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PERSPECTIVES AND CHALLENGES OF THE WESTERN BALKAN COUNTRIES IN THE LIGHT OF STRUCTURAL CHANGES IN THE GLOBAL ECONOMY

Summary: *Western Balkans is an economic and political area of developing countries who are candidates or potential candidates for EU membership. It is highly important for them to identify current global economic and political changes, to be able to adapt their economic strategies and profit from these changes, thus improving their economic position and catching up with developed economies. In the paper, we researched what are the key global economic changes and what are their repercussions on the Western Balkans countries. After that, we identify the problems for the future of Western Balkans economies and explain how they need to adapt and take the opportunities that arise from global economic changes. Our recommendations for these countries include the knowledge economy and creating more value added; green economy; geopolitical positioning and the role in global supply chains. The key sectors for these countries in the future should be information technology; energy sector; food industry and automotive industry.*

Key words: *Western Balkans, global economic changes, knowledge economy, competitiveness, European Union*

JEL classification: *F60, O20*

INTRODUCTION

The purpose of this research is to define socio-economic changes that have repercussions on the Western Balkans (WB6), as well as to understand its role in globalization, but also in the growth and development of Southeast Europe, so that they can adjust their strategies and benefit from these changes. This paper presents a synthesis of selected macroeconomic indicators and recommendations for coping with future global trends.

In the increasingly complex and dynamic conditions of business, it is necessary to follow new strategic directions in the changing economic world, because this provides long-term and stable development of an economy. The success of a country's economic policy is based on effective, timely and coordinated strategies, which can ensure sustainable development.

The literature provides evidence that the processes of (re)connection, i. e. integration, affect the intensity of economic growth and development, represented by gross domestic product, i. e. the sum of final goods and services produced in one economy over a period of time.

The aim of this paper is to present the notion of the Western Balkans, why this concept gained in importance and how it originated. In it, we seek to identify what these changes are and what are

the significant global shifts that have implications for the WB6 economies and countries. This is also a research question for the first part of the paper, and it is very important given the unfavourable developments in the world market. The research questions are transformed into the research objectives presented below. Furthermore, if trends are found to be so intense that they cannot be stopped, the question may be whether there is a possibility of developing such a growth model that will help economic policy makers to choose an adequate approach that would work in the current unique economic circumstances.

Getting answers to the previous questions requires a multi-perspective approach. In general, there are significant problems in quantifying the impact of these shifts on growth and development. Therefore, a qualitative approach is necessary in combination with descriptive statistics that can be used to evaluate the (failure) of the Western Balkans, and on that basis to draw conclusions about the justification of using this umbrella identity. Literature on this topic includes empirical research, various statistics, strategies and other scientific texts.

The second goal of the research is to define strategic directions, i. e. to say what the countries of the Western Balkans should do to take advantage of these changes, that is to adapt to them and ultimately increase the standard of living of their population by using opportunities arising from global changes. In this part, we strive to propose concrete solutions and moves that should be taken by the national authorities of the Western Balkans. The current growth model is based on regional operational programs that are not structured to take advantage of these changes. The spark that can trigger an initiative to change the growth model is the fact that all WB6 countries have candidate or potential candidate status and consequently have access to EU finances, and in the case of full membership the range of funds would be even more varied. However, the opposite can easily happen, i. e. that this group of countries gets a variation of the so called Dutch disease due to access to cheap funds, because within Multiannual Financial Framework (MFF) for the period 2021 – 2027 European Commission has proposed a doubling of non-refundable funds through the Investment Framework for the Western Balkans.

The countries of the Western Balkans (Serbia, Albania, Montenegro, Northern Macedonia, Bosnia and Herzegovina and Kosovo* (without prejudice to position or status, in line with UNSC resolution 12/44)) lag significantly behind the members of the European Union and the rest of the developed world. All these countries are striving for European integration and are approaching the level of development and standard that many countries have adopted much earlier. The Western Balkans is a fairly new concept, which was “introduced by the European Union, defining its strategy through a special program of economic, financial, political, expert and other assistance to that part of the Balkans. The Western Balkans is not a geopolitical or geostrategic category. It is exclusively a practical political-economic term, i. e. a common definition for a part of the countries of the region of Southeast Europe” (Vuletić 2018).

1. LITERATURE REVIEW

Over the past 20 years, the literature on this topic has been constantly increasing. This is not so surprising if we take into account the potential of this region, but also the entire Balkan Peninsula (Zeneli 2014). The great powers of the world are interested in their presence in this area, both economically and politically. For many, the impact of these two areas is intertwined (Gupta and Madhavan and Blee 1998; Miljkovic and Rimal 2008; Jong-A-Pin 2009; Kirikkaleli 2016). Numerous studies, mentioned below, have addressed the possibilities of taking advantage of global economic shifts to make recommendations to country leaders, especially groups of developing countries such as the WB6.

The region of the Western Balkans is culturally fragmented, and the historical significance of this region and the importance of this geostrategic position are emphasized because it represents a bridge between East and West. This region is characterized by a high degree of heterogeneity and

it is a geographical link between the Eastern and Western Mediterranean, its cultural heritage has become a unique blend of civilizations that have competed for this part of Europe. It is necessary to keep this in mind while creating economic policies and determining the possibility of using the latest impulses of the world's economy. In the continuation of the section, a brief review of the literature and various researches was performed with an emphasis on the current situation in the region as well as activities that need to be carried out to intensify integration processes, transition to knowledge economy, green economy and how to strengthen national competitiveness. Furthermore, the essence of the knowledge economy is primarily to create innovation, and through innovation to create and maintain a competitive advantage. Scientific research, technological development and innovation are at the heart of the knowledge economy and are one of the main pillars of the Lisbon process. All 6 countries of the Western Balkans want to become full members of the European Union but face major convergence challenges. "WB6 countries are in the final processes of transition, but also some of the phases of EU accession" (Erić and Popović and Stanković 2017). Some countries are already members - Croatia, while the candidate countries are potential candidates. The key reason for this gap is the lack of international competitiveness with most Western Balkan countries that causes the problem of inability to attract foreign direct investment, both in terms of their value and structure (Estrin and Uvalic 2016). Michael E. Porter agrees with the previous views, saying that "traditional factors of production (land, labour, capital) are not enough in modern business conditions to make the country competitive. Classical theory cannot give full answers as to how a country can become rich in the context of globalization" (Porter 1990). Therefore, the emphasis is on strengthening the competitiveness of the economies of the Western Balkans. The main goal of every country should be to raise the standard of living, and the standard of living is conditioned by the productivity of the observed economy. Increasing productivity consequently leads to an increase in personal income, attracts investment and brings a higher standard of living. It can be concluded how important the mentioned national competitiveness is, or in the case of integration, regional competitiveness. Porter himself emphasizes the importance of searching for new business opportunities, reviewing existing patterns and proactive action in the Western Balkans, saying that "national prosperity is not inherited but created by strategic choices" (Porter 1990). Bartlett and Prica believe that the intensive processes of liberalization of international trade, started in 2001, led to "rapid growth in foreign trade of the Western Balkans, with the intensity of export growth not following the growth of imports, leading to increasing foreign trade" (Bartlett and Prica 2011). The fact is that the region has attracted significant foreign direct investment over the past 20 years, driven by stabilization of the political situation, mass privatization of companies and banks, and improved prospects for EU accession, but there is still room for improvement. That there is room for progress is confirmed by the position of Estrin and Uvalic because they state that "the Western Balkans region is characterized by: fragmentation of the region, small size of Western Balkan economies, inability to use economies of scale, and poor infrastructure" (Estrin and Uvalic 2014). The existence of small national markets is also confirmed by the Global Competitiveness Report 2019, which highlights the problem of innovation and the bureaucratic structure of institutions. But, in addition to the previously mentioned shortcomings, it is important to emphasize that this region has a number of attractive features for investors. Yet, this region has certain advantages and potentials for attracting foreign direct investment which reflect in reforms that seek to simplify investing process, competitive tax policy, but in resource availability, lower operative costs and cheaper labour, lower transport costs and possibilities to cut tariffs on products in targeted markets (Marjanović and Đukić 2020). When it comes to global economic and political shifts, there are huge changes in the distribution of world power (Muzaffar and Yaseen and Rahim 2017), and that COVID-19 is a turning point that will lead to irreversible changes in the future, explains Singh. He highlights two far-reaching consequences of the pandemic, the first being the "possible death of neoliberal capitalism and the second the end of the unipolar imperialist world order" (Singh 2020). Professor Dani Rodrik says

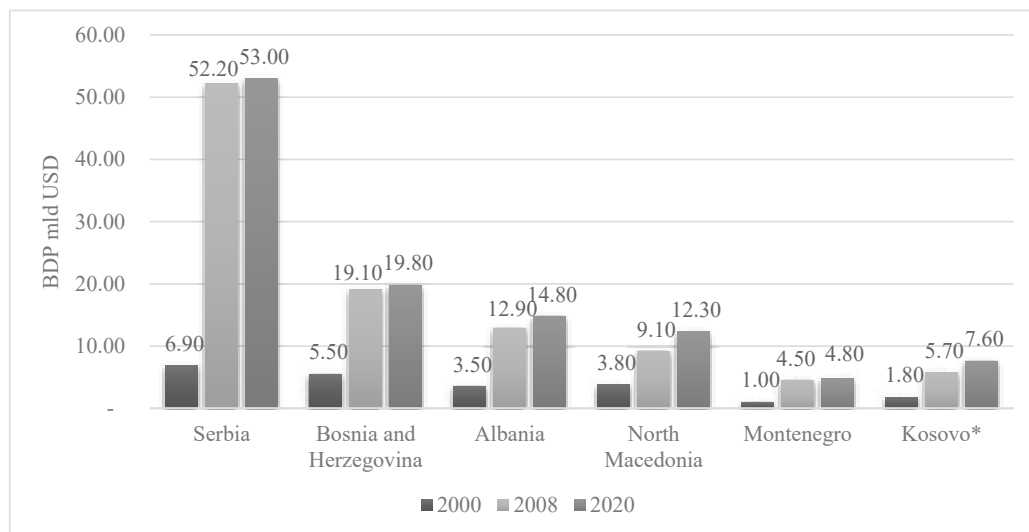
that the combination of globalization and automation has led to “premature deindustrialization” in low- and middle-income countries, blocking their path to development” (Rodrik 2015). Markets with a large share of workers in routine jobs and low levels of education face the greatest risks. A group of technology-intensive countries also faces a large exposure to automation, but at the same time benefits from the high competitiveness of their economies.

As Strange argues, “structural changes in the world economy affect the nature of diplomacy, not only between states, but also within states, companies, and between companies and states” (Strange 1996).

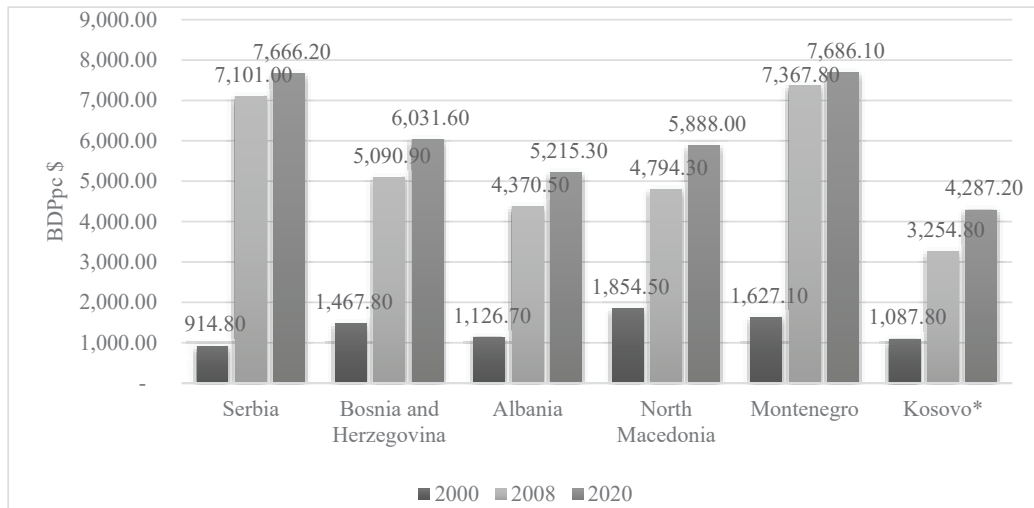
The countries of the Western Balkans are vulnerable to the global effects of warming and climate change far beyond their contribution to these trends. A recent study has shown that countries in Southeast Europe, including the Western Balkans, are likely to be the most vulnerable in Europe” (Wade and Jennings 2016). These authors claim that climate change is likely to lead to a reduction in labour productivity and capital stock, have an impact on global inflation, increase the cost of switching to renewable energy sources. If such trends continue in the future, the possibilities of achieving economic growth will change so significantly that it can easily happen that high rates of economic growth will no be longer the primary goal of economic policy. Therefore, it is necessary to make the transition from “brown” economy to green economy “by using the knowledge economy, applying the best technologies, investing in the efficiency of natural resources and increasing energy efficiency” (Bobylev and Kudryavtseva and Yakovleva 2015). The end result should be sustainable development, which is considered the main pillar of growth of the world economy.

2. METHODS AND RESULTS

A comparative analysis of secondary data, which determines the economic development and current position of the Western Balkan countries, was performed. Data collection relied on secondary data from the World Bank (World Bank 2022), and for the analysis of macroeconomic indicators, we take the period from 2000 to 2020.



Graph 1. Value of GDP expressed in billions of US dollars; current prices (World Bank 2022, chart by authors)



Graph 2. Value of GDP per capita expressed in thousands of US dollars; current prices (World Bank 2022, chart by authors)

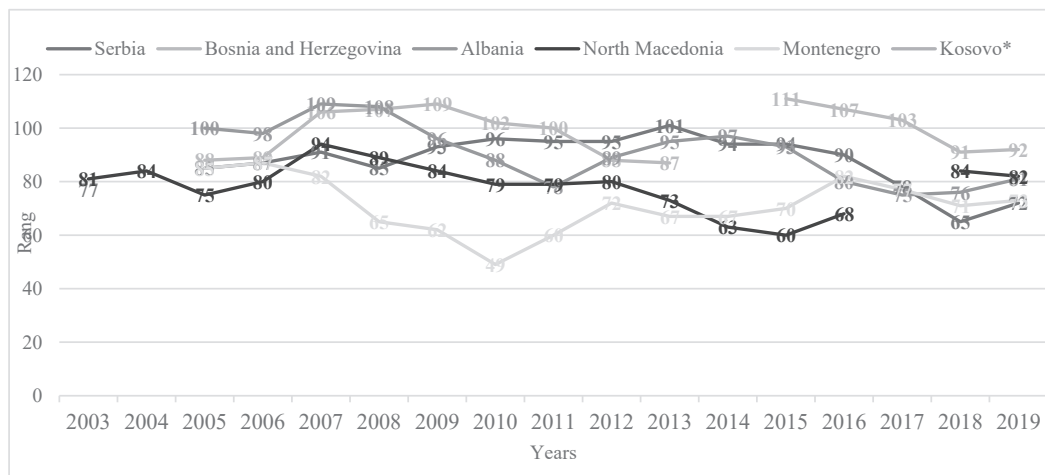
The new millennium has brought many positive things to all the countries of the Western Balkans. Overall, by 2008, WB6 countries had experienced significant improvements in most macroeconomic indicators. Since 2001, many important economic and institutional reforms have been implemented, even in those countries that have lagged far behind in the past.

"The rapid growth of the Western Balkans between 2000 and 2008 was largely supported by a strong influx of international capital. The expansion of bank loans enabled large borrowings of the domestic economy and the population. Although the expenditures of many governments in many countries have grown, such activities have had the support of the IMF and the EU" (Bartlett and Prica 2011). The period from 2000 can be divided into two sub periods, the period before and the period after the World Financial Crisis of 2008. In the first period the average growth rate of WB6 countries was 28.84%, 16.83%, 17.77%, 12.83%, 21.07%, and in the second period 0.12 %, 0.29%, 1.16%, 1.79%, 0.42%, 2.46%, respectively (World bank 2022). Initially, it could be said that these lower rates of economic growth are a direct consequence of the aforementioned crisis. This is true, but other factors should be taken into account (low starting base at the beginning of the millennium), and since part of this paper deals with determining the feasibility of applying the sustainable development model, the question may be asked whether the existing model needs to be modified to growth rates returned to the pre-crisis trajectory. The possibilities are discussed in the next section.

The process of liberalization of international trade after 2001 with the countries of the European Union and other WB6 countries led to a significant increase in foreign trade during 2001-2008, which in some cases increased as much as four or five times. "This rapid growth in foreign trade encouraged the growth of imports, which was not accompanied by equally rapid growth in exports, given the relatively uncompetitive economies of the WB6, there was an increase in foreign trade deficit" (Bartlett and Prica 2011).

WB6 has achieved increasing macroeconomic stability over time, which was particularly important due to numerous episodes of hyperinflation during 1990. Inflation rates have been gradually reduced to single digits, even in countries that previously had extreme monetary instability - Serbia. Appropriate fiscal consolidation has also been achieved through the reduction of public spending, the reform of the tax system and the observance of rigorous fiscal rules, especially in the last few years thanks to the supervision of the European Union through economic reform programs.

In order to gain a more detailed insight into the economic situation of the Western Balkan countries, an analysis of the Global Competitiveness Index (GCI) of these countries was performed. The index was observed in the period 2004 – 2019, since Global Competitiveness Report 2020 is not like the previous one – it focuses on the recovery of countries from the economic consequences of the COVID- 19 pandemic.



Graph 3. Rang of the WB6 countries according to the Global Competitiveness Report for the period 2004 – 2019 (World Economic Forum2019, chart by authors)

It is evident that although the competitiveness of the observed countries did not change (increase) significantly, they experienced a significant increase in GDP as the most representative indicator of the achieved level of economic development. The question is how did they do it? Intensive growth and development was significantly supported by loans from international financial institutions, as the predominant source of financing. Gross national savings of WB6 countries in 2020 amount to SRB 20.6%, BIH 15.72%, ALB 11.07%, MK 26.34%, MNE 5.23%, XK* 26.58%, respectively, therefore certain countries have solid capacities for their own financing, if we take into account that the share of gross savings in world GDP is 25.9% in 2020 (Authors 2022). This is especially important when creating a future model because foreign sources of funding usually have a political connotation that violates national sovereignty, i.e. autonomy in making socio-economic decisions.

It is evident that these countries have failed to achieve an increase in competitiveness in the world market, which is an additional argument for initiating thinking about changing the growth model of these economies.

In assessing and ranking countries by competitiveness, the World Economic Forum (Schwab 2019) starts from certain indicators that it considers crucial for the economic development of a country. All indicators are grouped into twelve pillars. The analysis of GCI 2019 leads to the conclusion that Serbia is the most competitive of the Western Balkan countries, ranking 72nd. Bosnia and Herzegovina is at the back of this region and occupies the position of the most uncompetitive country in the Western Balkans and ranks 92nd. If we analyse each, the pillar of competitiveness notes that WB6 countries have the highest scores in health and primary education, while the lowest scores are in institutions, innovation and market size.

The attached shows the lag of the Western Balkan countries behind the developed countries. In order to succeed in approaching the world standards that many other countries have reached, it is necessary to follow the global economic shifts.

It is becoming increasingly difficult to catch up with advanced economies. Low- and middle-income economies have an increasingly poor starting position to adjust to the impending upheavals. Without an immediate and ambitious response, both nationally and internationally, the number of countries moving from a low-income group to a middle-income group could even begin to decline. Another important development to consider is the war in Ukraine, which is more of a consequence of global (economic) shifts, rather than being a shift itself. The war in Ukraine leads to a number of new uncertainties, the biggest of which is the secure supply of energy and food. Economic repercussions of Russia's invasion of Ukraine began on February 24, 2022. years are visible and their final list is uncertain, as is the duration of the war. Both countries are rich in huge natural resources and are among the world's largest exporters of cereals. It is about the goods on which the modern pace of life is based. Therefore, this war is not similar to the previous ones. Recent jumps in energy and food prices - caused by bottlenecks in the global supply chain and reopening effects - have intensified since Russia's invasion of Ukraine. The war in Ukraine has put additional pressure on rising energy and food prices. Inflation has reached record levels in the last two decades, especially in the Eurozone. Prior to the invasion, price growth was characterized as short-term, but today, chances are high that inflation will strengthen by further reducing real household incomes. The war suddenly limited the supply, mainly of Europe, of energy, wheat and other products from Russia and Ukraine.

Not so long ago, at the beginning of the COVID-19 pandemic, inflation in the Eurozone had a declining trend, primarily due to a sharp drop in energy prices (falling oil and natural gas prices). The fall in energy prices was caused by the fall in demand for energy due to bans and restrictions on movement. However, "since January 2021, inflation in the Eurozone has intensified and gained a strong upward trend, so that in February 2022 it amounted to 5.9%. Data for the first months of 2022 suggest that the contribution of gas and electricity has increased to rising energy prices - rising energy prices account for more than half of total price growth in February 2022." (Koester and Lis and Nickel 2022). Rising energy costs increase food prices, but it takes time to see the final effects because in some cases the effects of rising energy prices on rising food prices last for years - implying that rising food prices will continue in the future. Cumulatively, "rising energy and food prices explain 2/3 of total inflation in February 2022." (Koester and Lis and Nickel 2022).

Over a period of just over two years, there have been historical fluctuations in the prices of these goods - a negative rise in energy prices at the beginning of the pandemic; and today's growth aided by the war in Ukraine. This price volatility is primarily caused by a combination of non-economic activities.

3. DISCUSSION

Based on the previously performed analysis of global economic trends and drivers of the global economy, which have repercussions on the economies of the Western Balkans, we have identified the directions in which these countries should move. By following the recommendations given below, they can take advantage of the direction of the global economy, i.e. the opportunities it brings, and thus achieve economic performance above the current ones. In this way, they have a chance to achieve high GDP growth rates in the optimistic scenario in the medium and realistic in the long run and move from a group of higher middle-income countries to high-income countries.

The recommendations we gave based on the analysis can be viewed from two aspects. The first refers to the overall responses to global economic shifts, with countries need to commit to substantial changes in economies and focus on: the

- knowledge economy;
- Environmental issues and sustainable development;
- Geopolitical changes and positioning of the Western Balkan countries;
- Attracting investment and participating in global supply chains.

The second aspect of the recommendations refers to the structures of economies, i.e. the sectoral and branch structure of economies, where we believe that the areas most promising for the Western Balkans are information technology, energy sector, food industry, and automotive industry. Below we explain in more detail our recommendations, the way they are implemented, and the potential benefits that the observed countries can benefit from them.

3.1 Strategic directions

According to the Global Competitiveness Report published by the World Economic Forum (Schwab 2019), until the release of GCI 2018, economies were divided into three groups: those driven by factors of production, efficiency in production and innovation. We note that in 2018 a significant revision of the GCI methodology was carried out (conceptual framework, calculation methodology and certain pillars were changed/added), because Schwab considered that in 4IR conditions it is not logical to "impose" priorities on governments by applying different weights. Pillars (Schwab 2019). The rationale is that, as 4IR continues, all competitiveness factors have a similar impact on a country's competitive position, and each pillar can be considered a potential priority regardless of income level. Therefore, in GCI v4.0, all columns have the same weight, i.e. a weight of 8.3% (1/12). Therefore, caution is needed when comparing the results of GCI 2018 with the results of previous editions - it is necessary to recalculate them in order to be able to continuously compare the positions of countries in the rankings of different editions. However, in order to more precisely determine the economic policies that could encourage the economic development of the WB6 countries, we will use the methodology used in GCI v3.0

The ones that are the most developed, and that are the most competitive according to the index created by this report, are the economies that drive innovation. For this reason, we see the knowledge economy as a key strategic direction, which is actually a generator of innovation, and through them, increase competitiveness and ultimately increase prosperity in a country. The WB6 countries, despite their solid potential in terms of human capital, are still not knowledge economies, although there are significant developments in certain industries, such as information technology. The knowledge economy also implies the creation of great added value, which differs from the current trajectory of the observed countries. It is the amount of added value, especially created and retained by residents, that separates the rich from the poor, and WB6 countries need to move through the knowledge economy as soon as possible, so as not to remain in a group driven by efficiency or even resources. In order to achieve this, it is necessary to make reforms in three fields. In the first place, there is the development of an ecosystem that encourages innovation, which involves stimulating investment in research and development of the private sector, usually through fiscal policy. It is also necessary to adjust the legislation, especially in the field of protection of intellectual property rights, because otherwise it is not possible to use the economic potential of innovation, i.e. to adequately monetize it. In addition, in terms of legal norms, it is necessary to liberalize in the field of entrepreneurship and reduce barriers to entry into business, through the simplification or even abolition of administrative procedures. Another field that these countries need to work on is creating an education system that encourages innovation and entrepreneurship, which will be achieved by adapting curricula at all levels, especially through the introduction of STEAM teaching, then creating educational hubs and entrepreneurial organizations, but also by investing in R&D in higher education institutions. The third field is the creation of entrepreneurial culture and breaking the stereotypes present in the Western Balkans, especially when it comes to stigma towards "trial and error" mode, but also the negative connotations of private business that are left behind from the socialist period. Through changes in these three fields, it is on the path of the knowledge economy and the creation of innovative, competitive domestic companies that are becoming competitors in the world market, which indirectly makes the whole economy more competitive.

The knowledge economy is not an end in itself, but it is a precondition for strong economic progress, because other sectors will feel the positive effects of the sectors in which it stands out, based on increased consumption of those who create value through innovation. Furthermore, it enables inclusion in global value chains by taking a significantly higher share in added value, as opposed to the current situation in which regional firms are often mere executors of certain jobs in which they do not create a significant part of value. This is especially important because value chains are moving from countries that have traditionally taken a large part of participation, primarily the countries of Southeast Asia. A large role in this is certainly played by foreign direct investment, which is important especially due to technology transfer and opening of new markets for export, and with the knowledge economy, i.e. adequate business environment and human capital that affect it, it will be much easier to attract foreign direct investment. have a high level of added value, for which there are already examples in the Western Balkans, especially in the IT industry. In addition to the knowledge economy and inclusion in value chains, the area of sustainable development and green economy will be of great importance for the economies of the Western Balkans, so that, with some adjustments, some economic areas already developed in these countries could find new markets with an increased level of added value. In this area, it is necessary to carry out reforms in four areas, namely energy, agriculture, industry and transport. The first three areas are particularly important because WB6 countries, while adapting existing capacities to standards, primarily the EU, can not only open markets to "green" and environmentally friendly products, but also because it is certain that non-green products will not nor will it be possible to export to the EU market, which is certainly the largest export market for these economies. Also, for businesses that meet environmental standards and contribute to the green economy, it is already possible to obtain financing on more favourable terms compared to the general market, which can encourage future growth. In addition to the knowledge economy, attracting investments also requires legal protection of investors, fiscal relief, but also the reduction of administrative and trade barriers.

Finally, the world is changing politically, not just in terms of economics. This primarily refers to the strengthening of eastern economies, especially China, but also India, while the Russian Federation does not play a significant role. It is moving from a unipolar to a multipolar world, and it is necessary for most non-EU countries in the Western Balkans to align their foreign policies with global shifts, so as not to block access to these markets and the economic potential they have. The crisis situation in Ukraine for the WB6 countries is a danger, but also a chance. The danger is if these countries give in to the hope that the war will last only a few more weeks. If the countries of the region want to see this situation as a chance, they need one of the possible prompt reactions, which is reflected in the offer of work visas for highly qualified refugees of the war in Ukraine. A large number of Russians left their country, mostly going to Georgia and Yemen. The situation is the same with the Ukrainians, with the proviso that they went in the direction of Western countries. At the moment, the West is not attractive to Russians due to discrimination and inability to obtain visas, so certain WB6 countries (Serbia in particular) can be very attractive, taking into account not only cultural ties but also the historical fact of the role of the Russian diaspora in 1905 and 1917. promotion of numerous scientific disciplines in Serbia. The question automatically arises as to whether Serbia has a real need for so many workers when statistics show a high unemployment rate in Serbia, and in WB6 in general. These educated Russians would come to Serbia with their jobs (mostly from the IT sector), so their arrival would not mean applying to the employment office. IT companies from Novi Sad that have branches in Ukraine are already offering employees the reallocation of the whole family at the expense of the company, which speaks of the proactive action of companies from this area. But in order to use the full potential of the new situation, a synchronized action of all companies is needed, which would be coordinated by the governments of the countries.

3.2 What to develop?

In the previous section, it was already indicated which are the areas that would be good to develop the economies of the Western Balkans in order to take advantage of the changes that are taking place. Explicitly, these are the energy sector, the food industry, the automotive industry and information technology. The latter are currently the fastest growing sectors in most of these countries, creating great added value based on the knowledge economy. At the same time, they have a predominantly export character. What would be advisable is to try to create clusters of IT companies specialized in one area, for example fintech, IT for the food industry or agriculture, gaming industry, etc. The energy sector is also very promising, especially if there is an adequate green transformation of production and reduction of distribution losses. This sector still has a significant share in the GDP of the Western Balkans, and since the countries are rich in hydro potential, which is considered a renewable energy source, it is clear that the energy sector is both the present and the future of regional economies. The food industry is already developed to some extent in these countries, and there is a high level of intraregional trade. This area is promising because it is very resistant to external shocks that will be due to numerous changes in the future, and with the modernization and meeting of technical and quality standards, opens a significant opportunity for export, especially in periods of extreme climatic conditions that lead to food shortages. Finally, great potential lies in the automotive industry. It creates significant added value and numerous innovations, and there are already companies in the region that participate in value chains in this industry. With adequate efforts to create a knowledge economy, regional economies could become even more significantly involved in this area.

CONCLUSION

Given the above, it is evident that the world is changing rapidly and significantly. Therefore, these changes also affect the global economy, on which the WB6 countries, which are small and open economies, certainly depend, and they are greatly affected by global developments. These great global shifts are summed up by the issues of climate change and climate action, the growing use of digital technologies and automation in all aspects of the economy, geopolitical shifts in the world and multi-polarization and growth of power and importance of China and Russia, and the progress of Asian economies. These changes consequently cause changes in the method of production, the use of new technologies, changes in energy and electricity supply, and many others.

All countries, including WB6 countries, can react to these changes in two ways. The first is to surrender spontaneously to them and wait for what will happen, whether these changes and shifts will affect them or will overwhelm them and endanger their economic position. The second way is a proactive way, which anticipates changes and global shifts, and adapts to them and thus uses the opportunities that open up. This way is certainly a better way to improve the economic position of the population, which should be the ultimate goal of any government.

In this paper, we have identified several things that WB6 countries need to implement in order to be ready for the future and to take advantage of the global economic shifts that are already happening. These are:

- Reorientation of the economy to the knowledge economy (especially in the field of technology);
- Change of energy policy;
- Work on attracting FDI to transfer technologies and take over parts of production chains from advanced Asian economies;
- Improving policies in the field of ecology (in transport, industry, agriculture);
- Emphasizing the development of the IT, food, energy and automotive industries;
- Conduct wise diplomacy to harness the economic potential of growing powers.

What is certainly extremely important to note is that the WB6 countries have had certain development strategies for the future so far, but those strategies have mostly remained a dead letter on paper. In order for a strategy to have a chance of success at all, it is necessary for it to be implemented, i.e. for reforms to take place and for economic policy measures aimed at changing the economy to be able to respond to global economic changes.

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