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CROSS-BORDER ECONOMIC COOPERATION IN SOUTH EAST EUROPE IN THE FRAMEWORK OF THE GLOBALIZING MARKET

The paper observed the role that plays the macro-geographical factor for the economic development of the South East European countries. The possibilities for developing mutual beneficial cross-border relations have been analyzed, based on information obtained from different surveys for South East European Countries.

The main goal of the project can be summarized as follows: to outline the reasons why the regional policy of Cross-border cooperation be accepted as an "optimal" policy for the border areas of South East European countries; to define the economic and social after-effects of this policy on the region and the countries, taking into account the problems of EU accession and the open Pan European market; to analyze the institutional degree of the readiness to provide regional and Cross-border cooperation within South East European countries.

Finally, the main advantages from cross-border cooperation have been outlined as a general policy and for the region specifically.

JEL: R1; F15

The transition process in Central and Eastern Europe was associated with increasing intra-regional disparities. It seemed also that the regional inequalities in South East Europe are relatively high creating at the same time significantly higher economic and social problems. That refers to South East European countries (SEEC) where every reform faces serious difficulties due to the lower readiness for EU accession as well as to their lagging in the economic development. In countries like Czech Republic and Hungary there exist enough resources for facing the negative effects from one or another reform as well as the necessary readiness of the population to carry out the reforms.

At the same time South Eastern Europe is a severely segmented economic area. Borders function as a real barrier to economic activities and do not allow development axes to expand easily beyond borderlines (Petraikos and Economou, 2001) - illustration for that is the axis Sofia-Nis that is the core axis between Bulgaria and Serbia & Montenegro. This is one of the main reasons for

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the unfavorable development of border regions a cause and for the increase of regional divergences hence the lowest gross domestic product (GDP) per capita in these regions.

For the isolation of the border regions of SEEC given impact has also the fact that not only the development axes do not cross but also it is not observed spill over of zones with high population density between the borders, something that is typical for the EU countries. There are not well-urbanized centers in the border regions as well (Petraikos and Economou, 2001).

The population density, the existence of urbanized centers, economic activities and GDP per capita are characteristics that are positively interrelated in the SEEC. The population density or more strictly speaking the existence of "critical mass" of population and urbanized centers, is the main factor for the formation of the GDP level per capita and the attraction of foreign direct investments (Totev, 2002a). Thus we arrive at the "vicious circle", low GDP per capita and foreign direct investments as an absolute volume to the regions with low population density (in our case the border regions) and as a result of that negative migration and an aging of the population. This leads also to lower density of the small and medium enterprises (SME) and especially that with high efficiency.

The internationalization of the economy of the transition countries at least in its first stages will intensify the regional disparities, since the investors (local and foreign) are attracted more by the good communications, infrastructure and potential of the markets than by cheap labor force in the lagging regions.

Due to their peripheral geographical location, far from the economic center of Europe, SEEC cannot ignore the importance of intra-Balkan economic relations. After years of relative isolation, Greece is also discovering the importance of ties with its neighbours and has a strategic interest in improving intra-Balkan economic relations and promoting the development of a large and accessible regional market in its direct neighbourhood (Petraikos and Totev, 2000).

That can be confirmed by the fact that some border regions of the SEEC have improved their relative presence at national level, while others have lost positions. The border regions along the northern Greek borders have improved their relative presence, which can be attributed to the successful regional cooperation and cross-border relations (Petraikos and Economou, 2001). The border regions that have lost ground are the Macedonian-Bulgarian as well as the Bulgarian-Serbia & Montenegrin border zones (Totev, 2003).

The main common benefits from cross-border relations are fostering of the economic and trade relations, encouragement of the creation and development of cooperation networks on both sides of the borders, as well as establishment links between these networks and wider EU connections.

Future intra-regional relations (within South Eastern European countries) and linking of the development axes depend very much on the will of the countries to promote regional cooperation and regional integration. It also depends on the provision of transport infrastructure, which is absolutely necessary for any activity. That is why the economic policies that should be followed in these regions should be considered not only within the framework of given countries but also within the framework of the neighbouring countries and the corresponding geographical region (in our case South Eastern Europe) and of course on a broader international plan.

The Role of Macro-geography

The already formed backwardness of the border regions of SEEC over the last decades is a result of economic and political conditions but at the same time it is due to geographical factors too (Petraikos and Christodoulakis, 1998). The development of intra-Balkan economic relations including the cross-border cooperation (CBC) is of vital importance for these small countries located on the periphery of the European economic gravity center (Totev, 2002b). The importance of cross-border relations among South East European countries is expected to increase significantly. The CBC can even be considered as a «cross-nation» cooperation in SEEC, since they are small countries with long common borders (Kotios, 2001).

Table 1 shows the obvious differences in the export structure with EU of South East European transition countries on the one hand and Central European transition countries on the other - see 1996-1999.

Table 1

Composition of aggregate exports to EU of South Eastern European and Central European transition countries - 1988-91, 1992-1995 and 1996-1999

	South East European transition countries			Central European transition countries		
	1988-1991	1992-1995	1996-1999	1988-1991	1992-1995	1996-1999
Consumer branches*	49.3	57.0	58.9	46.9	40.9	32.1
Intermediate branches**	32.8	30.2	29.2	38.7	34.0	26.7
Capital branches***	17.9	12.8	11.9	14.4	25.1	41.2

* Consumer branches: Food, beverages, tobacco; Textiles & textile products; Leather & leather goods; Timber; Paper, Printing, Publishing; Other industrial branches.

** Intermediate branches: Fuels production; Chemicals; Rubber & plastic goods; Mineral materials; Basic metals & fab. goods.

*** Capital branches: Machinery, excl. electrical; Electrical&optical equipment; Transport equipment.

Source. Estimation from Eurostat cd., 2000.

For small countries with open economies the turnover of trade between neighbouring countries is inexcusably low (Table 2).

Table 2

Share of export and import to neighbouring countries, 1997 (%)

Countries	Bulgaria	Macedonia	FR Yugoslavia	Neighbouring Countries	Total
Share of export of Bulgaria, Macedonia and FR Yugoslavia					
Bulgaria *	-	2.0	0.0	12.2	100.0
Macedonia	1.9	-	10.1	14.8	100.0
FR Yugoslavia	0.0	7.6	-	14.3	100.0
Share of import of Bulgaria, Macedonia and FR Yugoslavia					
Bulgaria *	-	0.6	0.0	6.9	100.0
Macedonia	5.3	-	11.4	18.9	100.0
FR Yugoslavia	0.0	2.7	-	10.9	100.0

* Turkey is not included.

Source. Estimated from IMF, 1998 and own calculations.

The stable negative trade balance with the EU will force the countries to search for possibilities for intra-regional trade relations. An effective policy could be to develop different kinds of CBC, expanding trade for the industrial production of South East European countries (Petraikos, 2001; Totev, 2002b).

Degree of Readiness for Regional and CBC within SEEC

The main direction for improving the environment for cross-border relations is on the institutional level since the main obstacles that the CBC faces is closely related to the not appropriate work of the institutions.

Table 3

Level of propensity toward CBC with neighbouring countries
(levels: low – 2; medium – 4; high --6)

Countries	Economic-manufacturing operators	Economic-trade operators	Socio-cultural operators	Institutional operators	Countries average	Ranks
Albania	4.00	4.00	4.00	2.67	3.67	4
Bosnia & Herzegovina	2.00	2.00	2.00	2.00	2.00	8
Bulgaria	3.00	3.75	3.75	4.25	3.69	3
Croatia	3.33	3.33	2.67	3.33	3.17	5
Macedonia	4.25	3.75	4.25	3.25	3.88	2
Moldova	2.00	2.00	4.00	2.00	2.50	7
Romania	4.25	4.25	5.00	3.50	4.25	1
Serbia & Montenegro	2.86	2.86	2.86	3.00	2.90	6
SEEC *	3.21	3.24	3.57	3.00	3.30	-

* Average level of the eight countries.

Source. CBC..., 2002, p. 27 and own calculations.

Romania, Bulgaria, Albania and Macedonia have better average figures (see column countries average) than the SEEC average 3.30. Those are also the countries involved in the Phare program. One of the priorities of the Phare program is the regional and CBC.

Table 4 presents the level of training and coordination of local and national bodies in planning and developing regional and CBC programs with neighbouring partners. It should be taken into account that these figures reproduce and the correspondence of the level of training of local and national bodies from neighboring countries.

Table 4

Level of training and coordination of local and national bodies in planning and developing CBC programs with neighbour partners
(levels: low - 2; medium - 4; high - 6)

Countries	Training of local bodies	Coordination between the different local and national administrative sectors	Coordination between the local bodies and socio-economic interlocutors	Coordination between central administrations	Average	Ranks
Albania	4.30	3.33	3.33	3.25	3.55	1
Bosnia & Herzegovina	2.00	2.00	2.00	2.00	2.00	8
Bulgaria	3.75	3.25	3.50	3.50	3.50	2-3
Croatia	2.67	2.67	2.67	2.67	2.67	6
Macedonia	3.25	3.00	3.00	3.00	3.06	5
Moldova	2.00	2.00	3.00	3.00	2.50	7
Romania	3.25	3.25	3.50	4.00	3.50	2-3
Serbia & Montenegro	3.17	2.83	3.17	3.17	3.09	4
SEEC*	3.05	2.79	3.02	3.07	2.98	

* Most frequent case of level for the SEEC.

Source. CBC..., 2002, p. 28 and own calculations.

The level of training of local and central administration on both two sides of the border is quite important, since can significantly facilitate regional and cross-border relations by: developing cooperation between the chambers of commerce of the countries; supporting small and medium size enterprises; providing contacts between potential partners from both sides of the border; transferring experience and know how; providing cooperation in staff education; and supporting the investment process in the region.

Table 5 provides information about the most frequent types of cross-border relations (main modalities) in each activity area of socio-economic life, while Table 6 provides information about institutional obstacles to CBC between neighbour countries.

Table 5

Main modalities of cross border relations in each activity sector with neighbouring countries
(cases: competition; no relations; info-exchange; consultation; cooperation)

Cross-border relations	Institutional relations	Environment al and spatial planning	Transport and telecommunications	Economy and labour	Tourism	Education and culture	Everyday service
Albania - Serbia & Montenegro Macedonia Greece	Consultation Cooperation Consultation	Consultation Consultation Consultation	Consultation Cooperation No relations	No relations Cooperation No relations	Consultation Cooperation Consultation	Info exchange Cooperation Consultation	No relations Cooperation Info exchange
BIH - Croatia Serbia & Montenegro	Info exchange Cooperation	Info exchange Consultation	Info Exchange Cooperation	Info exchange Consultation	Info Exchange Cooperation	Info exchange Info exchange	Info Exchange Cooperation
Bulgaria - Macedonia Romania Serbia & Montenegro Turkey Greece	Cooperation Cooperation Cooperation Info exchange Cooperation	Cooperation Cooperation Cooperation Consultation Cooperation	Cooperation Cooperation Consultation Cooperation Cooperation	Consultation Consultation Info exchange Consultation Cooperation	Info exchange No relations Info exchange Info exchange Cooperation	Consultation Cooperation Cooperation Cooperation Cooperation	Consultation Consultation Cooperation No relations No relations
Croatia - Serbia & Montenegro Hungary	No relations Cooperation	No relations Info exchange	No relations Cooperation	No relations Cooperation	No relations Cooperation	No relations Info exchange	No relations Info exchange
Macedonia - Serbia & Montenegro Greece	No relations Consultations	No relations Cooperation	Cooperation Cooperation	No relations Cooperation	No relations Cooperation	No relations Cooperation	No relations Consultation
Moldova - Romania	Info exchange	Info exchange	Info exchange	Info exchange	No relations	Cooperation	No relations
Romania - Serbia & Montenegro Hungary	Consultation Info exchange	Info exchange Cooperations	Cooperation Competition	Consultation No relations	Info exchange Competition	Cooperation Cooperation	Cooperation No relations
Serbia & Montenegro - Hungary SEEC*	Consultations Cooperation & Consultations	No relations Cooperation & Consultations	Cooperation	Competition Consultation & No relations	Info exchange Info exchange & Cooperation	Info exchange Cooperation & Info exchange	Cooperation No relations & Cooperation

* Most frequent cases of level for the SEEC.

Source. CBC..., 2002, p. 31 and own calculations.

Table 6

Institutional obstacles on CBC with neighboring countries (levels - low, medium, high)

Cross-border Area	State centralization	Lack of adequate structures for CBC	Different competence on two sides of the border	Restrictive regulations of cross-border relations	Lack of credibility of cooperation agencies	Low degree of mutual knowledge and trust	Inadequate financial resources	Different political ideological orientation	Non existence or very weak response to CBC proposals	Average**
Albania - Serbia & Montenegro	High	Medium	Medium	Medium	High	High	Low	Medium	Medium	4.4
Macedonia	High	Medium	Medium	Medium	Medium	Medium	Low	Medium	Medium	4.0
Greece	High	Medium	Low	Medium	Medium	Low	High	Low	Medium	3.8
BIH - Croatia	Medium	High	Low	High	High	Low	High	Medium	Low	4.2
Serbia & Montenegro	High	High	Low	High	High	Low	High	Medium	High	4.9
Bulgaria - Macedonia	High	Medium	Low	Medium	High	Low	High	Low	Low	3.8
Romania	High	Medium	Medium	Low	Low	Low	Medium	Low	High	3.3
Serbia & Montenegro	Medium	Low	Low	Low	Low	Low	Medium	Low	Medium	2.7
Turkey	High	High	Medium	Medium	High	High	High	Low	Low	4.7
Greece	High	Medium	Medium	Medium	Medium	Medium	Medium	Low	Low	3.8
Croatia - Serbia & Montenegro	High	High	Low	High	High	Low	High	Medium	Low	4.4
Hungary	High	Medium	Low	Medium	Low	Medium	Medium	Low	Medium	3.5
Macedonia - Serbia & Montenegro	High	High	Low	High	High	High	High	High	High	5.5
Greece	High	Low	Low	Medium	Medium	Medium	High	Medium	Low	3.8
Moldova - Romania	High	Medium	Low	Medium	Low	Medium	High	Medium	High	4.2
Romania - Serbia & Montenegro	High	Medium	Low	Medium	Medium	Medium	High	Medium	Medium	4.2
Hungary	High	Medium	Medium	High	Medium	Medium	High	Medium	High	4.9
Serbia & Montenegro - Hungary	High	Medium	Low	High	Low	Low	High	Low	Low	3.5
SEEC*	High	Medium	Low	Medium	High	Low	High	Medium	Low	4.1

* Most frequent case of level for the SEEC.

** Arithmetical average count from - Low = 2; Medium = 4; High = 6.

Source CRC 2002 n 33 - 34 and own calculations

The main modalities of cross-border relations stand on a higher level for “Institutional relations”, “Environmental and spatial planning”, “Transport and Telecommunications”, while the other activities are not so well developed – see Table 5.

Table 7

Economic obstacles to CBC with neighbouring countries
(levels - low, medium, high)

Cross-border Area	Different level and/or rate of economic development	Different technological levels	Closure due to exacerbated competition	Labor market protection	Tax and customs problems	Non existent or very weak response to cross-border cooperation proposals	Average**
Albania - Serbia & Montenegro	High	High	Low	Low	Low	High	4.0
Macedonia	Low	Low	Low	Medium	Medium	Medium	3.0
Greece	Medium	Low	Low	Medium	Medium	High	3.7
BiH - Croatia	Medium	Medium	High	High	High	Low	4.7
Serbia & Montenegro	High	High	Low	Low	Low	Low	3.3
Bulgaria - Macedonia	Low	Low	Low	Low	Medium	Low	2.3
Romania	Medium	Low	Low	Low	Medium	Medium	3.0
Serbia & Montenegro	Low	Low	Low	Low	Medium	Low	2.3
Turkey	Low	Low	Low	Low	Low	Low	2.0
Greece	Low	Low	Low	Medium	High	Low	3.0
Croatia - Serbia & Montenegro	Medium	Medium	High	High	High	Low	4.7
Hungary	Low	Low	Low	High	High	Low	3.3
Macedonia - Serbia & Montenegro	Medium	High	High	Low	Medium	High	4.7
Greece	Medium	Medium	Medium	Medium	High	Low	3.0
Moldova - Romania	Low	Low	Low	Low	Low	Medium	2.3
Romania - Serbia & Montenegro	Low	Low	Low	Low	Low	Medium	2.3
Hungary	Medium	High	Low	Medium	High	Medium	4.3
Serbia & Montenegro - Hungary	High	High	Low	High	Low	Low	4.0
SEEC *	Low	Low	Low	Low	Medium	Low	3.3***

* Most frequent case of level for the SEEC.

** Arithmetical average count from - Low = 2; Medium = 4; High = 6.

*** Count from the last column.

Source. CBC..., 2002, p. 35 and own calculations.

The institutional obstacles that impede CBC on a bilateral level face difficulties with "State centralization", "Lack of credibility of co-operation agencies", "Inadequate financial resources", "Lack of adequate structures for CBC", "Restrictive regulations of cross-border relations" – see Table 6.

Table 8 presents the social and cultural obstacles for CBC.

Table 8

Social – cultural obstacles for CBC
(levels - low, medium, high)

Cross-border Area	Existence of negative national and/or regional stereotypes	Linguistic barriers	Non existence or very weak response to cross-border cooperation proposals
Albania – Serbia & Montenegro	High	Medium	Low
Macedonia	Medium	Low	Medium
Greece	Medium	Low	High
BiH - Croatia	High	Low	Low
Serbia & Montenegro	Low	Low	High
Bulgaria - FYR Macedonia	Low	Low	Low
Romania	Low	Medium	Medium
Serbia&Montenegro	Low	Low	Low
Turkey	High	Medium	Medium
Greece	High	Medium	Low
Croatia – Serbia&Montenegro	High	Low	Low
Hungary	Medium	Medium	Medium
Macedonia - Serbia & Montenegro	High		High
Greece	Medium	Low	Low
Moldova - Romania	Low	Low	Low
Romania - Serbia&Montenegro	Low	Low	Low
Hungary	High	Low	Low
Serbia & Montenegro - Hungary	Low	Low	Low
SEE countries*	High &Low	Low	Low

* Most frequent case of level for the SEEC.

Source. CBC..., 2002, p. 36 and own calculations.

Table 9 provides information about the level of corruption in several Balkan countries. It is obvious that corruption has a tradition in the Balkans.

Table 9

International Corruption Coefficients* (%)

	1998	1999	2000	2001
Greece	57.6	62.9	61.2	53.8
Albania		13.4		
Bulgaria	22.4	35.1	42.2	48.4
Macedonia		35.1		
Romania	28.2	35.1	25.6	24.2
Turkey	36.5	45.5	44.4	38.5

*Countries with coefficient levels close to 100% denotes the absence of corruption or a Lower level of it and vice versa.

Source. Minassian, G., 2002.

The quality of institutions directly correlates with the possibilities of the economy to generate economic growth (Minassian, 2002). At the same time, the quality of institutions correlates directly to levels of bureaucracy and corruption; in other words, levels of bureaucracy and corruption negatively correlate to possibilities to generate growth.

The impact of economic obstacles on CBC is raised and as a result of the differences in the level of economic development of the countries observed, Table 7.

As to the impact of socio-cultural obstacles in the countries observed, the "existence of negative national and/or regional stereotypes" still creates obstacles compared to the "linguistic barriers" and the "non-existence or very weak response to CBC proposals". The latter creates serious obstacles in the cases of Albania, Bosnia & Herzegovina and Macedonia.

There is a good potential for regional and CBC in the Balkan region. However, cross-border activities could be hampered by the lack of readiness on the behalf of "institutional operators". The necessary level of training and coordination of local and national bodies for starting regional and cross-border activity does exist, though this level may not spur cooperation.

Table 3 and Table 4 show that better training (knowledge) of how to provide cross-border relations do not makes the "local and national bodies" more optimistic about overcoming the attendant difficulties.

Lack of institutional support, especially the state centralization can create serious obstacle to cross-border activity. Experience shows that overcoming such obstacles requires an institutional reform - which takes time. In the area of cross-border relations, this is perhaps the most important obstacle that must be overcome.

Economic obstacles are surmountable; they exist because of different levels of economic development; however, these different levels of economic development do provide some specific possibilities for cross-border activities.

The general conclusion on the degree of readiness to participate in regional and CBC is that such a level of readiness does exist. There are countries however that are not so well prepared, and hampered their neighbours.

The successful performance of CBC depends on the level of institutional development, which must be improved as the main obstacles to CBC are due to poor functioning or underdeveloped institutions.

Final Remarks and Conclusions

The CBC play quite different and significant role for the small South Eastern European countries compared to the one for Central European countries in transition; it is so because the possibilities for other forms of cooperation at this stage of economic development are not so favourable for these countries.

The facilitating of regional cooperation and cross-border relations has three dimensions – national, regional and international. The national governments are most responsible for the conditions in their own countries. At the same time South Eastern European countries have common problems, which can be solved easier with mutual efforts. Finally the support of international organizations will be essential for the successful promotion of regional cooperation and cross-border relations.

Parallel to the process of EU integration the economic difficulties that SEEC are facing will increase, respectively internal divergence processes -- some regions will manage to respond better to the new economic environment, other will not be so successful.

The high levels of regional disparities imply that development initiatives in the region (National plans, International programs Stability Pact, etc) are required to have a strong regional dimension. Therefore, regional policies have to be a considerably important part of development and transition policies (Kotios, 2001). The cross-border relations can particularly help to overcome the specific development problems and relative isolation, to cushion economic disparities and create the necessary environment for efficient business development. Good and intensive cross-border interaction in trade and investments, may prove to be equally effective to deal with rising spatial disparities (Dimitrov, Petrakos, Totev and Tsiapa, 2003).

International programs can have a given impact for the development of regional cooperation and cross-border integration strategy because SEEC are not very mature and might be unable to urgently carry out regional integration and CBC processes. That is the reason why the EU and some other international institutions and organizations can essentially contribute to the enforcement of regional integration and CBC in this area of Europe. The successful implementation and the effectiveness of the introduced and proposed measures for regional integration and CBC depend decisively on the SEEC understanding of the importance of promoting CBC, too.

The CBC can solve, at least partly, the problems that the enterprises in the border regions face: low internal demand, a very low level of the capital stock and the restrictions and difficulties that SEEC face when exporting to Western countries. The CBC will definitely raise the attractiveness of the regions for the foreign investors.

At this stage one can accept that an optimum regional policy for border regions of SEEC is the development of CBC.

It was important and interesting to find out that firms consider the general conditions prevailing in a country, the lack of information and assistance in developing cross-border relations and the difficult financial conditions more serious barriers than the ones related to poor infrastructure and border crossing conditions. In other words infrastructure is a necessary condition but not a sufficient one - pointing only on improving the infrastructure without improving the general business environment cannot be effective. Of course, the long-term development presupposes sophisticated infrastructures but the results in the short term can be disappointing without improving the general economic environment. So removing barriers (related with infrastructure and border crossing) may not produce immediate positive results in case the general economic conditions are not improved. That is why the improvement of the general trade conditions that also depends on the national governments' efforts, is crucial in facilitating cross-border relations (Dimitrov, Petrakos, Totev and Tziapa, 2003).

CBC fully corresponded with the (Kotios, 2001):

- Principles of the National Concept of Regional Development
- Principles of the EU.
- Other EU Programs and National Programs.
- Stability Pact

The instruments of the Stability Pact for South Eastern Europe and the Stabilization and Association Process for closer approximation of SEEC with EU structures, the standards and norms, which include concrete policies and programs for market integration, cross-border infrastructure and new regional institutions, can definitely play a positive role in the region.

Regional economic integration in South Eastern Europe is one of the most important goals of the Stability Pact. The trade initiative of the Stability Pact focuses its efforts on the liberalization of trade through the reduction and elimination of tariffs and non-tariff barriers to trade in South Eastern Europe.

The Stability Pact consists of eight sections. The first section states that the participating countries and organizations are bound to cooperate closely to safeguard peace and stability, and to promote the development of South Eastern Europe. The more particular aims of the Pact are directed at the creation of market economies and regional economic cooperation. The sixth section stresses the significance of regional cooperation for the stability of South Eastern Europe.

CBC is in line with the Memorandum of Understanding on Trade Liberalization and Facilitation signed by the countries of the region in Brussels, 27 June 2001:

The implementation of the Memorandum would lead to the creation of Balkan free trade area and the formation of cooperation and negotiation structures promoting the political dialogue and cooperation in the region.

The expected main impacts of CBC policies can be summarized as:

In General CBC fosters:

- economic and trade relations and the process of transformation of the transition countries;
- encourages the creation and development of cooperation networks on both sides of the borders, as well as links between these networks and wider EU connections;
- provides easy access to a larger market;
- reduces transport costs, which increases the benefits of cross-border trade;
- provides new (bigger) markets that are of interest for foreign investors;
- creates the necessary conditions for supporting small and medium enterprise development;
- improves the status of minorities and helps them integrate into national economies;
- reduce regional inequalities;
- increases the intra-industry component of trade;
- promotes stability through greater mutually beneficial interaction;
- improves the attractiveness of the border regions to foreign direct investments;
- serves as a first step towards integration with the EU structures.

In South East European countries, CBC can:

- help the border regions overcome their specific development problems and relative isolation;
 - lessen large disparities in standards of living and growth;
 - accelerate the accession process to the EU structures;
- help countries to maintain a more sectorally balanced trade structure;
- create the necessary environment (internal and external economies of scale, etc.) for efficient business development;
 - exploit ethnic, cultural and linguistic links as well as similar market characteristics and tastes; with many things in common, it will not be costly to promote goods and services in border regions;
 - serve as a catalyst to accelerate the process of synchronization and harmonization of country-specific legislation and regulations;
 - deepen the economic relations between bordering countries and have certain impact on smoothing down intensive emigration from border regions;

- provide a legal framework for investment; signing agreements to avoid double taxation, as well as agreements that will promote and protect investments;
- stabilize the region; more than anywhere else, investors have accepted the Balkan countries as an entire area, which means that instability in a given country is generalized as instability in the region, one country's instability affects the whole region.
- cooperation and regional integration will help make this region more attractive to outside investors.

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