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THEORY AND PRACTICE



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EDITOR
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THE PROGRESS OF FINANCIAL MARKETS IN BALKAN COUNTRIES:
THEORY AND PRACTICE



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THE ECONOMY OF THE BALKAN COUNTRİES AND THEİR APPROACH TO THE FİNANCİAL MARKETS

Luan VARDARI / Gülay KESKIN

Chapter 1

THE ECONOMY OF THE BALKAN COUNTRİES AND THEİR APPROACH TO THE FİNANCİAL MARKETS

Luan VARDARI[1]

Gülay KESKIN[2]

INTRODUCTION

Financial markets are the markets for funding and appeal. The globalization that emerged as a result of economic, technological, political and cultural changes that have taken place in recent years is a process in which inter-country relations develop and spread. Globalization has also brought liberalization of financial markets. In the development of financial liberalization, factors such as technological development, development of electronic communication network and desired information, low cost and transportation at any time play an important role. With these living developments, the restrictions on capital movements have been removed. Thus, the barriers between the national and international financial markets have been removed and the markets have gained a global character.

The international integration of financial markets and the surplus funds in the national market are shifting to developing countries. The main reason for this is that the interest rate is relatively higher compared to the developed countries because they are transition economies and investors

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who invest their investments in these countries can benefit from higher interest rates and benefit from higher interest rates. There is also another attractive cause of high earnings potential in stock markets.

The movement of capital movements towards the emerging markets may cause increases in the level of development by creating positive effects on the economic growth of the developing countries. However, despite the positive effects of the common movement of the markets, such as economic growth and welfare increase, as a result of the freedom of capital circulation, there are some negative effects on its integration. The most significant negative effect is the spread of the shocks or crisis effects of another country on the national market.

With the liberalization of the country, while the market is showing a more precise structure, the outward expansion of the capital of developed and developing countries has increased the interest in the developing countries.

In this process, the developing Balkan countries; Most of them have been exposed to the contagious effects of crises because they are transition economies, they are shallow markets, they cannot display a stable structure and their risks are high.

Integrated markets offer opportunities for both investors and fund demanders in terms of securities diversification, cost reduction, risk and return. With the increase in securities diversification, portfolio diversification became important. Therefore, portfolio management has gained importance.

1. ECONOMIC STRUCTURE OF BALKAN COUNTRIES

This section includes Balkan countries with their economic structures and trade relations between Turkey and provides information on financial institutions located in other countries.

1.1. Serbia Economic Structure

Since the beginning of the nineties, the Serbian economy, which has suffered heavy losses due to wars and sanctions in the region, has begun to recover with the implementation of a decisive economic program aimed at integrating with the European Union through democracy transition, a significant break with inflationary pressures and stabilization of exchange rates.

Low income and unemployment are considered to be Serbia's most important economic problems. The wars, international sanctions, economic turmoil and the instability associated with these past years have negatively affected the living conditions of most of Serbia's population. The weak economic structure of the country led to a decline in profit margins for companies, and the situation in social security and health systems deteriorated over time (www.scribd.com).

The year 2000 was identified as the beginning of economic reforms in Serbia, and economic reforms took place along with reforms. An expanding fiscal policy and a tight monetary policy have been the basis for the development of a more favorable economic environment. Numerous privatizations have been made and the banking system has been reformed into a sector with a large foreign capital flow (Parežanin et al., 2016: 78).

Structural changes and economic reforms continue to boost Serbia's growth potential (www.focus-economics.com) to support the private sector, improve fiscal policies and stimulate infrastructure investments.

1.2. Albania Economic Structure

In Albania, production is further reduced by the disintegration of the agricultural lands in the democratic regime into small parcels. In the industrial sector, production capacities in the mining and manufacturing subdivisions have seen a revival in recent years. Foreign investments in this sector have been concentrated in manufacturing industry such as cement, food, aluminum profile, and mining in recent years and a significant increase has been recorded in exports (www.deik.org.tr).

Despite privatizations and new structures in the law contributing to the progress, the economic problems in the country continue due to the effects of the old structure. The growth of the economy is based on the aid of international monetary institutions, the funds raised by Albanians living in foreign countries and the construction sector. A third of the population is in agriculture and needs government support, providing a quarter of the gross national income(www.undp.org.al).

Significantly diversification of the economic base has increased economic dynamism and the country has experienced strong economic growth, while poverty and unemployment rates have also declined. The efficiency of the regulatory system has increased with the greatly simplified simplification of procedures in business. Although foreign capital has increased in recent years; is among the countries with the lowest investment rate in the region. In the "D & B WorldWatch" report; the country is isolated from the worst effects of the euro zone crisis (www.ktso.org.tr).

1.3. Greece Economic Structure

Greece is the country with the lowest value after Portugal in the EU countries in total national income. Despite the ongoing privatization program, the state continues to play an important role in the country's economy. In Greece, the industrial structure is more limited than in other EU countries (www.scribd.com).

At the beginning of the 2000s, prices in the food, gold, oil, and other markets rose while the US dollar fell to a significant decline. In parallel, the so-called subprime mortgage loan market collapsed in the United States (USA) housing market, the families benefiting from these loans went bankrupt and their homes were seized. Towards the end of 2008, it was understood that this crisis affects not only a certain segment but the entire US financial system, and the crisis has spread to Europe in a short time. The most affected country in Europe was Greece (www.tuicakademi.org).

Greece has been a full member of the Euro Zone in 2001, despite the fact that it faces serious structural problems, such as very high deficits, until the mid-90s. Greece's entry into the Eurozone (EZ) did not meet standard economic criteria. Although low interest rates have led to increases in wages and incomes in Greece, this growth has been an illusion (Mavridis, 2018: 13).

According to the seasonally adjusted GDP data released by the Greek Statistical Institute (ELSTAT), growth in the first quarter of 2018 was 0.8 percent compared to the previous year. GDP in Greece is targeted to grow by about 2 percent this year, which is about 25 percent lower during the economic crisis (www.aa.com.tr).

1.4. Macedonia Economic Structure

Since its independence in 1991, Macedonia has been in transition from the centralized and planned economy to the free market economy. Thanks to macroeconomic stability as a result of the EU candidacy process and related reforms over the last few years, efforts to grow and restructure the economy continue (www.igeme.org.tr).

Macedonia is a country with a moderate level of national income according to the definitions of the World Bank. Due to the fact that the country is not open to the sea and the country is open to foreign economic activity, the country is dependent on global conditions. Macroeconomic stability and economic growth have been achieved thanks to the reforms that have taken place in recent years in the country that has moved to EU membership candidacy (DEİK, 2009: 4).

A stabilization program implemented with the IMF in 1994 was successful. In 2000, as a result of the reform implemented in 1994, inflation was taken into control, the fiscal balance was surplus and inflation was controlled. In 2001, the financial structure and balance of payments, which were highly adversely affected by the internal instability, deteriorated and the GDP contracted by 4.5%. However, inflation has been brought under control due to the stability of the exchange rate. (Ramm, 2004: 7).

As a result of the implemented reforms, it was stated that it was the 4th most successful country in the reforms according to the World Bank's 2008 "Doing Business" report. This has greatly contributed to the implementation of the single application system in the company procedure (Macedonia Country Report, 2009: 5).

1.5. Slovenia Economic Structure

In 1990, Slovenia began to live a political and economic transformation. In other former socialist countries, the transformation of a market economy and the need of the economy have become the necessity of meeting the end of the democratic political system and the establishment of a new transition system (Svetlicic, 2009: 60).

Slovenia is one of the developed countries in the high-income group. The most important feature of the country with a stable economy is that it has a well-trained and efficient work force structure. This is one of the key factors in the development of the country's economy in Slovenia, which has a macroeconomic approach based on keeping the wage level at the same level as productivity increases. In this way, Slovenian firms have shifted to middle and high-level technology industries (www.ticaret.gov.tr).

Although the productivity of the agricultural sector in the country is high, modernization studies are still continuing. Slovenia is a major and important sector with a strong and diversified manufacturing industry; automotive, electrical and electronics industry, pharmaceutical-chemical industry, metal processing industry, paper and paper products. Although privatization has been slow to the present day, it is stated that the demand for acceleration has come about due to the impact of the economic crisis. The government is preparing to sell all state-owned businesses except for some strategic sectors including energy, railways and some financial services (www.gso.org.tr).

1.6. Bulgaria Economic Structure

The change that began in the Eastern Bloc countries after 1989 and the loss of the function of the Council for Mutual Economic Assistance between the

Communist Countries with this change (COMECON) led to the loss of Bulgaria's production markets and the emergence of idle capacities in the country. After the transition to Bulgaria's market economy, an economic crisis began in 1996 in the country as a result of reforms that could not be successfully implemented (caycumatso.org.tr).

During the Communist era, the agricultural sector had an important place in the Bulgarian economy. In addition, the industrial sector was supported in this period mainly by heavy industry, steel, electronics, information technology and weaponry. However, in the post-communist competition environment, these sectors, which have been seriously protected during the communist era, have been hard to keep up with the competitive environment. The non-modern facilities from the communist era do not meet EU standards and need to be renovated. There is no significant agricultural production in the country. As the population ages and the young population migrates to the EU member countries, imports are concentrated in agriculture (www.igeme.org.tr).

In terms of per capita income, Bulgaria is the poorest country in the EU and it is estimated that more than 20 years must pass before it can reach two-thirds of the EU average. Thanks to the tight monetary and fiscal policies of the Bulgarian governments and the EU membership process, the Bulgarian economy grew steadily over the period of 9-10 years ending with the onset of the crisis and grew by 5-6% for 5 years until the crisis. Domestic and foreign investments, housing prices have decreased, production, consumption and construction sectors have narrowed down (www.ticaret.gov.tr). In the last quarter of 2008 and the whole of 2009, the international financial crisis had serious effects on the economy.

1.7. Croatia Economic Structure

Croatia has a middle-income level and a functioning market economy. The Croatian economy, which had an advanced structure compared to other regional countries prior to independence, suffered from the $ 20 billion cost of the war after the disintegration of Yugoslavia and the loss of the traditional export markets within the Soviet Union at this time (DEIK, 2011: 2).

Croatia is at middle income. The Croatian economy, which had a developed structure compared to other countries in the region before independence, was damaged by the $ 20 billion cost of the war after the disintegration of Yugoslavia and the loss of the traditional export markets within the Soviet Union. In the post-independence period, the Croatian economy gained an economic structure characterized by low competitive power (KTO, 2009: 4), while the high current account deficit and external debt ratio, in contrast to the stability indicators such as low inflation rate, stable currency and growth rate.

2. INTEGRATION OF BALKAN COUNTRIES FINANCIAL MARKETS

In this section, the financial system of the Balkan countries, their integration with each other, central bank transactions, financial harmonization works with the EU are discussed.

2.1. Balkan Countries Financial System

In 2007, bank loans increased by 30% and the increase continued to increase until the first months of 2008. The Balkan banks provide protection from the

global crisis, which is relative isolation. Credit activity has increased to encourage economic growth, but financing trends are not likely to remain the same (Watchel, 2001: 357).

Last year, the Balkan banking environment, the Wall Street, EU and Asian stock markets, grew strongly despite the impact of the economic crisis (" EEC Banking 2008 " in the report of Raiffeisen Bank). Money markets and other sectors of the economy have long been reflected in the crisis. The development of the banking environment in the first half of 2008 strengthened the growth dynamics in the Balkan region. Some of the factors that explain the immunity of the international banks operating in the Balkans to current financial frustrations and crises; weak and ineffective when entering the international markets, low-level relations with the strong and long-term capital and international financial institutions, and low risks they may have. However, financial experts and large bankers in the Balkan region warn against any financial fragility (Carlin and Mayer, 2003: 198).

Just as in European integration, this region is more heterogeneous from an economic point of view. Slovenia joined the EU in 2004, while Romania and Bulgaria joined the EU in 2007. Croatia, which started negotiations in 2006, will be the next country to join the club. Macedonia signed a stabilization and partnership agreement (the first step towards the EU) in 2001 and received the status of the applicant country for the EU in 2005. However, unlike Croatia, negotiations have yet to begin to enter the EU. However, Albania, Serbia, Montenegro and Bosnia-Herzegovina countries are less developed in this area. These States have not entered into the status of the applicant country, only sign the agreement of stability and partnership. In the Balkan countries, privatization in the banking environment has been and is almost complete in recent years. Public lending seems to have a decisive effect on privatization's "development of banking

services and stimulation of competition" (Brada and Kutan, 2001: 249).

New legislative and institutional compulsory reforms under European integration process conditions should also have durable and positive effects on regional economies and banking structures. Thus, in credit volume, a record growth of 42% was seen in 2007. It was one of the biggest reasons for the growth of national economies, which reached about 4% of GDP in 2007. Many economists estimate the GDP growth in South-East Europe region as 5% in 2009. Due to the credit available in the international markets, companies are more likely to go to the local bank to ensure credit security (Bonetto et al., 2008: 2-3).

The majority of Balkan nationals think that "the banks of the West are safe, while the banks of the East are at risk". But it has also been confirmed by their own economies that businesses in this part of the world, in the Balkan region, are in a problematic position (Brada and Kutan, 2001: 25).

2.2. Financial Compliance of EU and Eastern European Countries

The binary for the degree of economic harmony between the two economic regions determines the choice of the exchange rate regime. Economic theory and policy argue that, in the long run, it is better to establish a monetary union and a dual fixed exchange regime in two economic areas (Rose, 2000: 7). In this context, the question of how integrated the EU and Southeast Europe are in the economic realm arises. Contractual relations and institutional integration show that bilateral relations in the region are shaped in 90s with regard to EU and GDA countries (Kotios, 2001: 196).

The differences in the contractual relations between the EU and GDA countries are reflected in the political and economic harmonization process

of GDA countries and the economic and political conditions in transition to the EU are meticulously. For example, Bulgaria and Romania signed the accession treaty with the EU (1993) for promoting political dialogue, establishing free trade areas, promoting economic co-operation, and gradually aligning EU standards with policies and experiences. Since 2000, Bulgaria and Romania have benefited from the support mechanisms of the pre-accession politics of the EU by carrying out accession negotiations with the EU (Kotios, 2001: 2).

Following the war in Kosovo, the EU entered into a new regional approach with the name "Stabilization and Participation" with the Western Balkan countries. This approach aims to preserve peace and stability in the region and promote economic development. This approach is also aimed at improving the conditions for integration and participation within the European structure of the Western Balkan countries. The main components of the stabilization and accession process are the accession negotiations (Kotios, 2001: 6).

The well-defined political and economic conditions must be fulfilled in the preconditions of this agreement between the EU and five eligible Balkan countries. The inadequacy of the Stabilization and Accession Treaty is a little less, even though the countries in the region have not adequately fulfilled all the requirements, financial, technical, economic and critical aid, political dialogue and political co-operation that have not deprived the Union of the functioning of Autonomous Preferential Trade they are used.

In 2001 the Stabilization and Accession Treaty with the EU, Macedonia and Croatia were signed. Considering the agreements signed with the other three Western Balkan countries, the EU improved its existing free trade privileges and decided to release more than 90% of imports from the Western Balkans

to the EU (Petrakos, 2001: 219). As regards trade integration, in 1999 the EU's most important trade partner was the GDA countries (Kirkilis, 2001: 38).

Except for Bosnia-Herzegovina and the Republic of the former Yugoslavia, due to special circumstances, more than 50% of the total trade volume was realized by the EU, GDA countries. Since the beginning of the transition period (1989) this trend has continued to increase, so much more is expected in the near future. The same trend can also be observed in the field of foreign direct investors. The largest part of the investments is provided from the Eurozone countries (Rizopoulos, 2011: 83).

In addition to the growing commercial orientation of the GDA countries with the EU, similar trends can be observed in monetary integration. According to Bishev (2000), the exchange rates of currencies and assets in the seven GDA countries in transition are much higher than in other transition countries. The countries that replaced the leading currency are Macedonia with 423% Bosnia-Herzegovina, 265% with Croatia, 45% with Albania and 45.8% with the lowest currency (Bishev, 2000: 8).

Albania is 20.9% and Croatia is 80.3% among the ranges of asset-substitution ratios. In the GDA region, the German currency (Euro) is the leading currency of the foreign currencies. The high rate of currency change is usually due to political and economic instability and lack of credibility (Bishev, 2000: 11), so that all the transitional GDA countries can be larger or smaller.

2.3. The Structure and Functioning of the Central Banks of the Balkan Countries

The Central Banks are the core of the entire banking system, the monetary base is a central institution and an executive body for the implementation of monetary policy. Central bank as an institution is characterized by these transactions (Śeviĉ, 1996: 6):

1. Has the right to make and pay money;
2. Being organized by public law;
3. Concentration of money reserves (money, currency, gold and other precious metals);
4. Legally defined and strictly limited authority;
5. Centralization of transfer payments and the role of the government as a banker;
6. The task of supporting the stability of the financial system is at the banking system center.

The activities of a Central Bank can achieve these characteristics. The Central Bank is responsible for these (Cecchetti, 2008: 355):

1. Issuance and cancellation of banknotes and coins;
2. Foreign reserve management;
3. State banking;
4. A lender of last resort under some systems;
5. Auditing of banks and other financial institutions under certain financial system structure and
6. Foreign currency control

Several of these functions were done by the State Banks in the old socialist financial system, but they regulated the position with a different capacity

and different rules. The main decisive target for the development of a new position for central banks is independence.

Before the central bank, the following tasks are usually set according to the law (Apak, 1993: 13):

1. Protection of internal and external value of domestic money;
2. Ensuring the soundness of the financial system;
3. Maintaining a balanced economic growth and development and
4. Development of financial markets and control of money markets.

In the performance of these duties, the central bank uses the majority of financial policies and monetary instruments. While others can be employed together with the coordinated work of the central bank and the government, some of them are solely under the responsibility of the central bank (Śeviĉ, 1996: 8).

Another problem is that these tasks are often in conflict. If it is not possible to maintain price stability and support economic growth, this is very difficult. When other tasks are ignored, central banking laws can not be considered separately from the main function, such as "monetary stability", which protects price stability. Albania, however, has given priority to the bank's targets. The main task of the National Albanian Bank is to promote price stability and protect it, and then, if possible, to develop a market-based exchange rate system, to make the internal financial market and payment system suitable by regularly nurture monetary and credit conditions and to promote a balanced and sustainable economic development of the country (Vardari, 2012).

3. BALKAN COUNTRIES AND FINANCIAL MARKETS FUNCTIONALITY

This section deals with the definition of Balkan countries' stock markets, their general characteristics, the purpose of the establishment and the functioning of financial markets.

3.1. Serbia Stock Exchange

The idea of establishing an institution to control the value of money first appeared in Serbia in 1830. The Serbian Trade Association has enacted the Stock Exchange Law for the development of the Serbian economy. The Belex stock market, which was announced by Serbia's King Milan M. Obrenović on 3 November 1886, was organized by the Constituent Assembly of the Belgrade Stock Exchange on 21 November 1894 (Vardari, 2012).

3.2. Macedonia Stock Exchange

The Macedonian Stock Exchange was established on September 3, 1995. This date is the date of the first foreign exchange agency of the Republic of Macedonia. The Macedonian Stock Exchange, which was founded as a non-profit corporation with a share of one million German mark, became 19 companies in the year of establishment. In 2010, 36 companies are listed on the stock exchange (Vardari, 2012).

3.3. Croatia Stock Exchange

The Croatian Stock Exchange performed its best performance between 2005 and 2008. One of the main reasons for this is Croatia's EU membership. With the finalization of Croatia's EU membership in 2007, investors were able to invest more securely in the Croatian stock market (Vardari, 2012).

3.4. Albania Stock Exchange

The Tirana Stock Exchange is the first stock market title established in Albania. The Tirana Stock Exchange was established as a department of the Albanian Central Bank for the purpose of secession after a transition period of the first few years. The stock exchange is organized as a market focused on order and the main activity is the secondary trade of treasury bills and 5 government bonds. Commercial sessions were held twice a week, but after October 1997, sessions began to take 5 business days per week, while commercial vehicles and treasury bills were accepted as 3 and 6 months. Until August 1, 1998, Treasury bills were replaced by primary markets. After this date, tenders are carried out in the Albanian Bank's currency operations section.

The Tirana Stock Exchange has been separated from the Central Bank of Albania since 1 May 2002 and has continued to function as a joint stock company. In July 2003 the Tirana Stock Exchange became the ultimate license of the financial supervisory entity as a securities exchange. This license was renewed in 2005, over a period of 2 years. In 2007, Tirana Stock Exchange is operated by the financial supervision institution as an indefinite license.

3.5. Slovenia Stock Exchange

In 2012 the Lubljana Stock Exchange has a 23-year history. Together, Slovenia has a much longer intermediary system: between 1924 and 1942, Lubljana has the first securities market. After the Second World War, there was an interruption in the trading of the stock market and after the war it was banned by official decision. For this reason, the Slovenian stock market was closed for almost half a century (Ribnikar, 1999: 155).

In 1992, the businessman and industrialist, Dragotin, was gathered around Hribar (the founder and former president of the first stock exchange) to try to establish another Borsan in Zagreb. In the same year, the responsible minister approved the market for commodities and securities trading, but no foreign currency transactions were allowed. August 6, 1923 te approved the payment for the awareness-raising activities needed by the stock exchange and that day Dragotin Hribar gathered the first General Assembly of the Stock Exchange of Ljubljana Stock Exchange: the meeting was held in today's Philharmonic Hall in Lubljana Congress Square. Foreign exchange transactions began officially on August 16, 1924 as a result of long preparations, while the initial transaction price was started for two days. Initially, securities and commodities were traded (mostly wood and grain), and three years later foreign currency was allowed to be distributed. In the recent period, it was represented by 93-99% of the total of the Brosnan's total score (Mramor, 1993: 68).

Operations were carried out in the Merchanst hall until the Second World War. Until 1942, some commodity-based trading companies could continue their trades, but after that date no commercial information could ever come to this date. The Lubljana Stock Market continues to strive to maintain and

further develop the old Stock Exchange tradition and reputation (Foucault and Others, 2004: 37).

3.6. Bulgaria Stock Exchange

The Bulgarian Stock Exchange started its activity as a Stock Exchange on October 9, 1997 and operates as the only stock exchange in Bulgaria. The Bulgarian Stock Exchange (Sofia Stock Exchange) has been officially licensed by the State and continues to operate as a publicly traded company (www.bse-sofia.bg). Financial transactions within the scope of trading activities are as follows (Evtimova, 2000: 5):

1. Regulation of securities and other financial commercial instruments;
2. Maintenance of trading operations and information systems;
3. Establishment and maintenance of a clearing system guaranteeing the obligations undertaken under the securities transactions carried out on the stock exchange.

BSE-Sofia's mission is to establish a system that will secure members and customers, facilitate access to market information and facilitate trade participation in securities, which will facilitate the development of the capital market. BSE - Sofia's main strategic goal is to establish an effective capital market in Bulgaria and become a major intermediary institution with a funding source for local businesses in the Bulgarian economy. In this context, the main priorities of BSE-Sofia are listed as follows (www.bse-sofia.bg):

1. Promotion of order types and trade opportunities of new vehicles;
2. Development of market infrastructure in cooperation with other capital market institutions;

3. Improvement of trade conditions;
4. Attract new investors and exporters;
5. Changes in legal framework;
6. Institutional management;
7. Improving the institutional structure of the stock exchange.

3.7. Greece Stock Exchange

The Greek Stock Exchange unofficially began its activities in the second half of the nineteenth century. Emoupolis and Athens traders and shipowners are the first to trade in unofficial markets in foreign currencies and securities. The Athens Stock Exchange (ASE) was established in 1876 and was reprinted according to the first legal framework and the French commercial code. The Greek Athex Stock Exchange has started as a free, legitimate public institution (www.ftse.com).

In December 1997, the Greek government sold 1.983,270 shares (39.67% of its capital) to selected investors through private placement. In December 1998, the Greek government sold another share (12% of its capital) to selected investors through private placement. In November 1999, the Integrated Automated Electronic Commerce System (OASIS) developed a clearing system for existing stocks and derivatives trading through a modern and user-friendly computer system. Helenei Exchange SA. (HELEX) company, was listed on the main market in 21.08.2000. In 2002, ASE and ADEX merged to form ATHEX (www.ase.gr).

By 2000, the Athens Stock Exchange had seen a rapid increase in its base figures and made a decisive contribution to economic development in Greece. The number of companies listed on the stock exchange has decreased from 310 in 2000 to 290 in 2006 and to 280 in 2010. Market

value was $ 107.502.5 in 2000, 208.256.1 in 2006 and $ 67.586.4 in 2010 (Samitas and Kenourgios, 2004: 3).

CONCLUSION

In this study, the economic structure of the Balkan countries is explained and information about the financial market integration of the Balkan countries, the Balkan countries' stock exchanges and the functioning of the financial markets are given.

While the disintegration of the Yugoslavian Socialist Federal Republic and the subsequent wars were sculptured as a great story of failure for the European Union, it brought out seven new states on the European scene. The EU's policy towards the Western Balkans, shaped by priorities, goals such as continuity and the founder of peace, is now moving towards a goal of integrating the region's countries with the EU.

Nevertheless, the number of independent countries in the Balkans and the increase in new economies make it attractive for investment. The geopolitical and strategic importance of the Balkans is increasing day by day investments in the Balkan countries.

The financial market complaints are not very well developed because the economic structures of the Balkan countries are not very developed, so the financial integration between the Balkan countries has not developed much. The biggest reason for this is the geographical wars and distrust of each other. The biggest advance in this regard is the stock exchange of Greece, Slovenia, and Croatia. These country stock exchanges are trading at a higher level than other Balkan countries' stock exchanges, which increases integration with each other.

Increasing integration in the financial markets in the Balkan countries both increases confidence in each other and contributes to the development of the region economically. The integration of financial markets is the foundation of confidence and stability for the future of the region. Providing confidence and stability ensures greater transaction volumes and greater investment.

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