

REGIONAL DEVELOPMENT PROSPECTS IN SOUTH-EAST EUROPE YUGOSLAV CASE CHALLENGE

BRANISLAV DERIC

*Faculty of Geography
Belgrade University*

A brief analysis, ad hoc oriented, addressed to examine the main issues of FR Yugoslavia future ways of integration into regional development processes within Southeast European region could be provoking. The issues of integration are various and many-sided uneasy to be grasped uniquely and comprehensively. A risk that some relevant issues could be unintentionally overviewed and others overstressed is unavoidable. Many appropriate information articulated and not biased about FR Yugoslavia are not always available making troubles to more objective analysis.

A fact that Yugoslav scholars and practitioners were for a long time in an imposed isolation from international main scientific streams made additional difficulties. Scientific books, journals, magazines and reports of international respective authorities were unreachable, saved through the individual contacts with friendly inclined abroad scholars. This acted adversely to update and refresh scientific work and research in FR Yugoslavia. The internal climate for scientific research was unfavorable. A great number of practitioners, and scientists, particularly young ones, went abroad to West Europe, USA, Canada as a part of brain drain. This paper could not escape from that trap of missing needed information more analytical and reliable.

More scrutinized scientific foreign research about FR Yugoslavia has been segmented. There are just a few reports, books¹, and articles about this country, which could be evaluated, as unbiased and objective. It is understandable. FR Yugoslavia was unrecognized state by international community and treated in the context of political instability, social unrest and poverty, economic decline and hostilities. Simply said, FR Yugoslavia was a phenomenon of "the lost country" as an allegory. Fortunately, recent political events creating new and a more democratic face of this country confirm certainly that it has been found². But, ten years of unattainable development, missed transition process with structural reforms and transitions, started and interrupted, has been lost.

The problems from past in new established situation are heavy to manage with. They are interrelated by all ends and means. This aspect of the Yugoslav case is a challenge for deeper scientific research especially in a situation when outside and inside pressure has been released. However, the Yugoslav case is still presented on political arena as a "black sheep" to remind for a moment on a famous book "Black Sheep and Grey Falcon" written by Rebecca West. The book was on index and prohibited under socialist regime, but indicative for the history of former Yugoslavia, announcing reversible events later on with severer disorders, ethical conflicts and hostilities.

¹ Although many books have attempt to bring the plight of the fall of Yugoslavia to the attention of the outside world, the book of Susan L. Woodward (1995) "Balkan Tragedy - Chaos and Dissolution after the cold War" is one of the few that attempts to analyze the causes of this event and that weaves into the story of the decline and war the influence of the international environment and outside actors. Another book of the same type of approach but more analytically elaborated and deeper historically backgrounder was written in French language by Paul Garde under symbolic title "Vie and Mort de la Yugoslavie" (1994).

² FR Yugoslavia treaded as "a lost and found country" comes from the article "Greece and Balkan; Geography Lost and Found" written by George Petracos (2000).

A few remarks

Recent political events, occurred in FR Yugoslavia at the end of last 2000-year, brought about long expected democratic and reforms oriented changes, claiming the transition process to commence immediately. More optimistic and promising situation has been established. A dramatic decade of political turbulence and instability, social unrest and poverty, economic decline with structural disorder over for good.

It seems that FR Yugoslavia is on relatively sound road to be recognized by international community and in a respectable time ahead fully incorporated into world wide development processes of globalization. In that respect, the main goals the country needs to achieve are, first of all, peace, stability, prosperity and sustainable development as the unavoidable conditions of transition process to be implemented successfully. These processes require the adequate designed and, to the concrete circumstances, articulated actions and commitments: a) enforced and rapid integration in international trade, particularly with South-East European countries and European Union, b) liberalization of market forces based on privatization of enterprises and private-public partnership approach, c) stable, transparent, competitive and non-discriminatory environment for private sector activities and development, d) improved institutional capacities and governance structures with anti-corruption efforts, e) investing in infrastructural synergy system as the presumption for spatial integration with SEE countries and European Union accentuating the system of Trans-European multimodular corridors wherein Belgrade urban agglomeration has to be promoted as a part of European global cities network, and f) safeguard the environment on principles of sustainable development taking care of ecological carrying capacities. These actions, due to many problems and obstacles the FR Yugoslavia copes with, will be difficult to implement if it is not adequately internationally supported. Particularly the initial phase of transition process ought to be carefully prepared ³.

The challenge nature of FR Yugoslavia case is especially evident when the regional development process among Southeast European countries is under consideration. These countries are small by size of territory and population, and hardly depend on strong export and import trade relationship with advanced countries in particular European Union. Most of them were established and rapidly recognized as the independent states, after the collapse and desolation of former Yugoslavia causing political instabilities and war conflicts with destruction, civil victims and refugee waves. The FR Yugoslavia was threatened internally and externally.

Southeast European countries have been treated as a region; supported by adequate designed projects, following the experience of Central Europe and Baltic region countries. Such a regional approach appears as a suitable way to realize more efficiently the enlargement objectives and commitments of European Union and make unique European integrated space. This macro region refers to Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, FR Yugoslavia and Romania. All of them are less developed countries and rather heterogeneous among each other. During past decade of transition the SEE region has been economically and socially fractured, the flows of goods and people disrupted and transit routes and commercial relations cut and halted ⁴.

³ Achieving social and political stability and sustainable development will take years. Progress towards these goals will not be smooth and automatic. In See countries determined implementation of reforms programs has not yielded the expected positive results, because of civil conflicts, weak institutions and poor governance. Conflicts and ethnic tensions were very severe in former Yugoslavia. To achieve the interregional cooperation and trust necessary for peace, stability and prosperity in FR Yugoslavia and accordingly in SEE countries will take time.

⁴ The past decade of transition and conflicts has been exceptionally difficult for the people of former Yugoslavia. Hostilities have created deep-seated resentments. Emerging from these hostilities is a polarized patchwork of nation states, formed largely along ethnic lines. Conflicts and absence of a political consensus for reforms, shallow democratic tradition and weak institution have all combined to constrain economic and political development. Delays in the implementation of reforms programs in SEE countries have prevented economies

The process of European integration generating free market flows of capital goods, commodities and services is the most ambitious European project in this century, what is in accordance with worldwide process of globalization. The characteristics of this process, which involves adequate regional approach and regionalization, is the unbalanced regional development, wherein winner and losers are mutually interrelated, as Petracos pointed out (Petracos, 2000). The above mentioned process of integration is primarily founded on economic efficiency. Whether a region will be a winner or a loser depends on exposition to unequal endowment in development based on capital, human and natural resources, economic performances, international competition and trade. The losers are, as known from regional theory and practice, peripheral regions in which economic performance is weak, productivity low-leveled, employment extensive; infrastructure and human labor force deficient. Main indicators of development of South-East European region show that during past decade of transition it was economically and socially fractured, the flows of commodities and people disrupted, commercial transactions interrupted and transit routes cut. The access to European market of this region critically dependent has been weak.

The SEE region is extremely heterogeneous taking into account either different level of income and population or regional structural composition and over-all social development. The process of transition has been disappointing. The trends of economic growth did not recover in relation to pre-transition period. Many countries in the region still face problems of macroeconomic stabilization, while others have fragile stability with reversal trends. This situation is historically determined since the SEE region has been the least developed in Europe from the outset of transition process. The economic structure dominated by low productive industrial sectors in these countries was unbalanced.

Making a brief summary what was said in previous part of the paper, it is clear that Yugoslavia is behind some SEE countries. But to understand better and more transparent the case of FR Yugoslavia it is necessary to give a short historical insight. That is the way to clarify some problems specifically in relation to the others SEE countries. However, the traces from former Yugoslavia are presented. The adverse effects of desolation are still strong and uneasy to overcome. But why the process of desolation took place is the question to be answered before any concrete analysis of on-going processes and complicated problems, which make impact on entire SEE region. The fact is that FR Yugoslavia holds the most important geostrategic position on Balkan peninsula, what has far reaching effects on prospective regional development process within SEE region.

A short history background

After First World War the Kingdom of Serbs, Croats and Slovenians was established as independent state. This multinational and multiconfessional country was soon exposed to internal conflicts due to pronounced differences, socio-cultural heritage and lifestyles. Two antagonistic approaches how to organize the state had the historical roots. Yugoslavia was backward country with undeveloped economy based on traditional agriculture and rural society. The process of industrialization slowly emerged in western part where population was more oriented toward West European civilization values. The eastern and southern part of the country, more that five centuries under Ottoman Empire, was traditional patriarchal society with impacts of oriental values. These antagonistic approaches played important role in the history of Yugoslavia with negative effects being the cause of open or hidden political conflicts and disputes. During the Second World War these disputes became in hostilities among dominant nations.

Immediately after Second World War Yugoslavia was organized as federal socialist state of six republics predominantly designated according to national historical criteria respecting specific socio-cultural heritage. The borders between republics were administrative and adjusted at the beginning to

from embarking irreversibly on the path towards becoming fully functioning market economies. Both SEE economies and Yugoslav in particular have experienced an inferior economic performance, declining living standards, rising unemployment and inadequate progress in reducing poverty.

centralize system of government. After the conflict with USSR, Yugoslavia followed specific pattern of development characteristically by self-management system of state organization which incorporated some trends of decentralization. Republics strengthened with the responsibilities to take care about their own economic growth and social development. The case of Republic Serbia was specific within Federation. It was constituted of three parts with two autonomous provinces Vojvodina in the North, Kosovo and Metohia in the South, and Central Serbia with weak authority. These provinces were multinational communities, with different historical heritage and development possibilities. Vojvodina was more economically advanced in relation to Kosovo and Metohia.

Within Yugoslav federation the economic growth had pronounced regional characteristics and was divided into two parts: developed republics and underdeveloped areas. From regional point of view Yugoslavia had its developed North and underdeveloped, in fact, backward South what was crucial cause of events to come later on with unpredictable effects and consequences. In many regional aspects the Yugoslav federation could be an instructive example. As the development was based on process of industrialization the regional disparities among republics tended to diverge. Regional policy was accepted and implemented both on federal and each republic level with special fund directed toward faster development of underdeveloped areas referred Bosnia and Herzegovina, Macedonia, Montenegro and Autonomous Province Kosovo and Metohia. The goal of more even regional development was marginal by the outcoming effects.

As already mentioned the industrialization was dominant method of socialist self-management development controlled and directed by state authorities, at beginning on federal level, and later, more and more, on level of republics and autonomous provinces. Republic Serbia was in special position, both from political and economical point of view. Slowly but steadily the process of self-support of each republic and province emerged weakening the role of federal authorities. This has had direct impacts on regional development performances. Between advanced and less developed republics the development gap became wider especially between Slovenia and autonomous province of Kosovo and Metohia, the two extremes.

The diverging regional disparities in Yugoslav federation could be analyzed by the achieved level of social product per capita. This indicator of development is possible to compare with GDP or PPS per capita but with a quite different methodology. Yugoslavian economy in that time was neither market oriented nor strictly planned as in other East European countries. According to the statistics the average social product per capita in Yugoslavia was around 3.500 US\$ in 1989 what could be more over than underestimated. Predominant share in creation of social product comes from industrial sector, but industrial structure in each of the republics was different. While industrial production in Slovenia was oriented toward consumers' durable products and electroindustries more technologically advanced, the industrial sectors in other, especially less developed areas was of basic character more capital than labor intensive. The Slovenian economy was soundly balanced and adaptable to the circumstances taking advantage of more than 23 million potential consumers. It is not surprising that this Republic achieved the highest level of social product per capita in Yugoslav federation what is presented in following table.

A brief comment of presented data provides some important conclusions. Slovenia was the most developed Republic. The achieved level of social product per capita in Slovenia was 7 times higher than in autonomous province of Kosovo and Metohia, and two times than in Serbia. The gap between Slovenia and Kosovo and Metohia widened up since in 1960 it was three times higher. But, this gap is the impact of different population natural rate of increase. Kosovo and Metohia province, during all times, was characterized by one of the highest natural rate of population increase not only in Yugoslavia but even in Europe. The increase is connected with Albanian ethnic population with specific cultural, social values, traditional way of life and attitudes to other nations. No other nation in former Yugoslavia had such a high rate of population increase. Most of them faced the problem of population stagnation, as it was common to other advanced European countries. However, this comment is of certain importance to explain the events to come concerning why former Yugoslavia was so quickly desolated.

Table 1. Average social product per capita by republics in former Yugoslav Federation

	1989 in US\$	Per cent
Yugoslavia	3500	100.0
Bosnia and Herzegovina	2380	68.0
Macedonia	2300	65.6
Slovenia	7120	203.5
Croatia	4450	127.0
Montenegro	2660	76.1
Serbia	3150	90.0
Central Serbia	3490	99.6
Voivodina	4160	118.7
Kosovo and Metohia	960	27.4

Calculation based on data published in Statisticki kalendar 1989 by author.

The self-management system emerged and applied a special decentralization policy more administratively than economically oriented. The political interests of some republics were in conflict with others and they directly affected the economic growth and performance permanently in state of crisis. The conflicts among republics did not calm down but were continuously fostered according to the Constitution from 1974. The Yugoslav federation was practically union of eight equal units, six republics and two autonomous provinces with right to put a veto in national assembly. Under such circumstances the federation was changed into confederation of independent states. It was the initial step toward the dissolution of federal state.

In spite of internal conflicts and political tension among constituting administrative units, the Yugoslav federation potentially was economically growing country with initial process of deeper socio-economic reforms oriented toward more liberal market and intention to start with privatization. As to this trends Yugoslavia was far ahead in relation to East European socialist countries. Hypothetically it could be said that Yugoslavia had more advantages to be economically and politically integrated in European unique space in that time.

Decade of turbulence

The end of cold war and changes occurred on European continent in 1990 and on, when socialist system totally collapsed and vanished and Germany was united, deeply affected Yugoslav federation. The political negotiations among republic leaders due to sharp conflicts of interests and impossibilities to make mutually acceptable solutions on future state organization went out of control. The process of creation of new state from the former Yugoslav republics could not be resolved. The disintegration commenced more and more openly supported by some European states and definitely by international community. This caused sharper disputes and problems which turned into turmoil and at the end in warfare with dramatic and catastrophic consequences. However, new states were establish and unusually rapidly recognized by international community. The FR Yugoslavia was exposed to internal and severe external pressure and ultimatums. This greatly contributed to the process which turned out to have a disaster ends not only for FR Yugoslavia but for other states as well, Croatia, and Bosnia and Herzegovina in particular.

The question with no answer, so far, is if Yugoslav federation was relatively more developed and more market-oriented country with aspiration to be integrated into European integration processes, why this chance was lost. Partly the missed chance has to be attributed to the internal political disputes while the role of international community, perhaps will be known after a certain historical distance.

Taking facts as they are, the former Yugoslavia missed to be maintained and peacefully incorporated into European integration processes was quickly dissolved and divided in small independent state

mutually opposed and hostile. The break down of Yugoslavia opened up some newly established countries sharp disputes and conflicts. In Croatia between Croats and Serbs and in Bosnia and Herzegovina between Muslims, Serbs and Croats where the war lasted four years. Outcomes of the wars were enormous victims, catastrophic destruction, ethnical cleansing and dramatic waves of refugees and displaced persons deprived from their own economic assets, homeland life and cultural roots and heritage.

Yugoslav adverse trends

After desolation of former Yugoslavia the adverse trends started to deteriorate the life conditions in particular in FR Yugoslavia as the newly established federation of Serbia and Montenegro. The economic collapse commenced in 1990 when all trade relations within once unique economic space and market disappeared. The production based on cooperative arrangement in Serbia and Montenegro had to be stopped affecting a great number of labor force becoming suddenly unemployed. This was aggravated due to imposed political isolation and economic blockade by international community, in fact, by the United Nations under the pressure of advanced countries USA and European Union.

The economic blockade strictly implemented and enforced, caused sharp fall of production in all sectors of economy, primarily in industry, which was, both exports oriented and import dependent. Before blockade the main FR Yugoslav trade partners were western European countries with many cooperative arrangements which were one-sidedly abandoned. The production volume measured in GDP abruptly was reduced with trend to decrease and never afterward recovered to the level, which was in 1990. The economic structure dominated by industrial sector with share of 40 % in GDP changed radically. The rise of unemployment reducing wages open up the process of illegal marketing penetrating the sphere of small-scale illegal trade with shrinking less and less organized social and state sectors of production. The big industrial complexes collapsed and stopped the production processes unable to adapt to the changed occasions and unstable economic climate.

These complexes employing great number of workers could not survive the imposed international restrictions. Even the small and medium scale enterprises, although more flexible and adaptable to the changed circumstance, were greatly affected by sanctions losing the position against booming illegal market. These enterprises could not shift easily programs and product mix since they were controlled by appointed leading staff of ruling party. The most skillful and experienced personnel with higher education level quit the jobs due to low wages irregularly paid and started private business or emigrated abroad. Volume and quality of product and services, with very poor maintenance of productive assets, deteriorating in general. Just to make the point that investment activities were reduced to the marginal line lacking available resource since the population had no many to save, partly due to the corrupted banking system and inflation shocks coming suddenly.

Interrelated adverse trends greatly contributed to the economic decline and fall of gross domestic product. The more reliable analysis of this economic decline and penetration of illegal market out of any control is impossible. The statistical data regularly published were more misleading than appropriate trying to satisfy specific needs and purposes in order to justify the confused macroeconomic policy without reliable and consistent leverages controlled by ruling party.

The structure of GDP during ten years of turbulence changed greatly characterized by reversal trends. The share of industrial and service sectors of production fell down, while agricultural share increase depending more on natural conditions than on organized actions of private sector dominating in agroproduction. Early endeavors to implement transition process, based on liberalization of market and privatization of social sector, was soon abandoned. Neither political nor economic condition was created to make necessary reforms and transformation. In the situation when domestic market was not exposed to the real foreign competition it was impossible to make any kind of liberalization. Besides this, FR Yugoslavia could not apply any system how to pull foreign direct investment what was

otherwise one of the main consequences of economic blockade. Accordingly, all circumstances in interplay simply did not permit any possibilities to provide the necessary conditions for recovery of economy. It appears that internal political situation was the main cause why adverse trends displayed strong power.

Analysis of GDP officially registered shows many shortcomings, but it is the only indicator to be used for eventual comparison. Keeping in mind all this about GDP, it can be illustrative to determine orientational position of FR Yugoslavia within SEE regions and especially with former Yugoslav republics now as independent states. This approach could show what has happened in meantime and hypothetically to see how Yugoslavia would like providing that isolation and blockade where not strictly imposed. The following table is already published with data supposed to be statistically checked. The presented data are about population, GDP per capita and share of agricultural production.

The GDP per capita realized in Yugoslavia in 1997 amounts 1430 US\$ what is conditionally said, only 46 % achieved in pre-transitional period in 1989. Taking data of GDP per capita for Slovenia and Croatia it comes out that FR Yugoslavia is in dramatic position. In relation to Slovenia GDP per capita in FR Yugoslavia is really marginal being only 14.5 % or almost seven times less. Providing that situation was as in 1989 when GDP in Slovenia was two times higher, the GDP in Yugoslavia would be about 4850 US\$ a little higher than in Croatia now. This type of comparison is unacceptable, but is indicative without additional comments. Slovenia improved greatly its position in relation to all SEE countries and have suitable prospects to join European Union but as the state of Central Europe together with Hungary, Czech Republic and Poland. Nevertheless, the case of Slovenia certifies the findings that geographic position with economic performances is very important for the process of enlargement of European Union. All other countries analyzed in the table are in unfavorable position what is related to Albania, Bosnia, Bulgaria, FYR Macedonia and Romania although all of them are deeply involved in process of transition but with disappointing performance. That is main characteristic of all SEE countries which are peripheral in relation to the European Union and were not supported in their transition process adequately as the countries of Central Europe.

Table 2. SEE countries - selected data comparison

	Area (ooo) km	Popula- tion (mil.)	GDP per capita US\$	Share of agricul- ture.
Albania	29	3.3	760	63
Bosnia and Herz.	51	2.3	785	-
Bulgaria	111	8.3	1170	23
Croatia	57	4.8	4060	12
FYR Macedonia	26	2.1	1100	12
Romania	238	22.1	1410	20
Slovenia	20	2.0	9840	5
FR Yugoslavia	102	10.6	1430	8
Greece	132	10.5	11640	11

Petrakos (2000) with additions for Slovenia and FR Yugoslavia

The enormously widened gap between FR Yugoslavia and Slovenia indicates who was "lost" country during last ten years. As a matter of fact, FR Yugoslavia still shares the same destiny as Romania, Bulgaria but is far ahead of Albania, Bosnia and Herzegovina and FYR Macedonia. If this comparison can be acceptable than it is evident that FR Yugoslavia under the unfavorable circumstances still possesses potentials for more intensive development and the chance, in quite changed condition, to decrease the gap in comparison to some more developed countries. To achieve this, an appropriate support firstly by FDI from international community is needed. As the processes are going on now, there is a hope that transition process will be initiated and stabilized with all necessary reforms and commitments. But, it will definitely take a lot of time. Heavy problem FR Yugoslavia copes with is not only economic decline and weak performance but as well very poor social situation characterized

by high rates of unemployment, low levels of wages, poverty of significant share of population and other kinds of social hardship.

Social welfare issues

Analysis of living standard of FR Yugoslav population during past ten years, although the relevant data and information are in lack, shows sharp decline. The main causes of this decline could be attributed to: a) desolation of former Yugoslav Republic and severely disrupted economic activities among the republics as new independent but mutually hostile states, b) economic embargo and sanctions imposed by international community, c) unstable and weak economic performance, d) permanent inflation reaching in 1993 the greatest level in economic history, e) informal market with overlapping economy trends, f) illegal economic transaction and screened corruption, g) unreasonable allocation of restricted development resources, h) NATO aggression destroying vital economic premises, social facilities, especially infrastructural systems and utilities and irreplaceable civil victims⁵.

The deterioration of living standard was only marginally alleviated by socio-economic structure of population with reversal effects, substantial buffer stock in the period of inflation shocks, low prices of vital commodities and services controlled administratively and substantial international humanitarian aid primarily to satisfy basic needs of refugees and displaced persons⁶.

The desolation of former Yugoslavia what severely affected cut off economic activities with former republics and immediately imposed sanctions by international community resulted in sharp decline of living standard of population. The production processes were ceased and reduced to the marginal utilization level of productive capacities essentially in industrial sectors import dependent or export oriented. The average monthly wage amounting 535 DM in 1990 had been reduced to only 135 DM in 1992 what is 4 times less. The average monthly wage has never been recovered later on, and was 94 DM in November 2000. This could be reliable indicator of social hardship the FR Yugoslav population had been exposed in past decade and announcement of unpredictable time a head to reach again of wage level achieved in 1990. The reduction of wages is tightly connected with poor economic performance started by severely disrupted economic activities after desolation of FR Yugoslavia and immediately imposed economic embargo and sanctions by international community.

Unemployment rise

The direct effects of ceased or diminished production processes were the increasing volume and rate of unemployment and decreasing number of employed. The number of unemployed increased by 175.000 from 1990 to 1998 according to the published data by the Federal Labor Market Office. Besides registered there has been hidden unemployment, as permanent phenomenon, in socialized sector of production about 770.000, especially in secondary activities (industry and mining) what indicates very low level of productivity. In the period of time from 1990 to 2000 the number of employed has considerably decreased about 700.000 workers. The largest number of redundant workers is registered in industrial socialized sector of economy. It denotes the need to start

⁵ The wars in former Yugoslavia and recent NATO aggression have damaged the environment in FR Yugoslavia and neighboring countries. The Danube has been seriously affected; water quality has badly deteriorated through the emission of effluents resulting from destruction of industries, oil refineries, and wastewater treatment facilities.

⁶ One important factor adversely affecting living standard in SEE and FRY is large population movements as the outcome of conflicts in former Yugoslavia. Estimates indicate that some three million people have been displaced either temporarily or on a longer-term basis. These displaced persons have been separated from their assets (housing and land) and from their sources of employment. In many cases their assets were destroyed. The loss of assets, as well as the social and psychological impact of physical dislocation has resulted in substantially lower living standards.

reconstruction in both terms of ownership and programs to make this sector more economically efficient. The considerable decrease of employed is related with tendencies that many quit low paid jobs and start to work privately in order to earn more to cover living expenditure. There are, as well, a part of hidden employed workers with different occupations and professions on informal market in endeavor to improve living conditions.

The rate of registered unemployment in FR Yugoslavia kept to increase continuously from 1990 to 2000 as presented in following table. This rate in 1990 was 19.7 and raised in 2000 to 28.9 percent. In Montenegro, another federal unit, the rates of unemployment are very high with accelerating tendency. During period of ten last years, there has been, in this constituting unit, sharp increase from 22.9 in 1990 to 40.5 percent in 2000 what could be ascribed to the process of reforms but first of all to weak economic performance.

Table 3. Rates of unemployment in Yugoslavia

	1990	1992	1994	1996	1998	2000
Yugoslavia	19.7	22.8	23.1	25.7	26.8	28.9
Serbia	19.5	22.2	22.7	25.4	26.3	28.0
Montenegro	22.9	30.7	29.3	30.4	33.5	40.5

Economic structure of population change

A great number of unemployed, low paid jobs in state or socialized sector of ownership in interaction with other factors deteriorating the living standards brought about changes in the economic structure of population. The number of agricultural population in FR Yugoslavia is decreasing, living in so-called mixed households, increasing and urban decreasing according to published data by Federal Statistical Office. If these data are analyzed by major Yugoslav areas there comes out an unexpected but in the reality presented reversal trend imposed by deteriorated living conditions of population. In Vojvodina which is considered to be an advanced part of FR Yugoslavia the agricultural population increased from 4.0 percent in 1992 to 9.9 percent in 1999. The share of mixed category of population enhanced even more from 21.6 to 32.1 percent, what implies that urban population has been diminished announcing the process of disurbanisation. This process entirely is different in relation to the one widely discussed and researched in scientific consideration recent years in advanced countries. In Serbia proper, the economic structure of population is different, conditionally said expected, but with slight increase of mixed category. The case in Montenegro is as usual with tendency of urban population increase.

The changes characteristically for Vojvodina are very indicative pointed out that the social picture of population has been changing in adverse direction and that life in urban areas becomes more unsupportable. This definitely means that living standard fell down and people come back to their own farms or farmsteads to make living conditions better. This trend, in fact, appears to be temporary and shows citizens patient adjustment to the occasions as they take place. It is not surprisingly that the share of agriculture production increased in GDP during last ten years and the industrial dropped with service sector, as well. Agricultural production organized by predominant private sector has been in Yugoslav case always a stabilizing factor to more patiently overcome the periods of socio-economic crisis.

Informal economy and poverty

The previous analysis and findings directly and indirectly underline why informal economy (in jargon black market) widely appeared, and became important for survival of majority part of population. Informal economy covers and involves all categories socially and economically endangered persons, unemployed, redounded workers, hidden employed, pensioners, refugees, displaced persons and so on.

According to some estimates, the informal market covers about 2.3 million participants and if calculated against full working hours means 1.2 million citizens reaching 40.3 percent of active population.

The impacts of informal economy on national economy and society directly reduce public revenues. Estimates show that every year the lost of public revenues amount about one billion US\$ what has feedback adverse effects on society and economy. However, the impacts of informal economy are more profound negatively effecting social welfare and moral norms and structure. It creates and brings about big inequality in the distribution of income among various categories of population and households. The background of informal market are illegal transactions with remark that the big ones could be conducted only by a small stratum of people inclined to organized corruption with tendency of penetration into decision making circles of power. Producing the gravest effects on middle and lower classes of population the informal economy is irregular redistributer of income increasing the inequalities among inhabitants.

Although it is difficult to estimate the size of informal economy and its adverse effects, some assessments which have been done and officially published show that its share in registered social product is 40 percent with the highest reached peak of 50 percent in 1993 marked by hyperinflation. Taking all previous findings into account it is understandable why there are many poor people in FR Yugoslavia living under the poverty line and accordingly deprived even of basic needs. The informal economy is just one side of that poverty and partly helps to survive.

The comparison of FR Yugoslavia with other SEE countries would be useful to find out the differences and similarities, but it needs more efforts and space than is this article, as said ad hoc prepared and tailored. In any way, the Yugoslavia case is really a challenge question of regional development prospects of SEE.

Spatial integration of SEE

Regional development process of SEE countries will be subject to their spatial integration and organization on European, transnational and intraregional levels. Key issue concerning spatial organization, on all levels, is constructed and established systems of infrastructure and their capabilities to provide efficient mobility of factors of production, commodities, services, information and so on, what is specially significant for quick and smooth trade transaction and operation ⁷. There is no economic growth and prosperity without, among others important factors, well developed and in space organized infrastructure systems. The deficient, functionally disorganized, old and poorly maintained infrastructure systems in SEE countries, in interaction with other problems previously elaborated, are bottle-necks of economic growth. But these comments have to be seen from other angles, as well. SEE countries are relatively sparsely populated with just a few big metropolitan urban agglomeration standing as country capitals physically far away from each other. To connect the SEE metropolitan urban agglomeration by modern infrastructure functionally organized systems is rather expensive, and relatively lacks critical volume of trade flows.

Another comment of diffident infrastructure interrelated with slow economic growth in SEE region refers to its peripheral position in relation to the European core the most developed area once call "golden three-angle" and now "blue banana" with enormous economic potentials. The SEE region is

⁷ Economic growth improved intra and inter regional trade and integration depend on incremental and efficient investments in infrastructure. Conflicts and wars erupted in large part of former Yugoslavia resulted in considerable damages to infrastructure. Ten years of unrest and economic decline led to a serious deterioration of maintain of infrastructure. A key element of affecting the transport links of the region is the interruption of Danube shipping. The economic consequences of the damage resulting in the key transport routes are severe as the destruction of a series of bridges across the Danube prohibits long distance shipping.

poorly connected by adequate roads and railroads with this to its main trades market. The European Union enlargement by accession of states passing through process of transition, among which are some in SEE, is coordinated with program of construction of transcontinental multimodal corridors connecting big urban agglomeration particularly in CE and SEE regions. The network of multimodal corridors are emerging and spreading functionally from border areas of European Union following the most prospective direction across CE and SEE. However, as to these corridors FR Yugoslavia has been treated in an inappropriate way as the direct consequence of its political and economical isolation from international community.

Concerning the spatial dimensions of regional integration of FR Yugoslavia into SEE region and, accordingly into unique European space, three the most important moments have to be reexamine. Namely, for FR Yugoslavia the international multimodal corridor number X is backbone of that integration, confirmed by Helsinki conference in 1997 comprises roads and railroads, but not defined at the conference in Crete in 1994 what was indicative as the attitude towards this country in that time of economic blockade and isolation. The multimodal corridor is designed to link Salzburg in Austria, Ljubljana in Slovenia, Zagreb in Croatia, Belgrade and Nis in FR Yugoslavia, Skopje in FYR Macedonia, and Thessaloniki in Greece with no less important branches: "A" Budapest in Hungary with Novi Sad and Belgrade in FR Yugoslavia, "B" Nis in FR Yugoslavia with Sofia in Bulgaria and on corridor IV to Istanbul to Turkey. This corridor with its branches, due to its historical and natural predisposition is very important for integration of whole SEE region. The recent past has been indicative with direct and indirect adverse effects on all SEE countries economic growth. It is quite understandable that there is no prospect to make regional integration of FR Yugoslavia if this corridor is missed, or neglected as was in past time. The fact is that it is partly constructed and could be completed in due time contributing a lot to the development and economic growth to all SEE countries.

Second moment of regional integration of FR Yugoslavia is bound to Belgrade metropolitan urban area within Balkans countries. First of all, this agglomeration has got a geostrategic position being situated in the very center of Balkans countries and river Danube (corridor number VII) with respective development potentials. The size of this agglomeration, its position, development prospects and importance to promote it as a south-eastern gate of Europe have been totally neglected during past ten years what negatively affected its development. That could be one of the causes why FR Yugoslavia has been facing difficulties and socio-economic decline. Many facts show that Belgrade has to be promoted as the important place within European network of global cities, specially significant as the nodal point on multimodal corridor number X. The above comments are opening up third issue of regional integration of FR Yugoslavia in SEE region and it is its internal regionalisation. This issue has been very acute in political arena recently bringing about a lot of disputes and troubles connected with Kosovo and Metohia province, Montenegro Republic and so on. Regionalisation is first of all an issue of sustainable development, stability, peace and prosperity and need to be treated respectively, not on ad hoc basis, as it is now case in Yugoslavia. However, this is a type of challenge with unpredictable outcomes both for FR Yugoslavia and SEE countries.

Instant of the conclusion, let just point out that the observations and findings in this paper could be taken as orientation concerning the issues of regional integration of FR Yugoslavia in SEE region in time ahead. The outcomes are, so far, unpredictable but prospects have to be respected.

References

- Cheshire, P., and Hamilton, F.E.I., (2000), "Urban Changes in an Integrated Europe", in Petracos, G., Maier, G. and Gorzelak, (Des), *Integration and Transition in Europe - The economic geography of interaction*, Routledge, London and New York.
- Dinkic, M. And others, (2000) " Social Welfare Situation and Need for Donation", *Yugoslav Survey*, Vol. XLI No. 4. Belgrade.

- EBRD (2000), International Financial Institutions Regional Private Sector Initiatives in South Eastern Europe, Stability Pact Funding Conference.
- European Investment bank, (2000), *Basic Infrastructure Investment in South-Eastern Europe*, Regional Funding Conference for South-Eastern Europe, Brussels.
- Garde, P., (1994) *Vie et mort de la Yougoslavie*, (Edition augmentée) Fayard, Lille.
- Kotios, A., (2000) "European Policies for the Reconstruction and development of the Balkans", in Petracos, G., and Totev, S., (Des) *The Development of the Balkan Region*, Ashgate, London.
- Petrakos, G., (2000) "Greece and Balkans: Geography lost and Found", in Petracos, G., and Totev, S., (Des) *The Development of the Balkan Region*, Ashgate, London.
- Petrakos, G., Maier, G. and Gorzelak, (Des), *Integration and Transition in Europe - The economic geography of interaction*, Routledge, London and New York.
- Petrakos, G., (2000), "The spatial impact of East-West integration in Europe" Petracos, G., Maier, G. and Gorzelak, (Des), *Integration and Transition in Europe - The economic geography of interaction*, Routledge, London and New York.
- Petrakos, G., and Totev, S., (2000), *The Development of the Balkan Region*, Ashgate, London.
- Savic, N., and Pitic, G. (1999), *Eurotransition - Eurotranzicija*, Ekonomski institut, Medija centar, Beograd.
- Skayannnis, P., (2000) "Infrastructure Comparisons in Transition Countries: A New North-South Divide in Europe?" in Petracos, G., and Totev, S., (Des) *The Development of the Balkan Region*, Ashgate, London..
- The World bank (2000) *The Road to Stability and Prosperity in South Eastern Europe: A Regional Strategy paper*,
- Woodward, L.S., (1995) *Balkan Tragedy - Chaos and Dissolution after the Cold War*, The Brookings Institution, Washington, D.C.

Notes