

Serbia's economy in the context of EU integration

Nándor Zemniczky – Gábor Csüllög – Zsuzsanna M. Császár



HISTORICAL LEGACY

Serbia is a Balkan country from the Central European viewpoint, still, apart from Croatia which has a not so Balkan history intertwining with Hungary, Serbia is the only country in the region which is strongly tied to the progresses in the Central European Danube Valley. The reason of the fact that despite all these it was not among the first Balkan countries that got membership in the EU, is mainly its historical role highly affected by its geographical position.¹ Already the forming of its early state happened in a significant buffer area along the Eastern and Western Roman break line in the 10th and 11th century. The state formed between the Byzantine, Bulgarian and Hungarian power space was varied in scope and strength until the Ottoman invaders appeared. Its relations with the neighboring countries were characterized with confrontations and alliance alternations. Though from the end of the 14th century, the majority of the Serbian population permanently confronted with the Central European culture by the Ottoman rule inclusion at the Balkan gates.² The stateless existence continued in the 18th century with two different political areas, the Serbian identity was succeeded mostly in the Ottoman Empire, and by a smaller but significant numbered Serbian population in the Habsburg Empire.³ An important part of this identity was persistency so as separation and opposition, self-territoriality and state requirements. In the early 19th century there was a stronger and stronger need for an independent political area for almost each self-determining nation both within the Ottoman and the Austrian Empire. As a result of the high power plays of the late 19th century, the new states separated out of the Ottoman Empire, from Greek

-
- 1 CSÜLLÖG, Gábor — CSÁSZÁR, Zsuzsanna M., *Ethnic processes in the spatial structure of the Balkans*, in: EUROLIMES, Vol. 15, Spring, 2013, pp. 143–168.
 - 2 GULYÁS, László — CSÜLLÖG, Gábor, *Kosovos Territorial Characteristics from the Roman Empire to the Fall of the Medieval Serbian State*, in: West Bohemian Historical Review, No. 1–2, 2012, pp. 11–26.
 - 3 CSÁSZÁR, Zsuzsanna M., *The political, social and cultural aspects of the Islam in the Balkans*, in: Eurolimes, Vol. 10, 2010, pp. 62–76.

to Alban. The Serbian policy for independence had a great role in that which was well organized and successfully represented by the superpowers.⁴ However based on independent culture — independent state — and their own geographic principles, these new states were confronted, serious conflicts evolved as all the Serbian, Greek and Bulgarian politics based their needs on historical past. However the significant territorial expansion of the Serbian population in the Balkans provided a remarkable competitive advantage for the Serbians who got leading position against the Bulgarians and the Croats in the Slavic unity.⁵

On one hand however, these progresses of the Balkan Wars and the formation of the first South Slavic state have led to such a state in which ethnic and cultural areas are sharply isolated.⁶ This historical progress due to its deficiencies was not favorable for the formation of continuous economic modernization based on historical values, and this fact was forgotten just for a little while by the socialist South Slavic state. On the other hand, this historic progress resulted in mutual mistrust and deficient neighborhood relations affecting throughout the 20th century, and the economic construction was severely hindered and held back by these.

THE PROBLEMS OF THE YUGOSLAV ECONOMIC SPACE AND AFTERMATH

The South Slavic state in the 20th century was an unsuccessful attempt of the particular historical process bringing together the unified Slavic state space. The main reason for its economic underdevelopment today is its political legacy and its particularistic economic structure. The Yugoslav economy was multiple complex with such elements which did not fit properly to one another. The reason for this was partly the difference among the political and economic development of the later federal state constituent parts of the country in the 19th century. The Ottoman and Austro-Hungarian economic space were vastly different from each other by the early 20th century, and Serbia between them was in vacuum with the absence of economic cooperation between the two Balkan realms. In 1920 the political dominance was succeeded to the Serbian state in the South Serbian state and it forced such an economic policy onto the entire country which was most diligent to eliminate its flaws and set aside the economically much more advanced Slovenian and Croatian economic conductive layers.⁷ The question of Bosnia became more crucial. Thanks to

4 GULYÁS, László, *Küzdelem a Kárpát-medencéért. Regionalizáció és etnoregionalizmus, avagy a nemzeti és nemzetiségi kérdés területi aspektusai Magyarországon 1690–1914*, Budapest 2012, pp. 205–207.

5 KOCSIS, Károly, *Changing ethnic-religious patterns in South Eastern Europe during the 20th century*, in: HENKEL, R. (ed.), *South Eastern European countries on their way to Europe: geographical aspects*. Leipzig: Leibniz-Institut für Länderkunde, 2006, pp. 7–22.

6 LINDSTRÖM, Fredrik, *Region: Cultural Identity and Politics in the Late Habsburg Monarchy*, in: TAGIL, S. (ed.), *Regions In central Europe*, London 1999, pp. 115–146.

7 GULYÁS, László, *A Délvidék története. Trianontól a királyi Jugoszlávia összeomlásáig*, Szeged 2013, pp. 65–81.

Austria and Hungary, the area was under slow modernization but it became a fight scene of the Serbians and Croatians, and it was characterized by ever-changing and sometimes retracting decisions of Serbian or Croatian political forces and not by its proper economic features and development that fits a more developed area.⁸

In the socialist era, Tito's policy was trying to eliminate the historical and ethnic differences.⁹ He made serious efforts at creating the Yugoslav national identity and a socialist economic space which is tightly bound, but interdependent. However this system was based on exactly the same material, it could not tear down the Central European, Dalmatian, Bosnian, and Macedonian economic and cultural backgrounds formed during a long historical period. In essence, the aligning was built on the Serbian dominance mainly from the aspects of decision-making systems, and economic organization and management. The specific structural dualism of the Yugoslav economic space remained for a very long time. It consisted of a lower layer of strongly traditional, local economic spaces with ethnic cohesiveness and different stages of development, and a higher level of a federal political system. Between them, there were intermediate levels influencing the operation, they were formed very differently in the member states and they primarily operated effectively only in developed areas. So in the socialist era, there was a multi-leveled economic space which was a mosaic of areas with different stages of development, these areas were highly fragmented, covered by a strong political structure. It did not eliminate the historical, ethnical and developmental problems but actually reserved and hid them.¹⁰ And when the political system could not cope with these problems any longer, the economic space fell apart as a result of political processes.¹¹

THE NARROWING OF ECONOMIC SPACE DUE TO THE CHANGES WITHIN THE POLITICAL SPACE

The rapid disintegration of the Yugoslav economic space had different consequences for the member states. The Slovenian and Croatian governments have broadly maintained their economic resources, though the recovery of the later was made more difficult by the devastation of war and lack of labor and partly capital due to the fleeing or displaced Serbians. The problems of Bosnia are mainly political due to the long war and division, as well as the strong financial foreign aids. Any other problem arises from the fact that it is very difficult to economically define the country. Macedonia was not a factor even in the former Yugoslav economic background. It was mainly affected by the lack of support from the more developed parts of Yugoslavia which

8 GULYÁS, László, *Structural Problems Leading to the Dissolution of the First Yugoslav State*, in: Prague Papers on the History of International Relations, No. 2, 2012, pp. 87–98.

9 GULYÁS, László, *Két régió — Felvidék és Vajdaság — sorsa az Osztrák-Magyar Monarchiától napjainkig. Hazai Térségfejlesztő Rt.*, Budapest 2005, pp. 130–133.

10 GIANARIS, N. V., *Geopolitical and Economic Changes in the Balkan Countries*, Connecticut — London 1996, p. 227.

11 KOCSIS, Károly, *Territory and Boundaries of States*, in: KOCSIS, K. (ed.), *South Eastern Europe in Maps*, Budapest 2007, pp. 26–37.

would have stimulated alignment, and it could not be replaced even with attracting foreign capital. It is obvious from the country's sizes that it would be about mainly its more developed neighbors but due to the Macedon problem it is not supported by Greece nor Bulgaria. Serbia and Montenegro could be partners in this, and partly they are, but the disintegration of the Yugoslav economic space and its aftermath affected mainly Serbia and Montenegro so they could not be active enough in this regard. After it disintegrated from the Serbian state, Montenegro tries to create its economic structure fitted its size and geographical position, as well as to be partially independent from the Serbian economy. And also there were crucial consequences of the disintegration of Yugoslavia. Namely: the financial funding of the Croatian and Bosnian conflict, the further support of the Bosnian-Serbians, the problems of the financial burden of refugees, the restoration of damages caused by NATO air strikes. With such troubles, other countries of this region making their way to the EU did not face, the only exception is perhaps Croatia, but on a much smaller scale.

The Serbian economic structure was built strongly on the capabilities of the different member states. On the upper and middle levels of the economic management, the Serbian participation was significant. The headquarters of more remarkable national companies were basically tied to Serbia. So both the economic organization and the management system collapsed, their reconstruction according to the new conditions was slow due to political struggles, its efficiency is still low. The relationship between different levels of the most important industrial sectors was interrupted, significant assets remained in other countries. A deficient and distorted industrial structure was created, regionally and sectorally. Significant foreign capital does not arrive at the country due to unresolved political issues and the situation in Kosovo. Because of these problems, the industrial development is significantly lower than it would be required. The solution of the ethnic and cultural problems of Sandzak and Vojvodina and also the solution of serious economic problems of the smaller impoverished areas are still to come.

THE ECONOMIC DATA INDICATING PROBLEMS AND THEIR CONNECTIONS

THE SERBIAN ECONOMIC POSITION IN 2013

According to data of the Serbian Ministry of Finance, the gross domestic product of Serbia showed a 2 percentage increase in 2013 compared to the previous year, however since the 2009 hedge-hopping (-3.5%), caused by the international economic crisis, the Serbian economy has not been able to prosper. While before the crisis the economic growth was at 5 percent per year on average, since then it could produce even a 1 percentage average growth, so the Serbian GDP still lags behind its level before the crisis. The GDP per capita is low even in regional comparison, it is significantly lower than that of Serbia's Central and Eastern European competitors (Hungary, Croatia, Romania, and Bulgaria).

Although there was a significant progress in some areas, in 2013 the foreign trade balance of the country significantly improved thanks mainly to the dynamically extending export — 25.8%. Behind these upward trends above all there is the Serbian

Fiat factory, production started last year, and with its 1.53 billion EUR export it gives approximately 14 percent of total Serbian exports. There was a considerable improvement also in the area of consumer prices, in 2012 there was double-digit inflation while by the end of 2013 it decreased to 2.2%. The unemployment ratio is still extremely high (20.1%) though it improved in comparison with the ratio in 2012 (23.9%) but it is still a serious problem. Especially when we take into consideration that people working in the public sector are nearly as many as people working in the private sector, and sooner or later the number of people working in the public administration must be radically decreased. The situation of the Serbian budget somewhat improved last year but to do that the government had to accept and apply austerity measures in October 2013. In this context the highest public employee salaries were reduced, and the VAT on essential goods was increased from 8% to 10%. However as a result the Deficit-to-GDP was 4.8%. The country's government debt to GDP further increased (from 59.3 % to 61.2 %), and improvement is not expected in the area over the next few years. The volume of industrial production increased with 0.5 % in 2013 compared to the previous year. Sectors of the Serbian industry showed the following movements compared to 2012: energy (electricity, gas, air conditioning) +5.9 %, manufacturing -1.9%, mining +5.7 %.

As for 2014 prospective, the pace of economic expanding might be 1-1.5%, and the engine of growth might be still the export because the domestic consumption probably remains low. The GDP growth slowdown mainly originates from the following: after agriculture was remarkably successful last year, this year will offer ordinary seasons, moreover the effects generated by the automotive (production initiation in Fiat) and oil industry (reconstruction of Pancevo Oil Refinery) investments came to an end. It is almost certain that the 2014 budget needs to be modified because without action the budget deficit could bloat to 7-8%. This year Serbia wants to make an agreement with the International Monetary Fund, however to be able to do that it also must undertake crucial austerity measures.

Name Index	Unit	2009	2010	2011	2012	2013
The value of GDP (at current prices)	Bn EUR	28.883.4	29.023.8	31.472.4	29.601.0	n.a.
The change in GDP (real)	%	-3.5	1.0	1.6	-1.5	2.5
The GDP per capita at current prices	EUR/ /per person	3.945.4	3.981	4.290	4.111,8	n.a.
The inflation	%	6.6	10.3	7.0	12.2	2.2
Unemployment ratio	%	16.6	19.2	23.0	23.9	20.1
The value of goods exports	M EUR	5.961.4	7.393.4	8.441.4	8.836.7	10.999.0
The value of goods imports	M EUR	11.504.6	12.621.9	14.250.0	14.782.2	15.463.1
The current account balance	Bn EUR	2.363.5	-928.7	-2.870	-3.155	-1280.6
The balance of the budget	GDP %	-3.3	-3.6	-4.2	-7.3	-4.8
Government Debt (year-end)	GDP %	34.8	42.9	48.2	59.3	61.2
Currency exchange rate (annual average)	RSD/EUR	93.95	103.04	101.95	113.13	113.14

Serbia's main economic indicators

Source: Serbian Ministry of Finance, National Bank of Serbia, Statistical Office of Serbia

FOREIGN TRADE, FDI¹² AND PRIVATIZATION IN SERBIA

In 2013 Serbia's foreign trade was 26.4 billion EUR, it was a 12.8% increase compared to the previous year. Export was 11 billion EUR and import was 15.4 billion EUR. Export increased with 25.8% while import increased with 5.1% in comparison with the previous year. Serbia's trade deficit was 4.4 billion EUR in 2013, it means a 25.3% reduction.

In 2013 Serbia's most important export trading partners were Italy (16.3% of the total Serbian exports), Germany (11.9%), Bosnia and Herzegovina (8.1%), Russia (7.3%) and Montenegro (5.7%). The most important import trading partners were Italy, Germany, Russia, China, and there was also Hungary (4.9%).¹³

Serbia does its foreign trade mostly with those countries with which it has trade agreement. Serbia and the representatives of the European Union signed the Stabilisation and Association Agreement and at the same time they also signed a temporary agreement on trade and related issues, the Serbian parliament ratified it on 9 September 2008 and it was officially entered into force on 1 February 2010. The aim of this temporary agreement is to liberalize the trade between the EU and Serbia gradually within six years.

The EU member states are near two-thirds of Serbia's total foreign trade (62.8% of the export and 61.8% of the import). The CEFTA countries can be considered as Serbia's second most important trading partners, trading with them Serbia gained 1.3 billion EUR surplus in 2013. Serbia gained its largest surplus through trading with some former Yugoslav member states — Montenegro, Bosnia and Herzegovina and Macedonia. It is worth mentioning though that last year Serbia also gained surplus by trading with Romania, Ukraine and Italy. The largest deficit comes from the trading with China (mainly due to import of mobile phones and portable computers) and Kazakhstan (import of energy sources) and Poland (import of automotive parts). Behind these, considering the largest foreign trade deficits there are also the following countries: Russia, Hungary and Germany.

In 2013, foreign direct investments to Serbia are lower than expected. According to the stats of National Bank of Serbia, the country received 768 million EUR of FDI. Most of FDI came from the following countries in 2013 (FDI net balance): Netherlands, Romania, Switzerland, then (with nearly the same value) Germany and Hungary (45 billion EUR).¹⁴

In the Serbian privatization the following sectors can be highlighted for the Central European investors:

Energetics: in this area there are good opportunities for foreign companies mainly with renewable energy sources which can be competitive primarily in projects related to biomass and geothermal energy. The new energy law provides a guaranteed price for electricity from renewable energy sources. The reconstruction of the facilities

12 Foreign Direct Investment (FDI).

13 Statistical Office of the Republic of Serbia, Statistical Office Database, National accounts, External trade, available in: <http://webbrzs.stat.gov.rs/WebSite/>.

14 National Bank of Serbia, On-line statistics, Macroeconomic data, available in: <http://www.nbs.rs/internet/english/80/index.html>.

(for example coal-fired power plants) owned by the Serbian Power Company is on the agenda. Among the primary objectives there are also the reconstruction of the high-voltage network as well as the construction of further interfaces towards the neighboring countries. If the Serbian section of the South Stream pipeline is realized, after the construction of the gas pipeline, a growth in the importance of gas-fired power plants will be expected.

Oil industry: After Gasprom Neft acquired majority in the NIS Oil Company, investments in the company's facilities are continuous which provides a good opportunity for also foreign companies to gain work orders as subcontractors.

Environment protection: the environmental infrastructure is underdeveloped so significant development is needed in this area. During the progress in EU accession the relevance of this area will increase.

Agriculture and food industry: Serbia — Vojvodina in particular — has excellent agricultural qualities. Mainly wheat, corn, sunflower and soy are grown in this country but fruitage is also remarkable. Serbia exports mostly raw agricultural products so investors are expected mainly in food and processing industry.

Tourism: investors can be successful above all in spa tourism as Serbia is rich in thermal waters, however very few spas and Wellness hotels are in the country.

ECONOMIC RELATIONS OF CENTRAL AND EASTERN EUROPEAN COUNTRIES WITH SERBIA

Comparing the trade of the countries in the region with Serbia, Hungary is the most successful in the area of bilateral trade. According to the Serbian stats, Hungary is the fifth most important import trading partner of Serbia with 761 million EUR import. The further order: Poland, Austria, Romania, Slovenia, Croatia, the Czech Republic and Slovakia.¹⁵ Capital investments from Serbia to the Central and Eastern European region were extremely low over the past decade. In Serbia, there are no such major companies with strong capital (yet) in regional comparison which could be able to export capital significantly, so the continuation of the current trend can be expected.

It is worth mentioning that the largest interest towards Serbia's foreign market and its privatization opportunities has come from EU countries (mainly such as Italy, Germany and Austria) and from the investors and foreign traders of Russia in recent years, but the investing interest of China, Turkey and the United Arab Emirates is also boosting.

In the external economic relations system of the Central and Eastern European countries in the region, Serbia has always occupied an important place. One of the most important target areas of Austria is South-Eastern Europe, so Serbia as well. Bilateral relations between Serbia and Austria are intensive, Austria places great emphasis on knowledge and technology transfer and is an active participant

¹⁵ Statistical Office of the Republic of Serbia, Statistical Office Database, National accounts, External trade, available in: <http://webrzs.stat.gov.rs/WebSite/>.

in Serbia's more Twinning¹⁶ programs. Austria is considered the greatest investor in Serbia. The economic activity of Italy is very active in Serbia, one of the largest foreign investors is the Fiat, Italy is Serbia's most important foreign trading partner (in respect of both export and import it is first in line). Germany is the second largest foreign trading partner of Serbia regarding both export and import, in the past decade the value of German investments passed 1 billion EUR, the most remarkable investments arrived at Serbia to the following areas: trade, chemicals, electronics and automotive industry. In the recent years Serbia has been the largest beneficiary of the Czech Republic's international development aid, most of this financial support was gained by environment protection, in the implementation of these works the Czech companies always participate. It was a great opportunity for the Czechs to gain a foothold in the Serbian market. The Serbian-Polish Economic Cooperation Agreement between Poland and Serbia was signed in 2011, on this occasion an economic forum was also organized with Polish and Serbian companies participating. In 2013 Romania was the tenth largest exporter of Serbia, and Serbia was Romania's sixth largest foreign market. Romanian companies have not made more crucial investments yet in Serbia, the value of FDI between 2005 and 2012 was only 38.1 million EUR. In 2013 Croatia was Serbia's ninth most important export trading partner and fourteenth most important import trading partner. After the EU accession (1 July 2013), Croatia's CEFTA membership was terminated, this means a more favorable opportunity for the Serbian exporters because until then a quota was in force for several export items. In 2012 most of the capital investments received by Serbia came from Croatia (119 million EUR), between 2005 and 2011 this same indicator was 237 million EUR. Slovenia uses its advantages through historical relations and profound knowledge of the area really well. The Slovenian companies are active in the areas of infrastructural investments, banking sector, automotive and food industry. In 2013 Slovenia was Serbia's eighth most important export partner and eleventh most important import partner. Until now the value of Slovenian investments in Serbia is more than 1.5 billion EUR.¹⁷

The obstacles which the investors in the region meet are the same as the obstacles which the investors from other countries meet. This obstacle is mainly grey and black economy which is according to certain estimations one-third of the GDP approximately. Corruption is also a serious problem. The labour market is highly inflexible (for example the dismissed employee must be paid after his/her years at the company and also after his/her total years in employment). Contributions are relatively high (minimum wage is 300 EUR and the charges are approximately 120 EUR). It is a significant problem that the unemployment decreases mainly in the private sector while in the public sector it remained on the same level as in the last year.

Not to forget the bureaucratic obstacles either, at the moment the waiting time of issuing building permits is 269 days and with 19 procedural steps, in one year one

16 Twinning is an instrument for the cooperation between Public Administrations of EU Member States (MS) and of beneficiary countries, available in: http://ec.europa.eu/enlargement/tenders/twinning/index_en.htm.

17 Based on the stats of the Serbian National Bank.

must pay 66 different taxes, court proceedings take 635 days on average, and the mean duration of recoveries is 2 years.

In 2013 there was no significant change in the Serbian economic environment and legislation. Modifications of a few pieces of law are always on the agenda but none of them were accepted last year. Modifying the Labor Code is most urgent, negotiations are still in progress among the government, the unions and the employers however their points of views are way far from each other. The Privatization Act is also on the agenda along with modifications on the Bankruptcy Act and the Construction Act, but due to the elections held in March 2014, these preparations are processing quite slowly.

During the past few years the Serbian economy was slowly recovering from the former financial and economic crisis however due to a new wave of the crisis, negative changes in the economic environment still mean a real danger. The declining external demand — which is mainly a result of financial problems in the EUR zone — was not followed by the recovery of domestic consumption, and the main reason for this are the high rate of unemployment, the low level of average earning and narrowing of corporate and retail lending.¹⁸

The other serious problem which stroke the Serbian economy in recent years was high inflation, it was decreased successfully in 2013, and increasing gridlock was also a crucial problem which originates mainly from the state and local government sector in Serbia. The Serbian government wants to help the recovery of liquidity and construction industry development with subsidized loans, in order to boost economy. In addition, shortening payment deadlines undertaken by the state sector and terminating or merging the unnecessary state institutions will be also important. The government wants to support the SME sector with priority, they would help its development with subsidized loans.

SERBIA'S EU INTEGRATION ASPIRATIONS

Serbia's most important goal definitely is EU integration. Serbian Progressive Party (SNS) won the elections two years ago and also it won in 2014, besides this party, even the strongest opposition party supports the EU integration (of course there are certain emphasis shifts among the particular political forces).

In April 2008, the EU signed the Stabilization and Association Agreement (SAA) with Serbia which is considered as the entrance hall of the EU, however it was only on 14 June 2010 that the EU foreign ministers decided on a session in Luxemburg that they approve the ratification of the SAA Agreement with Serbia. Serbia officially submitted its application for membership in the EU on 22 December 2009. The EU foreign ministers forwarded this application to the European Commission on 25 October 2010. The European Commission suggested in its report published in October 2011 that Serbia should get the candidate status if there is a proper progress in the negotiations with Pristina. However no decision was made about awarding the

18 [Http://www.worldbank.org/content/dam/Worldbank/document/eca/Serbia-Snapshot.pdf](http://www.worldbank.org/content/dam/Worldbank/document/eca/Serbia-Snapshot.pdf).

candidate status at the EU Summit in December 2011. Finally in March 2012 Serbia got the candidate status at the EU Summit.

At the moment Serbia is the only South Slavic state which wants to get the EU membership without joining the NATO. It was not specific in the Central and Eastern European integration processes. The country's EU integration is processing slowly due to the delayed transition, the lack of internal political consensus and the global financial and economic crisis started in 2008, and its integration-skeptic effects. Serbia got its EU candidate status in March 2012 but the accession negotiations were initiated only in January 2014 due to the unsettled situation in Kosovo.¹⁹ Among the 35 topics of the dialogue, the most difficult task awaiting solution will be probably the settlement of the Kosovo relations, thus the political government of the country is sticking its position, according to which Kosovo is still a part of Serbia.

In the process of Serbia's EU integration there would be several positive changes which could improve the Serbian business and investing environment. Among these changes there are the reduction of bureaucratic procedures and obstacles nationally and locally, and defeating corruption. After adapting the EU's legal system, the same rights will be provided for each market participant, and it guarantees fair competition among national and foreign companies. In the past few years Serbia took a number of measures in order to the predictability of its legal environment and the elimination of obstacles in administration as it is obvious for the Serbian government that without doing these listed, the country's EU integration is not possible. However taking these measures is really slow because the economic environment is badly influenced by the long court proceedings and the often evident legal uncertainty. The economic development of the country is also limited by the lack of competition in certain sectors of the economy and the lack of infrastructure.

Serbia has passed through a period of dramatic change during the previous fifteen years. The unemployment rate is still very high (at 20.1 percent in 2013) but it is significantly lower than the peak of 25.5 in 2012. Youth unemployment, at 49.1 percent, is even worse, standing at more than twice the national rate of unemployment. Many young people are leaving the country in search of employment opportunities, in particular in Western Europe.

A total of 46 municipalities in Serbia are in the category of underdeveloped areas and they are home to one million citizens. These municipalities need investments and infrastructural development to solve the problems of unemployment and prevent drain of population

Two of the country's quite unprivileged areas are Sandzak which is populated by Bosnian and Albanian minorities, and South Serbia. In both regions the annual income per person is one third of the Serbian average. The unemployment rates are outstandingly high (according to estimations in South Serbia it is 60-70% and in Sandzak it is 30%). Poverty, underdevelopment, underdeveloped infrastructure, and economic prospects just strengthened those minorities' revulsions who are living there against the mainstream society, not in one case.

¹⁹ European Commission, Enlargement, Serbia, available in : http://ec.europa.eu/enlargement/countries/detailed-country-information/serbia/index_en.htm.

Besides the funds of the national plan for regional development and the EU regional development funds the renewable sources offer a major possibility for the development of underdeveloped areas, dozens of thousands of people would be employed in the construction of thermal power plant and mine Stavalj and the reversible hydropower plant Bistrica, also the wind parks would be built in underdeveloped areas, together with 73 small hydropower plants because up to 70 percent of working-age population is unemployed in certain underdeveloped municipalities.

The EU will continue supporting regional development in Serbia, especially in insufficiently developed areas, and 34 underdeveloped municipalities will be able to withdraw EUR 19.6 million worth of EU funds in the next three years.²⁰

Poverty is quite significant in the country, according to the unions, a total of two million people are living below the poverty line, that is, one in five people. Due to low wages and livelihood issues, the respective government parties must face with a high level of dissatisfaction, strikes, and protests. The high level of corruption also means a serious socio-political problem. It delays the forming of frameworks and a reliable legal system required for economic development. Managing and solving the accumulated socio-economic problems are most expected from a stable political system.²¹ Now Serbia has this opportunity to create this stable political system. According to the speech of the president of the center-right Serbian Progressive Party (SNS), (this speech was made at the end of April in the Parliament of Belgrade), made by the elected head to the Serbian Government, Vucic, who won the early elections in the spring of 2014, the most important task for the near future is to create the reform laws in order to liquidate corruption and create such a new market environment which could attract investors in the country. The most important goal of the government, as he put it, is to improve the economic position and to reach European integration.²²

ABSTRACT

Serbia's EU accession is made more difficult basically by such various historical and structural factors which have an effect on its international relations and its level of economic development. These problems differ from those problems of Balkan countries which are not yet members in many respects. To be able to interpret the situation affecting the country's accession, it is worth examining four important areas. These are the following: the historical legacy, the basic problems of the Yugoslav economic area, the narrowing of this economic area, and the specific economic data and relations based on these.

KEYWORDS

Serbia, EU, Serbian economy, Serbia's EU integration, Serbia's economical strengths and weaknesses, underdeveloped regions

20 Office for Sustainable Development of Underdeveloped Areas, available in: www.kornrp.gov.rs; <http://www.kornrp.gov.rs/site/page/1114/conference-programme-of-sustainable-development-of-underdeveloped-regions-in-the-republic-of-serbia-2014-2020>.

21 Attila Tibor NAGY: The Current State of the Political System in Serbia, available in: <http://www.meltanyossag.hu/files/meltany/imce/doc/ip-szerbpol-110327.pdf>.

22 [Http://business.inquirer.net/169214/serbias-new-government-to-overhaul-economy](http://business.inquirer.net/169214/serbias-new-government-to-overhaul-economy).

ABSTRAKT

Srbský přístup k Evropské unii je ztížen v samém základu různými historickými a strukturálními faktory, které ovlivňují mezinárodní vztahy a úroveň jejich ekonomického vývoje. Tyto překážky se však odlišují od problémů dalších balkánských zemí, jež stále nejsou členy z mnoha důvodů. Abychom mohli interpretovat situaci ovlivňující státní přístup, měli bychom analyzovat čtyři důležité oblasti. Jsou to: historický odkaz, základní problémy jugoslávské ekonomické oblasti, zúžení této ekonomické oblasti a specifická ekonomická fakta a vztahy, jež ovlivňují.

KLÍČOVÁ SLOVA

Srbsko, Evropská unie, srbská ekonomika, srbská integrace do EU, srbská ekonomická síla a slabost, rozvojové oblasti

Nandor Zemiczky | Hungarian Investment and Trade Agency, Business Development Directorate
Honvéd utca 20, Budapest | nandor.zemiczky@hita.hu

Gábor Csüllög | Department of Landscape and Environmental Geography Institute of Geography
and Geosciences Eötvös Loránd University | g.csullog@gmail.com

Zsuzsanna M. Császár | Department of Political Geography and Regional Development, Institute of
Geography, University of Pécs | cszsuzsa@gamma.ttk.pte.hu