

THE STABILIZATION AND ASSOCIATION AGREEMENTS IN THE WESTERN BALKANS AS A TOOL FOR TRADE PROMOTION AND REGIONAL RECONCILIATION

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Abstract

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The purpose of this paper is to analyze the impact of the Stabilization and Association Agreement (SAA) on the economic development of the Western Balkans. The basic aim of this agreement was the economic development of the countries of this region. Many firms would benefit from trade and contractual relationships with the European Union (EU). The methodology used is the gravity model, which predicts bilateral trade flows based on the economic sizes and distance between the EU and the Western Balkans. The model has been used in international relations to evaluate the impact of treaties on trade, and it has been used to test the effectiveness of trade agreements on the economy. Statistics of export, import, economic growth, etc. have been provided for a ten-year period 2007–2017. This paper is based on the research of Qorraj (2016), Qorraj and Jusufi (2018), and Leka et al. (2022). The relevance of the paper depends on that, within the ten years, there was no significant increase in the exports of these countries to the EU market. This paper concludes that the SAA has not ensured the export growth of these countries because products originating from this region are not competitive in the EU market, EU exports to this region have increased more than the other way around.

Keywords: Stabilization and Association Agreement, SAA, Trade (Economic) Promotion, Regional Reconciliation, EU, Western Balkans

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1. INTRODUCTION

For the countries of the Western Balkans, the process of transformation from a planned economy to a free market economy has been quite difficult. The major economic problems facing the economies of these countries are quite complex. Historically, the Western Balkans or Southeast Europe has been among the least developed regions of the European continent (Qorraj, 2018; Krasniqi & Jusufi, 2022). In addition to the damage caused by

the centralist economy, the unfavorable geographical location of this region or the far geographical distance from the important western markets, the lack of institutional development had a rather negative impact on the economic and political processes during the nineties (Jusufi et al., 2020; Krasniqi et al., 2022).

Some of the countries in this region have not yet overcome the prolonged economic and political transition. The economies of the countries of the Western Balkans have lagged behind other

countries of the European continent. They have not even managed to approach the countries of Eastern Europe. The characteristics of the transition in these countries were: great economic recession, drop in the level of gross domestic product (GDP), increase in the level of unemployment, and increase in the level of inflation (European Bank for Reconstruction and Development [EBRD], 2006).

The Western Balkans region, which consists of countries such as North Macedonia, Bosnia and Herzegovina, Albania, Serbia, Montenegro, and Kosovo, has faced many challenges both economically, politically, and culturally. Therefore, political, social, and economic reforms in these countries have taken a long time to be implemented. The European Union (EU) is the biggest supporter of these states, which has institutionally supported the economic, ethnic, and political stability of this region. Long-term peace, inter-ethnic reconciliation, and economic development in the Western Balkans are in the interest of all parties in the international arena (Leka et al., 2022).

Trade liberalization for the countries of this region is not a sufficient condition for economic development, due to the limited economic capacities of these countries. According to Qorraaj (2010), the Central European Free Trade Agreement (CEFTA) 2006 was the first practical step to measure regional cooperation in the Western Balkan region. With CEFTA in place, countries tried to adopt European standards for production and trade. But despite this, Schiff and Winters (2003), Kaminski and Rocha (2003), Trivić and Klimczak (2015), Jusufi and Bellaqa (2019) have reported that regional trade agreements have not been effective for the economic development of this problematic region.

The Stabilization and Association Agreement (SAA) represents both the economic-commercial and political relationship between the EU and the Western Balkans. These agreements are drawn up based on the political and economic situation of each country. These agreements provide institutional support for the implementation of the economic and political integration path in the EU, strengthening economic and institutional relations with EU institutions.

This agreement obliges the countries of the Western Balkans to accelerate economic and institutional reforms. This aligns them with the EU *acquis*. According to Hashani et al. (2018), even though the EU is the main commercial and economic partner of the Western Balkans, most of the countries in this region have a trade deficit in trade with EU countries. Consequently, the firms of the Western Balkans have not fully utilized the opportunities of the SAA. After 20 years of prolonged transition, improvements in economic indicators are promising, but unfortunately some of these countries, such as Kosovo and Bosnia and Herzegovina, still face economic difficulties.

In particular, trade performance is not at all favorable because trade imbalances are disrupting the economic system of all regional countries. Even in these countries, as in other countries of the socialist bloc, with the capitulation of the communist regimes, the volume of international trade, especially imports, increased (Osmani et al., 2022). This imbalance, along with the political and economic instability of these countries, burdened

the lives of citizens, so that even after so many years of the end of conflicts and ethnic tensions, migration continues to be an unhealed wound for the societies of these countries (Jusufi & Ukaj, 2020).

The literature gap lies in the fact that there are not enough sources that have dealt in detail with the impact of the SAA on the economic development and regional cooperation of these countries. A limited number of sources have addressed this issue. The research aims of this paper can be gathered by analyzing the economic impact of the SAA in the countries of the Western Balkans, analyzing the political and legal impact of this agreement in the countries of the Western Balkans, etc. The theoretical/conceptual framework applied is based on the statistical indicators of exports and imports of these countries, as well as the construction of the econometric model based on these indicators. The relevance and significance of the study are based on the elaboration of a topic that is still current in European integration studies. So economic development and inter-ethnic reconciliation in the Western Balkans region. The research methodology used is based on the econometric model of gravity.

The structure of this paper is as follows. Section 1 is the introduction. Section 2 reviews the relevant literature. Here are provided sources of literature related to the impact of Free Trade Agreements on increasing the level of exports. Also, in this section, chronological data and statistics are provided regarding the SAAs of the Western Balkan countries. Based on these data, the hypotheses of this paper have also been presented. Section 3 analyzes the research methodology that has been used to conduct empirical research, which is the gravity model of trade. Section 4 presents the results. Section 5 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

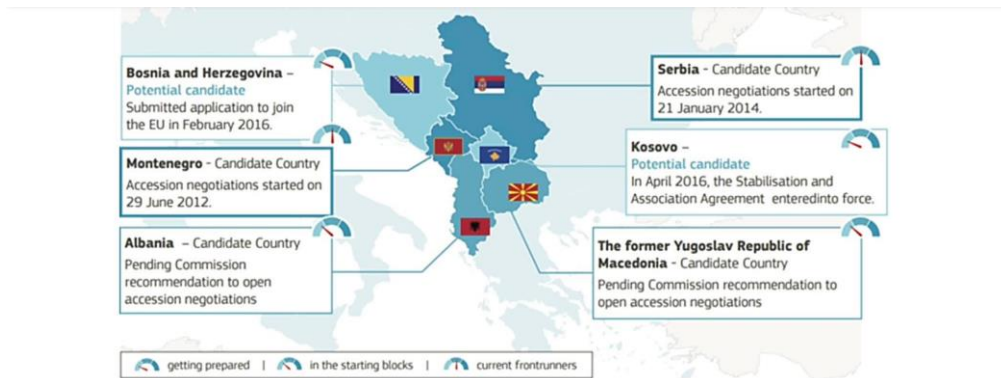
After 2000, the Free Trade Agreements (FTAs) had a positive effect on the small increase in the level of exports of these countries, as well as on institutional discipline. The papers of various authors such as Sanfey et al. (2004), Paszkiewicz (2012), and Jusufi and Bellaqa (2019), confirm that trade between the countries of this region continues to remain at low levels. Therefore, to increase the trade volume between these countries and the countries of the Western Balkans of the EU, the EU has initiated many commercial and economic cooperation initiatives. The Stability Pact should be strengthened here. From this pact, several Free Trade Agreements were created in the Western Balkans region. According to these authors such as Wakelin (1998) and Bleaney and Wakelin (2002), the availability of resources and lower transaction costs affect the exportability of large firms relative to small ones. However, some authors such as Mills and Schumann (1985) claim that small firms perform better in foreign markets because of their inherent commitment to flexibility.

Within the SAA, the EU launched various instruments to facilitate trade with the countries of the Western Balkans (Jusufi et al., 2022). All SAAs with these countries were signed during the period 2001–2015, starting with North Macedonia and

ending with Kosovo. These agreements encourage the growth of trade volume between the EU and these countries, as well as the economic and political stability of the region. Before the SAA, the EU

established Interim Agreements between the EU and the Western Balkan countries, eliminating most of the restrictions (European Commission, 2018).

Figure 1. Prospective European Union members in the Western Balkans



Source: Nezirović et al. (2022).

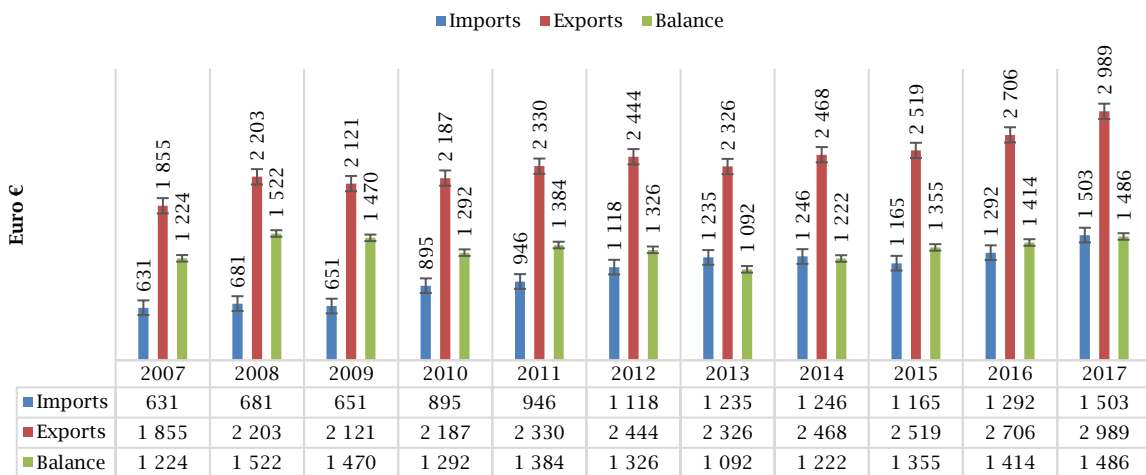
Below statistical data related to the impact of the SAA on the trade relations of these countries will be presented.

2.1. North Macedonia

It can be affirmed that despite the great expectations that after the signing of the Prespa Agreement, the integration of North Macedonia into the EU would be accelerated, this process was not accelerated due to various political obstacles (Secretariat for European Affairs of Macedonia [SEA],

2014). The relations or partnerships between the EU and North Macedonia are in accordance with the SEA, which was signed in 2001. This agreement entered into force on March 20, 2004. The main instrument of the integration of the countries of the Western Balkans into the EU, and also of the enlargement of the EU towards the Western Balkans is the SAA. Before the SAA, an Interim Trade Agreement was implemented which entered into force in 2001. It can be said that the SAA is the continuation of this agreement which aims to liberalize trade between North Macedonia and the EU.

Figure 2. The European Union-North Macedonia trade for 2007-2017, in euros (millions)



Source: European Commission (2018e).

Figure 2 shows the EU exports to North Macedonia and EU imports from North Macedonia. Like other Western Balkan countries, North Macedonia's main partner in international trade is the EU so the SAA had a positive impact on the cumulative foreign trade between the EU and North Macedonia. The growth of commercial activities in North Macedonia could not be attributed only to the development and expansion of local firms in this country. Foreign direct investments (FDI) had a positive impact on increasing the level of

exports and imports. It should be emphasized that since 2010, the level of FDI in the production sector, especially in the automobile industry, has increased significantly. This influenced the change in the structure of exports and imports, where products with higher added value took a special place in exports and imports. The free access to the EU market offered by the SAA positively influenced investors. Likewise, the national treatment of firms based on reciprocity, implying the simplification of capital flows and key personnel in relation to FDI,

was an advantage that the SAA offered to North Macedonia (Tosevska-Trpcevska, 2007; Gogova Samonikov & Veselinova, 2013; Mojsovska, 2021).

According to these literature sources, the first hypothesis of this paper can be formulated:

H1: The SAA has influenced the growth of North Macedonia's exports to the EU.

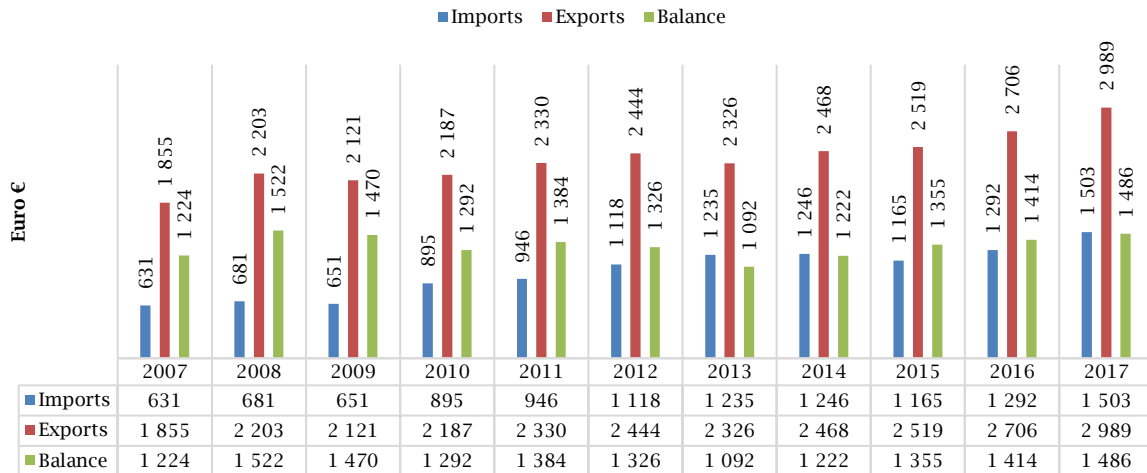
2.2. Albania

During the negotiations for the signing of the SAA between Albania and the EU, all the details of various fields, such as political, economic, commercial, institutional, legislative, environmental, and cooperative relations, were discussed. Like other SAAs, the SAA of Albania includes areas such as labor movement, political dialogue, regional cooperation, right of establishment, provision of services and movement of capital, approximation of legislation, implementation of law, and regulations of compliance with EU standards. Also, this

contractual agreement includes areas that are in the interest of both parties, such as the fight against crime, justice, and internal affairs, the effectiveness of the police and other anti-criminal agencies, cooperation policies, financial cooperation, etc.

The creation of special joint structures between Albania and the EU is foreseen in the SAA. These structures will control the step-by-step implementation of this agreement. The functioning of a state based on the rule of law and well-structured democratic institutions represents the basic condition that is required to be realized by Albanian institutions. These are essential because the SAA is not properly implemented and the integration of Albania into the EU is delayed, in case there is no effective civil administration, effective executive and legislative institutions of justice, and other areas that lead to media and non-governmental organizations that act and disseminate the European norm (Zahariadis, 2007; Tepshi & Qafa, 2015).

Figure 3. The European Union-Albania trade for 2007–2017, in euros (millions)



Source: European Commission (2018a).

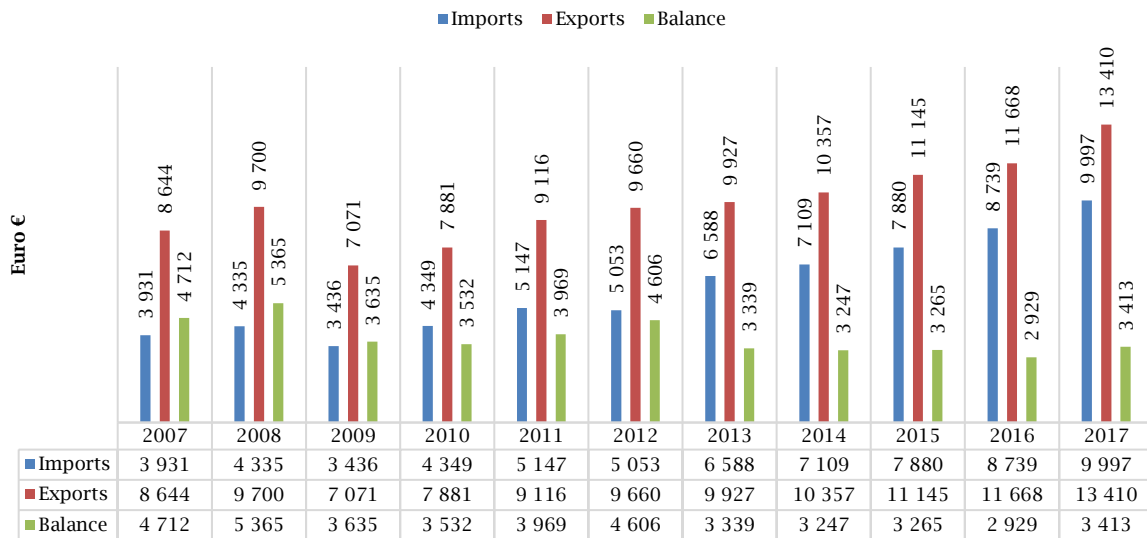
The SAA was initialized in 2006 in the capital of Albania in Tirana, and then on June 12, 2006, in Luxembourg, the Council of General Affairs and Foreign Relations signed the SAA and the Interim Agreement on Trade and Trade Affairs. In July 2006, the Assembly of the Republic of Albania ratified the Interim Agreement between Albania and the EU on trade and commerce matters, and also the SAA between Albania and the EU. In September 2006, the European Parliament voted the resolution for the ratification of the SAA, an action that accelerated the ratification of the SAA by the EU. In December 2006, the Interim Agreement on Trade and Trade Matters between Albania and the EU entered into force. Meanwhile, in April 2009, the SAA entered into force (Sina & Vasjari, 2013). Figure 3 shows that Albania's exports grew slowly in 2007, 2008, and 2009. In 2009, due to the crisis that affected all EU countries, especially Italy and Greece, Albania's main trading partners, there was a significant decline in the country's exports to the EU. From 2010 onwards, there was an increase in the flow of trade towards the EU; however, EU imports always surpassed Albanian exports, which further deepened the trade deficit.

According to these literature sources, the second hypothesis of this paper can be formulated:

H2: The SAA has influenced the growth of Albania's exports to the EU.

2.3. Montenegro

As in other countries of the former Yugoslavia, in Montenegro too, the transition began with a period of economic recession. Unlike the countries of Central and Eastern Europe, the transition in the countries of the former Yugoslavia was characterized by a process of disintegration of the common market, and destruction of the federation, ultimately resulting in war between peoples. Compared to other countries of this federation, Montenegro was more seriously affected by the breakup of Yugoslavia and Yugoslavia's lost market for its exports (Djurovic & Lajh, 2020). Montenegro signed the SAA on October 15, 2007, and entered into force in 2010. Despite an increase in exports after signing the agreement, Montenegro has had a constant deficit in the foreign trade of goods.

Figure 4. The European Union-Montenegro trade for 2007–2017, in euros (millions)

Source: European Commission (2018d).

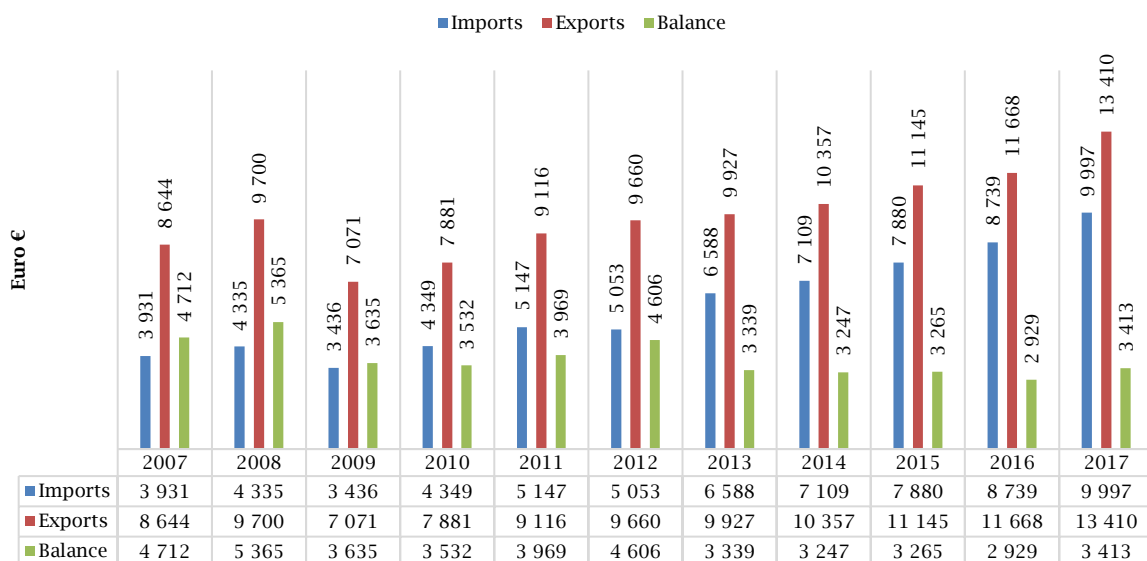
Figure 4 shows the trade relationship between the EU and Montenegro, respectively exports and imports (Bjelić & Dragutinović-Mitrović, 2012). The discrepancy between Montenegro's and EU trade flows was relatively low from 2009 to 2011 and increased in 2012 and 2013 (Montenegro Statistical Office, 2015). The trade deficit dropped in 2013 and remained relatively low until 2017 (European Commission, 2018). The FDI trend had a positive effect on economic growth, as FDI was the main driver of this country's economic development (Fabris et al., 2008; Gardašević, 2018).

According to these literature sources, the third hypothesis of this paper can be formulated:

H3: The SAA has influenced the growth of Montenegro's exports to the EU.

2.4. Bosnia and Herzegovina

In 2005, the process of integration and membership of Bosnia-Herzegovina in the EU began, with the opening of negotiations for the signing of the SAA. Then in its assessments, the European Commission asserted that Bosnia and Herzegovina had made significant progress in implementing the required reforms. The SAA negotiations were concluded in 2006. The SAA between the EU and Bosnia and Herzegovina was signed in 2008, together with the Interim Agreement on Trade and Trade-related Affairs. Meanwhile, in June 2015, the SAA between the EU and Bosnia and Herzegovina entered into force (Maletić & Kandžija, 2017).

Figure 5. The European Union-Bosnia and Herzegovina trade for 2007–2017, in euros (million)

Source: European Commission (2018b).

Figure 5 shows trade relations between the EU and Bosnia and Herzegovina. Based on the European Commission (2023b), Bosnia and Herzegovina faced trade imbalances; high imports kept the trade deficit at 23.6% of GDP in 2017. Transfer inflows, such as remittances largely fund the considerable trade deficit. As the EU market is more competitive rather than the Bosnia and Herzegovina economy, and the adverse impact of trade liberalization as a result of the SAA appeared quickly, the positive effects could be achieved in the long run (Jerinić, 2017). The ethnically and administratively divided status of Bosnia and Herzegovina has prevented unified economic space; therefore, trade with the surrounding regions replaced the desired effect of “trade creation” among entities. Private sector investments and political and social development

are essential for the Bosnian economy (The Portland Trust, 2009).

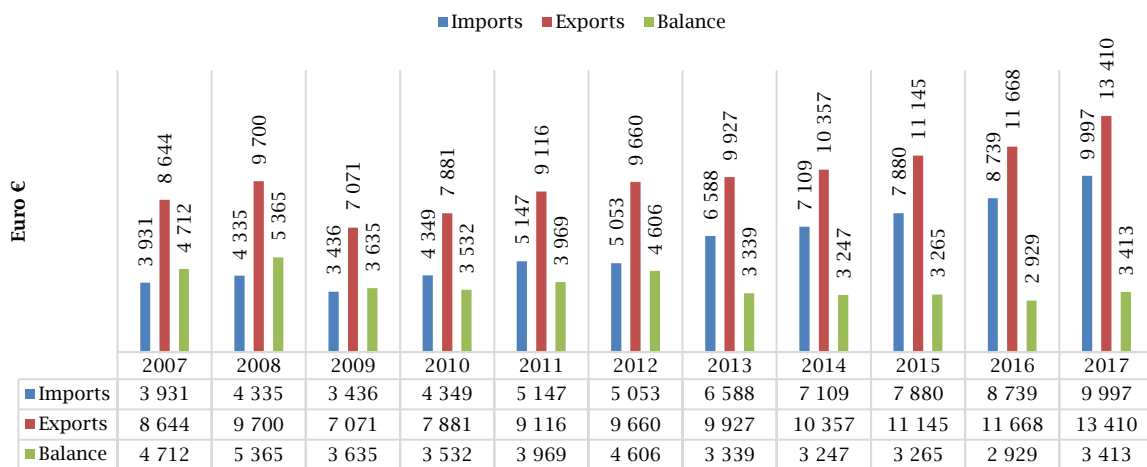
According to these literature sources, the fourth hypothesis of this paper can be formulated:

H4: The SAA has influenced the growth of Bosnia's exports to the EU.

2.5. Serbia

Serbia holds the key to providing peace and stability to the entire region. Serbia still struggles to find her place in Europe. After 2000, due to the Autonomous Trade Measures, the trade balance between Serbia and the EU marked a positive trend, so most of the trade benefits for Serbia were realized through these measures (Stahl, 2011; Holzner & Ivanić, 2012; Bjelić & Dragutinović Mitrović, 2012).

Figure 6. The European Union-Serbia trade for 2007-2017, in euros (million)



Source: European Commission (2018f).

Serbia signed the SAA and it entered into force in 2013. Compared to other regional countries, Serbia has had a greater increase in investment. Serbia has a low competitive position in the international market, so there were no significant benefits from this agreement. This agreement also affected Serbia's inter-ethnic and regional reconciliation with neighboring countries and peoples (Hashani et al., 2018; Grieveson et al., 2021; Zylfiu & Leka, 2023).

According to these literature sources, the fifth hypothesis of this paper can be formulated:

H5: The SAA has influenced the growth of Serbia's exports to the EU.

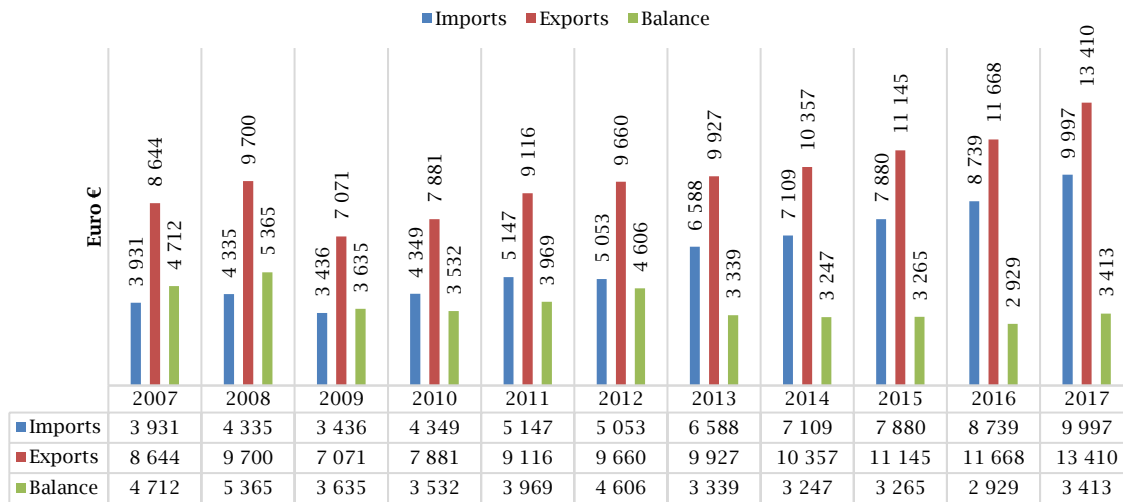
2.6. Kosovo

As the last country in the region, Kosovo signed the agreement in October 2015 and began implementing the agreement in 2016. By signing it, Kosovo signed a contractual agreement with the EU for the first time. Kosovo did not realize significant economic benefits from its trade liberalization with the EU (Van Elsuwege, 2017; Qorraj & Jusufi, 2019; Qorraj et al., 2022).

However, the SAA provided an additional trade framework for Kosovo and the opportunity for further cooperation with the EU. It then proceeded to fulfill its obligations stemming from the SAA, such as the approximation of legislation and trade issues. According to Qorraj and Jusufi (2018), the main conditions to benefit from free trade, SAA and other EU instruments are as follows comparative advantages, increased local firms' production capabilities, financial support for firms, implementation of different market reforms, and finally use more effectively opportunities coming from the EU.

Of all the countries of the Western Balkans, Kosovo is more specific because, in addition to still having regional problems of a political nature, it has inherited an economy ruined by the former socialist system of Yugoslavia. The Socialist system of Yugoslavia (self-managing market socialism) was a system between the free market and the Soviet central planning system (Gashi, 2007). Production and exchange were managed by market forces, while the socialist element had to do with the ownership structure. So the system of Yugoslavia differed from other systems of communist or eastern countries (Lydall, 1989; Estrin, 1991).

Figure 7. The European Union-Kosovo trade for 2007–2017, in euros (millions)



Source: European Commission (2018c).

The ownership of the assets was owned by the company. However, company employees had a key role in the decision-making structures of their companies. The liberal economy continued until the end of the seventies of the last century. Then, the mechanisms were removed and the free activity of enterprises was abolished. The market forces of the Yugoslav economy were gradually replaced by the increasing intervention of the Yugoslav government of the time (Gashi, 2007; Bunjaku et al., 2023).

In the eighties, the Yugoslav economy was in a state of stagnation. Inflation became a major issue reaching triple digits and even reaching hyperinflation levels in the late eighties. Yugoslavia's main exporting countries were developed regions such as Slovenia, Serbia, and Croatia. Of all the Yugoslav republics, Slovenia has been the most export-oriented, with 15% of total sales. Therefore, with a weak inherited economy, Kosovo has had a very difficult time developing export activities (Hasani & Beqaj, 2023; Bajraliu & Qorraj, 2023).

According to these literature sources, the sixth hypothesis of this paper can be formulated:

H6: The SAA has influenced the growth of Kosovo's exports to the EU.

3. RESEARCH METHODOLOGY

The methodology respectively analysis employed panel data applied for six Western Balkan countries. According to Jusufi and Ukaj (2021), Toshevska-Trpchevska et al. (2022), Kaloyanchev et al. (2018), Pere and Ninka (2017), and Park (2011) the analysis based on the panel model has more variability and

enables more variables to be analyzed. This paper mainly focuses on a linear regression model and on balanced rather than unbalanced data. A model is as follows:

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

where, i is the individual or country element and t is the time element. Furthermore, a general panel data regression model is represented:

$$y_{it} = \alpha + \beta'x_{it} + u_{it} \quad (2)$$

Dynamic panel data describes the case where a lag of the dependent variable is used as a regressor:

$$y_{it} = \alpha + \beta'x_{it} + \gamma y_{it-1} + u_{it} \quad (3)$$

It should be analyzed that the impact of the SAA on FDI, GDP growth, and trade balance is difficult to predict accurately because there are various factors that may have contributed to the increase or decrease in GDP or FDI. The most widely used form of analysis in measuring the effect of FTAs is the gravity model, which includes many explanatory variables in addition to distance and joint income. The gravity model is used quite a lot in foreign trade. According to this model, international trade between the two countries is greatly influenced by these countries' economic size measured through GDP and the geographical distance, expressed by the geographical distance between the capitals (Pere & Ninka 2017). In addition, there is applied the gravity model:

$$\text{Bilateral trade between country } i \text{ and } j = \frac{\text{GDP of country } i * \text{GDP of country } j}{\text{Distance between capitals of country } i \text{ and } j} \quad (4)$$

In the model applied, country (i) is the Western Balkans; country (j) is the EU. In the first model, the dependent variable represents Western Balkans

exports to the EU. In the second model, the dependent variable represents Western Balkans' imports from the EU.

$$\text{LogExport}_{ij} = \beta_0 + \beta_1 \log \text{GDP}_i + \beta_2 \log \text{GDP}_j + \beta_3 \log \text{Distance}_{ij} + \beta_4 \text{Population} \quad (5)$$

$$\text{LogImport}_{ij} = \beta_0 + \beta_1 \log \text{GDP}_i + \beta_2 \log \text{GDP}_j + \beta_3 \log \text{Distance}_{ij} + \beta_4 \text{Population} \quad (6)$$

As it is derived from the above models, the variables are the GDP of the Western Balkans and the EU, the distance between capitals, and the population of the Western Balkans and the EU. It is appropriate to apply Beck and Katz's (1995) method to estimate the gravity model. The alternative method that would be suitable for this research is logistic regression.

4. RESULTS

The analysis performed in the paper provided information on the trade balance, GDP growth, and FDI, while in addition, through the analyzed variables, and based on the empirical data will be analyzed the impact of the SAA on the Western Balkan economies. Reiter and Stehrer (2018) in their research found that effects of the trade agreements such as SAA in the Western Balkans are especially pronounced in the agricultural and low-tech manufacturing sectors, i.e., the industries in which the countries under investigation have a comparative advantage.

Table 1. Estimation results

<i>Gravity model estimation results</i>	<i>Model 1</i>	<i>Model 2</i>
Intercept	-14.19 (5.32)	-26.74 (14.15)
GDP of country (i)	0.86*** (0.33)	1.15*** (0.89)
GDP of country (j)	0.89*** (0.09)	1.12*** (0.51)
Distance between country (i) and (j)	-0.96*** (0.23)	-1.53*** (0.19)
Population	2.71 (2.45)	-0.76*** (-0.49)
R ²	0.94	0.83
Observations	50	50

Note: *** significance at 0.01 level. Robust standard errors are in parenthesis.

Source: Authors' elaboration.

Even in their empirical results, the GDP represents a positive impact on the trade flows of the countries of the Western Balkans. In both models, GDP represents significance, showing that the trade volume between the Western Balkans and the EU also increases with the increase in GDP. According to Nieto et al. (2014), free trade is considered a long-term growth strategy in developing countries. GDP growth depends not only on free trade but also on the countries' economic competitiveness, the economic welfare of the population, and the functionality of the institutions. The positive and significant effects of the SAAs did not seem to materialize for the Western Balkan countries in the short run, as the nature of the agreement appears to reinforce and augment the positive and significant effect of FTAs more for EU exports into the region rather than vice versa.

Geographical distance also represents a negative relationship, and based on this, as the geographical distance between capitals increases, trade between the countries decreases. Klimczak (2014) has achieved the same results, where in his analysis with the same model for the countries of the Western Balkans, he has concluded that the distance is negative for these countries. As distance increases, trade decreases. Meanwhile, the population only in the model of imports presents a negative

relationship. Similar results related to this variable have been reached by Malaj et al. (2019), where in their research based on the gravity model, the population has a positive impact on the growth of trade exchanges in the countries of the Western Balkans. Ristanović (2022) in his results regarding EU- Western Balkan trade relations, indicate that the highest volume of trade is achieved with wealthy economies, measured by the development of the economy and the size of the market measured by the number of inhabitants, while the lowest volume of trade is achieved with distant economies.

According to Braha et al. (2015), despite the significant improvement, the Western Balkans' export competitiveness remains weak. In the long run, agricultural exports might contribute to the improvement of the export performance of these countries. The main findings of the gravity model suggest that exports are positively affected by GDP, and to a lesser extent by the GDP of trading partners. Exports fall with the increase of the distance, and the fall in the value of exports is greater as larger is the distance between the trading partners. Therefore, the marginal fall in exports increases as far as the geographical distance between the trading partners increases. Also, population and cultural ties facilitate the trade flows were affirmatively confirmed in this paper.

As for the discussions related to the results of this paper, it can be affirmed that based on the review of the literature and the empirical results, it can be concluded that the raised hypotheses are partially correct because the SAA has influenced the increase in the trade volume between the countries of the EU and those of the Western Balkans, however, it has not been a decisive factor for the increase in the exports of these countries. Exports from the Western Balkans have grown well, but compared to the growth of exports from the EU, they have been almost negligible.

5. CONCLUSION

The SAA, in addition to stabilizing the Western Balkans region politically and ethnically, was thought to accelerate the economic development of this region, increasing the level of exports of these countries of this region to the EU. However, based on empirical evidence, it can be affirmed that in the short term, this contractual agreement has not ensured economic development, specifically an increase in exports to the EU. Despite the trade liberalization, the EU's exports have dominated against the exports of the Western Balkan countries.

The evidence obtained from the gravity model shows that the geographical distance between the capitals represents a negative relationship, that is, with the increase of the geographical distance, the trading opportunities between the countries decrease. Similar results have been achieved in the papers of different authors who have dealt with international trade between different countries. Meanwhile, the population only in the import model presents a negative ratio.

Therefore, based on these results, it can be concluded that the SAA between the countries of the Western Balkans and the EU has had a greater impact on the political stability, regional reconciliation, and socio-economic stability of

the countries of this region than on economic development and their dealer. Since 1999, this region has benefited from autonomous trade measures, so it has had access to the EU market. Therefore, based on these facts and statistics, it can be affirmed that the SAA was not an innovation from a commercial point of view for this region.

The limited production capacities and the non-competitive products of these countries are the key factors that have influenced the low level of exports of these countries to the EU market. In short, the EU has gained more from the SAA than the countries of the Western Balkans. The biggest benefit of this region from this agreement is the financial and administrative discipline at the state level.

Based on these facts, it can be concluded that trade liberalization alone is not enough for economic development as long as there is no production base. Most of the products originating from the Western Balkans, in the EU market, are considered to be of low quality and old, so despite the trade facilitation, they cannot dominate this market.

Therefore, in conclusion, it can be affirmed that this research is among the few researches that have analyzed the impact of this agreement on the general political-economic stability of this region. Qorraj (2016), Qorraj and Jusufi (2018), and Nezirović et al. (2022) are the only authors who have addressed the impact of the SAA in the countries of

the Western Balkans, specifically in the trade promotion and in the regional-ethnic reconciliation of this region. Therefore, the implications of their results are identical to the results of this paper.

These implications relate to areas such as fundamental rights, democracy and functionality, trade liberalization, and public administration reform. Therefore, these results are important for future research because based on the results of this paper and those of the aforementioned authors, future research should focus on analyzing elements such as comparative advantages, increasing local firms' production capabilities, financial support for firms, implementation of different market reforms, and finally use more effectively opportunities coming from the EU. The impact of the SAA in this region will be fully elucidated when future researches deal in detail with these elements of the analysis.

Meanwhile, regarding the limitations of the research, it can be affirmed that providing sufficient data for the SAAs of the regional countries, in particular for Montenegro, Kosovo, and Bosnia and Herzegovina, has been problematic because there are very few researches on a topic such for these 3 countries. It has been quite difficult for us as authors to start elaborating on such a topic, such as the impact of the SAA in the Western Balkans when there are only 2 or 3 research analyses closely related to this issue.

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