which George Shultz[5] did confirm by saying: "…that the SFRY has never even been classified into the real-socialist world and even if it disassociates in peace, it will still be at the head of the transition file", the effects of the process of transition are different per countries having emerged on the territory of the former SFRY, as well as per Central- and East-European countries. To our sadness and regret, there was no peaceful disassociation. The civil war in the first half of the 1990's neutralized all the advantages and chances which, in comparison with real socialism, self-governing socialism was offering the countries established on the territory of the former SFRY. Slovenia, as the most developed Republic of the SFRY, was the one to have benefited from the situation the best. However, in the first transition years, even Slovenia was recording a fall in the GDP, but it was substantially smaller when compared with the other transition countries.

The disintegration of the state, accompanied by the civil war and the sanctions imposed by the UN SC on Serbia and Montenegro, provoked additional difficulties in the functioning of the economy during the transition process in the countries on the SFRY territory. Suddenly, the uniform market disappeared, and numerous economic entities were left without raw materials or their final product markets in

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[5] The most pleasing appraisals regarding the achievements of the model of workers' self-government were made by George Shultz (the minister of foreign affairs within Ronald Reagan's Government) at the First International Conference on Transition, organized by Hoover Institution, Stanford University, in 1991. (Vojnic, 2001:505)

the seceded Republics. In a very short time, a new input- and final-product market was supposed to be found. A solution was found in opening the borders for unlimited import, which, in a very short period, compensated for the lack of domestic goods, without gaining any long-term insight into the consequences of such a move. Domestic production as neglected and, unprepared, left to the unmerciful competition of the world market. It was believed that the revival of the domestic economy would happen automatically by the operation of the free market. On the contrary, that could not have happened of itself without a serious role of the state, especially at the initial stage of the development of the economy. So, in a very short time period, unprepared domestic economic entities were “swept clean” off the market. The weaknesses of the applied model of the transition of the economy became more visible when the world financial crisis broke in the year 2007. There is a prevalent opinion that the problems of the further sustainable economic development of Serbia would have become visible even if there had not been any sanctions imposed by the UN SC, the bombing of the year 1999 and the impact of the world financial crisis, but with smaller consequences.

3. A possible manner of overcoming the problems of the so-far development

The former model of the development of the economy has not produced the expected results. It was believed that the transformation from the socialist economy into the liberal-capitalist market economy would be a sufficient condition to achieve economic prosperity. As it turned out, the results of economic growth were amongst the lowest of the CEE countries. There were both objective and subjective reasons for that. When the objective factors are concerned, we should certainly not forget the disintegration of the SFRY and the uniform market, the UN SC sanctions, the civil war, the NATO bombing and a huge number of refugees from the territories in the grip of the war. The choice of a privatization model, the dynamics of changes, slowness in the application of the legal regulations so far, as well as the model of economic development based on consumption, import and indebting represent our subjective weaknesses which we must eliminate as soon as possible. It only means that we must turn to a model of development which includes an increase in the volume of production and investments, accompanied by an increase in export, saving and employment. Therefore, “the goals of the economic policy should be an increase in domestic production and competitiveness, the provision of new jobs, export and a more even regional development. According to such goals, the measures and instruments of the economic policy should be defined, and the state administration should be organized in compliance with the set goals, measures and instruments of the economic policy.” (Jurcic, 2012:775)

If we make a parallel between the possibilities of achieving the goals set today and prior to the commencement of the transition process, then we can establish a fact that, prior to the process of transition, the SFRY had been a uniform market of goods for over 20 million people, that the country had been relatively less indebted, that it had been an economy with developed production capacities and a higher GDP. Today, unfortunately, the only one advantage of this twenty years long transition of ours is our personal experience in the wrong conducting of processes, as well as the experiences of the other countries which have successfully conducted the process of the transition of the economy and the system and which, for almost 10 years, have been full EU member states.

During its transition process, Serbia has applied an atypical development model. The atypical quality reflects in that the goals of the economic policy have been equated with the instruments. So, the goals such as: an increase in domestic production, competitiveness, productivity of investments, employment, export and real income of citizens and its even distribution, have become the measures, instruments and institutions of the economic policy. The exchange rate stability and a low budgetary deficit cannot be goals, but rather instruments which will help ensure the conditions of a stable economic development. Also, the stable exchange rate of the national currency is the result of a successful, developed and export-stable economy, not the condition.

In order to ensure a better living standard to citizens, it is necessary that the GDP growth should be ensured. To achieve that goal, the economic policy must be based on an increase in the volume of production, as the basic precondition for an increase in the national wealth of the country. An increase in the volume of production is achieved by employing to the maximum all the production factors (the country, work and capital) in the fields which they are the most efficient in. However, without the development of economic fields, first of all industry, where income is generated, we cannot ensure the quality sustainable growth of the GDP. As it showed, the economic growth in Serbia during the process of transition was based on the growth of the services of the tertiary[6] sector. First of all, the banking and financial mediation services are predominant there. If that were observed without gaining an insight into the structure of the total GDP, one could conclude that Serbia has entered a higher stage of economic development, the stage which

[6] Until the beginning of the transition process in Serbia, industry (with an over 40% share) had been the predominant economic field in the structure of the GDP and foreign-trade exchange. The second important field had been agriculture, with an around 20% share, whereas services had been treated as the third-class component in the development of the economy although it is known in economic theory that the importance of services increases, and of the primary and secondary ones (agriculture and industry) decreases, as the economy develops.

highly-developed capitalist countries such as Germany and the USA are in. A high rate of economic growth was only recorded by the service fields, whereas industry had either a zero- or a low rate of growth. That has changed the structure of the GDP.

That is why, irrespective of the high growth of the tertiary sector, developed countries pay special attention to the development of industry. In the year 2010, the European Commission sent a document to the European Parliament and other EU bodies (COM(2010) 614 as of the day of 28th October 2010) under the name of An Integrated Industrial Policy for Globalization Era…where they emphasize that: "Europe needs industry" and continue by saying that… "the uniform (European) market with its 500 million consumers, 220 million workers and 20 million entrepreneurs is the key instrument for achieving the competitive European industry. One in four jobs in the private sector in the EU is in the processing industry, and at least one in four jobs in the service sector is directly related to industry. Around 80% of all research and development activities in the private are related to industry. For that reason, it is especially important that that productivity be raised in the processing industry and related services so as to speed up the revival of the economy, increase the number of jobs and renew the vitality of the economy. An industrial policy responds to the key economic questions: what, how and for whom to produce? What to produce is determined by available resources which can be obtained under optimal conditions. How to produce is determined by available technology, education and the organization of production. For whom to produce is determined by the structure of the world and domestic markets. An industrial policy is a structural policy. It compares the existing resources with the structure of an economy, with the aim to employ all unemployed resources, first of all labor-capable people, and to raise the technological level of an economy so as to produce as high a GDP as possible from the existing resources. If there is no full employment, it means that the structure of such economy is not an optimal one. If the existing employment generates revenues below the average, it means that the technological level is low." (Jurcic, 2012:776-777)

The choice of a model of a future economic development will have an influence on the speed at which the Serbian economy will recover and leave the crisis which it has been faced with since the beginning of the 1990's. For that reason, today, Serbia "needs a pro-investment model of growth rather than a consumer one, further integration into the world economy by empowering the export sector and by increasing the share of exchangeable goods in the structure of the GDP. It is uncertain how an increase in investments in Serbia will be achieved given that they have been falling in the period of the world crisis and when foreign investments are expected to continue to fall or, in the best case, stagnate. It is even more difficult to achieve if, in the coming period, the Government is planning to reduce the budgetary deficit to 3%. The mistake made in the previous period, when the future economic development was being based on the inflow of FDI's, is being repeated. The forecasts that the recovery of the world economy and financial flows will lead to FDI returning to Serbia are unrealistic and optimistic. On the contrary, Serbia must rely on own investments which are key for the faster restructuring of enterprises much more. At the time when EU member states have a fiscal deficit of over 6.5% of the GDP (2010), it is unacceptable for Serbia to apply drastic measures of fiscal consolidation and the reduction of the fiscal deficit to 3%. On the contrary, in the coming period, that could postpone a quicker economic recovery of Serbia's economy. At this moment, to put key economic reforms into effect is much more significant than the fiscal deficit. Reforms will require three groups of measures: firstly, Serbia needs an industrial policy ensuring the quicker restructuring of key branches of industry and agriculture in compliance with the EU industrial policy concept. The necessity of an industrial policy is based on the experiences of developed countries. Secondly, an employment policy stimulated by the salary taxation system. With a high rate of unemployment, it is clear that the existing resources will not be sufficiently exploited. Thirdly, a research and development stimulating policy correlated with a reform of the education system. Human capital is the key factor for a long-term economic development. It showed that bottlenecks on the labor market will not be eliminated as long as educational institutions have produced the manpower the economy is deficient in." (Uvalic, 2011:72)

4. Serbia and the European Union

At the beginning of the 1990's, the Cold War, personified in the fall of the Berlin Wall and the German reunification, the disintegration of the USSR and the liberation of the countries of the East Block, which then became potential EU candidate countries, from the Soviet impact and pressure, came to an end. After the reunification of Germany, an agreement on the deepest and the broadest cooperation in the EU was reached at the meeting of the heads of states and governments in Maastricht.

By the *Treaty of Maastricht* [7], the EU was created, with its "three-pillar" structure: the Community (as the supranational, first pillar), the Common Foreign and Security Policy (the second pillar) and the Police and Judicial Cooperation in Criminal Matters (the third pillar) in the field of international cooperation. The contract established the Common Policies in the fields of transportation networks, protection of the consumer, education and professional training, culture and the

[7] Signed in February 1992, came into force in November 1993, http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_maastricht_en.htm (10 June 2013)

young. The contract defines the Economic and Monetary Unions, which have the uniform internal market as their base. The goal of the monetary policy is to create the common currency, which is anticipated at three levels, and, thanks to this currency, to ensure price stability and respect for the market economy. One of the main innovations determined by the Contract is the creation of the European, supranational, citizenship. Every citizen who is a citizen of a member state is simultaneously a citizen of the Union.

The *Treaty of Amsterdam*[8] reformed the institutions of the European Union while preparing for the joining of future member states. The *Treaty of Nice*[9] additionally modified the other contracts, giving shape to the decision-making system in the European Union so as to make it capable of continuing to successfully operate even after a further expansion of the Union to ten new member states.

The *Treaty of Lisbon*[10] was also referred to as the *Reform Treaty*. Instead of one uniform document, there are two Treaties – the *Treaty on the European Union* and the *Treaty on the Functioning of the European Union*, thus modifying the two treaties: the Treaty of Maastricht and the Treaty of Rome on the European Economic Community that had been valid until then. By the coming into force of the so-called *Reform Treaty*, the structuring of the European Union into the three pillars was abolished. Now, the European Union represents a uniform whole with the capacity of a legal entity, which was not the case before.

After such a thorough reform, the EU was ready for another enlargement. As early as in the year 1995, the wealthiest countries became its new member states: Austria, Finland, and Sweden. So, the Europe of "the twelve" (EU12) became the Europe of "the fifteen" (EU15), which, today as well, has the key role in the creation of the EU further policy.

The *Copenhagen Criteria* [11] for joining the EU were defined due to the intention of the Central- and South-East European countries to become the EU member states. Given the fact that they were socialist countries with centrally planned economies, it was needed to define the criteria for affiliating these countries as the EU full

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8 Signed in October 1997, and came into force on the day of 1st May 1999. http://europa.eu/about-eu/basic-information/decision-making/treaties/index_en.htm (10th June 2013)

9 Signed in February 2001, and came into force on the day of 1st February 2003. http://europa.eu/eu-law/treaties/index_en.htm (10th June 2013)

10 Signed in Lisbon in December 2007, and came into force on the day of 1st December 2009. http://europa.eu/lisbon_treaty/glance/index_en.htm (11th June 2013)

11 Defined at the European Council Copenhagen Summit, in the year 1993. http://ec.europa.eu/enlargement/policy/glossary/terms/accession-criteria_en.htm (15th June 2013)

member states. Therefore, a list of criteria and conditions that candidate states must fulfill in order to become member states and to successfully commence the transition process was established. Then, three groups of the criteria which future candidate countries must meet were defined: *1) political criteria* – candidate countries are required to have stable institutions guaranteeing democracy, rule of law, human rights, and the respect for and protection of minorities; *2) economic criteria* – the existence of an efficient market economy as well as the capability of market entities of coping with competitors' pressures and market regularities within the Union, and *3) legal criteria* – the acceptance of the European Union acquis and the capability of entering into commitments arising from the membership, including the implementation of the goals of the political, economic and monetary unions.

The speed of joining the EU was being reduced to the adoption of the Copenhagen Criteria. The advancement of a candidate country towards the EU membership depends on how well such country implements reforms needed to fulfill the Criteria. When analyzing the fulfillment of the conditions, the adoption and implementation of standards in all fields are considered in detail.

When the Western Balkan countries are concerned (Serbia, Montenegro, Macedonia, Croatia, Bosnia and Herzegovina, and Albania), there are also additional (pre)conditions defined, which were not imposed on the Central and East European countries in the process of their moving closer to the EU. It is about cooperation with the Hague International Criminal Court for war crimes committed on the territory of the former Yugoslavia and emphasized regional cooperation.[12]

For these countries, in the year 1999, the EU defined a special procedure known as the *Stabilization and Association Process*[13], which represents a combination of aid measures and conditions which countries must fulfill on the road to the EU. This process has three goals: stabilization, quick transition into a market economy, the promotion of regional cooperation and a possibility of accessing the EU. The Stabilization and Association Process was improved at the Thessaloniki Summit in 2003. Then, a strong incentive was sent and the European perspective was confirmed for the Western Balkan countries. The speed of moving closer to the EU will depend on the fulfillment of the Copenhagen Criteria and the conditions defined within the Stabilization and Association Process. The Western Balkan countries have become *potential candidate states* for the EU membership.

[12] Todorović, B., Davidović, M., Sretić, Z., (2008), Ekonomsko-privredni vodič kroz Sporazum o stabilizaciji i pridruživanju, ISAC fund, Beograd.

[13] More about the Stabilization and Association Process in: Budimir, B., Međak, V., (2010), Pridruživanje Srbije Evropskoj uniji, ISAC fund, Beograd.

By the transition process at the beginning of the 1990's, the Central and South-East European countries began their journey to the European Union. The enlargement of the EU in 2004 encompassed former socialist countries. After having successfully gone through the ten-year transition (of their economies and systems), Poland, Hungary, Czech Republic, Slovakia, Slovenia, Estonia, Latvia, Lithuania, Cyprus and Malta became the new member states of the EU. This enlargement of the EU, frequently referred to as "historical", was the biggest one in East Europe, the region of centrally planned economies which, until then, had been dominated by the USSR. At the beginning of 2007, there was a new enlargement, with Bulgaria's and Romania's accession to the EU, and in mid-2013, Croatia became the 28th full member state of the EU.

In October 2000, Serbia accessed the Stabilization and Association Process, which, for the other Western Balkan countries (Macedonia and Montenegro), had begun a year before. Montenegro began negotiations over accession with the EU on the day of 29th June 2012, whereas Macedonia has problems and outstanding issues with Greece[14] related to the name of the state. That is one of the reasons why Macedonia has not begun negotiations over accession with the EU[15] yet.

Serbia obtained its candidate status by the European Council's decision in March 2012. *The* decision on the giving of the candidate status had been preceded by several positive opinions regarding Serbia's readiness to obtain the status. On the basis of visible progress in the normalization of relations with Pristine and the implementation of previous decisions from Brussels related to Kosovo, at the end of June 2013, the European Council decided to commence negotiations over accession with Serbia no later by the end of January 2014[16]

The countries *potential candidates* for the EU membership are Albania and Bosnia and Herzegovina. In October 2012, the Commission's recommendation that Albania should be approved the status of a candidate for the EU membership was conditioned by bringing the key reforms in the field of justice and public administration to an end. [17] When Bosnia and Herzegovina is concerned, the Interim Agreement on Trade and Trade-related Issues came into force in 2008, and in 2010, the visa-free regime with the EU was introduced.

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[14] Greece does not recognize Macedonia under the current name and requires that it should change its name to Former Yugoslav Republic of Macedonia

[15] http://ec.europa.eu/enlargement/countries/detailed-country-information/montenegro/index_en.htm (20th June 2013)

[16] http://www.europa.rs/srbija-i-evropska-unija.html (20th June 2013)

[17] http://ec.europa.eu/enlargement/countries/detailed-country-information/albania/index_en.htm (20th June 2013)

Even though efforts have been made for the EU to function as a uniform political space, this has not been achieved yet. The effort to achieve it via the Euro as the uniform currency of the EU has not become a reality, because there have been no economic conditions to support it. Irrespective of the common currency, the countries of the EU and the Eurozone keep their national balances and have their debts towards foreign countries, not the EU debt. The implication is that the Euro does not have the role of the EU common currency but rather serves as the means of payment of the Eurozone member countries. The relations between the Eurozone member countries are similar to the relations with the other countries inside and outside the EU. The introduction of the Euro has only made easier the trade between countries but countries trade with each other as if they were not inside the Eurozone because each country keeps its own trade balance. “So far, history has shown that political sovereignty should be placed above monetary sovereignty, which is not the case with the EU. A mistake is being made by trying to use the Euro as the instrument of the political unification of the EU, although logically it should be vice versa: a political unification should be followed by a common currency.” (Jurcic, 2012:783) In view of the mentioned herein, it is indicative that the EU has serious problems with building uniform supranational institutions, which requires the introduction of different relations and order in the EU, which is being confronted by the majority of the old member states. The rules of the functioning of the EU are adapted to the interest of the most developed member states. The following ones are the possible ways of overcoming current stoppages in building uniform institutions of the EU: “The first way, and simultaneously little probable, is to accelerate the political unification of Europe, which would also mean an additional transfer of national sovereignties to the EU supranational institutions, which the member countries are not prepared to do at this moment. The second way is to “force” those member countries that use the Euro to meet the economic criteria of the common currency, which is not only the matter of an “administrative” or political enactment, but rather of actual structural changes.” (Jurcic, 2012:783)

5. Conclusion

The world economic crisis has changed the attitude towards neoliberal capitalism as the only one acceptable model of the development of Central and South-east European countries. Today, the prevailing opinion is that neoliberal capitalism as a doctrine, and the globalization of the world economy based on such an opinion, must change in order to make the benefits of technological progress available to a greater number of the world population. The main goal of the economic growth of each country should be an increase in employment and the improvement of the living standard of all citizens.

An intervention by the state in saving the economies of the most developed countries, such as the USA, Germany and Japan, have confirmed the thesis that, in liberal capitalism, it is necessary that a balance should be established between the market as a regulatory mechanism and the regulatory-corrective action by the state. Irrespective of the approach taken so far that the market is the only one omnipotent regulatory mechanism, the state must have a significant role in the creation of an ambience for entities to start economic development in the desired direction.

The high rate of the economic growth of the BRIC countries (Brazil, Russia, India and China) will modify the previous form of the domination of the USA, as the only one global power in the world. However, they will all have to be cooperating with each other in the preservation of the vital interest of mankind, such as peace, nuclear weapon control, the prevention of ecological incidents and reduction in poverty.

As soon as possible, Serbia must replace its atypical model of development that has been based on the development of the service sector, consumption and import, which it has applied so far, with a model based on the development of the secondary sector, first of all industry, production, saving and export. The development model that has been used so far has had as its consequence the industrialization of the economy. However, Serbia urgently needs the reindustrialization which is founded on the application of new technologies, knowledge, investments and the development of the post/industrial society. Such a model will ensure the further self-sustainable development of the Serbian economy with a clear and logical economic and social policies.

Having brought to an end the cooperation with the Hague International Criminal Court for war crimes on the territory of the former SFRY, Serbia made a great step forward in the process of joining the EU. However, the pace of such future joining the EU will to a great extent depend on the normalization of the relations between Serbia and Kosovo, regional cooperation on the Balkan territory, the adaptation of the institutions of the system to the EU legislation and their capability of conducting it in practice.

The EU has serious problems in the building of uniform supranational institutions. That requires the formulation of new relations in which the member states will renounce their national sovereignty to a greater extent on account of the common institutions of the Union. The so-far organization of the EU has been more suitable to the interests of its old and more developed member states. All efforts are being made to further build the supranational institutions of the EU and its political unification, whereas in practice, there is a fading communal spirit. The member countries of the monetary union must, as soon as possible, meet the criteria of the common currency, which in practice requires more administrative work, political consensus and structural changes inside the EU.

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