ASPECTS OF INDUSTRIAL AND ECONOMIC DEVELOPMENT IN THE BALKAN COUNTRIES BEFORE AND AFTER INTEGRATION IN THE EUROPEAN UNION

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Abstract: Some recent international reports have indicated that during the transition countries in Europe, the Balkan countries have an inferior industrial and economic performance - compared to the Central Europe.
In last few years, the economic gravity center shifts to the East, a new environment for economic relations was created and new regional spheres of economic influence and cooperating were rising.
The Balkan Countries (South-eastern Europe) have not been able to recover from the shock of the transition, talking about the market economies and the development of metallurgical industry. In Balkan Peninsula, the countries in transition had economic crises during this period. These crises caused serious divergences in comparing with the other European transition countries.
This paper presents some aspects of the economic and industrial structure and the changes in the Balkan region after integration in the European Union, talking about GDP Growth, inflation, industrial development – the regression of the metallurgical industry and Trade Balance evolution.

Keywords: economic structure, development, integration, inflation, GDP Growth.

Introduction.

In the last few years, the economic gravity center shifts to the East, a new environment for economic relations was created and new regional areas of economic influence and cooperating were rising.

Europe is changing in a fundamental way, in two directions:

1. A complex conflicting and challenging process of economic integration to create the Single European Market, the Maastrich policies towards the Economic and Monetary Union, and the future E.U. enlargement.
2. The process of socio-economic and institutional transformation in Central and Eastern European countries (CEE) which is a multidimensional force to changing the European economic and political geography in a fundamental way[1].

The Balkan countries have an inferior industrial and economic performance - compared to the Central Europe. After the integration in the European Union, had a shock of transition from centrally planned to market economies, despite the fact that this process has lasted for more than ten years.

The European Union integration process involves states and regions with different traditions, different levels of development and different domains for resources and technology. This problem generated a pressure for Southern European countries, because these countries had problems with efficient organization of their productive basis.

Romania and Bulgaria are not the only transition countries from Balkan Peninsula which have serious economic difficulties because the transition period. Greece, for example, had serious economic difficulties –especially after 2008, despite it was the most developed and stabile economy from Balkan Peninsula. This country is the only member of the European Union (E.U.) in the region which had a great progress followed by serious structural problems in its economy. It is in fact, the only European Union country that has not met the Maastricht criteria and therefore is for the moment left outside the EMU.

All the transition countries in the Balkan Peninsula - including: Romania, Bulgaria and Greece - have experienced in a deep recession in the post – 1989 period.

Another characteristic of the early stages of the transition process, is the soaring inflation rates that appeared in all countries as a result of market liberalization. All the countries from Balkan Peninsula had hyper – inflation during this period, especially Ex-Yugoslavia (New Yugoslavia).

The industry, in a special mode- the metallurgical industry- was affected after integration in European Union. Most of the manufactories were disappeared in a few years after the integration in European Union. In this sense, in Romania there are many examples. In Bulgaria, too.

The political instability after the integration in European Union, social – ethnic unrest and unsolved frictions with the other countries over ethnic minorities or territorial disputes, are factors generating serious uncertainty to markets and economic activity. Their impact is to cancel running or planned (domestic or foreign) investment projects, while their long-term impact is to put at serious risk the prospects of the country for growth and development.

A country can be affected by the *negative externalities* of a regional crisis, even if it is not directly involved. For example, the war in Serbia and Kosovo has affected Greece, by reducing tourism, trade and investment activities in the country and imposing longer transportation routes for its exports to E.U. markets. The *expectations* of the people and firms about the future have become less optimistic, despite the significant progress of the economy.

Aspects regarding the economic growth rates in Balkan Peninsula.

We can understand the potential of the Balkan region if we consider some information (see table 1) about population, area, Gross Domestic Product (GDP) and Gross National Product (GNP) per capita for all Balkan countries and the European Union (E.U.)

The indicators used in order to examine the rates and the level of economic development (growth) are:

- the Net National Product (NNP);
- the Gross National Product (GNP);
- THE Gross Domestic Product (GDP).

In the first decades of the post – war era (1950-1970), the economies of the Balkan Peninsula States ranked among the fast growing world economies. During 1970 and 1990, the growth rates slowed down (see table 1).

Table 1: Growth of total output international comparisons [1,3]

Country	*Average annual growth rate (%) for: 1961-1970*	*Average annual growth rate (%) for: 1971-1980*	*Average annual growth rate (%) for: 1981-1990*
Romania (socialist)	*5.2*	*5.3*	*-0.1*
Greece (capitalist)	*7.6*	*4.7*	*1.5(in E.U.)*
Bulgaria	*5.8*	*2.8*	*1.2*

(socialist)			
Japan	*10.5*	*4.6*	*4.0*
Hungary (socialist)	*3.4*	*2.6*	*1.0*
USA (CAPITALIST)	*3.8*	*2.7*	*3.2*
Soviet Union (socialist)	*4.9*	*2.6*	*2.0*
Austria (capitalist)	*4.7*	*3.6*	*1.7(in E.U.)*

In figures 1,…3 are presented the evolution of the average annual growth rate for Balkan Peninsula (for Romania, Bulgaria and Greece)

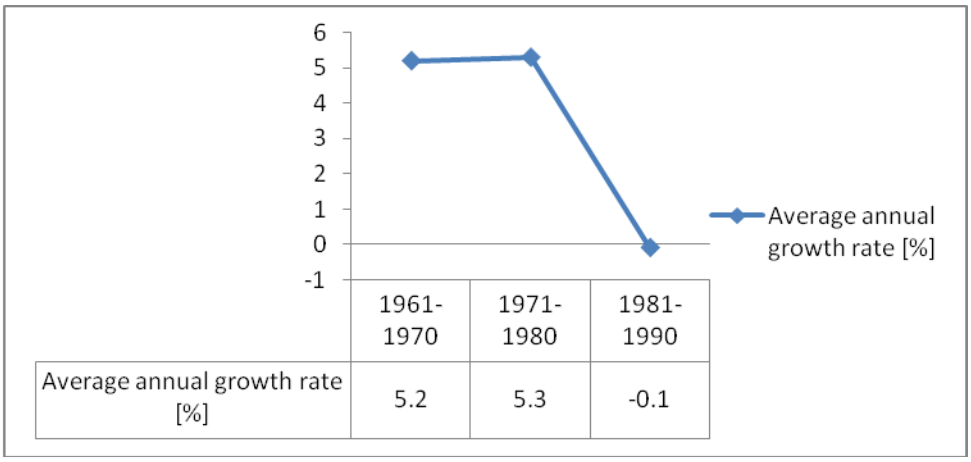

Fig.1.The evolution of the average annual growth rate for Romania [2]

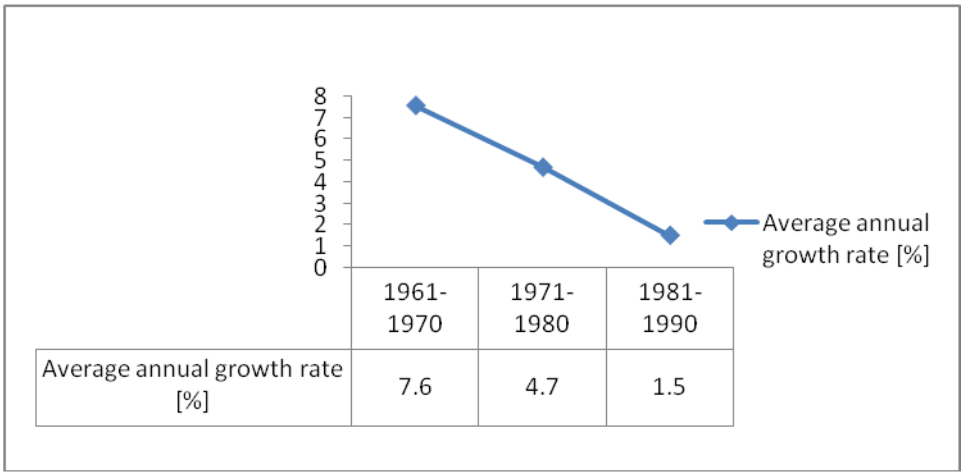

Fig.2.The evolution of the average annual growth rate for Greece [2]

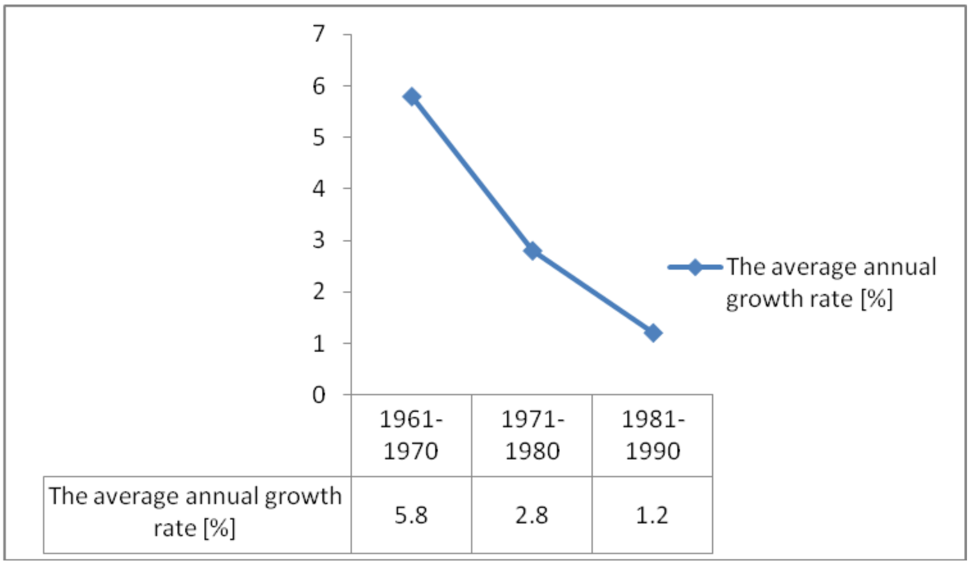

Fig.3.The evolution of the average annual growth rate for Bulgaria [2]

In table 2 are presented the output and real GDP growth of economies in transition (1990-2000).

Table 2:Output and real GDP growth of economies in transition (1990-2000)[2,3]

Country	Consecutive years of declining output	Cumulative output decline (%)	Real GDP in 2000 (1990=100)
Albania	3	33	110
Bulgaria	4	16	81
Croatia	4	36	87
Romania	3	21	144

Sources: *World Bank Country Office Data; Maddison -1982-;World Bank (2002,p.5).*

In table 3 are presented the evolution of the annual GDP growth rates [%] in Balkan Peninsula between 2000 until 2004.

Table 3: Annual GDP growth rates (%) in Balkan Peninsula (2000-2004)[2,3]

Country	2000	2001	2002	2003 [(a)]	2004 [(a)]
Romania	1.8	5.30	4.80	4.20	5.10
Bulgaria	5.80	4.00	4.30	4.60	4.20
Serbia and Montenegro	5.00	5.90	4.10	4.90	5.20
Albania	7.80	6.50	4.60	5.90 [(b)]	6.10
Greece	4.30	4.10	3.80	3.80	4.00
F.Y.R.O.M.	4.60	-4.70	0.90	3.20	4.40

(a): Forecast by the National Bank of Greece;
(b): Forecast by the Central Bank of Albania.

Sources:
- *National Bank of Greece: South Eastern Europe and Mediterranean Emerging Market Economies. Bulletin vol.4, Issue 4, March 2003, p1-60 [4] ;*
- *National Bank of Greece: Euro Area Monthly, January 2003, p.6 [5] ;*

- *Romanian Macroeconomic Developments, January 2003, p.3 (Official document of the Romanian Government)[6] ;*
- *Greek Democracy: National Budget 2002. Report by Nikos Christodoulakis, Minister of Economy and Finance. Athens, November 2001-November 2002 [7] ;*
- *Greek Democracy:Ministry of Economy and Finance: Seasoned, Program for Stability and Development of Greece: 2002-2006, December 2002, p.4 [8];*
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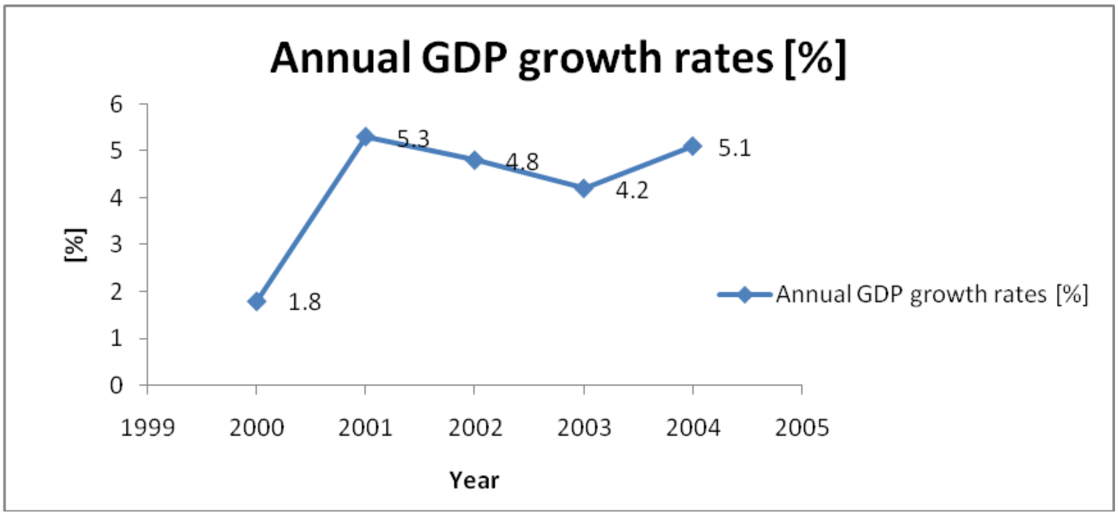

Fig.4. *The evolution of the annual GDP growth rate for Romania (2000-2004)*

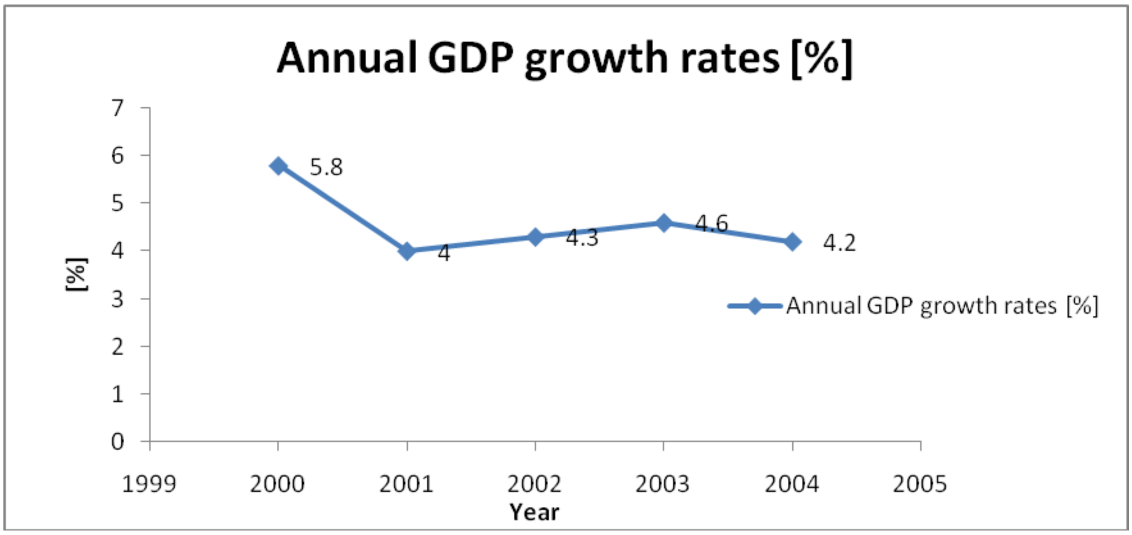

Fig.5. *The evolution of the annual GDP growth rate for Bulgaria (2000-2004)*

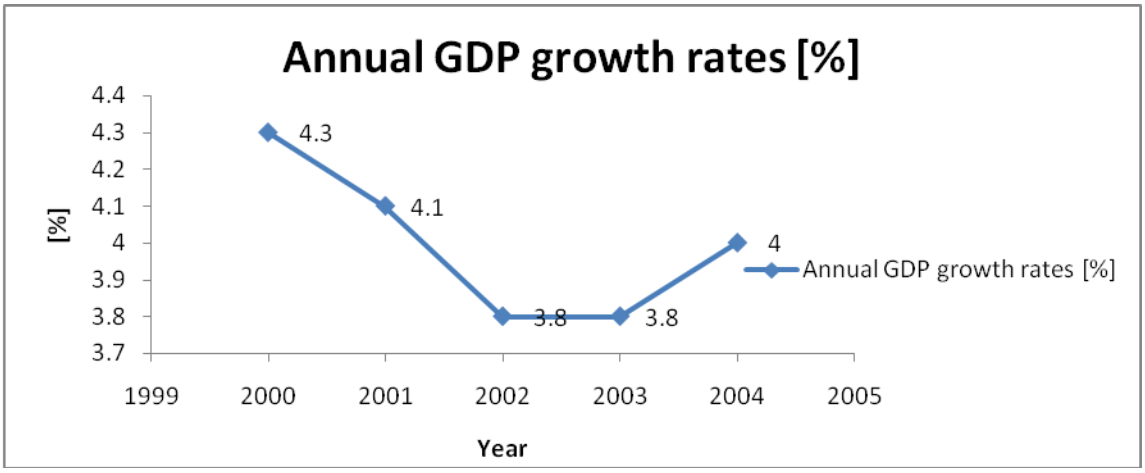

Fig.6. *The evolution of the annual GDP growth rate for Greece (2000-2004)*

In international economic theory, the trade with neighboring countries is more intensive and usually takes an intra-industry character, implying greater room for more industries to develop. This is, because, international specializations are not mutually exclusive and the division of labor takes place *within* and not *between* sectors (*Petrakos, 1999*). The lack of trade relations among Balkan countries pushes them further towards an Inter - industry type of specialization with the technologically more advanced western European countries that is rather unfavorable for the prospects for industrial development in the region.

The performances of the Balkan economies has been affected by their artificial division in the pre- and post- 1989 period and by the consequent restrictions imposed on the structure and level of the external economic relations of the region.

Information about the evolution of per capita GNP.

Some information about the structure of GNP in the European Union and the Balkan Countries by sector respectively, are presented in table 4.

Table 4: Composition and Change of GNP in the Balkan Countries after 1989 [2,3].

Countries and GNP Capita in USD	*Year*	*Total*	*Primary*	*Secondary*	*Tertiary*
Albania	*1990*	*100.0*	*37.9*	*48.4*	*13.7*
340	*1994*	*100.0*	*55.1*	*21.9*	*21.0*
Bulgaria	*1990*	*100.0*	*10.9*	*59.4*	*29.7*
1.140	*1994*	*100.0*	*12.0*	*38.5*	*49.5*
Romania	*1990*	*100.0*	*19.8*	*45.9*	*32.3*
1.140	*1993*	*100.0*	*21.0*	*40.7*	*38.2*
Slovenia	*1990*	*100.0*	*5.2*	*41.8*	*53.0*
5.194[a]	*1994*	*100.0*	*5.0*	*39.0*	*56.0*
Greece	*1990*	*100.0*	*16.0*	*26.5*	*57.5*
7.390	*1994*	*100.0*	*16.1*	*23.9*	*60.0*
E. U.[b]	*1992*	*100.0*	*2.6*	*33.1*	*64.4*

Source: Totev (1996), EUROSTAT (1995)[15], Statistical Yearbook 1995 and World Bank (1995 b), Trends in Developing Economies, 1995.

a. GDP per capita;

b. Composition of Gross Value Added in current prices by sector in 1992.

Taking imports per capita as an indicator of the openness of an economy, we ca see that Slovenia and Greece are the more open economies in the region, while Albania the more closed one. Measured in US dollars for 1995, imports per capita are 4.686 for Slovenia, 2,076 for Greece, 1,571 for Croatia, 694 for F.Y.R.O.M., 548 for Bulgaria, 383 for Romania and 178 for Albania.

Greece appears to be a unique case of structurally lagging behind country with a share of primary sector equal to 16 % of GNP, -is more than six times the E.U. average. This high dependence on the primary sector is followed by one of the lowest shares of secondary and tertiary sectors in GDP from the E.U..

In table 4 we can see a general pattern of structural change in transition Balkan economies with common characteristics the reduction of the secondary sector and the increase of the share of the tertiary sector. Romania, Albania and F.Y.R.O.M., have seen their GNP shares of agriculture to increase – at various rates – in the 1990-1994 period, Bulgaria experienced a slight increase and Slovenia has more or less a constant share in agriculture. The direction of changes for primary's sector share in GDP was affected by the industrial restructuring process and by the level of development.

From all the Balkan countries, Slovenia is the only one with a GNP structure (56%) which was approaching in 1994 by the GNP structure of the European Union (64%) [6], - in a sense that it has a low dependence on agriculture. Romania, Bulgaria and F.Y.R.O.M. are approaching the structure of Greece, having a significantly greater dependence from agriculture.

With the exemption of Albania, in 1995, all the countries from Balkan Peninsula with transition economies, had a GDP share of industry greater than the E.U. average, indicating that the process of industrial restructuring had not been completed yet.

The increase of GDP share of the tertiary sector in transition economies is very impressive.

Between: 1975-2000, per capita GNP falls in Bulgaria, Romania, Albania and Yugoslavia. In this period, this indicator was rises slightly in Greece. The transition from a centrally planned economy to a market economy is characterized by an absolute decline in GNP, in most European economies of the south –east part. The cumulative decline in GNP over the period 1990-2000 was: 33% in Albania, 16% in Bulgaria, 36 % in Croatia, 21 % in Romania and 14 % in Slovenia. In 2000, real GNP was lower by 19 % in Bulgaria, 13 % in Croatia, and greater by 10 % in Albania, 44 % in Romania, 5 % Slovenia, compared to year 1990 [2,3].

Table 5: Per capita GNP Growth in South-eastern Europe, during the period: 1975-2000 [%] [2,3]

Country	*Average yearly growth rate 1975-2000*	*Average yearly growth rate 1990-2000*
Greece	0.9	1.8
Romania	-0.5	-0.4
Bulgaria	-0.2	-1.5
Croatia	-	1.8
Slovenia	-	2.8
Albania	-1.3	2.7

Between: 2000-2004, the rates of economic growth were accelerated in the most countries from the South- Eastern part of Europe. The annual growth rates of GDP ranged between 2.0% and 7.8 %.

In table 6 were presented *Per capita GNP values in South-eastern Europe , between 2000 until 2003.*

Table 6. Per capita GNP in South-eastern Europe, 2000-2003 (in USD)

Country	2000	2001	2002	2003
Romania	1.623	1.730	1.953	2.187
Greece	10.727	10.656 (a)	11.062 (a)	11.482 (a)
Bulgaria	1.599	1.678	1.943	2.186
Albania	1.075	1.163	1.243	1.349
Serbia and Montenegro	0.762	1.023	1.200	1.309
Slovenia	9.105	9.455	9.857	10.360
Croatia	4.152	4.413	5.000	5.717
F.Y.R.O.M.	1.702	1.665	1.719	1.775
Cyprus	13.100	13.388	14.402	15.119

(a): Calculations based on official data

Sources:

- *National Bank of Greece S.A.: South Eastern Europe and Mediterranean Emerging Market Economies. Biulletin , Vol. 3, December 2002, p.6-61 and [10];*
- *Greek Democracy, Ministry of Economy and Finance: Seasoned, Program for the Stability and Development of Greece:2002-2006, December 2002, p.4 [8];*
- *EPILOGY, November 2002, p.107 [12].*

In figure 7 was presented the evolution of the per Capita GNP growth rate in Balkan Peninsula, between 1990 -2000.

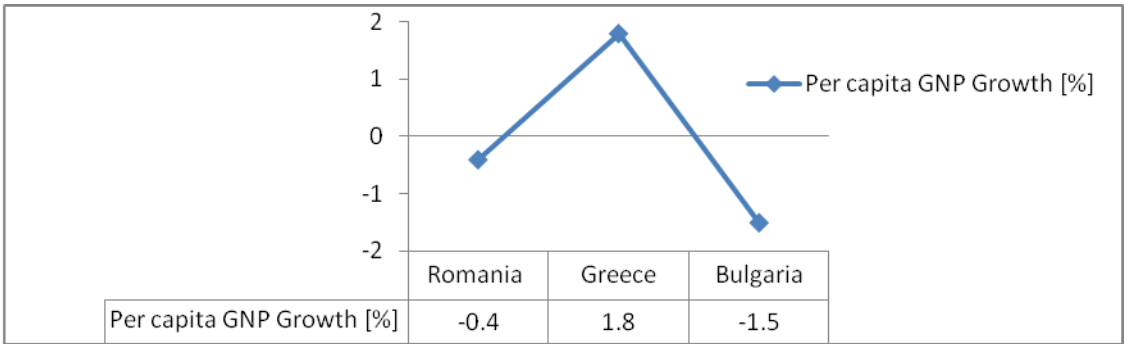

Fig.7. Average yearly growth rate [%,] for1990-2000[2]

During the 1990-2003 period, the development gap that separates most European countries of the Southeast from the developed countries widened further. Per capita GNP represented 24% in Bulgaria and Romania – for the year 2002 and 17% in Albania, 33% in F.Y.R.O.M., 38% in Croatia – for the year 2000 of the EU 15 average

The percentage was higher for Greece (64%), Slovenia (70%) and Cyprus (74%). Greece raised its percentage compared to the EU 15 average (=100) from 62.2% to 70.9% as measured in terms of purchasing power units (PPUs) **[*Sources*:** *Calculations based on: EUROSTAT 2000 [14], p.11; the Human Development Report 2002, p. 190-193; the Greek Treasury's Division of Macroeconomic Analysis; Kathimerini, 24.01.2003]*

Conclusion

In 1989, Yugoslavia was the most significant trading partner of Greece in the Balkans. Because of the embargoes and the war, the picture has changed considerably.

Bulgaria and Albania appear to be in 1994 the most important trading partners of Greece in the Balkans, followed by **Romania** while trade with the new States in the territory of former Yugoslavia was until 1994, as expected, virtually non-existing.

The exports and imports between Greece and Romania, Bulgaria and Albania were not interrupted by the war. In this case, it can be explained the higher commercial activities with Bulgaria, Albania , Romania and Greece, of course. Other factors, such as religious or historical ties, the existence of minorities and various types of implemented policies of external relations, have affected in various ways the level and the growth rate of trade between Romania, Greece and other Balkan countries.

After the integration in European Union, the Balkan countries had an inferior industrial and economic performance - compared to the Central Europe. The metallurgical industry and the other areas of the industry couldn't be developed because appeared other new materials from the west part of Europe and other politics of marketing which replaced the steels and metallic alloys. But, in the last few years, in Romania appeared other new smaller factories, with other activities, according with the new technologies.

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