EUROPEAN ECONOMIC INTEGRATIONS AND
BOSNIA AND HERZEGOVINA,
CURRENT POSITION AND PERSPECTIVES

Abstract

Bosnia and Herzegovina, as a multinational and multireligious country with several centuries long traditions, was, unfortunately, separated from the already begun transition processes, for known reasons. After the Dayton Agreement, this country entered a new era of its social and economic developments, in which are, in addition to others, also the problems of internal and external regionalization, as an essential aspect of these problems, still currently very controversial. The goal of this paper is to assess the further intensity of transition in Bosnia and Herzegovina, as well as the possibilities if its integration into the European economic flows. Keeping in mind the above mentioned aspects, the attempt is made in this paper to answer the key question of to what extent Bosnia and Herzegovina is an European reality or whether it is maybe only an European fiction.

Key words: economic integration, Bosnia and Herzegovina, regional development, transition

1. THE PAST

Early in the year 1992 Bosnia and Herzegovina emerged for many as a new European state, sprung up from the former Yugoslavia disintegration. However, for those who possess better knowledge of the history of Balkans, the statehood of Bosnia and Herzegovina is more than a millennium old what means that Bosnia and Herzegovina is an old European state which has for the first time since the XV century (after several centuries of the Turkish rule, then of Austro-Hungarian empire, the Kingdom of Yugoslavia, Germany and hegemonic-totalitarian regime of the former Yugoslavia) abandoned the state community with other nations and entered a new phase of its further development. It is certainly possible to acquire a true notion of this country only through a science based observation of its history, and consequently, its contemporaneity and futurity within the European geo-political dimension should be, among other things, contemplated from this point of view.

Within the geo-economic space of Europe, Bosnia and Herzegovina, as a multinational, economically undeveloped country, occupies close to 0.5 % of the European space and close to 0.5 % of the European population (at the beginning of the year 1992). Regarding that these spaces have always been on the outskirts of the European geo-political and economic events, none of the European aims (economic welfare, democracy and social justice) which have been made official, nor any other of the long time ago proclaimed European ideals (liberté, égalité, fraternité) could ever come true. This was
affected by many factors, and above all by the heterogeneous spiritual inheritance, foreign influences, historical conditions, geo-political situation, etc.

Three major world religions have sustained in these Balkan spaces (Islam, Catholicism and Orthodox creed) as well as many other religions and cultures that the world has been familiar with. In these spaces was set the border between the Eastern and Western civilizations which had an enormous influence upon their history indeed. It was here that a major or a minor joining of various Indo-European formations occurred and the influences of the Slavonic, Germanic and Turkish-Islam traditions and ways of life have been folded up for centuries. It is no wonder, consequently, that the two world wars and several Balkan wars were fought here in the XX century. Such a history and geography have, therefore, predetermined the whole past so far (and also the future, according to pessimists) of these spaces and fatally defined the socio-economic formations, and also the spatial borders of the nations and religions, respectively. They have resulted in the phenomenon of making this European regions typically Balkans like and a typically non-Europeanized Balkan system of values.
Bosnia and Herzegovina, having its territory located in the South East Europe, in the cross-roads of the bloc and other interests, was more formally than actually ranked into more significant European economic regions within the framework of the former Yugoslavia during the last decades of its existence. For this is to be mostly blamed its total economic underdevelopment which had been mostly contributed to by the totalitarian economic system with its concepts of the state property with little flexibility when appearing in foreign markets, and with a low degree of adaptiveness towards the changes in a broader environment, respectively. At present, it is impossible to quantify to what extent were at those times certain strategic and other economic decisions made in the space of Bosnia and Herzegovina more in the service of the regional national autarky or in the service of the national interests in the neighbouring regions. However, the constructed infrastructure and interregional (within the former Yugoslavia framework) established valorization system of its available natural resources clearly indicate that the individual makers of strategic and development decisions behaved more adaptively than rationally, as well as the possible existence of an established economic exploitation of the space of Bosnia and Herzegovina by the neighbouring former Yugoslav regions.

At that time, while in the Western Europe the strengthening of the supranational competencies in the economic decision making process was becoming increasingly prominent in already internationalized economic development, this process was reverse in the former Yugoslavia because the regions and the nations as the development bearers were increasingly becoming prominent. The territorial-national principle, therefore, prevailed as being dominant instead of the economically-functional. Under such conditions the strong national differentiations in the former Yugoslavia, primary due to the uneven economic development of a series of accompanying contradictions which were beginning to become more intensively evident especially in the 1980s, in parallel with the economic crisis, pointed to the total economic and social immaturity of this multinational community, indicating how this system was totally undemocratic and inefficient, respectively, pointing as well to the general crisis of consensus and the paralysis of the system of values and political decision making in this space. As it usually happens, the crisis could not remain solely economic, it was becoming increasingly political and national, which finally resulted in the Balkanization of this country.

Four years lasting aggression of Serbia and Montenegro on Bosnia and Herzegovina (1992-1995) caused huge human losses and losses in material goods, as well as a stagnation in the already started process of the transition of the socialist economy into the market one. According to a World Bank document (1, page 6) Bosnia and Herzegovina "was a well developed industrial country ranked as a leader in the region" prior to the war with about 1,000 industrial enterprises and over 450,000 employed. In the GDP (Gross Domestic Product) structure realized in that period heavy and light industries dominated (extraction and primary finalization of coal, salt, iron and non-ferrous metals, as well as the textile, foodstuff and wood industries and the footwear and leather producing industries), and the goods in the value of over 1.4 billion US $ were exported annually. The economy activities were taking place most frequently within the framework of the so called "big systems" as the bearers of development, the fairly significant part of which was incorporated into the economic flows of that time. However, the war destructions resulted either in the devastation of the major part of the economic structure constructed in this way or in taking it out of function due to great damages they had suffered. No realistic assessment of the enormous damages in the economy and in the infrastructure, as direct damages (damages on
buildings, equipment, etc.) has been done until the very present time. In any case, in the most recent assessment the amounts of several tens of billion US $ are involved. The losses in human potentials are of course irrecoverable. Under the assessments performed by a non-governmental organization (2, page 12) the war caused also a complete change of the demographic structure in the territory of Bosnia and Herzegovina, among other things.

Table 1. Demographic distortion caused by war and various consequences

<table>
<thead>
<tr>
<th>Ethnic affiliation</th>
<th>Population 31.03.1991</th>
<th>Assessed population 31.03.1998 (if there were no war)</th>
<th>Present population 31.03.1998</th>
<th>Population outside the country</th>
<th>The killed and disappeared</th>
<th>Lost natural population growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosniacs</td>
<td>1,884,045</td>
<td>2,032,000</td>
<td>1,465,000</td>
<td>336,000</td>
<td>153,000</td>
<td>78,000</td>
</tr>
<tr>
<td></td>
<td>43.5 %</td>
<td>45.1 %</td>
<td>46.7 %</td>
<td>35.1 %</td>
<td>56.7 %</td>
<td>58.7 %</td>
</tr>
<tr>
<td>Croats</td>
<td>758,059</td>
<td>756,000</td>
<td>440,000</td>
<td>269,000</td>
<td>31,000</td>
<td>16,000</td>
</tr>
<tr>
<td></td>
<td>17.4 %</td>
<td>16.8 %</td>
<td>14.0 %</td>
<td>28.1 %</td>
<td>11.5 %</td>
<td>12.0 %</td>
</tr>
<tr>
<td>Serbs</td>
<td>1,358,198</td>
<td>1,355,000</td>
<td>986,000</td>
<td>270,000</td>
<td>72,000</td>
<td>27,000</td>
</tr>
<tr>
<td></td>
<td>31.2 %</td>
<td>30.1 %</td>
<td>31.4 %</td>
<td>28.2 %</td>
<td>26.6 %</td>
<td>20.3 %</td>
</tr>
<tr>
<td>Others</td>
<td>340,416</td>
<td>358,000</td>
<td>249,000</td>
<td>83,000</td>
<td>14,000</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>7.9 %</td>
<td>8.0 %</td>
<td>7.9 %</td>
<td>8.6 %</td>
<td>5.2 %</td>
<td>9.0 %</td>
</tr>
<tr>
<td>Totally</td>
<td>4,340,718</td>
<td>4,601,000</td>
<td>3,140,000</td>
<td>958,000</td>
<td>270,000</td>
<td>133,000</td>
</tr>
<tr>
<td></td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
<td>100.0 %</td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

The planned aggression on Bosnia and Herzegovina resulted in the change of the ethnic contents as they existed in its territory at that time. Namely, the nationally and religiously mixed population had existed in Bosnia and Herzegovina for several centuries, however, in this war, three ethnically fairly homogenous entities, and the regions-nations, respectively, were formed (due to the ethnical cleansing and the population exile). Among the newly formed regions full freedom of the movement of resources (people, goods, capital, and others) has not yet been established even nowadays, regarding that in each of them different legal procedures have been applied in terms of the policy of reconstruction and development, infrastructure, transition processes, and others. The macro-economics instability is, therefore, an essential characteristic of Bosnia and Herzegovina at present.

The basic problem of the contemporary Bosnia and Herzegovina is the immobilization of the long time ago proclaimed and currently dominant official policies of the neighbouring countries on its division or at least confederation, and the very narrow framework of the integrative efforts and the tendencies within the framework of the Bosnia and Herzegovina territory itself. This has brought about a considerably lower degree of the political and economic integration of the Bosnia and Herzegovina entities than is the integration degree of the individual states within the European Union framework. Because of the too narrow newly created frames of the states-nations, the political and economic
operative capability of Bosnia and Herzegovina to manage its socio-economic development by itself, has become questionable. This has made impossible any serious economic communication of this country with developed Western Europe, if any at all, and it has almost fully paralyzed the already begun transition process, pushed into the second place the economic efficiency as a development imperative, and degraded its development possibilities in the new European constellation. In such a situation the planners of the European unity do not hurry in including this country not even into the European Council, consequently the European integration movement was stopped on the borders of Bosnia and Herzegovina, which can best be seen in the Figure 2.

Figure 2. European integration processes and Bosnia and Herzegovina

2. THE PRESENT
Even by the present time, the regional aspect of Bosnia and Herzegovina has not been defined yet, neither from the points of view of the development-economic possibilities, nor the regional competitive advantages, or from the viewpoint of the structure characteristics. During the time when this country was an administrative region within the former Yugoslav Federation framework, periodic attempts were made to define the regional identities in this territory based upon the principles of centralism and established hierarchy without clearly defined regional management mechanisms at the state, regional and local levels. At that time the regional geographical picture of Bosnia and Herzegovina was most frequently presented as can be seen in the figure 3 (3, page 29).

1. Peri-panonian Bosnia
2. Mountainous-valley part of Bosnia
3. Rocky soil part of Bosnia and Herzegovina
4. Macro-region: Mediterranean Bosnia and Herzegovina
The current "regional" reality of Bosnia and Herzegovina is significantly different. Under the Dayton Agreement from the year 1995 this country is divided into two entities, namely Bosniac-Croat Federation (51% of the state territory) and Republika Srpska (49%). The Federation Bosnia and Herzegovina is an entity divided into cantons (10 cantons), in which the cantons are defined by the dominant population of Bosniacs and Croats, respectively. Such a "regionalization", resulted mostly from the four years lasting war, has no geographic nor economic basis, of course, and can only have the character of an administrative division of the Bosnia and Herzegovina space. This can best be seen in the Figure 4 (4, page 15).
Republic of Srpska (municipalities before the Dayton’s agreement)

Measurement: 1:250,000

Figure 4. The current administrative division of Bosnia and Herzegovina

The reality of the contemporary Bosnia and Herzegovina is such a state as is unknown to the contemporary world. Namely, here is involved a state with two economically separated entities (which apply in different way the declaratively jointly passed laws) with a state currency (Convertible Mark) and three other functioning currencies (the Yugoslav Dinar, the Croatian Kuna and the German Mark) and with three more or less separated economic structures, respectively. The entities differ in their available economic potentials, however, their economic problems are practically identical (surplus of labour, chronic lack of capital, low utilization of available capacities, balance of payment deficit, and others). The generally known assumption that the production factors are more movable intraregionally than interregionally (5, page 162) does not apply within the framework of Bosnia and Herzegovina. Namely, the economic relationships between the Federation Bosnia and Herzegovina and the Republika Srpska
are rather limited regarding that the Republika Srpska economically and politically linked itself more to
the neighbouring state Yugoslavia (in terms of the market, payment circulation, bilateral agreements, and
others) than to the other Bosnia and Herzegovina entity. The canton in which Croats represent the
majority population have also established a similar economic system with the neighbouring state Croatia.
In both cases are the national economic regulations superior to the state national economic regulations
(within the Bosnia and Herzegovina framework). The exceptions are reflected through the damping sales
or the black market for the agrarian or obsolete industrial products from the neighbouring countries in the
individual territories of Bosnia and Herzegovina which find a favourable ground in the always present
duty-free imports of goods from these countries. The latest directives by the High UN Representative in
Bosnia and Herzegovina (the application of the uniform customs duty tariffs to the goods imported from
the Federal Republic Yugoslavia and from Croatia, the unifying of the pension-disability funds,
establishment of one railway corporation, etc.) dating from the month of May of the year 1999 are
expected to be implemented, which would considerably speed up the integrative process in this space.
Currently functioning economic system does not make possible the natural inclusion of Bosnia and
Herzegovina into the international economic flows under the principles of the Hackcher-Ohlin-Samuelson
theory. It has no stimulating character for its survival at all because it is most favourable for the trading
and smuggling mentality which does not create any new values and does not offer any perspective to the
young and educated people keen to work. The economic history teaches us, among other things, that
such a system in an independent country has not been recorded in the modern world economic theory
and practice, and consequently, as such it can have only a limited period of duration.

In order to be able to consider fully the economic development of Bosnia and Herzegovina during
the post-war period, it is certainly necessary, above all, to make an economic analysis of the state and the
economic dynamics during the period 1996-1998 in terms of all the criteria of the economic and social
optimum of a functional economic structure as a whole for the entire state. However, it is not possible,
regarding that there is no uniform statistical service at the state level. The available data (6, pages 13, 18,
21) indicate that the results are relatively good in the territory of the Federation Bosnia and Herzegovina
during the postwar years, keeping in mind the conditions which the country found itself, regarding that the
industrial growth amounted to 88 % in the year 1996, to 36 % in the year 1997, and to 24 % in the year
1998, that the employment was increased in the year 1998 by 6 %, as compared to the year 1997, while
the exports increased by 7 % and the imports decreased by 23 % during the same period. However,
regardless to such results, it is essential to mention that the realized industrial production in the year 1998
in the Federation Bosnia and Herzegovina amounted only to 28 % of that realized in the year 1991 (the
last pre-war year).

Under the conditions of the absence of a good legal framework and macro-economic stability, it
is clear that Bosnia and Herzegovina lacks also a clear European strategy. It is impossible to define it
without political consensus by all the three constitutive peoples of its. Consequently, the regulations are
also very late in many fields of the economic life, as compared to the most countries in transition. For
example, the facilities for foreign investors have not been coordinated yet on the territory of the whole
country, although the experiences of the countries in transition are fairly clear in this field. This country
needs above all direct investments by well-known multinational companies into the revitalization of shut-
down or obsolete facilities, followed by the so-called greenfield investments. The stimulative measures to
this purpose would refer, above all, to the modern technologies which ensure the generation of new
employment. Such investors should be exempt from the payment of taxes on profit for some time, lower
rates for reinvested profit should be applied for them, and they should be exempt from customs duties on
modern equipment, they should be selectively given in lease the state land, the necessary infrastructure should be secured for them, and the local authorities should be forced through appropriate laws to speed up the issuing of the investment permits and others. In order to attract the foreign capital to Bosnia and Herzegovina it is also necessary to decrease considerably the tax on profit for such investors. For example, currently, this tax amounts to 12.5 % in Ireland, 18 % in Hungary, and 36 % in Bosnia and Herzegovina.

The attracting of the foreign capital into the Bosnia and Herzegovina territories is sure to have relating positive and negative consequences. For example, the acceptance of the American persistent requests to allow the opening of the McDonaldson's restaurants is sure to affect negatively the traditional production of "æevapèiæi" and other Bosnia and Herzegovina specialties in Sarajevo, Tuzla and in other towns, but will also affect positively the currently already too huge supply of cafes and private restaurants all over the whole territory of Bosnia and Herzegovina. All this is only seemingly less important since it has a more profound strategic component. The post-war Bosnia and Herzegovina is, namely, slowly, regarding that it has no other alternative, fitting into the already traditional pattern of relationships between the developed and undeveloped regions based upon the complementarity, that is, upon the formula capital-colony, regarding that its competitiveness is mostly based upon low prices of raw materials and labour (which does not improve the long-term exporting competitiveness) but not upon the factors having no connections with the prices and upon the market participation. In its exports which is characterized by low specialization level and poor quality and which is based predominantly upon the invested utilities and current work, and significantly little on the realized knowledge, dominate work intensive sectors (footwear, textile, wood) while the imports is dominated by the consumer goods. In addition to such a structure of the foreign trade relationships, the increasingly poorer role of the domestic supply to meet the population requirements makes also the reason for such a chronic trade balance deficit.

The foreign trade flows structure change imposes itself as a very significant development imperative of Bosnia and Herzegovina. At the time of the contemporary unprotectionism, and particularly keeping in mind its problems relating to the macro-economic stability, the integration processes in Europe are a political and economic necessity for Bosnia and Herzegovina. This is the only hope for its survival, and the subordination of the economic policy of the country to the collective discipline of the common politics within the European Union framework accompanied with the improvement of its economic position and the sovereignty reduction (in the classical sense of this notion) as well as the parallel debalkanization processes is a considerably better option than the continuation of the retrograding activities on these territories. In addition, the joining of Bosnia and Herzegovina to the European Union is certainly motivated by the creation of the economic potentials based upon which a modern economy could be developed and the living standards of its population could be improved in the future. There are no sufficiently reliable arguments available to support a contrary opinion, to the best of our knowledge.

3. PLANS OF THE DEVELOPED COUNTRIES
AND BOSNIA AND HERZEGOVINA
The contemporary process of the European integration is continually acquiring new dimensions and innovated contents and as such it must unavoidably involve also the countries in transition in the Central and Eastern Europe. This implies political, economic and social transformation of these countries, and also the modernization of their economies along with the transfer of capital and technology. Today these countries have a choice: either to remain isolated from the world economic processes and become totally poor or to enter a continuous integration approach with all its both positive and negative consequences. In this it is necessary to accept as a reality the fact that the regional imbalance is "a conditioned development category in terms of theory and practice with pronounced comparative character in time and space and, said in the spirit of Keynes, natural for every economy" (7, page 11) and with this cognition to decide, of course, for the other alternative and to fit patiently into already given normatives of those developed. Namely, the dynamic technically-technological and economic development made already a long time ago the frames of the small and medium countries to be an insufficient space allowing for a faster economic growth and a more effective utilization of the international trade advantages. Hence, the political tensions will get weaker in the Balkans as well, and the economic interest as an essential factor required to link these countries will become more and more prominent. It is to be expected, based upon the already established patterns, that the European Union will insist in the direct process for the integration of these countries, primarily on undisturbed circulation of goods and capital and the linking of the homogeneous, related (analogous) and complementary regional productions. The most recent wars in the Balkans and the NATO strikes on the SR Yugoslavia almost completely stopped the economic flows by reducing production and dividing the market in the Balkans into small parcels which has huge repercussions also on Bosnia and Herzegovina. For example, only the NATO strikes resulted in total economic disaster in Republika Srpska (which was more within the framework of Serbia than of Bosnia and Herzegovina in terms of its policy and economy) but they stopped also that little foreign trade between the Federation Bosnia and Herzegovina and Serbia that has existed so far (coal, salt, base chemistry). For this reason many enterprises started to research urgently new European markets. However, it has become evident, more than ever, that the enterprises can not enter Europe unless there exist, in the first place, macro-economic conditions of competitiveness, that is, unless there exist adequate financial and legal infrastructure and an effective state, if the enterprises pay two times higher taxes, and the interests amount to over 10% (in Germany they amount to 6%, for example), etc. Therefore, it is necessary to solve a whole range of questions, above all, those of the strategica and development character. The current Bosnia and Herzegovina would probably take at least 5 years to be ready for the negotiations with the European Union, if the preparations of the strategy of its integration with the European Union started now.

The expansion of developed Europe to the other half of the continent is a necessity and regarding that the countries in transition represent a "crisis arch" on the European Union borders the problems existing in them threaten to be transferred to the west of the continent, weakening its internal stability and the integration process continuity. However, the process of complete European integration is sure to be of a long duration. "Complete economic and political integration might easily take a hundred years. It will progress in twitches - two steps forward, one step backward, one to the left, one to the right" (8, page 56). Regarding that the equality is, said in the spirit of Voltaireanism, "the most natural and the most visionary thing" it is difficult to expect for the European Union to become ever "the true Union of the European countries, that is, of all the European countries" (9, page 12). The role of "outsiders" in the European integrative processes is predetermined for definite, primarily, the Balkan countries.
At the very beginning of the Kosovo crisis, the European Union together with the USA, intensified the activities on the preparation of a comprehensive strategy aiming to debalkanize the Balkans, which would support the integration of this region into a modern European system. To this effect, the Centre for European Political Studies in Brussels prepared a document (10, page 1 and the following pages), already in the middle of April of 1999, in which are formulated the most recent propositions of a system of a longer duration in the Balkans for the Balkan vision of the future from a far wider aspect than has been the regional approach valid so far which has been concerned mostly with trade and economic co-operation with defined regulations in this domain. This document handles a proposition for comprehensive measures starting with economic, monetary, political, institutional and others, for a long-term stabilization, democratization, security and economic reconstruction of the European South-East. To this effect, two new categories of membership in the European Union for these countries are defined, namely "an autonomous state of the European Union" (for all the countries that can become valid members (Bosnia and Herzegovina, Macedonia, etc.)) and "an autonomous region of the European Union" for those regions of the Balkans that will have to be under a special protection for a certain time (for example Kosovo).

Far wider than the regional approach is also the German initiative which resulted in the Treaty on the Stability of South East Europe which has already been verified by the European Union Council and confirmed by the former Yugoslavia successor countries and their neighbours in transition, as well as by Russia, the USA and Turkey. This document should be "of their own free will" accepted by the Balkan countries and they should follow it if they want to get help for their reconstruction and development. The basic goal is the development of all the bilateral and regional arrangements on the co-operation between the Balkan neighbours aiming at the improvement of their integration and economic development and the development of the democratic processes, in order to make them prepared to join the Euro-Atlantic integrations after a certain period (after more than 20 years as estimated). Unlike the previous regional approach, this document contains clearly defined goals, principles and mechanisms which are supposed to ensure the prevention of any eventual conflicts in the Balkans and to reestablish the democratic stability in this European region. As contemplated essentially, the European South-East would be organized as a protectorate under the patronage of the European Union and the USA for a certain period of time in which would be intensified the investment into the reconstruction of the destroyed economy, the public and institutional infrastructure, communications and other contents necessary for a faster economic recovery, not insisting on the political integration but on the economic one instead. The goal is, therefore, economic reintegration of the former Yugoslavia territories which is suitable mostly for Bosnia and Herzegovina, the economic structure of which was being adjusted to the economic structure of the former state after the Second World War (mining, power generation, base industry, etc.). The inflexible and ineffective big economic conglomerates formed during that period can be used at the beginning as a basis on the resources and the facilities of which will be created the conditions for the economy restructuring in Bosnia and Herzegovina.

In the case of Bosnia and Herzegovina which was by the Dayton Agreement given a hardly recognizable minimum of a state and with a continuous obstruction in the field of the state institutions building, the inclusion into the European integration flows bears a specific weight. Namely, the joining itself to these integrations will require also the behaviour which will be in accordance with the rules prevailing in them and the changes in the past conceptions and behaviours and the acceptance of other systems of the ideological, organizational, economic and political values that will enable the achievement of better results and the assurance of a faster growth and development. This will result in, above all, the
construction and the functioning of supranational institutions of the state of Bosnia and Herzegovina and in the existence of democratic processes which will affect the further flow of the integration processes. Besides, what is essential in the case of Bosnia and Herzegovina, the integrality principle of the European Union excludes fully the archaic comprehensions of the religion in accordance with the civilization imaginary lines of Jalta, and of Huntington, Kissinger and other quasi regionalists regarding that the regionalization in the growing globalization (totalization) process gains completely different pulses and contents. It will be considerably easier for the proclaimed multinationality, multiregionalism, multiculturalism, etc., as a foundation of the European Union (and also of Bosnia and Herzegovina), to persist through the international system of the integration communities, than under the conditions of isolationism and subjected to the world market chaos, that is, to the process of an always actual balkanization. The preservation of the national and cultural identity of Bosnia and Herzegovina can, therefore, be much more effective through the integrative actions and the European regulatory system. This has a specific significance in the territories of the Balkans since some of the newly formed national states have become the instruments of the historical revanchism with a constant tendency towards the creation of big national states and an open or masked assimilation of the minority nations. Keeping this in mind we can not help agreeing with the optimistic opinion of L. Thurow (11, page 240) : "Without rivals, without a ruling ideology which is to be expanded or defended and without a dominant force, history says, the national states come into a conflict with their neighbours. The challenges to the existing frontiers have been, are, and will be successful. Bosnia and the former Yugoslavia are a wave of the future".

4. OVERALL PERSPECTIVES

The world economy during the last decades has been accompanied by a continuous globalization (totalization) and regionalization as two interdependent processes which impose a tempo on the intensity of the economic relationships and the international co-operation at all the levels. Through the established system of interdependence, the regionalization in its economic sense tends to strengthen the economic links between the countries in the close geographic space or within the framework of the same region, while the globalization (totalization) (regardless to the broadness of its interpretation) leads towards closer links in various fields of the international co-operation and acquires the meaning of a new development strategy in the second term. In this context the contemporary global development also includes "not only sustainable improvements in the achievements and the standard of living of the total population but also in the realization of the basic human and civil rights, the establishment of peaceful relationships and the environment protection" (12, page 608). In addition, such a new global strategy includes also new value systems which imply the structure and the mechanisms which ensure continuous exchanges in all forms of life. "The global economy develops a cluster of the federal regional economy subordinating, to a certain extent, the national interests of the members to the higher interests of the region.... The nations continue to exist with the regions as provinces and states, social groups, enclaves, towns and communities, each of them having its own autonomy and interests" (13, pages 168, 169). Many states in the world find the answer to the global challenges through different regional integration agreements, in order to unite, based upon the mutual projects, the available resources in the broader space of security and development, while many other economic sectors adjust themselves to the new reality of the global economy entering the
global market with a global competitiveness which speeds up the changes in all the countries of the world and creates a new global system of values.

The contemporary, increasingly globalized world, is ruled by big states and economic integrations and transnational companies and by reducing the economic distances between the individual states and economic sectors the national sovereignty also becomes reduced simultaneously (in the classical sense) in accordance with the requests of the integrative processes and the transnationalization of the economic flows. The globalization provides the greatest benefits to the countries which transform quicker their economic, political, legal and other structures and accept the dominant standards of a certain integration area. In case they are not in the possibility to do that they are threatened to become the means of domination by the ruling globalized transnational associations. The globalized world, however, is not a promised eldorado for undeveloped countries with small internal market such as is Bosnia and Herzegovina, in which the accumulated problems referring to the economic development could be solved. In its essence the global economy is a very cruel and merciless world which has its own rules of the game and it ensures these countries an economic equality only seemingly (in appearance). Entering this world only with cheap and skilled labour, Bosnia and Herzegovina will take a lot of time to achieve the minimum standard of that existing in the highly developed countries. To this effect, the state will, primarily as a "global undertaker" have to create an appropriate environment, to open itself towards the world market, and to provide such a production which will impart it competitive advantages in the global economy, etc.

In order to survive, Bosnia and Herzegovina must first revitalize those sectors which were significant pre-war exporters. The limited capital available for the development will have to be directed first towards characteristic Bosnia and Herzegovina development programmes on the high quality products, therefore, towards such products for which Bosnia and Herzegovina will be recognizable in the global market. It will be necessary to give priority to the development of those activities which will produce the products or render the services that will be synonyms for Bosnia and Herzegovina and will reflect its economic, political, urbane, multicultural and other characteristics and secure it competitive advantages in the global world. These, of course, can not be only Travnik cheese, decorative crafts, tourist supply of the old Bosnia and Herzegovina towns, etc., but products and services of higher values through which the available Bosnia and Herzegovina resources will be optimally valorized as high as possible in a new way in accordance with the requests of the global demand. Such things, of course, require modern and highly sophisticated technologies and a management with a clear vision of the future of Bosnia and Herzegovina and it is sure that this is something that Bosnia and Herzegovina is very much short of indeed at present. For this reason the enterprises from Bosnia and Herzegovina, regardless how short lasting the efficiency might seem, must include themselves into the global market through joint venture arrangements, long-term production co-operation, business running based upon licences, etc., particularly in the branches in which the technological progress is high or a longer tradition (metal processing complex, car industry, chemistry, etc.) has existed.

In the first place it will be necessary to renew old and build new roads in this region through the implementation of the future "Marshal's Plan for the South East Europe", and to connect the country in longitudinal and transversal directions with Europe in the terms of the traffic, to cover the country with a network of airports and minor airport facilities, to renew and modernize the railway infrastructure, to internationalize the sailing and the river trading flows along the Sava and the Danube, complete with the construction of modern port facilities and the like. These jobs can, of course, be performed only by
global investment consortiums getting support from the well-known financial institutions. In this context it is possible, among other things, to consider also the new traffic vision of Bosnia and Herzegovina.

![Map of Bosnia and Herzegovina](image)

**Figure 5. Basic traffic contents (current and future) in Bosnia and Herzegovina**

When speaking about the traffic network of Bosnia and Herzegovina it is necessary to point out particularly that one of big infrastructure projects of a broader interregional significance, which might contribute to a faster development of its economy, is already in the preliminary investment phase. It is the highway Budapest - Osijek - Sarajevo - Ploëe which will realize (which is very important after the historical geo-political changes in the Balkans) the connecting of Bosnia and Herzegovina with a modernized Sava-Danube longitudinal line and with Hungary and other Central Europe countries. Regardless that the previous "global transportation lines are identified in 'Europe 2000' as those lines which exert significant influence upon the spatial planned politics particularly upon the fastest railway and main traffic projects" (14, page 12), the European Union agreed only subsequently on the construction of this travelling direction. It is quite sure that it will, along with the development of the contemporary
regional roads, which will connect regional and municipal centres, considerably improve the already favourable (good) geo-situation of Bosnia and Herzegovina in the region of the European South-East. Its completion will also increase the importance of the port Ploëe. The activation of its potentials will increase also its gravitation influence upon otherwise very deep hinterland zone and increase the traffic flows towards Ploëe, respectively, not only from the Bosnia and Herzegovina by also from the Central Europe gravitation areas which will stipulate also a corresponding economic dynamism on these territories, consequently, it could become one of the most important Mediterranean ports for the transportation of goods from Central Europe and a competitor to the port facilities at Rijeka, in Trieste, at Bar, etc. Activating the economic power of the Northern Bosnia, the District Brèko should also become a significant connection of Bosnia and Herzegovina with the world by using certain advantages and sailing possibilities along the internationalized river Sava which would, especially after the construction of the long time ago planned channel Vukovar - Bosanski Šamac, become an even more important international traffic route and a significant river traffic line with the possibility to connect Bosnia and Herzegovina with total Europe using the cheaper river traffic. The port "Brèko" particularly gains in importance under such conditions (with the available already constructed superstructure, infrastructure and other economy encouraging contents). Everything above mentioned should be very much strengthen indeed and it would be necessary to integrate the available economic potentials in Bosnia and Herzegovina which makes also the basic prerequisite for the future globalization (totalization) of the Bosnia and Herzegovina economy and for the country reintegration.

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SUMMARY

Bosnia and Herzegovina as a state was formed through the dissolution of the former Yugoslavia and currently is undergoing a very difficult phase of its social and economic development. The article is concerned with the analysis of the achieved transition processes and the regional economic development possibilities of this country in the newly created geo-political circumstances in South East Europe. A good geo-economic situation, faster economic growth and development and reactivated thousand years lasting coexistence of the civilizations on these territories are a basic prerequisite for the creation of a new Bosnia and Herzegovina within the framework of the European Union of nations. Namely, the authors consider that the past war in Bosnia and Herzegovina and the events which followed it are already a historical category and that those who have the least knowledge about this country know it very well that this is only one of the awful periods in its thousand years old development.