



Understanding the Balkans region

(excerpt from www.abcinfos.com)

The countries, which chambers/unions of commerce and industry are ABC members, constitute a vast territory. Its significant geographical, demographical and economic characteristics cover a region suitable for business and open to cooperation with the whole world.

The ABC countries - Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Greece, Macedonia, Romania, Serbia and Montenegro and Turkey cover a territory of 1,477,740 sq km and have total population of 129,647,002. These numbers are 14.3% from the whole territory of the European continent and 25.3% of its population.

The common borders of the Balkans countries (km)

	AL	BiH	BG	CY	GR	MK	RO	S&M	TR
AL					282	151		287	
BiH								527	
BG					494	148	608	318	240
CY									
GR	282		494			246			206
MK	151		148		246			221	
RO			608					476	
S&M	287	527	318			221	476		
TR			240		206				

The analysis of the features of Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Greece, Macedonia, Romania, Serbia and Montenegro and Turkey show relative religious tolerance and harmony/unity in the

life, traditions, habits and temperament, which help the easy establishment of contacts and understanding between the peoples of these countries.

On the basis of democracy, which aims everybody to be heard and satisfied, the countries on the Balkans could reach/achieve the private aims - those of a specific country as well as the aims of the whole region. Despite that the ABC countries are representatives of young democracies they could reach their high targets by the strong motivation and good leadership of their respective Governments.

Overview on macroeconomic indicators in the region

The average growth of GDP in the Balkans countries is 4.18%. The total GDP figures \$ 941,01 billion. In most of the countries, included in this survey, over 50% of the GDP is generated by the service sector. The industry forms one third - average from the GDP in all the countries and the agricultural sector - 18,8% average. Despite these encouraging data the unemployment and inflation indicators are disturbing. For example, the average unemployment rate on the Balkans is 19,3 %. At the moment the inflation in most of the countries is under control but as an economic indicator it should not be underestimated.

Import / Export

The economics of almost all the countries from the region have been characterized with negative balance of payment and negative trade balance - the part of the import is bigger than the part of the export.

The countries, members of ABC export and import similar products. The conclusion is that there are plenty of favourable circumstances for joint ventures, production, cooperation, processing, participation in third markets etc.

Analysing the export goods in the Balkans region, we draw the conclusion the ABC countries have similar economics and export mainly: textile, garments, food products, metals, machines and equipment, chemical products etc.

Italy is a main partner to all countries of ABC in the export. In 60% of the cases Italy is export partner number 1. Germany is second, followed by France, USA, Great Britain. Greece is on the fifth place as a main internal export partner for the countries from ABC. There is a similar tendency in the imported goods too. The analysed countries import mainly machines and equipment, foodstuff, chemicals, fuels, transport equipment etc. Italy is again an active partner - source of goods, which the ABC countries import and it is on the fourth place. Germany is among the leading partners, followed by Russia, France, Austria. Greece, Turkey and Bulgaria are internal for the group import partners. Some of the countries /Greece and Turkey/ due to their good economic indicators and the links they have with other regions, traditional partners and neighbouring countries play the role of columns, defining the economy of the Balkans region. Basically these two countries are the best partners in the export and import within the frames of the Balkans region.

Infrastructure

Better infrastructure - this is what most of the countries, with small exceptions /Greece/ lack. They lack good roads, highways, railway roads, airports, which are the means of the transfer of stuffs, goods, and people. Only Macedonia has no costal area. But the rest of the countries form a zone - big enough /the total costal boundaries of the ABC countries are 22.675 km/, which is a start point of waterways and possesses ports and harbours - helping the trade and transport. On the other side, they need improvement too as elements of the infrastructure.

The pointed positive and negative sides of the Balkans region will play a great role in the European Union in a future period of harmony between the economies of the European countries.

The EU challenge

On May 1, 2004, the European Union extended its membership from 15 to 25 states. Negotiations are well advanced with **Bulgaria** and **Romania**, which aim to join the EU in 2007. The Commission will present before the end of 2004 a report on **Turkey's** fulfilment of the Copenhagen political criteria, along with a recommendation on the possible opening of accession negotiations. For the acceding countries, the accession process has served as a catalyst for change, accelerating the implementation of complex and difficult political, institutional and economic reforms.

The conclusion of the process is a significant achievement that was based on sustained commitment over many years to the goal of membership. The European Union will ensure that the enlargement process does not raise new barriers, and that the Union remains inclusive and outward looking. The Commission has put forward a new framework for relations with its new eastern and southern neighbours, which currently do not have the perspective of membership of the EU, the European Neighbourhood Policy¹. The European Neighbourhood Policy does not apply to the Western Balkans countries since they have a membership perspective.

ABC countries status

ABC countries	EU membership	EU candidacy
<i>Albania</i>	X	X
<i>Bosnia and Herzegovina</i>	X	X
<i>Bulgaria</i>	X	✓
<i>Cyprus</i>	✓	X
<i>FYR of Macedonia</i>	X	X
<i>Greece</i>	✓	X
<i>Romania</i>	X	✓
<i>Serbia and Montenegro</i>	X	X
<i>Turkey</i>	X	✓

Short ABC countries profiles

Albania

Albania continues to play a constructive role in the region and its economy has remained stable. Organized crime and corruption remain widespread, however, and threaten stability and reform. Albania needs to step up its efforts in this area. It also needs to strengthen the judiciary and public administration

and to ensure free and fair elections at all levels. Implementation capacity is an issue of particular concern. Albania should also devote more attention to addressing the claims of its minorities.¹

Bosnia and Herzegovina

The Feasibility Study for Bosnia and Herzegovina (BiH) confirmed that considerable progress has been made in stabilization but also that the country still suffers from significant structural weaknesses. The constitutional order, as defined by the Dayton/Paris Peace Agreements, is complicated, costly and does not facilitate reforms. However, reforms in the areas of defence and taxation show that incremental and politically acceptable change is possible. One of the main challenges for BiH today is to address remaining structural weaknesses and become a self-sustaining state able to maintain closer relations with the European Union. This may require a strengthening of the powers and capacity of central government and an appropriate division of responsibilities between State and Entities. The High Representative has played an important role in pushing through reforms. The Government of BiH now needs to take more direct responsibility for the reform process.²

Bulgaria

The Bulgarian economy has achieved a high degree of macroeconomic stability due to a good policy-mix brought about by the currency board arrangement, a tight fiscal stance and wage moderation. Economic stability and good progress in structural reforms allow market mechanisms to provide a more efficient allocation of resources which, in the absence of the nominal exchange rate as an instrument for adjustment, is setting the basis for a process of sustained growth. This holds in particular for the increasing role of the private sector through privatisation and the reduction of state aid, the positive development of the banking sector and some improvements in the regulatory environment.³

Cyprus

Cyprus is a functioning market economy with a sufficient degree of macroeconomic stability to cope with competitive pressures within the EU. It has a successful economic performance and is classified by the World Bank as a high-income country. GDP per capita amounts to 18,500, which is 80 % of EU average and places Cyprus to the first among all Candidate Countries. In the labour market, unemployment has remained low (3.4% in 2002) due to Cypriot economy's success, the pursuance of macro-economic policies by the government as well as the existence of a dynamic and flexible entrepreneurship and a highly educated labour force. Moreover, the economy benefited from the close co-operation between the public sector and the social partners. During the last decade Cyprus has intensified its economic links to Europe. The EU is Cyprus's largest trading partner (54% and 52% respectively of Cyprus's exports and imports in the year 2002).⁴

F.Y.R. Macedonia

The security situation in former Yugoslav Republic of Macedonia is stabilising and the political climate has improved. National unity and political maturity marked the period following the tragic death of President Trajkovski. President Trajkovski played an important role in establishing and implementing the Ohrid Framework Agreement and he was strongly committed to bringing his country into the European Union. The Commission is confident that the government of the former Yugoslav Republic of Macedonia will carry forward his work. During the reporting period, implementation of the Ohrid Framework Agreement has progressed although some of the most sensitive pieces of legislation remain to be adopted and/or implemented. The entry into force of the Stabilisation and Association Agreement on 1 April 2004 should further accelerate the much needed reforms to ensure stable, functioning institutions, the rule of law and economic development.⁵

¹ Report From The Commission - The Stabilisation and Association process for South East Europe - Third Annual Report

² Idem

³ Strategy Paper and Report of the European Commission on the progress towards accession by Bulgaria, Romania and Turkey

⁴ <http://europa.eu.int/comm/enlargement/cyprus/index.htm>

⁵ Report From The Commission - The Stabilisation and Association process for South East Europe - Third Annual Report

Greece

Greece has a mixed capitalist economy with the public sector accounting for half of GDP and with per capita GDP 70% of the leading euro-zone economies. Tourism provides 15% of GDP. Greece is a major beneficiary of EU aid, equal to about 3.3% of GDP. The Greek economy grew by 4.0% in 2003. Remaining challenges include the reduction of the public debt, inflation, and unemployment; and further restructuring of the economy, including privatizing several state enterprises, undertaking pension and other reforms, and minimizing bureaucratic inefficiencies.

Romania

Romania was the first country of Central and Eastern Europe to have official relations with the European Community. In 1974, an agreement included Romania in the Community's Generalised System of Preferences and an Agreement on Industrial Products was signed in 1980. Romania's diplomatic relations with the European Union date from 1990, and a Trade and Co-operation Agreement was signed in 1991. The Europe Agreement entered into force in February 1995. Trade provisions had entered into force in 1993 through an "Interim Agreement". Romania submitted its application for EU membership on June 22, 1995. In July 1997, the Commission published an "Opinion on Romania's Application for Membership of the European Union". In the following year, a Regular Report on Romania's Progress Towards Accession" was produced. In its second "Regular Report" on Romania published in October 1999, the Commission recommended starting accession negotiations with Romania (conditional on the improvement of the situation of children in institutional care and the drafting of a medium-term economic strategy).⁶

Serbia and Montenegro

The adoption of the Constitutional Charter and of an Internal Market and Trade Action Plan in Serbia and Montenegro were important achievements, but they have not been fully implemented and the Action Plan remains incomplete. In *Serbia* the state of emergency following the assassination of Prime Minister Zoran Djindjic led for a time to greater engagement in the fight against the networks of organised crime and political extremists. However, the respect for human rights and the rule of law was affected during this period. Parliamentary elections in Serbia in December 2003 led to the formation of a coalition government led by Prime Minister Kostunica.⁷

Turkey

The Union encourages Turkey to pursue energetically its reform process. If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay. In order to assist Turkey towards EU membership, the accession strategy for Turkey shall be strengthened. The Commission is invited to submit a proposal for a revised Accession Partnership and to intensify the process of legislative scrutiny. In parallel, the EC-Turkey Customs Union should be extended and deepened. The Union will significantly increase its pre-accession financial assistance for Turkey. This assistance will from 2004 be financed under the budget heading 'pre-accession expenditure'.⁸

⁶ <http://europa.eu.int/comm/enlargement/romania/index.htm>

⁷ Report From The Commission - The Stabilisation and Association process for South East Europe - Third Annual Report

⁸ 2003 Regular Report on Turkey's progress towards accession



© ABC-DIHK 2005
All rights reserved

www.abcinfos.com