

THE ROLE OF INTERNATIONAL MARKETING IN THE IMPROVEMENT OF ECONOMIC COOPERATION BETWEEN THE COUNTRIES OF THE WESTERN BALKANS IN CRISIS PERIOD

Ela Vukmirović

ICEPS College of Applied Studies Belgrade, Serbia
ela_vukmirovic@yahoo.com

George Repic

State University New York, Rockland Community College (RCC), New York, USA
george.repic@yahoo.com

Karen Crisonino

Thomas Edison State University, New Jersey, USA
karen.crisonino@yahoo.com

*Paper presented at the 9th International Scientific Symposium „EkonBiz: Economy and COVID 19“,
Bijeljina, 17 – 18th June 2021.*

Abstract: *After the break-up of the former Yugoslavia, the countries of Western Balkans are slowly establishing mutual economic cooperation, and are struggling with their participation in international trade flow with the usage of international marketing instruments. This significantly decreases their opportunities to accelerate economic development and to improve their competitiveness in the time of new crisis caused by Covid-19 pandemic. Small markets and interstate administrative barriers in the Western Balkans hinder the establishment of new and development of existing enterprises, and cause an outflow of creative human resources. Therefore, it is necessary to promote innovative possibilities of removing barriers for faster circulation of goods, people and capital. The implementation of new models of international marketing could significantly contribute to the intensification of mutual economic cooperation, internationalization of business and attracting foreign investment which are accompanied by the spillover effect. As a result, one could expect the improvement of national economies' competitiveness, increase of exports and gross domestic product and improvement of population living standards.*

Key words: *international marketing, Western Balkans, internationalization, increasing competitiveness, foreign investment.*

1. INTRODUCTION

The countries of the Western Balkans (Serbia, Bosnia and Herzegovina, Montenegro, Northern Macedonia, Kosovo *) lag behind the EU countries five times in terms of gross domestic product (GDP) per capita. Therefore, according to research by the Institute of International Relations in Rome, it would take 50 to 100 years for the countries of the Western Balkans to reach the level of GDP and Actual Individual Consumption (AIC) per capita in EU countries. Such a long period would be needed on the assumption that the countries of the Western Balkans continue to develop slowly, as has been the case in the last 20 years. (Bonomi, 2018).

The research of experts (2018) shows that this period could be significantly shorter, if these countries take adequate measures for the integration of their economies at the regional level. In this way, they could raise competitiveness and

exports based on innovation and international marketing.

The countries of the Western Balkans have a large economic structure in which small and medium enterprises (SMEs) have a share of over 98.5%. Their SMEs are oriented to local markets, which are small, closed and with little purchasing power. In this way, SMEs are doomed to stagnation and decline, which causes very slow economic development and lags behind EU countries. (Eric et al., 2019)

A number of researchers of the European integration process believe that the process of EU enlargement is not only slow, but also very uncertain, due to the need to reform the EU. Therefore, the same authors believe that the countries of the Western Balkans, as potential members of the EU, should form a narrower regional economic community or duty-free zone, in which people, goods, capital and a foreign direct investment (FDI) can move freely. (Martens, 2021) An additional imperative for the formation of a regional market in order to strengthen the economy of the Western Balkans is the fact that the economic crisis caused by Kovid-19 hit the economy of small, poor countries much harder than large and developed countries. This presents an additional difficulty for the faster development of the Western Balkan countries. (IMF Report 2020).

The regional market of the Western Balkans can be a springboard for accession to the European Union. In that case, companies, clusters and other forms of networking should apply the instruments of international marketing, because countries retain special cultural and other specifics in doing business in the global market. (Kateora, 2020).

2. MEGATRENDS OF SMALL AND MEDIUM ENTERPRISE DEVELOPMENT, TECHNOLOGICALIZATION AND GLOBALIZATION

A small number of authors have dealt with the recognition of SME development trends, their technologicalization and globalization. It is important to point out that the authors who dealt with this issue pointed out the possible desirable, but also harmful consequences of a certain technological solution. (Pokrajac, 2007)

New trends in innovation, entrepreneurship and creative forms of business have been addressed by Nordström and Riederstal (2003). According to them, there are three important driving changes: a) change in technology; b) change in institutions and c) change of value system. According to the author, technology was the rhythm section of "funky business". They especially emphasize information technologies because "they reduce time and space and enable complete transparency". The importance of the new economy is reflected in new resources, especially in information and knowledge, and that implies new strategies for their management.

The most developed countries are constantly improving local and regional strategies to encourage the development of SMEs. This is especially reflected in helping in terms of their innovative capacity, in which technological innovations are "born" or in development. (Histrich, Ramadani, 2017) World experience shows that technological innovations, market research and government support for the SME networking process (clusters, entrepreneurial networks, business associations) represent three pillars for the development of entrepreneurship of the future. (Barringer, Ireland, 2010)

Successful management of SMEs in international activities, in the opinion of most authors, implies knowledge of key determinants of the international, and especially: economic, socio-cultural and political-legal determinants. (Kuratko, 2014)

The process of globalization has conditioned the dependence of SMEs and national economies on international markets. A successful internationalization process can be performed by SMEs that know the international environment, the factors that affect their business and easily adapt to changes in the environment. Emerging economies, which are also stable, provide great opportunities for the development of SMEs through various forms of international marketing. Countries in transition still need to continuously analyze economic weapons and provide expert assistance to SMEs. Assistance is especially important in improving international marketing instruments, in order to increase exports and other forms of business internationalization. International

marketing is directly influenced by: fragmented markets and media, strengthening competitiveness on a global basis, technological progress in the field of telecommunications, transport, manufacturing and the manner of conducting international financial and business operations. A special form of marketing is international networking and has specifics that derive from its name. The need to single out international marketing is the result of the political, institutional and market realities of the world. As long as there is a need to emphasize the sovereignty of peoples and states, there will be reasons to emphasize the importance of international marketing. (Rakita, 2007).

3. THE IMPORTANCE OF INTERNATIONALIZATION OF SME BUSINESS

In highly developed countries, economic development practices based on innovative SMEs have proven to be very successful globally. This has led some authors to conclude that the "management economy" characterized by large companies and globalization has been transformed into the "entrepreneurial economy" of small enterprises characterized by "globalization". (Audretsch, Thurik, 2004).

Other authors especially emphasize the key importance of small fast-growing companies, the so-called gazelles, which account for over two-thirds of new jobs in the most developed countries, especially the United States and the United Kingdom (Birch, 2011).

The first and key examples to illustrate the global importance of the development of entrepreneurship and SMEs were the production of chips in Silicon Valley in the USA, and companies in the vicinity of Cambridge in Great Britain. Every year, talented students from all over the world come to American universities, who at the same time study, work and start their own business. Similar happened in the southern part of Norway and Northern Italy and other developed countries and regions. In Milan, the spatial and institutional conditions for the development of small businesses in the field of high fashion, cosmetics, design and the like have been built. (Barringer, Ireland, 2010)

In many Western European countries, in addition to the direct support of central and regional state bodies to encourage the development of SMEs, large cities with entrepreneurial zones were of increasing importance, as well as large companies that had special innovation centers. In addition, an important form of state aid to entrepreneurship is becoming the promotion of entrepreneurship and stimulating young talents to build their own careers in small business. The state can help the entrepreneur by creating a stable and secure framework, but it cannot guarantee his success. However, it can provide him with immediate help in overcoming initial difficulties, in accessing knowledge, information and general conditions. (Mazzucato, Buble, and Buble, 2015)

The newly established small company goes through several different development phases, all depending on the required resources and the type of activity that the company performs. The global orientation of companies is the highest phase of internationalization of business, and it is applied by large world economies. The essence of this business concept is reflected in the fact that global companies view the global market globally and are ready to compete in any part of the global market using the global system of resources at their disposal. The internationalization of SME operations should be viewed as an evolving process of planned activities in order to achieve optimal real reach of international market expansion. Practice has shown that the internationalization of SME business is not at a satisfactory level. The reason may be either the nature of the production program or their socio-economic role. The analysis of the best European practices indicates that the European legal and institutional framework is developed and with a significant tradition. (Mazzucato, 2015; Kuvačić, 2005).

In order to encourage innovation and entrepreneurship as a driver of development and employment, Serbia has adopted a Strategy to support the development of small and medium enterprises for the period 2015-2020. Based on the Strategy, the competent ministries and local communities have taken a number of concrete measures for faster development, networking and export orientation of SMEs. (<http://www.privreda.gov.rs>) As part of these

measures, Serbia declared 2016 the year of entrepreneurship in order to promote faster development, networking and internationalization of SME business and their growth into larger "gazelle" companies. In parallel with these measures, the attraction of foreign direct investments for the construction of technology parks, business zones and incubators (FDI) was promoted. (<http://www.privreda.gov.rs>)

According to Culkin and Simmons (2019), other Western Balkan countries (BiH, Montenegro, Northern Macedonia and Albania) were less successful in adopting and implementing strategic documents, but were operationally focused on providing tax incentives for export-oriented SMEs, providing expertise and financial assistance and support for marketing research of the regional and wider international market in order to increase exports.

4. CLUSTERING AS A DRIVER OF REINDUSTRIALIZATION

Related small enterprises of a certain area, with specialized providers and service providers, which operate in the same or related activities, on the national or regional market, form clusters. (Hisrich & Ramadani, 2017).

The word class means "cluster" or a group of similar companies that, by connecting and gathering around joint services, improve performance and increase competitiveness. (Dostić, 2005). In the 1990s, clusters took a central place in the exports of developed countries, and in countries in transition, clusters have taken a more significant place in the last twenty years, with the aim of business connections and exports of goods and services.

Locally, the clusters are located in places where small business has developed, and the measures of the state have affected them for their development and progress. This is also a condition for starting new companies from those sectors that can give the best development and financial results in the cluster. The types of clusters are determined according to: a) the principle of activity, b) the territorial principle, c) the degree of application of information technologies (Vukmirović, 2012)

According to the same author, the goals of cluster networking are: 1) training and continuing

education of cluster members; 2) establishing business cooperation in all areas of cluster activity; 3) cooperation between educational, scientific and research institutions; 4) development of innovations, new knowledge and technologies; 5) establishment of new small enterprises and connection with clusters of similar activity. The developmental stages of a cluster depend on the specifics of each cluster. Most authors list only the most important phases: 1) planning the goals of the geographical and branch aspect for conducting policy and launching the initiative; 2) initiative for initiating the cluster development process by public and private sector leaders; 3) framework determination of clusters and location advantages in the context of economic processes; 4) identification of priority activities and programs after identification of key resources; 5) elaboration of the role of the most important subjects from the sphere of the public sector, professional institutions and individuals in the context of a specific cluster; 6) providing information important for cluster development: market prospects, competition, technological changes, economic ties with the local economy and 7) education of key groups and individuals important for the cluster, ie for its functioning, development of mutual interaction and coordination of activities.

Gačić (2016) especially emphasizes the importance of the following phases: 1) determining the adequate organization in clusters; 2) appointing leaders to lead preparatory actions; 3) investing in infrastructure and its functions; 4) harmonization of public and private activities in order to advance the competencies of the cluster; 5) determining and improving the roles of cluster participants and initiating the procedure of entering or leaving the cluster.

5. EUROPEAN ENTREPRENEURSHIP NETWORK IN THE FUNCTION OF INTERNATIONALIZATION OF BUSINESS OPERATIONS IN THE WESTERN BALKANS REGION

The most important professional and technical mechanism in the function of internationalization of small business operations in the region of the Western Balkan countries is the European Entrepreneurship Network. The support of this

network is primarily related to the internationalization of business and the development of innovations in small businesses. The role of interstate networking and cross-border partnership projects is increasingly important in the Western Balkans, but strategic approaches and procedures for establishing regional business networks are not sufficiently promoted in these countries (GEM, 2020).

The European Entrepreneurship Network supports new small businesses through: organizing professional training to access new financial sources, professional support for improving the internationalization of business, assistance in cross-border cooperation and clustering, assistance in knowledge exchange and introduction of new technologies and the like.

The European Entrepreneurship Network (EEN) is increasingly becoming an accelerator for raising the competitiveness of companies in less developed regions and their clusters, and especially their SMEs, which have the potential to become fast-growing gazelle companies. (Gacic, 2016)

In addition to the above forms of assistance, the European Entrepreneurship Network offers support related to the HORIZON 2020 program.

The assistance is reflected in strengthening the capacity of small businesses to manage innovation through consulting services and professional assistance in developing innovative SME projects, for which financial resources from the budget should be allocated (<https://www.een.rs/o-nama/>).

The HORIZON 2020 program has three key pillars: a) excellence in science - the main goal of the program that should accelerate the development of new technologies and the growth of SMEs into competing companies; b) industrial leadership - has three goals: support for research and development of SMEs, access to "risk capital" and the development of innovation in SMEs; 3) social challenges - providing assistance in solving the main development problems in the Europe 2020 Strategy and solving the social problems of the citizens of Europe, including the countries of the Western Balkans.

For the countries of the Western Balkans, the third pillar of measures and activities within the project

is of priority importance: Establishment of cross-border cooperation.

Namely, the great turbulence during the disintegration of the former common state left a negative impact on the cooperation of the newly formed states. Therefore, a lot of effort and economic-political creativity is needed to restore and improve the previous regional cooperation with the support and assistance of the EU.

6. INTERNATIONAL MARKETING IN THE FUNCTION OF REGIONAL MARKET DEVELOPMENT

6.1. The concept of international marketing

The specificity of international marketing is that marketing instruments are applied in foreign markets. Its activities are very branched and similar to those in the domestic market, and it relates differently to a different foreign environment. Modern international marketing has largely taken on a global scale of application (Previšić, Ozretić, Krupka, 2012).

The dynamic development of technology, marketing instruments and international trade requires knowledge of the most distant markets and consumers. The markets of different countries are becoming more demanding, uncertain and produce the need for different political and economic measures of the state: customs, taxes, administrative restrictions, standardization of technical and technological norms. All countries today have access to new technologies, as well as their products-services, knowledge and skills.

Therefore, international marketing should be adaptable and efficient outside the domestic market and enable companies to achieve sales and profits in an efficient manner in every foreign market (Previšić, Ozretić, Krupka, 2012). Research, conquest and creation of market niches in foreign markets takes place through phases. Terpst (2016) indicates that this usually takes place through four phases. In the first phase, an analysis of the environment is performed.

In the second phase, selection and marking of foreign markets is performed. In the third phase, the international marketing mix (7P) is applied, and in the fourth phase, the application and evaluation of marketing instruments is performed.

The process of international marketing can be graphically illustrated in the way shown in Figure 1.

Figure 1. Research and conquest of niche markets



Source: Authors according to Terpst (2016), pp.53-54

States through the economic, political, legislative and cultural system influence the development, growth and business system of economic entities, primarily in the domestic market. But, incentives direct their behavior in the environment, and especially in the economic environment. (Crnjak-Karanovic, Miocevic, 2013)

Therefore, the common market of the Western Balkan countries has many times greater potential compared to the individual markets of each of these countries. (Rapaić, 2020)

According to the data of the European Investment Bank, the common market of the countries of the Western Balkans in 2018 was 19.9 million inhabitants. The total area of the countries is 218,750 km² and the total GDP is 94.2 billion Euros.

According to some authors, the increased potential of the common market is particularly important for promising, dynamic small / medium-sized gazelle companies. (Erić et al., 2019) These authors (similar to Birch) give the greatest importance to gazelles for new employment, and define them as fast-growing SMEs that have extremely dynamic growth, observed through increasing the number of employees, with positive business results and dynamic growth of total income.

Each country, with its economic and legal regulations, determines more specifically by increasing the number of employees and total income with a positive business result. Thus, in the Republic of Serbia, the necessary conditions are for the company to have a 3-year increase in the number of employees of at least 20%, and an increase in total revenue of 1.73 times in the same period. These companies have regular financial incentives from the state. Gazelles made up only 5.2% of companies in Serbia in 2019, and they participated in the creation of new jobs with as much as 77.1% (MAT, 2019).

6.2. International marketing in the function of improving regional market integration

According to the World Trade Organization Report (2019), the countries of the Western Balkans are insufficiently interconnected. Thus, the structure of total foreign trade had the share of mutual exports in 2019 amounted to 15.9%, and imports 16.4%. In the same year, the coverage of imports by exports was:

Table 1. Coverage of imports by exports in 2019 in the countries of the Western Balkans

Coverage of imports by exports				
Northern Macedonia	Albania	Montenegro	Sebia	Bosnia and Herzegovina
69,2%	43,6%	17,2%	74,3%	60,84%

Source: Eurostat and statistical services of the countries in the region, data for 2019.

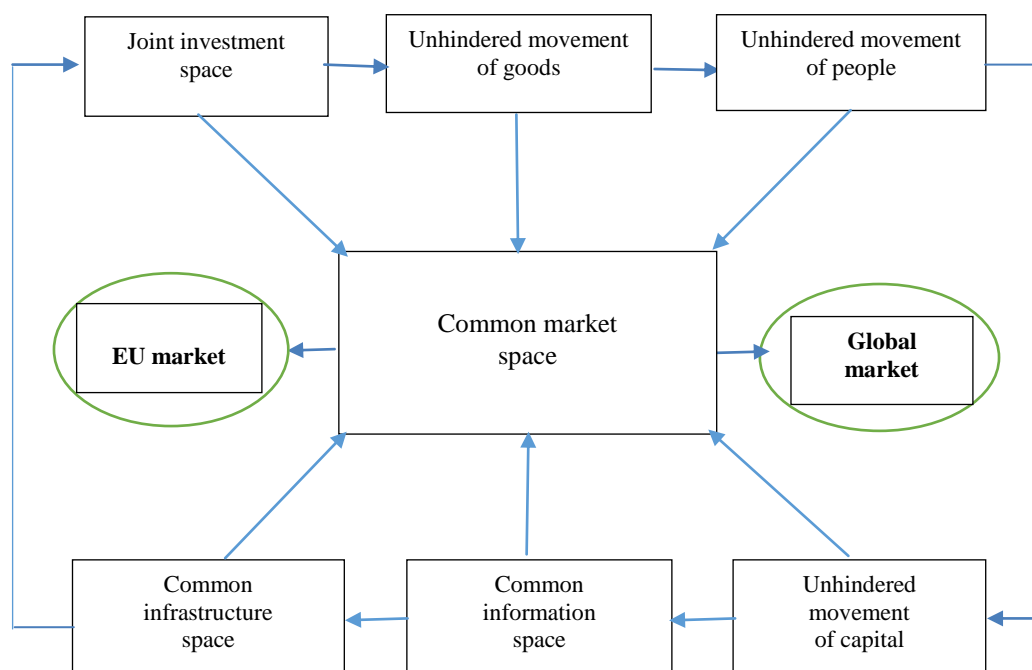
Therefore, it is necessary to alleviate or eliminate market barriers and reduce the costs of mutual trade. This would make the Western Balkans region much more attractive for foreign investment, integrate it into global supply flows and accelerate its EU membership and integration.

The benefits that a common regional market would provide are numerous, and in this paper the most significant ones are highlighted: 1) increasing the inflow of advanced technologies; 2) reduction of costs arising from the exchange of goods in larger quantities; 3) faster realization and better jobs with greater choice and lower prices of goods and services; 4) facilitated travel, work, study and business in the region without obstacles; 5) six national markets integrated into one, which is of

far greater importance in favorable exchange relations on the European and global markets; 6) increased inflow of foreign investments and spillover effect in the overflow of new knowledge, which contributes to a significant increase in total exports, which directly increases GDP. (Djukanovic, Djordjevic, 2020)

The expected benefits of the common regional market imply the application of agile international marketing when the main flows are included: products, services, finance and knowledge (Crnjak-Karanović, Miočević, 2013). The process of functioning of the common market of the Western Balkan countries and its further integration into the EU market and the global market is graphically illustrated in Figure 2.

Figure 2. Concept of the Western Balkans regional market model



Source: Authors according to Rapačić (2020); Djukanovic, Djordjevic, (2020).

As can be seen in the graphic, the common duty-free market space aims to integrate the countries of the Western Balkans economically and strengthen their fragmented development potentials. In this way, these countries could more easily and successfully engage in European and global market flows.

6.3. Internal and external drivers of common market development

The crisis caused by the COVID-19 pandemic showed that small and poor countries were much more economically endangered than large

developed countries. This was confirmed by the President of the WHO, Theodoros A. Gebrejesus, "Larger and richer economies vaccinate the population faster than small and poor" (<https://pubdocs.worldbank.org>-accessed on February 15, 2021.) However, it turned out that the possibility of mutual cooperation of the countries of the Western Balkans because a large number of citizens of Northern Macedonia, BiH, Montenegro and Kosovo * were vaccinated in Serbia. (<https://ww.DV.com>-accessed 13.03.2021.) The approach of the Western Balkan countries to the level of EU development slowed down significantly in the period after the global financial

crisis in 2008. Today, the countries of the Western Balkans represent the poorest countries in Europe. They lag behind the EU's average per capita GDP by more than three times. (<https://pubdocs.worldbank.org>-accessed 02/15/2021.)

These points to the need to seek new solutions in economic integration and strengthening the common market and the joint appearance of companies in third markets. The same could bring additional GDP growth per capita in the Western Balkans of 6.7%. (<https://pubdocs.worldbank.org>-accessed 15.02.2021.)

The authors Alujević-Vesnić (2012) and Čaušević (2017) specifically investigated the developmental and financial aspects of the justification and possibilities of integrating the countries of the Western Balkans into the EU in order to accelerate their development. The results of their research indicate a real interest of the Western Balkan countries in EU membership. On the other hand, member states do not yet have a common interest in admitting new members until reforms are carried out within the EU itself.

Therefore, as a transitional solution for EU membership, the formation of a special economic community (customs union or similar) of the Western Balkan countries appears, which would contribute to their economic integration, economic strengthening and faster fulfillment of the necessary conditions for EU membership (Rapaić, 2020).

Among the external drivers of the development of the common regional market, the EU has a key place, which conditions the membership of the countries of the Western Balkans: political stability, radical suppression of corruption, public administration reforms and strengthening of institutions.

On the other hand, the EU must encourage the development of a common regional market by investing in the economic recovery of the Western Balkan countries, because as the poorest countries in Europe, they have suffered the greatest damage caused by the COVID-19 pandemic.

The EU's investment plans to repair the damage and start the economic recovery envisage 29 billion euros. In addition, a number of business associations and financial experts from the Western Balkans have launched the EU Guarantee Fund to attract more foreign direct investment (<https://pubdocs.worldbank.org>).

CONCLUSION

Based on the presented theoretical research and analysis of statistical indicators of development of a number of other highly developed small countries in the world, useful solutions and models for the accelerated development of the Western Balkans can be recommended.

Regional integration and internationalization of SME business, which form the backbone of any economy, has proven to be extremely important for advancing the development of small countries.

This is because their development could not be based on the small capacity of the domestic market, but companies had to operate in the regional and global markets. Such positive experiences can help the countries of the Western Balkans to find an effective model of economic integration for accelerated development, in order to reduce the large lag behind developed countries.

The formation of a regional market in the form of an economic space free for the movement of goods, people and capital could significantly contribute to such a development model. In doing so, a key role would be played by strategically designed FDI attraction, stimulating the export of highly finalized products and finding new segments of the global market using international marketing instruments. In the process of the common regional market, and through it the faster accession of the Western Balkan countries to the European Union, the clustering of preserved and revitalized fragments of the processing industry of the former common states of Yugoslavia is of key importance.

Given the current, largely unfavorable international image of the Western Balkan countries, creative international marketing is necessary to network export-oriented capacities in competitive sectors. The political initiative was launched by the Novi Sad Declaration in 2019, which was accepted by: Serbia, Northern Macedonia and Albania.

However, it is necessary to strategically economic connection and the formation of a special EU guarantee fund to support: the construction of transport infrastructure and regulation of rivers; investing in modern forms of entrepreneurial infrastructure (technology parks, regional business zones and entrepreneurial networks) and other joint ventures, with special marketing promotion of attracting FDI.

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The imperative for the formation of a regional market in order to strengthen the economy of the Western Balkans is the fact that the economic crisis caused by Kovid-19 hit the economy of small, poor countries much harder than large and developed countries. The regional market of the Western Balkans can be a "step" for EU accession. In this case, companies, clusters and other forms of networking, should apply the tools of international marketing to more easily position themselves in the global market.

SUMMARY

The countries of the Western Balkans (Serbia, Bosnia and Herzegovina, Montenegro, Northern Macedonia, Kosovo *) lag behind the EU countries five times in terms of the size of the gross domestic product per capita. Therefore, according to research by the Institute of International Relations in Rome, it would take 50 to 100 years for the countries of the Western Balkans to reach the level of gross domestic product and actual individual consumption per capita in EU countries.

The literature in this area indicates that this period could be significantly shorter, if these countries take adequate measures to integrate their economies at the regional level. In this way, they could raise competitiveness and export based on innovation and international marketing.

The countries of the Western Balkans have a large economic structure in which small and medium-sized enterprises (SMEs) have a share of over 98.5%. Their SMEs are oriented to local markets, which are small, closed and with little purchasing power. In this way, SMEs are doomed to stagnation and decline, and this causes very slow economic development and lags behind EU countries. Analyzes of EU integration processes show that the EU enlargement process is not only slow but also very uncertain, due to the need to reform the EU. It is believed that the countries of the Western Balkans, as potential members of the EU, should form a narrower regional economic community or a duty-free zone, in which the free movement of people, goods, capital and the attraction of foreign direct investments would be enabled.