

# OPPORTUNITIES AND CONSTRAINTS IN REGIONAL DEVELOPMENT OF REPUBLIC OF SERBIA AND BOSNIA AND HERZEGOVINA ON THE PATH TO EUROPEAN UNION MEMBERSHIP

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## ABSTRACT

*One of the most crucial aspects of the economic development of European Union (EU) candidate countries is regional development. The importance and necessity of regional development and country regionalization in the process of European integration has frequently been emphasized by the European Union. Regionalization of Republic of Serbia and Bosnia and Herzegovina will facilitate economic growth across all areas, lessen regional disparities and improve the effectiveness of the decentralization process. The completion of this challenging and crucial work will move the nations closer to becoming EU members. The article describes Republic of Serbia's and Bosnia and Herzegovina's journey toward European integration from its inception to the present, the EU's position on the Western Balkans, and the potential and constraints they bring for regional growth. The aim of the article is to demonstrate the significance of regional development in Republic of Serbia and Bosnia and Herzegovina, as well as the necessity of regional development for achieving full EU membership.*

**Keywords:** *regional development, European Union, Republic of Serbia, Bosnia and Herzegovina, european integration*

## INTRODUCION

The European Union is a supranational, intergovernmental, and regional organization. The Schuman Declaration (1950) represents the basis for the creation of the European Coal and Steel Community and the initial phase of European integration. The declaration is named after French Foreign Minister Robert Schuman (1886-1963), although the initiator was Jean Omer Marie Gabriel Monet (1888-1979), president of the Committee for Economic Planning and Modernization of France. The Schuman Declaration proclaims that Europe should be a federation, whereby the creation of the European Coal and Steel Community is the first step of functional integration (Šabić, Vujadinović, 2014). The European Coal and Steel Community was founded at a conference in Paris in 1951. Its founders are France, Italy, Belgium, the Netherlands, Luxembourg and FR Germany (the “Big Six”). The United Kingdom participated in the negotiations, but refused to sign the founding treaty. The functioning of the European Coal and Steel Community was intended to ensure a solid con-

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nection between the signatory countries in a strategically important economic sector. The members of the European Coal and Steel Community, as explained by Hofbauer (Hofbauer, 2004), have determined the direction in which the states are increasingly abandoning the possibilities of their economic influence and limiting them to themselves. Instead, supranationalism is gradually emerging (Šabić, Pavlović, 2007).

At the conference in Messina (1955), a conclusion was adopted to begin integration in the area of customs benefits and atomic energy, on the basis of which the Treaty of Rome on the establishment of the European Economic Community and the European Atomic Energy Community was signed in 1957. The establishment of the three communities was the initial stage of the creation of a single European market. Since then, the “Big Six” have ensured the free movement of people and goods within their borders. The three communities had a common Parliament and Court of Justice (Peter, Stirk, 2001).

The European Community was created in 1965, when the Agreement on the merger of the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community was signed (Doganić, 2004). The goal of uniting the three communities was the establishment of a strong economic bloc. In 1972, in Paris, the presidents of the countries and governments of the European Community made a decision on the growth of the European Community into the European Union and determined the time frame for the realization of the monetary union. At the Summit of the European Community in Paris (1972), the foundation of the European Union was laid, while the European Monetary System entered into force in 1979. After the Schengen Agreement was signed in 1990, the Maastricht Treaty (1992) established the legal framework of the European Union (Šabić, Vujadinović, 2014). The Schengen Agreement, which entered into force in 1995, provided for the gradual abolition of border controls and the introduction of freedom of movement for all natural persons of the signatory states (Doganić, 2004). There are now 27 democracies in Europe (Table 1).

**Table 1.** List of member states of the European Union

State	Accession	State	Accession	State	Accession
Belgium	Founder	Portugal	1 January 1986	Latvia	1 May 2004
France	Founder	Spain	1 January 1986	Lithuania	1 May 2004
Germany	Founder	Austria	1 January 1995	Malta	1 May 2004
Italy	Founder	Finland	1 January 1995	Poland	1 May 2004
Luxembourg	Founder	Sweedden	1 January 1995	Slovakia	1 May 2004
Netherlands	Founder	Cyprus	1 May 2004	Slovenia	1 May 2004
Denmark	1 January 1973	Czech Republic	1 May 2004	Bulgaria	1 January 2007
Ireland	1 January 1973	Estonia	1 May 2004	Romania	1 January 2007
Greece	1 January 1981	Hungary	1 May 2004	Croatia	1 July 2013

Source: Internet 1

Since January 1st, 1973, the United Kingdom had been a member of the European Union. After a protracted period, a referendum regarding whether the United Kingdom should remain a member state of the European Union or leave it was held on June 23, 2016

London votes overwhelmingly to remain, in Inner London 72% want to remain. There is also a very large majority for remaining in all three districts in Scotland, as well as in the Orkneys and the Shetland Islands. This also applies to Northern Ireland. In contrast, there is a majority for leaving in Wales, although not a very large one. In East Wales, the two sides are almost equal. It was in England outside London where the decision to leave the EU was made. The leave-side won in every district except for Berkshire, Buckinghamshire and Oxfordshire, where the remain-side had a significant majority; Gloucestershire, Wiltshire and Bristol, where there was a narrow majority for remaining; Merseyside, again with a narrow majority; and Surrey, East and West Sussex, where there was also a narrow majority. The leave camp was strongest in some of the regions that prospered during the industrial revolution in manufacturing and declined due to globalisation at both the end

of the 19th and the end of the 20th centuries. The regions voting to remain have generally prospered in recent decades. The service sector has expanded for decades in London, in particular financial services, and the same applies to a lesser extent to Liverpool in Merseyside (Arnorsson, Zoega, 2018). The political movement that wanted the United Kingdom to leave the EU was populist, using the definition of Mudde (2007): It was anti-establishment by defying the views of elected politicians, banks, academics, scientists, the government and the leaders of the EU. The United Kingdom departed the European Union on January 31, 2020, making it the first sovereign country to have done so.

European integration is the product of the selective pooling of national sovereignty, or ultimate jurisdiction over a body politic, by postwar European nation-states. It has yielded the European Union, the most successful experiment in international cooperation in modern history (Peterson, 2002). Integrations in Europe arise as a result of political cooperation and market expansion, whereby the member states strive to achieve greater production and enable greater circulation of goods and capital, thus strengthening their economic position. Developed countries initiate economic integration with the aim of preventing or limiting the penetration of goods and capital from competing markets in order to preserve their own production (Johnson, 1965). Every economic integration in Europe introduces special regulations, which regulate mutual relations between member states in the areas of trade, customs, investments, education, security, banking operations and joint performance on the world market (Jovanovich, 1998). Machlup (Machlup, 1977) stated that there are six stages of economic integration:

1. **Agreement on preferential trade** - refers to lower customs rates for certain goods between the signatory countries;
2. **Free trade zone** - arises in a situation when two or more countries agree to abolish internal administrative barriers for trade and in that case customs duties on mutual exchange of goods are completely abolished;
3. **Customs union** - means an agreement by which a group of countries introduces a single customs tariff on the import of goods from third countries, whereby free trade takes place between them;
4. **Common market** - includes free trade (customs union) and free movement of capital and people;
5. **Economic Union** - a common market, as Barras points out (Barras, 1998), where the member states harmonize their economic policies in the first phase, and implement a unified economic policy in the second phase;
6. **Political union** - represents the largest stage of European integration, which has international legal subjectivity, i.e. it is viewed as a single entity.

The European Union differs from international entities in terms of its institutional structure. The member states confirmed their willingness to cede part of their sovereign rights to independent institutions, which at the same time represent their national and common interests (Fontaine, 1998). The most important institutions of the European Union are:

1. **European Parliament** - organ of the European Union made up of delegates from member states (751 delegates and 27 member states) and is therefore the second largest democratically elected electorate in the world. The rights of the European Parliament are amendments to existing treaties, while limited powers are related to the areas of foreign, security, police, judicial, agricultural and social policy and economic relations with third countries (Maurer, 2004). The center of the European Parliament is in Strasbourg, but different sessions are held in Brussels. The Secretariat of the European Parliament is located in Luxembourg (Šabić, Vujadinović, 2014);
2. **The European Council** - represents a meeting of the presidents of the states or prime ministers of the member states of the European Union, the minister of foreign affairs and the president of the European Commission. The Ministers of Foreign Affairs and the President of the European Commission have only an advisory function. Decisions of the European Council are binding on the institutions of the European Union;



3. **Council of the European Union** – is the main decision-making body in the European Union. The Council of the European Union has repeatedly taken significant initiatives, such as the conference on European acts, the conference on monetary and political union, which ended with the adoption of the Maastricht Treaty and others (Šabić, Vujadinović, 2014);
4. **The European Commission** - one of the main bodies of the European Union, which consists of a collegium of 20 members. It is considered a real European institution, explains Didrihs (Didrihs, 2004), whose members have committed themselves to work for the benefit of the European Union and to act independently of their national governments;
5. **The Court of Justice of the European Union** - together with the Court of First Instance forms the judicial system of the European Union. The primary judicial activity and management of the European Court of Justice belongs to the president, who is elected by the judges from among themselves for a three-year term. The court sits in full composition, but it can form special chambers for some tasks. Decisions are made by majority vote.
6. **European Court of Justice** – the body in charge of external audit control. It was created in 1975, which introduced financial control, which became necessary since the decision of the Council of the European Union (1970) to finance the budget of the European Union through contributions from member states was replaced by a system of own revenues. The court has 15 members who are appointed for six years by the Council of the European Union after consulting the European Parliament (Šabić, Vujadinović, 2014). Magijera and Bec (Magijera, Bec, 2004) state that the task of the European Financial Court is to control the income and expenditure of the European Union;
7. **European Central Bank** - was founded in 1998, along with the decision to move to the third stage of the economic and monetary union. Since 1999, the European Central Bank has taken over the competences established by the Treaty on the European Union (Magijera, Bec, 2004a);
8. **The European Investment Bank** - an institution of the European Union that approves loans and provides guarantees for development investments. It has the task of financing projects in accordance with the economic and political goals of the European Union. The European Investment Bank supports the goals of structural funds, finances the construction of infrastructure, funds for environmental protection, strengthens the competitiveness of industry and more (Hilenbrand, 2004).

Legality, autonomy, proportionality, and solidarity are the guiding principles on which the European Union has based its operation. The legal regulation of the European Union defines the principles on which its work is based. It is about the principles that express the essence of what is called the *acquis communautaire*, that is, the common *acquis* that contains all the treaties and legal regulations of the European Union. The prerequisite for entering the European Union is related to the taking over of the following documents by the country that submitted the request for admission:

1. The principle of limited powers refers to the competences of the institutions of the European Union for the implementation of supranational common policies of the member states;
2. The principle of subsidiarity means that the European Union can act in areas that are not within its competence, if the same cannot be achieved by a member state;
3. The preceding principle (2) is limited by the Principle of Appropriateness, so that the transfer of competence cannot go beyond the objectives that have been determined as the area of activity of the European Union;
4. The principle of equality of bodies corresponds to the principle of division of power into legislative, administrative and judicial power. The division of power was not consistently implemented in that way, because certain authorities have certain powers. This principle means in practice that the bodies of the European Union do not appear in relation to each other in a superior or subordinate position.
5. The principle of protection of human rights serves to protect the sphere of freedom of individuals from the state. The European Union, based on the transferred powers of the member states, has the right to enact regulations that constitute the rights and obligations of citizens (Šabić, Vujadinović, 2014).



The primary goal of EU policy is emphasized as ensuring the free movement of people, commodities, services, and money through the internal market. The European Union supports regional development within the framework of the state and decentralization, economic and social progress, a balanced and sustainable lifestyle, increased social and economic integration, and the preservation of identity within the Union. Any nation that upholds European ideals, such as respect for human dignity, freedom, democracy, equality, and the rule of law, as well as respect for human rights, particularly the rights of those who identify as minorities, is eligible to apply to join the EU. The process of integration of one country into the European Union is taking place practically through two successive phases: Accession and accession to the European Union. Each of these phases consists of a series of sub-phases where the transition to the next one depends on the fulfilment of the criteria. Accession in fact precedes accession and implies the establishment of the highest form of political, economic and trade cooperation between the European Union and a non-member country, based on a corresponding agreement (Budimir, Međak, 2017). Western Balkan states Republic of Serbia and Bosnia and Herzegovina have submitted applications to join the EU. The European Union has always had difficulty finding a solution to the problem of European integration. The political-legal strategy of the Stabilization and Association Process is being used to implement the region's participation in the European integration process. The EU must offer the Balkan states more cooperation and linkages if the region is to remain stable, the bloc contends.

One of the most important instruments of European Union, since its foundation, is the regional policy. Namely, in all the EU documents the special accent is put on the balanced regional development. Thus, in the preamble of the Treaty of Rome from 1958 it says that „Member States are anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions“ (Vujnić, 2013). Republic of Serbia and Bosnia and Herzegovina must align their regional policies with EU norms in order to become EU members. Regional differences in the degree of development of particular territories have been noted in Republic of Serbia and Bosnia and Herzegovina. The goal of regional development policies in these nations should be to maximize the potential of underdeveloped areas' natural resources in order to reduce population migration and improve peoples' quality of life. Instead of focusing on how new strategic documents are applied and implemented, it is possible to promote regional underdevelopment and activity centralization by just considering how the country's regions are developing. A modern state should play a significant role in stimulating regional development. Experiences in other countries show uneven regional development problems are complex and no one-size-fits-all solutions exist (Božović, Živojinović, 2013).

## EUROPEAN UNION AND WESTERN BALKAN

Following the failure of EU policy towards the Balkans at the beginning and during the 1990s, the EU reached a consensus in the late 1990s on the need for a new and comprehensive approach in policy towards the Western Balkan countries (Blagovčanin, 2016). The Western Balkans is a geopolitical term coined by the governing bodies of the European Union in the early 2000s and referring to those countries in South-eastern Europe that were not EU members or candidates at the time but could aspire to join the bloc (Dabrowski, Myachenkova, 2018).

The end of four years of civil strife in the area of the former Socialist Federal Republic of Yugoslavia (1991-1995), with the conclusion of the Dayton/Paris and Erdut Agreements, established a political approach whereby the European Union sought to contribute to political and security stabilisation, economic development and the improvement of regional co-operation in Southeast Europe. The main hallmark of this political approach, called the Regional Approach, is reflected in the possibility of improving political and economic relations between the South-eastern Europe countries and the EU, while meeting general and specific conditions. The general conditions are the development of democracy and the rule of law, respect for human and minority rights,



and the implementation of economic reforms. However, taking into account regional specificities, in addition to these conditions, the improvement of relations with the EU is also conditional on the improvement of regional co-operation and good neighbourly relations, as well as respect for international obligations stemming from the peace accords (Međak, Budimir, 2010). The Stabilisation and Association Process is the backbone of the EU's policy towards the Western Balkan countries / region of Croatia, Bosnia and Herzegovina, Republic of Serbia, Montenegro, Albania and Macedonia. The Stabilisation and Association Agreement establishes the basis for improving relations and establishing the highest form of political, economic, trade and institutional co-operation between the EU and the non-member countries covered by the Stabilisation and Association Process (Međak, Budimir, 2013). Four different sorts of freedom are implied by the Agreement's fundamental components: the freedom of movement of people and things, the freedom to offer services, and the freedom to move capital.

The European Union first stressed its determination to integrate the Western Balkans at the European Council summit in Santa Maria de Feira in Portugal in 2000. After a successful "return to Europe" and full integration of Central and Eastern European countries, the Balkans' entry into the EU is imposed as an option with no alternative (Blagovčanin, 2016). It then granted the Western Balkan states the status of potential EU candidates and proposed the following incentive instruments:

- The introduction of extraordinary trade privileges;
- The establishment of a new financial support programme -- the CARDS programme -- for the period 2000-2006, totalling 4.65 billion euros;
- The launch of a special political forum to be reflected in the holding of periodic summits of heads of state or state (Međak, Budimir, 2013).

The Western Balkan countries officially accepted the Stabilisation and Association Process as their "path towards the European Union" at the Zagreb summit on November 24th, 2000. The Union then confirmed their European perspective and the status of potential candidates in line with the conclusions of the Santa Maria de Feira. The Zagreb summit was the first summit of Western Balkan and European Union leaders and was marked by the "inauguration of the Stabilisation and Association Process" (Lakić, 2015).

Thessaloniki hosted the second such summit on June 21st, 2003 where the European Union declared that "the future of the Balkans is within the European Union" and reaffirmed its "unequivocal support for the European perspective of the Western Balkan countries". On this Summit, Croatia has joined the European Union, Montenegro, Republic of Serbia, North Macedonia, and Albania are official candidates, while Bosnia and Herzegovina is potential candidate country (Panagiotou, 2020). The summit was a strong stimulus for the Western Balkan countries. The decision was made to introduce, as a new instrument to stimulate and guide the reform processes in these countries, a European partnership that formulates the priorities, i.e. short-term (one to two years) and medium-term (three to four years) political, economic, institutional and other reforms that these countries must implement on their way to the EU (Međak, Budimir, 2010).

Western Balkan countries are very closely integrated with the EU as a strategic trading partner, a major source of foreign direct investment, financial and developmental assistance, and as a destination for migrant workers from the region the EU remains an overwhelmingly dominant economic partner for the Western Balkan countries. Moreover, monetary and financial systems in the region are deeply and strongly dependent on the euro (Panagiotou, 2020). The EU is the largest trade partner of the Western Balkan countries, the main source of inward foreign direct investment and the main destination for outward labour migration. Many European countries have a sizeable Western Balkan diaspora. Western Balkan countries form a land bridge and the shortest transit route between the south-east flank of the EU and its central European core. Given its geographical location, the region is important to the EU in terms of security, stability, trade and transit routes. Therefore, the Western Balkan countries economic and political prospects, and their future within a European framework, should remain one of the top priorities for the EU (Dabrowski, Myachenkova, 2018).



## EUROPEAN UNION AND REPUBLIC OF SERBIA

The process of integration of one country into the European Union is taking place practically through two successive phases: joining and accession to the European Union. Each of these phases consists of a series of sub-phases where the transition to the next one depends on the fulfilment of the criteria. Accession in fact precedes accession and implies the establishment of the highest form of political, economic and trade cooperation between the European Union and a non-member country, based on a corresponding agreement (Budimir, Međak, 2017). It also formulates a set of criteria that every European country must meet if it wants to become a member of the EU. Republic of Serbia and the European Union are close partners in the Stabilisation and Association Process. The 2000 Zagreb summit, which brought together the heads of state and government of the European Union and Western Balkan member states, launched a normalisation of relations between Republic of Serbia and the EU, and brought Republic of Serbia into the process of European integration. The declaration issued at the time confirmed the European perspective of the Western Balkan countries covered by the Stabilisation and Association Process. The Declaration defines that the progress of states on their EU integration path will depend precisely on individual progress in meeting the Copenhagen criteria and implementing the Stabilisation and Association Agreement (Međak, Budimir, 2013).

The Agreement on Textile Trade between Republic of Serbia and the European Community was signed in Brussels in 2003. Under the agreement, the European Community will continue to grant duty-free treatment to textile products originating in Republic of Serbia, while customs rates for products originating in the European Community will gradually decrease over a three-year transitional period (Međak, Budimir, 2010). Thanks to the agreement, textile exports to the EU nearly tripled from 124 million euros in 2004 to 352 million euros by 2012. Securing the EU market has led to significant investments in the textile industry over a given period, which has further led to an increase in exports (Međak, Budimir, 2013).

The trade and trade-related problems interim agreement was signed in April 2008 and came into effect on February 1st, 2010. Additionally, the Stabilization and Association Agreement was signed on April 29, 2008, and it became effective on September 1, 2013. The objectives of the Association Agreement, and therefore of the Stabilisation and Association Agreement, are primarily the gradual development of a free trade area between the contracting parties, the improvement of economic relations, the development of a political dialogue between the EU and the signatory state, as well as the beginning of the gradual harmonisation of the domestic legislation of the signatory state with the regulations of the European Union (Međak, Budimir, 2010). For Republic of Serbia, the Stabilization and Association Agreement is crucial. By signing this agreement, Republic of Serbia will gain the status of a state associated with the European Union and, as an independent state, will begin a contractual relationship with the EU in which obligations for both sides are clearly defined. This is the agreement's most significant political component. Republic of Serbia is forging the closest ties to the EU in this way by joining the EU, which heralds the start of the stabilization of the nation's political and economic processes. Republic of Serbia is not receiving concrete proof that it would join the European Union by signing the deal. However, only the Stabilization and Association Agreement's signature demonstrates Serbia's ambition and aspiration to join the European Union in the near future.

On December 22, 2009, Republic of Serbia submitted its application for membership in the European Union following the Stabilization and Association Agreement's signature. The EU Council of Ministers' decision to grant Republic of Serbia candidate status on November 24, 2000 marked the start of the application process. Then the questionnaire for Republic of Serbia was written, with thousands of questions on how one state's full functioning in areas under the control of the European Union itself. By responding to the questionnaire's questions, the Serbian administration can demonstrate to the European Commission that it is prepared to successfully lead and carry out the discussions on an EU accession agreement.

Republic of Serbia and the European Community have concurrently negotiated two more agreements in addition to the Stabilization and Association Agreement. The EU Council of Ministers adopted mandates for negotiations on visa facilitation and readmission agreements with Bosnia and Herzegovina, Macedonia, Montenegro, and Republic Serbia, as well as a mandate for negotiations on a visa facilitation agreement with Al-



bania in November 2006 on a proposal from the European Commission. Negotiations officially began on 30 November 2006. The aim of these negotiations was to reach an agreement that would facilitate the establishment of direct contacts between people as a precondition for strengthening and developing overall economic, scientific, cultural and other relations between the contracting parties. The Visa Facilitation Agreement and the Readmission Agreement between the European Community and the Republic of Serbia were signed on 18 September 2007 and represent the first step towards establishing a visa-free regime (Međak, Budimir, 2010).

Republic of Serbia's basic strategic goal is full membership of the European Union. A new national development strategy Republic of Serbia's, as well as foreign capital invested in long-term investment in Republic of Serbia would contribute to that goal (Đorđević, 2008).

## Republic of Serbia's regional development on the path to EU membership

One of the most important instruments of European Union, since its foundation, is the regional policy. Namely, in all the EU documents the special accent is put on the balanced regional development. Thus, in the preamble of the Treaty of Rome from 1958 it says that „Member States are anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions“ (Vujnić, 2013). The Commission came up with the idea of a European regional policy in the late 1960s. At that time, all member states had some kind of national redistributive policy in place to help laggard regions catch up with economic growth and employment. These policies were largely inspired by economic modernization theories and by the concept of a 'territorial dimension' to the (then prospering) welfare state aiming at the alleviation of regional (economic) disparities (Bauer, Börzel, 2010).

It is essential that the Member States of the European Union, as well as the candidate countries, base their principles on regional development. Priorities of regional policy of the European Union:

- To encourage innovations, research and entrepreneurship, to relate sources of knowledge and industry for their commercialization, to create favorable political, economic, market and financial climate for enterprise development;
- To ensure full employment and non discriminatory access, to allow retraining and additional qualification to create new job opportunities, to adjust the educational system to labor market needs and the concept of „lifelong learning;“
- To create a market that will be able to fulfill the needs of economy and that will take into account the social and regional differences;
- The creation of network roads and infrastructure, for better connectivity of regions, and Union States;
- Sustainable development should be based on environment protection by introducing new renewable energy technologies (Vujnić, 2013).

The European Union uses a classification for subnational territory called Nomenclature of Territorial Units for Statistics (commonly abbreviated as NUTS). The NUTS 1 classification is applied to a group of regions, NUTS 2 for regions and NUTS 3 as subdivisions of regions. There are also two levels (NUTS 4 and 5) which relate to local administrative unit levels. Countries agree a NUTS classification with the European Commission. *Geddes* notes that NUTS level 2 is “particularly important”, because they often exist as territorial-government divisions and are used for regional policies by countries. NUTS 1 typically has a population of 3-7 million; NUTS 2 0.8-3 million; and NUTS 3 150,000-800,000 (Geddes et al, 2013). Table 2 shows the most developed European NUTS 2 regions in 2017 according to GDP.



**Table 2.** The most developed European NUTS 2 regions in 2017 according to GDP (million EUR)

Region	Country	Euro total
Île de France	France	705,342.6
Lombardy	Italy	383,032.63
Upper Bavaria	Germany	268,797.16
Rhône-Alpes	France	226,355.39
Community of Madrid	Spain	222,565.75
Catalonia	Spain	221,482.47
Stuttgart	Germany	213,043.33
Düsseldorf	Germany	210,123.17
Darmstadt	Germany	201,150.69
Lazio	Italy	196,334.99
Cologne	Germany	185,499.06
Provence-Alpes-Côte d'Azur	France	161,647.29
Veneto	Italy	159,951.72
North Holland	Netherlands	159,336.6
Emilia-Romagna	Italy	157,583.37
South Holland	Netherlands	155,893.38
Eastern and Midland	Ireland	155,731.91
Andalusia	Spain	155,396.8
Stockholm	Sweden	149,365.45
Berlin	Germany	141,322.11

Source: Internet 2

The fact that regional development is covered in many countries constitutions further emphasizes the complexity and significance of the problem. Regions and regional development are mentioned in the Republic of Serbia's 2006 Constitution. According to Article 94 of the Constitution, "The Republic of Serbia shall ensure equitable and sustainable regional development, in accordance with the law," it is abundantly obvious that regional development is both necessary and a top priority. The government of the Republic of Serbia decided to adopt the regional development strategy in 2007 and for the years 2007 to 2012. The strategy is the Republic of Serbia's first long-term document in the field of regional planning. It provides means to effectively accomplish these goals in the upcoming years and specifies Republic of Serbia's regional development priorities in clear, specific terms. At that time, the Ministry of Economy established the Regional Development Branch, which will carry out a regional development strategy consistent with the agreed Strategy. The regional inequalities in Republic of Serbia did not change over the period (2007–2012). Depopulation and poverty have had a major impact on the regions, leaving large territory deserted. Remote, hilly regions of Republic of Serbia, most frequently in the east, are extremely prone to the depopulation trend. There are data indicating depopulation in other areas across Republic of Serbia.

In 2010, the Parliament of the Republic of Serbia adopted the Law on Regional Development, a new regionalisation was implemented and future regional development goals were defined. The amended version of this law (2011) redefines the institutional framework, regional development actors, as well as the way and procedure for assessing the development of the region and local self-government (Vukmirović, 2013). In order to comply with European Union standards, the Republic of Serbia has introduced a nomenclature of statistical units (NUTS classification) for the collection, processing and display of data at spatial unit level. In order to determine in which category to place a certain group of administrative units, the standard of a certain number of inhabitants is applied. The data collected on the level of development of the region on the basis of the NUTS classification thus established are the basis for determining the allocation of the European Union



Structural Funds (Božović, Živojinović, 2012). All Member States of the European Union, as well as candidate countries, must have statistical regions according to the NUTS classification. Sometimes the statistical regions coincide with the real regions, and sometimes not. According to the NUTS classification, there are five statistical regions in Republic of Serbia: Vojvodina, Belgrade, Šumadija and Western Serbia, Southern and Eastern Serbia and Kosovo and Metohija (Figure 1).

The regional policy of Republic of Serbia attempts to assist all regions and territories (Table 3). The benefits of the area will be emphasized in this manner, and the opportunity for improved regional development will be revealed. Funds from international sources will be made available to those places in need. The disparities in development between the regions will be lessened as a result, and eventually they may even be completely neutralized. The population in Republic of Serbia won't move from the economically weaker to the econom-

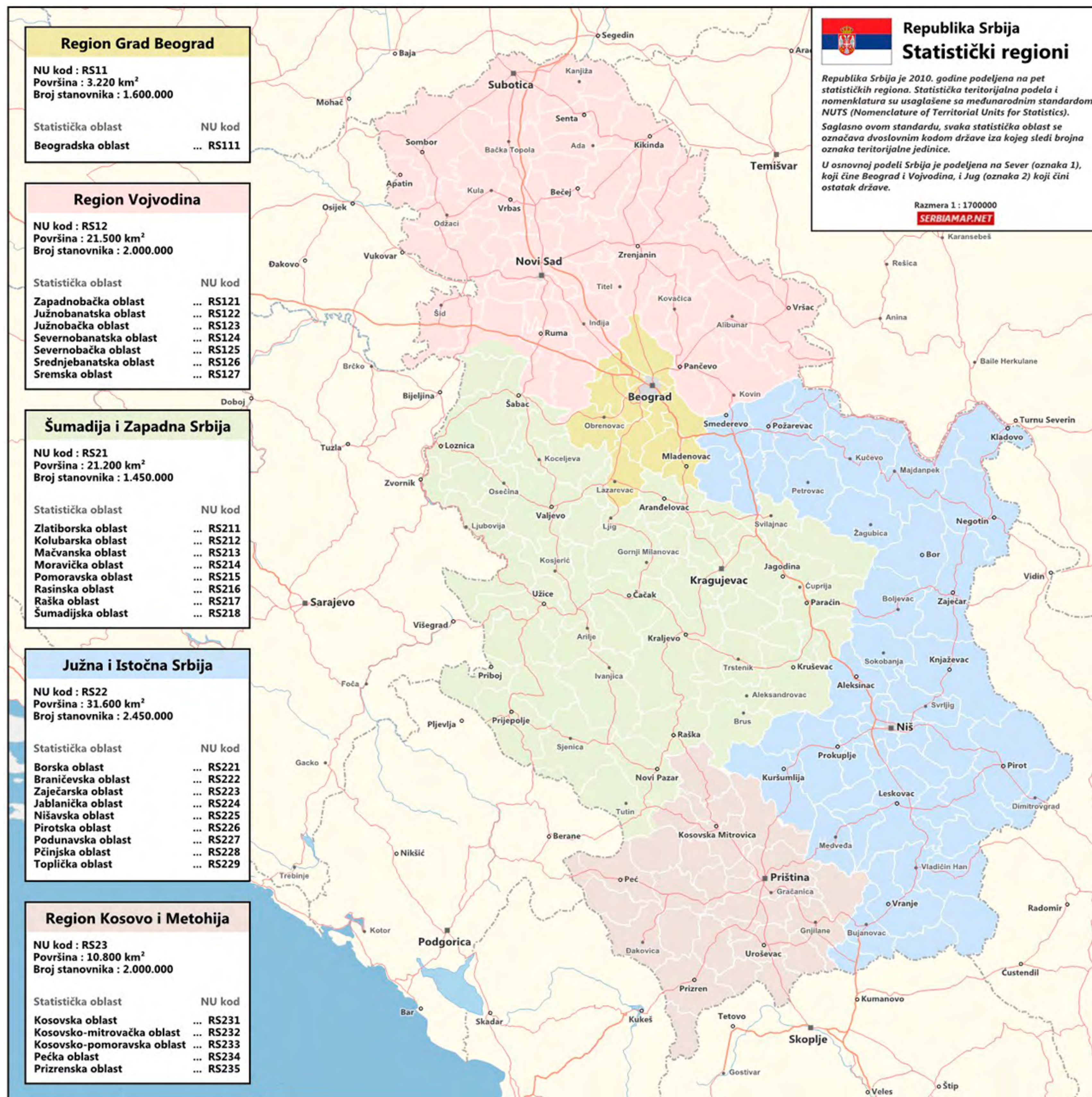


Figure 1. Statistical regions of the Republic of Serbia

Source: Internet 3



ically stronger regions any longer according to this idea of regional policy. More balanced regional development will be possible thanks to the decentralization system. All regions economies will advance, and people's prospects will get better. The premise is that the population's education and employment will receive the most attention, followed by infrastructure improvements, assistance for already-existing businesses, and the development of organizational capabilities at the local, regional, and national levels.

**Table 3.** Population in statistical regions of the Republic of Serbia in 2021

Statistical regions of Republic of Serbia	Population
Vojvodina	1.825.982
Belgrade	1.688.667
Šumadija and Western Serbia	1.867.552
Southern and Eastern Serbia	1.452.125
Kosovo and Metohija	/

Source: *Statistical yearbook*<sup>1</sup>

The regional strategy of Republic of Serbia adheres to the tenets of the EU. Republic of Serbia must be consistent in carrying out regional policy as it moves toward EU membership. The establishment of new regions gives each region the chance to forge its own identity and enhance territorial marketing. For instance, the 'identities' of these regions may be represented by raspberries from Western Serbia and the textile industry in Southern Serbia. Republic of Serbia's regional strategy specifically aims to do this through promoting the strengthening of regional characteristics, which allows regions the chance to grow and prosper economically.

The integration of our economies and businesses into the European Union's enlargement processes and access to its market necessitate a transparent strategy that includes EU membership and the phases of membership, trade liberalization on the world market, euro convertibility and co-introduction, harmonization of the tax system with the EU, increased competition, an improved business climate, foreign capital inflows and regional implementation.

Improving the development of the region is one of the key commitments whose success is constantly assessed by the European Union and is directly linked to the position of the Republic of Serbia in the accession process (Trišić, 2019). Solving the problem of uneven regional development is a long-term task, so a clear policy and strategy is needed to bring together the activities of the local community, regional institutions and the Government of the Republic of Serbia (Božović, Živojinović, 2013).

## EUROPEAN UNION AND BOSNIA AND HERZEGOVINA

The European Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of members of minorities. These values are common to the Member States in a society dominated by pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men. Any European country that respects these values and is committed to promoting them can apply for EU membership (Internet 4). The political-security nature of European integration implies figuring out a method to establish enduring peace on the European continent.

The European Union has long had difficulties in resolving the problem of the Western Balkan countries' integration into Europe. The Stabilization and Association Process's political-legal method, which was already mentioned, is being used to implement the region's inclusion into the European integration process. The union contends that offering the Balkan states closer cooperation and linkages with the EU is the only way to maintain stability in the region. The basic principles on which the Process is based are: Conditionality (the

<sup>1</sup> <https://publikacije.stat.gov.rs/G2022/Pdf/G20222055.pdf>



fulfilment of the conditions of the European Union is the basis of the overall relationship); flexibility and individuality (the Process is adaptable to the needs and special conditions of each country to enable progress to be made at a pace commensurate with the capacity of that country to fulfil the envisaged commitments); and the obligation of regional co-operation (it implies co-operation with neighbours which is an incentive for further development and helps the country to develop working methods and practices that are an integral part of EU membership; regional co-operation is an obligation of all countries(Lakić, 2015).

Only Croatia has joined the European Union on a full membership basis since the Stabilization and Association Process began. Relations with the EU are at their lowest point with Bosnia and Herzegovina. Of the Western Balkan countries, Bosnia and Herzegovina has the most complex legal, political and ethnic structure. It consists of two entities (Republika Srpska and the Federation of Bosnia and Herzegovina) and one district (Brcko), three constituent peoples from three different religions. The Federation of Bosnia and Herzegovina, a Bosniak-Croat entity, is divided into 10 cantons (counties), each of which, as an administrative unit, has its own legislative, executive and judicial power, as well as the entities themselves (Lakić, 2015). Following the launch of the Stabilisation and Association Process, Bosnia and Herzegovina published the Road Map in 2000. The publication of the Road Map was a precondition for starting a Feasibility Study for the launch of Stabilisation and Association negotiations. In the same year, duty-free access to products from Bosnia and Herzegovina was introduced to the European Union market (Lakic, 2010). In accordance with the Road Map, Bosnia and Herzegovina must meet 18 requirements in the areas of politics, economics, democracy, human rights, and the rule of law. By December 2002, when the Permanent Secretariat of the Presidency of Bosnia and Herzegovina and the Agency for the Civil Service were constituted, Bosnia and Herzegovina had fulfilled all requirements.

On November 25, 2005, talks to begin a Stabilization and Association Agreement with Bosnia and Herzegovina. The agreement was reached on June 16, 2008, and went into effect on June 1, 2015, seven years later. Bosnia and Herzegovina's commitment to joining the EU has been confirmed by the agreement's coming into effect. The Stabilization and Association Agreement signing gives the nation the chance to start the application process to become a candidate for membership in the European Union. There has been an opening of a new chapter in relations with the European Union, and vows have been made to uphold established political and economic standards. As early as 1993, the Council of the European Union established the conditions known as the Copenhagen criteria:

- **Political:** Stable institutions that will support democracy, the rule of law, human rights and respect/protection for minorities;
- **Economic:** A functioning market economy will be able to cope with competition and market forces in the EU;
- **Legal:** Ability to assume all obligations on the path to EU membership, including respect for the objectives of political, economic and monetary union.

This state structure makes it difficult to reach a political consensus and to take alternative actions. Politicians in Bosnia and Herzegovina must be willing to work together for the state to function better, yet cooperation has been little. Due of this functionality, numerous years of futile attempts to join the EU have been mentioned. The European Union has however kept up its support for Bosnia and Herzegovina. The objective of the EU is for politicians to reach a consensus, to carry out their duties in a professional and thorough manner, rather than to squelch nationalism and competitiveness. The most significant players for Bosnia and Herzegovina on the path to EU membership are European values, peace, cooperation, respect for human rights, and freedom.

In February 2016, Bosnia and Herzegovina submitted their application to join the EU. The European Union responded favorably, agreed to Bosnia and Herzegovina's proposal, and declared itself prepared to support the country on its route to EU membership. A free state without protectorates, with free democratic elections for the government and adherence to the principles of the Universal Declaration of Human Rights, is a requirement for membership in the European Union. In the first phase, the European Union should assume



an advisory role in Bosnia and Herzegovina, in line with the principles of its legal system and the creation of conditions to achieve all three pillars. That would mean the High Representative's Office would be abolished. In the second phase, strengthen security on Earth and introduce the rule of law with the complete independence of the judicial system. In the third phase, the authorities would have to take full responsibility for the economic prosperity of the country, taking into account all internal and external security measures that the European Union instils in the first and second phases (Kasagić, Salkić, 2018).

Lack of internal political consensus is the main issue for Bosnia and Herzegovina's integration into the European Union to stall. The separation of responsibilities outlined in the constitution is said to be the reason Bosnia and Herzegovina has experienced the most institutional changes inside a Western Balkan state. As a result, Bosnia and Herzegovina has significant challenges in fulfilling its responsibilities as an EU member, and the process is anticipated to be difficult and drawn out.

### Regional development in Bosnia and Herzegovina through the European integration process

The European Union gives special consideration to regional development and helps to foster interregional cooperation because there are many variations in how various areas, Member States, and Candidate Member States are developing. Regional development receives up to a third of the budget for the European Union, with an emphasis on assisting in the development of less developed regions. The regions are positioned as links between the state and local communities and always carry within them a certain corpus of decentralisation of the political system. Regions as political and economic actors are becoming increasingly important in the process of expanding the European Union and creating a single European market. In addition, by taking responsibility for their economic development, the regions are especially trained to co-operate beyond national borders. Within the European Union, regionalisation and integration are considered to be closely linked processes because regionalisation is the best way to increase the acceptability of the European Union to the widest strata of the population (Sadiković, 2008).

In the past, Bosnia and Herzegovina's territory has been divided into sancaks, districts, sections, and municipalities, among others. The idea of regional development agencies (RRA), which have been operational since 2001 with financial support from the European Commission, World Bank, UN Development Programme, OHR Office of the High Representative and other international organizations as well as the support of local authorities in Bosnia and Herzegovina, is the foundation of today's regionalization of Bosnia and Herzegovina. In Bosnia and Herzegovina, there are five regional development agencies with five macro-regions based in:

- Sarajevo - 18 municipalities of the Federation of Bosnia and Herzegovina and 13 municipalities of Republika Srpska;
- Banja Luka - 21 municipalities of Republika Srpska and 13 municipalities of the Federation of Bosnia and Herzegovina;
- Mostar - 21 municipalities of the Federation of Bosnia and Herzegovina and 6 municipalities of Republika Srpska;
- Tuzla - 16 municipalities of the Federation of Bosnia and Herzegovina, 18 municipalities of Republika Srpska, Brcko District;
- Zenica - 15 municipalities of the Federation of Bosnia and Herzegovina and 1 municipality of Republika Srpska (Račić, 2015).

The creation of a regional state structure is one of the requirements that Bosnia and Herzegovina must fulfill in order to join the EU. The formation of Bosnia and Herzegovina's internal political-economic integration and access to EU subsidies for regional development will be made possible by the implementation of the Euroregion idea in that nation. Bosnia and Herzegovina can get money from pre-accession grants that the Eu-



European Union gives to nations that are undergoing integration by building and growing cross-border cooperation projects. Bosnia and Herzegovina's regional strategy must be consistent with that of the European Union and should develop a concept that is both acceptable and compliant with EU requirements.

The European Union is Bosnia and Herzegovina's most significant trading partner. In order to draw Bosnia and Herzegovina closer to the European Union in all respects, it is giving the nation financial support and investing in its future. Since 1996, Bosnia and Herzegovina has carried out a significant number of projects totaling over 3.7 billion euros in funding for the enhancement of transportation, agriculture, and rural development, rule of law, sustainable economic development, and education and employment.

There has been an increase in the number of jobs in the Western Balkan countries, but in Bosnia and Herzegovina that is still insufficient. Compared to the beginning of 2008, exports continue to grow, direct investment is still at a low level and consumption is high. Bosnia and Herzegovina is still in the early stages of developing a functioning market economy. Some progress has been made in modernising labour legislation, improving the business environment and addressing shortcomings in the financial sector under the agreed Reform Agenda. However, the public sector is inefficient and the private sector is slow to develop (Jusufranić, 2018).

## CONCLUSION

The most crucial strategic objective for Republic of Serbia and Bosnia and Herzegovina is to become full members of the EU. A number of agreements have been reached in their formation thus far, but more must be done to align their future political, regional, and economic development with the goals of the European Union's regional strategy. The nations that have joined the European Union have supported the idea that they have made significant contributions to socioeconomic development, regional development, and the creation of distinct regions by utilizing EU programs. Republic of Serbia and Bosnia and Herzegovina can advance their own regional policies by utilizing EU funding to sponsor projects that fall under the category of regional development. Additionally, they can strengthen regional economies, increase regional connectedness, lessen regional inequities, and raise living and population standards. Roads in Serbia are very important of regional development policy and part of the European road network. On August 18, 2019, one of the most important highways for Serbia, Miloš the Great, was opened. It connects Belgrade with Southern and Western Serbia. It is part of the European roads E763 and E761. Also, on July 26, 2023, the Ambassador of the European Union to Serbia, Emanuele Giaufret, and the President of the Republic of Serbia, Aleksandar Vučić, officially opened the first section of the Niš-Merdare highway. Also known as the "Highway of Peace", this road will better connect people, cities and businesses, which will lead to economic progress in southern Serbia and faster trade exchanges with the region and the EU. When the highway is completed, the travel time by car from Niš to Merdar will be cut in half, and road safety will be significantly increased. The Niš-Merdare E-80 highway is part of the road route that connects Bulgaria with the Adriatic Sea towards Albania and therefore has a wider regional dimension (Internet 5).

The goal of regional policy for Republic of Serbia and Bosnia and Herzegovina should be to produce regions that can integrate into international economic flows. The significance of the area for national and supra-national economic development is emphasized by the European Union. Republic of Serbia's regional strategy, which supports all regions and territories, is in line with that of the EU. The benefits of the area will be emphasized in this manner, and the opportunity for improved regional development will be revealed. Funds from international sources will be made available to those places in need. The disparities in development between the regions will be lessened as a result, and eventually they may even be completely neutralized. The population in Republic of Serbia won't move from the economically weaker to the economically stronger regions any longer according to this idea of regional policy. More balanced regional development will be possible thanks to the decentralization system. All regions' economies will advance, and people's prospects will get better. The



premise is that the population's education and employment will receive the most attention, followed by infrastructure improvements, assistance for already-existing businesses, and the development of organizational capabilities at the local, regional, and national levels.

In contrast to Republic of Serbia, Bosnia and Herzegovina's slow progress toward European integration is mostly due to a dearth of internal political consensus. There are five regional development organizations in Bosnia and Herzegovina, and there are five macroregions that have the potential to grow into powerful economic areas. The creation of a regional state structure is one of the requirements that Bosnia and Herzegovina must fulfill in order to join the EU. The formation of Bosnia and Herzegovina's internal political-economic integration and access to EU subsidies for regional development will be made possible by the implementation of the Euroregion idea in that nation.

Republic of Serbia and Bosnia and Herzegovina's top objective is to join the European Union. They have the chance to take part in the growth of the European and global economies by joining the state. The populace will be able to move freely throughout the EU's territory and cross-border cooperation will be at its peak. The country's infrastructure will be enhanced, a higher standard of life will be offered, permanent jobs will be generated, the education system will be strengthened, and development at all levels will be promoted. There are a number of reforms that Republic of Serbia and Bosnia and Herzegovina need to implement within their borders, but with the help of the European Union, this is feasible and possible, as the EU is an important partner helping shape the countries on their way to membership. Although Republic of Serbia and Bosnia and Herzegovina must carry out a number of reforms within their borders, with the assistance of the European Union, this is both doable and practicable because the EU is a significant partner in supporting the nations on their path to membership.

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