

## Regional Cooperation and Free Trade Agreements in Western Balkans: Opportunities and Obstacles



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### ABSTRACT

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Regional cooperation between the countries of the Western Balkans and free trade between this region and the EU is thought to create development opportunities for this region. However, in a region with political challenges and historical problems such as the Western Balkans, it is problematic to achieve these goals as a result of political and historical obstacles. To strengthen regional cooperation, the EU supported the Balkan region with Bilateral Free Trade Agreements, Generalized Trade Preferences, CEFTA 2006 and finally, SAAs. This paper through the Gravity model provides evidence that in the Western Balkans, free trade agreements have had a greater impact on law reform than economic sustainability and trade promotion. Also, unless political and historical disputes are resolved, especially between Kosovo and Serbia, none of the trade agreements can deepen regional cooperation in this ethnically troubled region. So, these are some of the obstacles that hinder the development opportunities of the Western Balkans.

## 1. INTRODUCTION

The Western Balkans refers to Balkan countries that are not part of the EU. These countries are: Albania, Kosovo, North Macedonia, Bosnia and Herzegovina, Serbia, and Montenegro. Almost all these countries have had the same fragile past, therefore according to Delevic [1] being part of the Balkan has not been a privilege at all because this region has always been characterized by instability. Stability and tranquility have always been conditioned by the mediation of third parties or global powers, and that based on the statements of Belloni [2] EU failed to bring peace and end the inter-ethnic war in the Balkans. Integration of this region into the EU has been considered and still considered as a political-economic project that would ensure eternal peace and stability [3].

The obstacles faced by the countries of this region are numerous. Building a liberal democracy, economic growth, corruption and organized crime were among the major challenges for these countries [4]. Likewise, the obstacles to the regional cooperation of these countries, the economic crises, the slow steps in political developments, the slow expansion of the EU towards these countries, have created an unfavorable environment for the expansion of the EU, i.e. the acceptance of new members in this union from this region [5]. Therefore, the EU aims to support economic cooperation between the countries, until the conditions for the accession to the EU are met.

The main instrument of economic cooperation is that of the bilateral Free Trade Agreements that these countries have signed and implemented, and which originate from the Stability Pact for Southeast Europe, and the CEFTA free trade zone established in region. At the beginning of the Stability Pact, two phases were proposed for regional trade cooperation with the aim of deepening the integration of the countries of

this region among themselves. The first phase concerns bilateral free trade agreements between the Western Balkan countries and the EU. The second phase concerns the creation of a free trade area between the EU and this region [6].

Both CEFTA and SAA aim at regional cooperation, thus eliminating ethnic tensions between the peoples and countries of the Western Balkans [7]. Only through development and the increase of social welfare will interethnic reconciliation be possible. In addition, intensification of multidisciplinary regional cooperation and the creation of a free trade area will enable the attraction of FDI, increase overall productivity and increase the level of exports, which is unfortunately low.

Despite achievements in regional cooperation, there is also criticism of free trade agreements in the region. Kaminski and De la Rocha [8] argues that the manner in which free trade agreements are applied could undermine the region's common trade. The large-scale economy that is being achieved as a result of these agreements in the region could hurt EU firms operating in the region. These agreements may also affect the loss of tariff revenues of the region. The objectives of this paper are:

1. Analysis of the cooperation of the Western Balkan countries between them and the EU;
2. Analysis of the impact of CEFTA2006 on the elimination of trade barriers and the promotion of regional cooperation through trade liberalization;
3. Analysis of the impact of the SAAs on the promotion of regional cooperation through trade liberalization;
4. Drawing conclusions that would serve to eliminate barriers that hinder regional cooperation through free trade agreements.

The novelty of the article lies in the fact that it analyzes the impact of regional cooperation and free trade agreements on the overall development of the Western Balkans. While

regional cooperation between the countries of the Western Balkans and free trade between the EU and the countries of this region as a result of free trade agreements, it is thought that it will create different opportunities for development, they also present obstacles and challenges for these countries. The level of economic development and various ethnic hostilities from the past are the barriers that prevent regional cooperation in the countries of the Western Balkans.

## **2. REGIONAL COOPERATION AS THE KEY TO PEACE AND DEVELOPMENT IN WESTERN BALKANS**

Regional cooperation is of great importance for Balkans and the EU, because this cooperation is the only hope for lasting economic stability. The deeper this cooperation is, the closer and faster the integration into the EU will be, given the fact that the countries of this region cannot integrate into the EU without resolving their politics disputes [9]. Regional cooperation, despite the progress noted over the years, has been characterized by numerous obstacles such as old and unresolved ethnic conflicts, governments not powerful in addressing and fulfilling the needs of the peoples of these countries, etc. Therefore, the prospects for cooperation in the countries of the Western Balkans were limited [10]. In 1996, the EU laid the foundation for a regional approach. Under this approach, countries that have border problems and problems with minorities cannot join the EU [11].

From 1999, Stability Pact has contributed extremely much to the growth of regional cooperation [12]. This Pact was perceived as a financial supporter to cope with the consequences of the wars of the nineties and to overcome the transition of these countries which is still not finished in some countries. Also, this pact facilitated trade agreements in this region [13]. Regional cooperation is a specific indicator that shows how Western Balkan countries are ready to join a union such as the EU. Intensive regional cooperation represents the main alternative of these countries that will precede EU membership. Therefore, the common interest of these countries is the union of all economic, political and human potentials to accelerate the integration of the region in the EU [14].

The regional cooperation between these countries is still unsatisfactory. According to Qorraj [15] the market of this countries is a small and quite fragmented, therefore the economic success of the countries depends entirely on the deepening of regional cooperation. Through regional cooperation and the implementation of free trade agreements, it is thought that rapid development of the Western Balkans can be achieved. The process of bilateral market liberalization is increasing competition and stimulating national reforms to increase quality. But according to Qorraj and Jusufi [16]; Jusufi and Ukaj [17] the importance of trade liberalization between the EU and Western Balkans has been overestimated. These countries have a low level of development, products of low quality compared to those of the EU. These countries will benefit more from institutional reforms than from trade creation.

Energy Community Treaty between the EU and the Western Balkans is one of the most important achievements of regional cooperation and integration. Specific goals include attracting investments from the energy field thus eliminating dependence on Russian energy sources, improving the environment by

protecting the environment from energy, boosting competition at regional level to exploit economies of scale [18].

Another element which provides regional cooperation is also the Regional Environmental Network for Accession (RENA), which enables cooperation at the political and expert level [19]. Increasing cooperation between law enforcement institutions and judicial institutions in the fight against crime is the main goal in justice area cooperation between EU and Balkans. This will be achieved through networking, mutual legal assistance, transfer of proceedings, requests for extradition, joint investigation teams, witness protection programmes [20].

In addition to cooperation in the field of trade and other areas mentioned above, there is also cooperation in the field of education, in particular in higher education. Erasmus Mundus Programme which is implemented by the Executive Agency for Audiovisual Education and Culture. For about 30 years, students and academic staff have moved and exchanged ideas through the Erasmus program. The budget for region is quite large and enables the creation of 1,313 projects in bilateral partnerships that organize mobility for about 27,000 researchers, students and academic staff [21].

Regional cooperation has only developed towards common goals for the future, but did not include issues related to the region historical-political past. Regional forums deal with general issues related to economic-social development. There is a lack of cooperation aimed at discussing a regional perspective on key political-historical issues. Issues arising from past conflicts remain the main challenges to the stability [22].

According to European Commission [23], conflicts over status issues, at Kosovo and Bosnia and Herzegovina continue to hamper the normal functioning of institutions in these countries. This has hindered the development of the initiative known as the Open Balkans, which was an initiative of Albania, Serbia and Northern Macedonia. The initiative will guarantee the free movement of people, goods and services. Due to political problems with Serbia, Kosovo, Bosnia and Herzegovina and Montenegro have not joined the initiative [24, 25].

These unsolved problems must be resolved in order to establish permanent peace. One such challenge is the Kosovo-Serbia dialogue. The dialogue between Kosovo and Serbia is not over yet, and disputes are hampering the establishment of normalcy [26]. Russia invasion of Ukraine is the best example that all political-economic disputes should be resolved as soon as possible in order to have long-term political and economic stability.

Compared to other countries of the Western Balkans, Kosovo is more specific in terms of EU integration and regional cooperation. After 1999, the EU helped Kosovo tremendously in its economic and infrastructural recovery. A country emerging from war was in dire need of economic recovery and proper political organization [27]. The EU institutions assisted Kosovo through the European Community Assistance (CARDS) and the Instrument for Pre-Accession Assistance (IPA).

The problems faced by Kosovo can be summarized in several points: From the regional countries, Serbia and Bosnia and Herzegovina do not recognize the state of Kosovo. While from the EU countries, Greece, Slovakia, Cyprus, Romania and Spain do not recognize the state of Kosovo. Kosovo is not a member of the UN, the Council of Europe and NATO. Also, Kosovo is the only country in the Balkans that does not have

visa liberalization. Despite free trade agreements and other benefits offered by the EU, these problems make Kosovo's path to EU integration very difficult.

### 3. CEFTA AND TRADE INTEGRATION OF THE WESTERN BALKANS

CEFTA 2006, is a comprehensive free trade agreement which aims to liberalize trade. CEFTA enables the immediate liberalization of the market with industrial products and the gradual liberalization of the trade of agricultural goods. This agreement also addresses various non-tariff barriers, then addresses investments, services, public procurement and intellectual property rights. Significant liberalization of trade in services has been achieved. The Agreement entered into force in 1994. Slovenia joined CEFTA, followed by Romania, Bulgaria, Croatia, and North Macedonia in 2006. CEFTA membership ends once a country joins the EU because the founding countries joined the EU, it was decided to expand CEFTA to Albania, Bosnia & Herzegovina, Montenegro, Serbia and Kosovo [28].

The CEFTA agreement aims to facilitate trade in goods and services between the countries of South-Eastern and Central Europe, and to eliminate all barriers that inhibit the growth of trade volumes between the countries. The CEFTA Secretariat monitors non-tariff measures in this region. Annual reports on the main trade barriers between CEFTA countries are prepared with the aim of addressing and resolving these barriers. The legal basis is defined in CEFTA and in the instruments deriving from the Additional Protocols on Trade Facilitation and in Trade in Services, agreements on mutual recognition of professional qualifications, on electronic signature certificates and facilitation of cross-border certification services, regional arrangements on cooperation between regulatory authorities responsible for services, strengthened by more efficient and effective dispute resolution procedures and monitoring mechanism for its full implementation [29].

Even today there are cases when different businesses encounter direct or indirect barriers in the trade they do in different countries. This is as a result of the lack of mutual recognition of certificates and test reports. The agreements have not been implemented, as the signatory countries do not exchange the list of laboratories. Various members of CEFTA have imposed tariff and non-tariff barriers on other members of the bloc, mainly to protect their domestic products, but also as a result of reciprocity that the imposition of barriers by one state has encouraged other member states. The establishment of barriers within the CEFTA bloc is also possible due to the flexibility that exists in the CEFTA agreement. This prevents true free trade. The CEFTA allows a lot of room for interpretation and is not at all "conservative" in the protection of free trade, but allows the members that in case of application of a barrier unilaterally they stay for a while until the members solve problems bilaterally. As a result, within the period 2008-2012 there were many cases, especially with Kosovo, when different countries applied different barriers, which were not necessarily in every aspect contrary to the CEFTA agreement [30].

In 2008, Serbia and Bosnia and Herzegovina did not allow Kosovar exports to circulate in their territory due to political disputes because these two states did not and still do not accept Kosovo's independence. This action greatly damaged the Kosovar exporters. Kosovo was represented in CEFTA

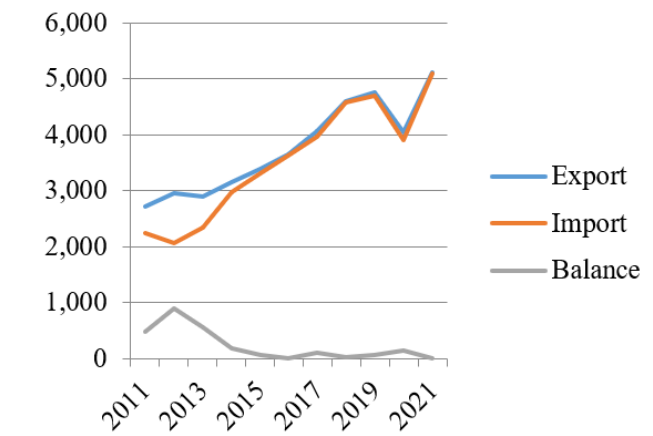
through the UNMIK mission. In 2011, the Kosovar authorities imposed the same measures for exporters from Serbia and Bosnia and Herzegovina [31]. There were similar blocking practices by the authorities of North Macedonia and Albania towards Kosovar products. Simply, these countries, despite being in CEFTA, did not sufficiently respect the principles of free trade and regional cooperation for the benefit of the region.

Given the technical nature of non-tariff barriers, their elimination on a multilateral basis has been relatively slow. Coordination actions should be taken around three dimensions: Technical Barriers to Trade, Sanitary and Phytosanitary Measures, and Administrative Barriers [32]. Balkan countries have historically been more cooperative in combating other countries outside the region, even other countries within this region, than in cooperating in enhancing trade, improving neighborliness or enhancing overall well-being. Therefore, unlike other regions in Europe, a hostility mentality has always prevailed in this region rather than an environment that stimulates the cooperation.

### 4. EU STABILIZATION AND ASSOCIATION AGREEMENTS WITH THE WESTERN BALKANS

Stabilization and Association Agreements (SAAs) have been signed with all Western Balkan countries. The SAAs were signed between 2001-2016. These agreements provide a legal instrument for the approximation of the laws with those of the EU and help the integration of these countries into the EU. With the exception of Kosovo, where the SAA entered into force directly, the entry into force of the SAA in other countries was preceded by the entry into force of the Interim Agreements covering trade matters [33]. How much the SAA has had an impact on the growth of trade exchanges between the EU and this region will be taken into account the ten-year period from 2011 to 2021, because most of the SAAs with the region have been signed by year 2001 onwards therefore this period will be the best indicator of the development of trade liberalization as a result of the SAA.

North Macedonia is the first country in the Western Balkans region to sign the SAA. This agreement between the EU and North Macedonia was signed in 2001 and entered into force in 2004 [34]. As can be seen from Figure 1, North Macedonia's exports have increased since the start of the SAA, but EU exports to North Macedonia have increased more than this country's exports to the EU.

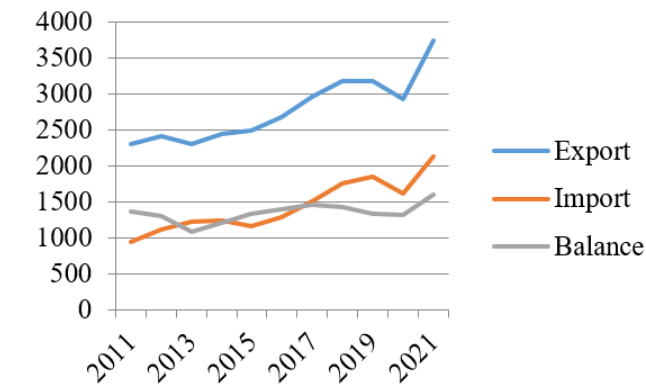


Source: European Commission [35]

**Figure 1.** EU-north Macedonia trade 2011-2021 in Euros (Millions)

So despite the increase in the level of North Macedonia's exports to the EU, this country has a high trade deficit with the EU. As in other countries, in North Macedonia the production base is not enough to significantly increase the level of exports to the EU.

Albania was the second country in the region to sign an SAA with the EU in 2006. Whereas in 2009 this agreement entered into force and with its entry into force, trade between the EU and Albania was completely liberalized. As can be seen from the Figure 2 during the ten-year period, there was an increase in Albania's exports to the EU, but also, in the case of Albania, EU imports dominated over Albania's exports.

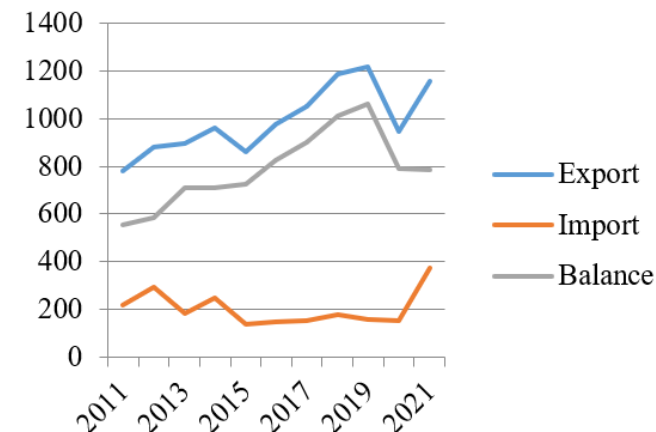


Source: European Commission [36]

**Figure 2.** EU-Albania trade, 2011-2021 in Millions Euros

According to Zahariadis [37], Albania as a result of Autonomous Trade Preferences has benefited from trade liberalization with the EU. These trade preferences the EU had offered to Albania since 1999. Therefore, Albania also lacks a production base which would increase the level of exports to the EU.

Montenegro signed the SAA in 2007, and this agreement entered into force in 2010. Despite the increase in the level of exports after 2010, the deficit of Montenegro did not improve [38]. Figure 3 shows that Montenegro's imports have not declined during this ten-year period, while the SAA and free trade between this country and the EU have not brought miracles to this country's economy.



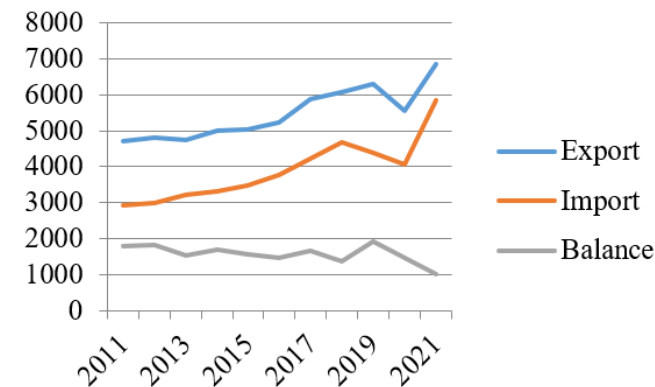
Source: European Commission [39].

**Figure 3.** EU-Montenegro trade, 2011-2021 in million Euros

Despite the trade deficit, Montenegro has benefited greatly from foreign direct investment. According to Bjelić and Dragutinović-Mitrović [40], Montenegro has marked positive trends in tourism, in the real estate sector where many

companies from the EU have invested in this coastal country.

In 2008, the SAA was signed between Bosnia and Herzegovina and the EU, and entered into force in 2015. Prior to the SAA, there was an Interim Trade Agreement between Bosnia and the EU. This interim agreement was implemented until 2015, and this year the SAA started to be implemented instead of this agreement. Figure 4 shows the level of trade between the EU and Bosnia and Herzegovina.

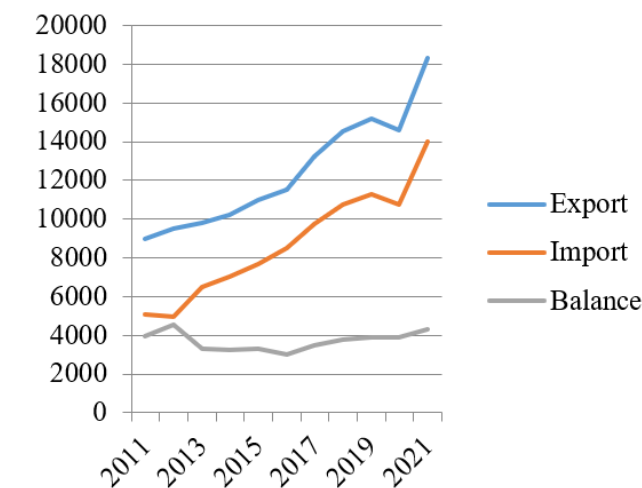


Source: European Commission [41]

**Figure 4.** EU-Bosnia and Herzegovina Trade, 2011-2021 in Million Euros

This figure shows that this country's exports to the EU are low compared to EU imports to this country. According to Jerinić [42], like other countries of this region, Bosnia and Herzegovina also lacks a production base, simply the level of local production is not satisfactory. Bosnia and Herzegovina as well as Kosovo still have ethnic and political problems, so this has been one more reason that these two countries have not been completely stabilized both economically and politically. Therefore, the SAA in Bosnia and Herzegovina has not increased the exports and production level of this country.

Before having the SAA with the EU, Serbia had the interim trade agreement with the EU. In 2008, the SAA was signed between Serbia and the EU. Holzner and Ivanić [43] claim that Serbia, specifically Serbia exports, benefited greatly from the Autonomous Trade Measures that the EU offered to Serbian companies. Therefore, during this period, there was an increase in Serbian exports to the EU. Figure 5 shows the level of trade between the EU and Serbia over the ten-year period.

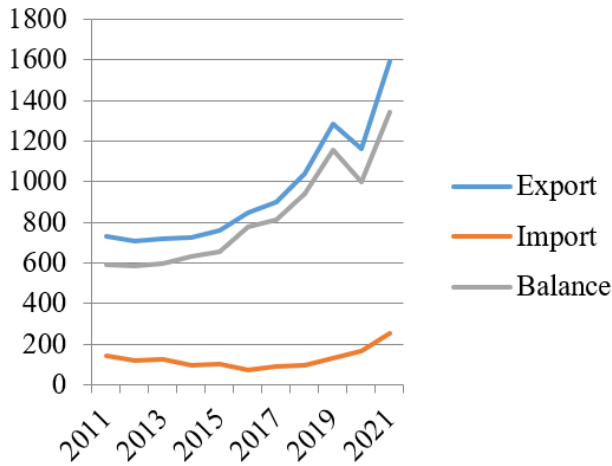


Source: European Commission [44]

**Figure 5.** EU-Serbia trade, 2011-2021 in Million Euros

According to European Movement in Serbia [45], as for other countries in this region, Serbia did not provide economic development and high economic welfare for Serbia, but obliged the state authorities to be disciplined in various fields and to expand regional cooperation. These countries can not join the EU without resolving disputes of a political and historical nature as well as without implementing the obligations and obligations arising from free trade agreements such as CEFTA and the SAA.

Figure 6 shows the trade exchanges between the EU and Kosovo. From this graph it can be understood that even in the case of Kosovo, EU exports dominate over those of Kosovo.



Source: European Commission [46]

**Figure 6.** EU-Kosovo trade, 2011-2021 in Million Euros

Gashi [47]; Gashi and Pugh [48]; Jusufi and Bellaqa [49]; Qorraj and Jusufi [50] emphasize in their research that in Kosovo, the weak production base prevents the increase of trade volume in the trade between the EU and this country. Therefore, with the current capacities, it is impossible to raise the level of exports of Kosovar products. Therefore, like other EU countries, Kosovo can also benefit from the SAA from the legal aspect where the rules, the various laws related to trade and trade volumes will be harmonized.

## 5. METHODOLOGY

The statistical method used in this research is the Analysis Panel. The panel data are for the six countries of the Western Balkans and are for the ten-year period 2011-2021. According to Park [51]; Gashi et al. [52] the panel model has more variability and enables different variables to be analyzed. The data are balanced and not unbalanced. A model is as follow:

$$X_{it}, i=1, \dots, N, t=1, \dots, T \quad (1)$$

**Table 1.** Estimation results for western Balkan export model

	NM	AL	MN	BH	SR	KO
GDP of country (i)	0.1301***	0.1662***	-0.0781	0.0518**	0.2183***	0.1319***
GDP of country (j)	0.0251***	0.0898***	-0.0104	0.0746***	0.0610***	0.0508***
Distance between country (i) and (j)	0.2494***	-0.1101***	0.2363***	-0.0785***	0.3154***	-0.0862***
Diaspora	0.0481***	0.0209*	-0.0188**	0.1049***	0.1481***	0.1677***
Border	-0.0142	-0.0125	0.0336	0.0737***	-0.0172***	-
Observations	10	10	10	10	10	10

p=0.01\*\*\*, p=0.05\*\*, p=0.1\*

The  $i$  is the country element and  $t$  is the time element. The gravity model is the most widely used model in foreign trade in analyzing the impact of FTAs in a country. According to this model, foreign trade between the two countries is greatly influenced by the GDP of these countries, the geographical distance between their capitals, the common language, the diaspora, etc. [53]. Similar variables were also used by Jusufi and Ukaj [54] who applied the gravity model to trade exchanges between Turkey and the Western Balkans. There is applied the gravity model:

$$\text{trade} = \frac{\text{Bilateral GDP of country } i * \text{GDP of country } j}{\text{Distance between capitals of country } i \text{ and } j} \quad (2)$$

**between country i and j**

In the model, country (i) is Western Balkans; country (j) is EU. In the first model, the dependent variable represents Natural Logarithm of Western Balkan countries exports to the EU. In the second model, the dependent variable represents Natural Logarithm of Western Balkan countries imports from the EU.

$$\text{LogExport}_{ij} = \beta_0 + \beta_1 \log \text{GDP}_i + \beta_2 \log \text{GDP}_j + \beta_3 \log \text{Distance}_{ij} + \beta_4 \text{Diaspora} + \beta_5 \text{Border} \quad (3)$$

$$\text{LogImport}_{ij} = \beta_0 + \beta_1 \log \text{GDP}_i + \beta_2 \log \text{GDP}_j + \beta_3 \log \text{Distance}_{ij} + \beta_4 \text{Diaspora} + \beta_5 \text{Border} \quad (4)$$

$\beta_0 \dots \beta_5$  are parameters which, after transforming the variables into natural logarithms (log), measure constant elasticity. The variables are the GDP of Western Balkans and EU, the distance between capitals, Diaspora of the Western Balkan countries in the five most important EU countries (Germany, France, Austria, Italy and Belgium), the borders represent the countries of the Western Balkans bordering the EU (Serbia, Montenegro, Bosnia and Herzegovina, North Macedonia).

Export and import statistics are provided by European Commission publications, while GDP data are provided by the World Bank. The Beck-Katz [55] method is applied to estimate the gravity model used in this research. Data related to GDP, distance, borders, diaspora were processed in the SPSS statistical program according to the above equations and the results are presented in the Tables 1 and 2.

In both models, GDP (excluding Montenegro) is significant. Thus, with the increase of GDP, the trade volume between the EU and the countries of the Western Balkans increases. According to these statistics, it should be emphasized that the rapid positive impact of FTAs in the Western Balkan countries can not be expected because these countries have average economic size, their GDP especially after crises like that of COVIDIT-19, and the war in Ukraine, is not expected to have solid growth.

**Table 2.** Estimation results for western Balkan import model

	NM	AL	MN	BH	SR	KO
GDP of country (i)	0.0417*	0.1150***	-0.0519	0.0762***	0.0251***	0.0432
GDP of country (j)	0.0761***	-0.0062	0.1319***	-0.0423***	0.0074	-0.0129
Distance between country (i) and (j)	-0.1017***	-0.0003**	-0.0708***	-0.0586***	0.0211***	0.0419***
Diaspora	0.1171	0.0312*	0.0409	0.0496**	0.0116	0.0292*
Border	0.0662***	0.1303***	-0.1034***	-0.0154***	-0.1119***	-
Observations	10	10	10	10	10	10

p=0.01\*\*\*, p=0.05\*\*, p=0.1\*

Geographical distance is also significant in most countries, and even negative in some. So with the increase of the geographical distance between the countries, the trade volume decreases. However, with the reduction of the geographical distance, the probabilities for increase of the trade volume are greater. Diaspora is a very important variable, which in the first model or in the export model of the Western Balkans is significant. In those EU countries where the diaspora of the Western Balkan countries exists and is well consolidated, the likelihood of increased exports from this region is much higher. So the diaspora greatly influences the increase of trade volume.

Regarding the impact of borders, it can be said that in the first model of exports of the Western Balkan countries to the EU, except in the case of Serbia and Bosnia and Herzegovina this variable is significant, while in the second model of EU imports to countries of the Western Balkans, in most cases this variable is significant. Since Kosovo is not bordered by any of the EU countries, this variable has no value. So the border does not greatly affect the growth of exports of the Western Balkans to the EU, while it does have a significant impact on the growth of EU exports to the countries of the Western Balkans.

## 6. CONCLUSIONS

The states of the Western Balkans have minimal initiatives for cooperation without intermediaries or third parties. The programs, mechanisms and instruments of the EU and other organizations have influenced the increase of political and economic cooperation between these states. Any effort to increase the intensity of regional cooperation in the WBs means ease to meet the standards, to increase competitiveness in the European market, for the movement of people as well as to attract the region for foreign direct investment.

Sources of literature of various authors claim that trade liberalization affects the overall socio-economic development especially for countries that have a comparative advantage, while there are various sources that show the opposite. As understood above, the countries of the Western Balkans have been part of trade agreements since 2000, such as CEFTA and the SAA. However, the statistics provided and the results of the gravity model show that these agreements have not significantly increased the well-being of the population, the growth of GDP, etc. On the contrary, these agreements have opened the market of the Western Balkans to products of EU origin. It can therefore be argued that the SAA and CEFTA have had an impact on regional cooperation and the approximation of these countries to EU standards. These agreements, in particular the SAA, have obliged these countries to develop regional cooperation regardless of their wishes and preferences. In short, these agreements have provided more political than economic stability.

Trade liberalization is not a sufficient instrument to provide economic growth, as exports have not been enough to reduce

the trade deficit with the EU. It can be asserted that the free trade agreements between the countries of the Western Balkans and the EU are not sufficient to increase the trade volume for the benefit of this region, since the qualitative product that would be exported and liked by the citizens of the EU is missing. During the nineties, most of the industries of these countries have suffered destruction and loss of the international market and, as a result, the loss of the quality of the products that were once exported to the EU. Despite this, these agreements have provided opportunities for the countries of the Western Balkans to advance their legal framework. Alignment of laws, especially those in the field of trade, with those of the EU is a good opportunity to modernize the legal system of these countries.

Regarding the future research directions and limitations of this paper it can be affirmed that future research should be done with the aim of researching the wider effects of regional cooperation and free trade agreements on economic indicators such as FDI, GDPs growth, etc. While the main limitation of this research is the small number of variables, future studies should include more variables that would provide more detailed information about the effects of trade liberalization on many socio-economic indicators of these countries.

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