

ECONOMIC DEVELOPMENT OF THE EUROPEAN UNION AND BULGARIA FOLLOWING THE CRISIS 2008-2009

The Economic Research Institute at the Bulgarian Academy of Sciences (BAS) organized an international conference entitled "The Post-Crisis Economic Development of the European Union and Bulgaria (held in Sofia between 18th and 19th October 2012). The conference was attended by scholars and experts from Hungary, Albania, and FYR of Macedonia, as well as by a large number of colleagues from over 30 universities, higher schools, and institutes from Bulgaria, from ministries, scientific and manufacturing organizations, from companies, from the media, etc.

The participants were greeted and the conference was opened by H.E. Mr Philip Otie, Ambassador of the Republic of France in Bulgaria. From the standpoint of an economist, he expertly introduced the audience to subjects that are of topical importance for Europe.

The major issues of discussion within the itinerary were distributed along four lines. The first line of discussion focused on the challenges that the Euro zone faces in relation to overcoming the *financial and sovereign debt crisis* and in particular the opportunities for and prospects of overcoming it. The conference opened with a report by *Prof. A. Inotai* of the Hungarian Academy of Sciences. The report considered the macroeconomic influences of the global financial and economic crisis and the possibilities for returning to the growth stage of the countries from the European Union (EU), specifying: first, the re-establishment of export as an argument in favour of the model of export-oriented growth, second, the budget deficiency and the steps towards fiscal consolidation, and third, the long-term negative influences and what needs to be done to reduce public debt. According to him, the only way of controlling the crisis would be to shift the focus from fiscal consolidation to growth stimulation. In relation to this standpoint, he outlined the specific role of Germany and its policy of financial restrictions in separate countries. Prof. Inotai also elaborated on why the policy of a common fiscal consolidation has not been effective in contemporary conditions. Therefore, he was in favour of the idea that the paradigm should necessarily be changed through overcoming the demagogy of the policy of the EU carried out so far, and that we should take a sober view of the prospects of income freezing, increasing the differentiation among people, and the ensuing current and forthcoming social unrest. Today we are faced with the dilemma of how to conjoin the two policies, that of fiscal consolidation, and that of growth. According to the scholar, this could be achieved simultaneously, wherewith the growth would facilitate solving the issues of fiscal consolidation. He focused on major key elements of potential growth. Unbalanced fiscal consolidation would not alter the situation. We could not rely only on fiscal consolidation by disregarding key factors of the increase of competitiveness, including investments in real sectors, savings, and incentives should those be directed towards investments, not towards personal uses, etc. Prof. Inotai considered export as a key factor for growth. There are key challenges,

he outlined, that are currently concealed by the manifestations of crisis but that are extremely important and have long-term consequences. Those are the demographic problems, the labour market, the social model, even democracy. Therefore, political rationality should be regarded against economic rationality.

A. Oros, *PhD* of the Institute of World Economy at the Scientific Centre of Economic and Regional research at the Hungarian Academy of Sciences elaborated on the topic of the specific role of Germany as a leader in the management of crisis in the European zone. First, she outlined the stand that the crisis was not a sovereign crisis but such as encompasses certain misbalances with regard to current accounts and competitiveness. German policy is of particular importance for countries like Greece, Italy, Portugal, and Spain. Germany faces a trilemma that needs to be solved: export constantly exceeds import, there is a lack of strict uniform monetary union within the boundaries of the EU, and the existence of an independent central bank. In this aspect, the coming parliamentary elections in Germany in September 2013 are of particular importance since part of the preparation campaign is going to be the European policy. Every step of Germany towards the course of political actions in this respect is significant. Nowadays, we are witnesses of certain changes in the forms of communication among the governments of the separate countries (for example, A. Merkel's visit to Greece).

"The Financial Crisis and the Economic Inequality in Central and Eastern Europe" was the topic of the report of *Chief Assistant Professor P. Chobanov* (University of National and World Economy). He made a comparative analysis of eight countries newly-associated to the EU in terms of a number of indices: deficit in the current account and labour expenses, employment, youth unemployment, direct foreign investments, and foreign trade. The analysis resulted in an outline of some common tendencies that have become prominent in the countries under consideration, e.g. in 2011, the market share of the export in the countries with a fixed rate of exchange was higher than their pre-crisis levels and this has refuted the fears that their competitiveness would diminish; in pre-crisis years, the deficit of the current account was met through direct foreign investments only in Bulgaria and Estonia, whereas the dynamics of the index was rated as unstable with regard to financing the deficit; the analysis of the domestic demand within the pre-crisis period has shown overburdening of the economies of almost all countries under consideration except the Czech Republic and Hungary; the structure of the investments before the crisis has not been particularly favourable in the countries under consideration since those in the real estate area have predominated and their relative share has been the highest within the countries with a fixed rate of exchange, etc. Those observations have given ground to the author to draw the following conclusions: (a) before the crisis, considerable misbalances were accumulated as would raise the susceptibility of the countries to shocks; (b) the countries of Central and Eastern Europe were not prepared for the crisis and their economies were highly susceptible to the negative influences of shocks; due to that, the financial and economic crisis has significantly influenced them leading to a

steep deterioration of the indices under consideration; (c) the deficit of the current account has been a greater problem for the economic development of countries with a fixed rate of exchange rather than for those with inflation targeting.

D. Bobeva, PhD Manager of International Relations at the Bulgarian National Bank, reviewed the new initiatives in the EU in the area of financial services and the challenges faced by Bulgaria. Outlining the pre-crisis regulating measures within the financial sector in the EU, she came to the conclusion that the financial crisis and its secondary effects have reveals serious weaknesses of the European framework of regulations and control of the financial system. The Road Map published on 25th February 2009 was adopted as a basis of reform in this area. It contains 31 recommendations aimed at: a new regulatory framework for a better risk management, new coordinated control within the EU, effective management of crises. The author of the report provided a detailed analysis of the institutional changes (the European System of National Supervisory Bodies, the European Systemic Risk Board, or ESRC), the new legislative initiatives of the EU, and also some technical changes. She also traced the expansion of the regulated products and institutions, as well as the tendencies in the regulation of the financial sector: withdrawal of national discretions, enhancing of the united internal market through community, not national, measures, conferring new powers to the European Commission, to the European Central Bank, and to the other EU institutions, introduction of new licensing and registration regimes, etc. Special attention was paid to the extension and the tightening of regulations within the European zone, the so called Six-pack Shortcuts. Comments were expressed regarding the Bulgarian National Bank's stand on these issues, namely that such automatic mechanism, based on the use of a limited set of economic and financial indices, does not take into consideration the various degrees of economic convergence of the states as a result of which misleading signals could be given about the state of the respective economy, and the country would be groundlessly classified as one of macroeconomic disequilibrium. Assoc. Prof. Bobeva concluded pointing out the risks which could arise resulting from the new initiatives of the EU in the field of financial services, e.g. excess regulation and loss of competitiveness on the global market; excess centralisation and moral risk; over-activity at the expense of quality; divergent effect on the separate countries, on the competitor economies, and on the European zone; intensifying of the integration within the euro zone, but also fragmenting of the Single Market.

Prof. T. Hubenova-Delisivkova, PhD (Economic Research Institute at the Bulgarian Academy of Sciences) delivered a report whose topic was the sovereign debt risk. The report focused on the prospects for financial integration of Bulgaria within the EU. First, she stressed on the sovereign debt in the EU as a factor slowing the growth and the post-crisis development. Then, she considered the issues of European sovereign risk as a factor of new concepts of economic management of the EU and also the "Road Map" suggested as a way out of the crisis. The opinion was expressed that it was yet to be defined whether the "map"

would have ad hoc or long-term effects. Further on, the analysis was directed to the applied disciplining neo-liberalism in the EU and to the topic of “two-speed Europe”. The point is whether this would mean crisis of the quasi-federalism or a new political alliance. The European Financial Pact with bank alliance that is being created has outlined a “core” in the Economic Monetary Council and this has left the question open of whether the European Union will remain the same or be restructured. Prof. Hubenova-Delisivkova’s analysis concluded with an outline of the prospects for financial integration of Bulgaria within the EU. Two groups of factors were pointed out: those generating opportunities for this country, and those that generate threats.

In his report, *Prof. M. Hristov* (Higher School of Insurance and Finance) reviewed the contemporary challenges to Bulgaria’s fiscal and monetary policy. He concludes within the following lines: the major challenge to the fiscal policy is the deficit within the framework of revenue and expenditure in the state (the consolidated fiscal programme); the accompanying challenges to the fiscal policy are the problems of the revenue and expenditure of the state; there are no serious contemporary challenges to the monetary policy since its bank system operates under the conditions of a monetary board; however, the monetary policy should not disregard the problems related to the limited possibilities for complying with the demand for money and the inclusion of foreign currencies in the monetary aggregates; removing the currency board would increase the problems within the monetary policy.

Prof. D. Dinkov, PhD (University of National and World Economy) delivered a highly critical report entitled “Conceptual Aspects of the Outcome of Crisis”. He expressed his concern about the persisting financial and sovereign debt crisis, about the challenges that the Euro zone faces, and about the opportunities for the EU to surface out of this situation. With respect to the latter, he raised the issue of the instability of some countries, like Greece, that does not facilitate European integration. Concerning the conditions in Bulgaria, he presented, though in a critical note, the presence of a monetary board that would lead to the generation and accumulation of further disproportions – an issue which, unfortunately, has been overlooked.

Two reports concerned the bank sector. *Prof. I. Hristova-Balkanska, PhD* (Economic Research Institute at the Bulgarian Academy of Sciences) elaborated on the topic of the structural reform and regulation of the bank sector in the EU. She made an outline of the European bank sector after the year 2000 which was pre-determined by the combined effect of the following factors: introducing the Euro as the principal means of settlement and reserve in the EU; globalisation and the removal of bank intercession; the application of new technologies in financial operations; and competition on the part of non-banking financial intermediaries. Then she traced the development of financial integration in Europe. Apart from the institutional changes, she reviewed other factors, such as offshore investments of European banks as a manifestation of globalisation; raising the profitability of

European commercial banks between 2002 and 2004; restricting the guaranteed bank emissions of securities, etc. The increasing competition that causes structural changes was discussed, as well as the observed tendencies of a decline of the bank activities, and also the reduction of the number of banks in the Euro zone after the crisis. It was pointed out that currently the European banks have not managed to overcome the effects of the crisis. The topic of the bank system was connected with the increase of the national debts that presupposes re-capitalisation of the European banks. They should adapt to the new market environment and the new regulations. Some of the banks have shown positive results with respect to their re-capitalisation, yet their adaptation to the post-crisis realities has not come to an end. According to Prof. Christova-Balkanska, the prospects, including outside the Euro zone, remain unclear and the change is imperative.

The bank sector in Bulgaria was the object of discussion of the report by Prof. St. Vachkov, PhD (University of Economics, Varna). In a polemic tone, he searched for an answer to the question whether the anti-crisis conservatism of banks in Bulgaria was justified. Against the background of the macroeconomics of the development of the country within the past several years, he searched for the characteristic features of the bank sector (capitals, assets, credit portfolio, debt funds) and the sector's connection to real economy. By tracing the deposit basis of households, he came to the conclusion that since 4.8% of the households hold 68% of the savings, the economy was rather of a Latin American type. Special attention was paid to the stand of the Bulgarian National Bank and the phenomena related to this stand, like ceased payments for implemented projects (around 1.5 milliard levs); discrimination of small and medium-sized enterprises in the countryside; suspicions about non-statutory transactions of certain bank administrators, etc. The critical tone was not spared in his summary either, where he reviewed the dilemma of what the bank sector was aiming at: the manifestation of responsibility towards the national economy or ethically neutral economic rationality which, in other words, was identical to the dilemma of economic growth or stable poverty. This dilemma was viewed in the light of the changes that the mother banks have expected and already noticed, as well as of the symptoms of change of subsidiaries' attitude that has been revealed in this country. Finally, he outlined the ways in which the bank sector in Bulgaria should be altered.

Nowadays, Bulgaria's major objective is to maintain financial stability and achieve a steadfast economic growth by extending investments and innovations. The second line of discussion was entitled "*Economic Growth, Innovations and Investments*".

To prove his standpoint, Prof. G. Minassian, Dr. Ec. Scs. (Economic Research Institute at BAS) structured the body of his report "Financial and/or Economic Stabilisation" along two groups of arguments: those of the government and counter-arguments. The former comprised such arguments as: maintaining low, even diminishing, deficit of the consolidated state budget; or maintaining low level of the

consolidated National Debt. The author pointed out that, nevertheless, within the past fifteen years or so, the economic growth dropped dramatically twice from comparatively high and positive to considerably low and negative (1995-1996 and 2008-2009). This means that a complex analysis of macroeconomic indices should be made. As counter-arguments, Prof. Minassian pointed the deterioration in the financial account of the balance of payment, the reduction of returns to the consolidated state budget, the reduction of the investment activity (by 39.2% within the period 2009-2011 only!), the high level of corruption in this country, the high percentage of poverty, etc. As a result of the analysis, he came to the conclusion that the specified facts and data do not conform to the assertion of a financial stability in Bulgaria. What appears to be a symptom is the accumulation of social and economic tension that could cause irretrievable damage to the process of integration of this country in the European economic structures.

In their report, *S. Meisel, PhD* and *K. Vida, PhD* (Institute of World Economy at the Scientific Centre of Economic and Regional research at the Hungarian Academy of Sciences) reviewed the economic development in times of crisis of the ten Central and Eastern European countries newly associated in the EU, as well as the probable prospects for overcoming the crisis. Based on comprehensive statistical material, they made a comparative analysis of a broad range of indices that outlined certain tendencies in times of crisis and were valid for most or just for some of the countries: lowering of the competitor income level that is medium for the EU; reduction of the rate of direct foreign investments; reduction of inflation (but would that be sustainable?), etc. Deriving from the analysed facts, they drew the following conclusions: (a) in 2011, those countries started recovering from the crisis; in 2012, a certain increase of the rate of growth has been marked; and the prospects for 2013 are even better; (b) the pre-crisis dynamics of the economic growth will hardly be achieved; the probable trajectory will be one of a balanced economic growth that depends on conditions which are external for the respective countries; (c) public finances will follow the path towards a slow consolidation.

G. Sariiski, PhD and *Prof. R. Rangelova, Dr. Ec. Scs.* (Economic Research Institute at BAS) traced the development of bank activities in Bulgaria, namely the crediting of branches of the economy and economic activities as a factor of economic growth. Making references to a wide range of previous research on this topic, they concluded that less than half of the works pointed out a clear dependence of the financial system development and growth. They stressed that such dependence varied in terms of strength and direction; the effect was obvious mainly with countries under transition or in a period of industrialization; crises compensated for the positive effects. Based on data collected for Bulgaria within the past ten years or so, there is sufficient ground to establish how the branch structure of crediting has stimulated economic growth. The following conclusions came to the fore: (a) the commercial banks have directed finances towards segments where financing would bring about returns that are steadfast and of a highest rate; quite often, such segments have neither been connected to hi-tech

manufacturing, nor to the other prerequisites for long-term growth (education, public health, etc.); (b) the banks have been the field of conflict of interest: on the one hand, their target being the maximum profit, and on the other the stable monetary circulation; growth, however, has not been the priority of either; (c) the growth of the financial system has been an end in itself; in actual fact, the profit of the bank system has been “pumping out” income from real economy; (d) the regulatory framework of bank activities has been constantly complicating; the only possible way of raising its efficiency would be by regulating the major result of bank activities, namely, the profit.

Assoc. Prof. V. Primova, PhD (University of National and World Economy) focused on the specifics of the latest financial and economic crisis as compared to the previous more prominent crises of the 20th century. So far, many locations in the world have not been able to surmount the latest crisis completely, including the EU. This crisis has posed serious challenges to the contemporary evolution of concepts about the cyclic development and has shown up the need of a new structural adjustment of the economy that is aimed at restoring the conditions and prospects of growth on a national, regional, and global scale. The analysis has made it possible to conclude that, under the present-day conditions, the accelerated development of the financial and technological sectors has been considerably stimulated by the expanding scope of industrial production, by foreign trade, and by direct foreign investments. The development of the financial sphere that is less stable has taken an upper hand and has been more intensive, therefore creating dangerous prerequisites for the generation of new crisis tensions. Bearing in mind the close inter-branch connections and effects, to counterbalance these tendencies, two basic and intransient lines of stimulation for the economic processes have come to the fore. *First*, it is absolutely necessary that more investments be made in the manufacturing sphere and branches, focusing in modernising the applied equipment, technology, and products. This should create prerequisites for the investments and innovations to perform their actual role of generators of sustained economic growth. *Second*, effort should be focused to developing and using new alternative sources of energy, so that the negative effects of the reducing energy and raw materials sector could be limited. This should contribute to the increase of competitiveness and to strengthening the sources of economic growth at present day and in the foreseeable future.

Prof. R. Chobanova, Dr. Ec. Scs. (Economic Research Institute at BAS) delivered a report concerning the challenges to the national innovation policy of growth. She pointed out eight challenges connected with: the diminishing rate of demand and supply of knowledge within the framework of national economy and the deepening conflict with the developed economies; insufficient financing for scientific, research, and development work, the inadequate scientific, technological, and innovation policy, the low rate of hi-tech import and export; the human capital; the branch policies; the destabilisation of the structure of branches. The author of the report had a critical approach to the policy of the state budget regarding innovations,

since in its present form it could not contribute in any way to the sustainable growth of Bulgaria or the increase of competitiveness of Bulgarian economy. The author maintained the view that the policy was inadequate and the coordination among institutions insufficient. According to Prof. Chobanova, the solution was to search for internal resources for innovations and foreign markets of implementation, including the mustering of internal and external financial sources in order to fulfill the priorities.

In their report, *K. Ganev, PhD and R. Simeonova-Ganeva, PhD* (Faculty of Economy at Sofia University "St Kliment Ohridski") focused on how economic policies affect growth. Their basis was the SIBILA pattern of assessment of the effect of European funds on the Bulgarian economy within the framework of the project "Developing a Pattern of Assessment of the Influence of the Structural and the Cohesion Fund" financed by the Operational Programme "Technical Assistance". In its essence, this is a simulation model of long-term Bulgarian investments. A team of experts worked on this model in Bulgaria, among them the authors themselves and it was completed in 2011. The model comprised 202 macroeconomic variables, of which 32 were exogenous (i.e. data entered as external to the model) and 170 were endogenous (i.e. obtained as a result of the solving of the model). Economy was regarded as an aspect of both demand and supply. The four major sectors of the economy were included: real, monetary, fiscal, and foreign. In addition, three more blocks were built that considered the accumulation of human capital, infrastructures, and technology. The dependencies were econometrically assessed. They considered the short- and the long-term dependencies among the variables. The advantage of the pattern was that it allowed for the decomposition of effects in terms of groups of goods and branches. The model regarded economic development along two alternative scenarios: a basic scenario, which excluded the structural funds and the cohesion fund, and an alternative scenario that reflected the financing by structural and cohesion funds. The remainder from the results of the two scenarios was the assessed net effect of the acquisition of the structural funds and the cohesion fund. The test results of the pattern have shown that the structural funds and the cohesion fund have been of paramount importance for the accomplishment of growth of the Bulgarian economy in 2011 and 2012. In reality, without these funds, growth would have been very near zero.

The third line of discussion at the conference was centred on the issues of *the labour market and the social policy*. Attention was focused on the lowering of tensions on the labour market and overcoming the financial and budget challenges in relation to the social policy carried out.

In her report, *Prof. I. Beleva, PhD* (Economic Research Institute at BAS) discussed the issues of employment and unemployment in Bulgaria. As a result of the analysis, she came to a number of conclusions some of which were summarised as follows: Between 1990 and 1998, changes were predominantly governed by the reforms of the transition period, whereas after 1999, the cyclic factors increased their influence and the employment model changed. From the point of view of the periods of economic development, the influence of the dynamics of economic growth on

employment has been particularly strong in periods of crises. In periods of stabilisation and upsurge, growth has not facilitated significantly the increase of employment. The labour market nowadays functions in accordance with the market principles of a deformed market environment: unfair competition, corruption, monopoly structures, concealed/illegitimate employment and considerable state administration. The changes in the labour market have been partially positive from the point of view of development potential, yet new problems have been accumulated and arisen. Due to the continuous processes of economic restructuring in a highly unstable environment and under changing priorities, direction and rate of development, it has been rather hard to transform growth into employment and hence into takings and into economic and social prosperity. The changes in the occupational structure, such as decreasing of the qualified and increasing of the unskilled labour, the relatively low share of employment in high-tech manufacturing, etc., have had long-term negative consequences. Similar structure of the labour force would hardly be the motive power of an "intelligent" economic growth.

The issues of the development of the human capital and the segmented groups on the labour market were tackled in the report by *Prof. M. Atanassova, PhD* (University of National and World Economy). As such groups of the population, she outlined the following: people with primary or lower levels of education, unemployed, women within the age range of 25-64 employed in small- and medium-sized enterprises, or on a flexible employment scheme (part-time, etc.). She commented the situation in this country from the point of view of the facts and in the prospects of the Strategic Framework for European Cooperation in the Field of Education and Training (ECET 2020). As a result, she drew the conclusion that maintaining and broadening of skills depended on a number of factors, employment being among those. Under the conditions of the present-day crisis, with employment becoming a deficit welfare and unemployment being on the rise, the risks of human capital erosion have increased, too.

Prof. V. Tsanov, PhD (Economic Research Institute at BAS) analysed the development of salary under the conditions of cyclic fluctuations in Bulgaria. The focal point in the report was the relatively poor adaptation of salaries to the economic growth. Besides, the level of compensations for those employed in the gross domestic product (GDP) was low, due to the initial distribution of the gross added value within the enterprises. Furthermore, a tendency has become prominent of a gradual lowering of this rate during the phases of economic development. Collective bargaining has an insignificant effect. Prof. Tsanov considered that during the post-crisis period, considerable changes in the dynamics of salaries were not to be expected in the years to come.

The issues of social security during the stages of the economic cycle were the object of discussion by *Prof. Y. Hristoskov, PhD* (Economic Research Institute at BAS). As regards some of the hypotheses he voiced, he came to the following conclusions: (a) the hypothesis of the lack of consciously applied policy of development of social security against the dynamics of the gross domestic product

has been confirmed for the greater part of the past two decades; (b) the cumulative aggregation of problems has resulted in huge deficits in the social security funds, in erosion of the pension incomes, and in increasing suspicion of the social security system during a continuous crisis; (c) the reactive approach dominated the strategic political decisions which could not be related to a given theoretical model of alleviating the negative influence of the recurring development of economics. The lobbyist policies and pro-crisis activities, not anti-crisis, have been prominent.

Prof. G. Shopov, PhD (Economic Research Institute at BAS) drew major conclusions and assessed the changes in social assistance within the different periods of economic development between 1990 and 2011. He reviewed the various forms, programmes, and tools of social assistance. He focused on the model of the system of guaranteed minimum of incomes as the most important. As a rule, the design of this system has adapted to those changes (“tightening and activation” vs. “opening and liberalisation” of access) which is the pre-requisite for a more adequate social protection. The expenditures on social protection should be anti-cyclic, i.e. they should increase in times of crisis and decrease under favourable conditions. Such has been the situation in this country except for the duration of the latest crisis. The general conclusion to be drawn is that social and economic policy should be in close interaction, or in other words, the policies of social assistance should be bound to the policies of the labour market, and the social programmes should be actively supported by employment programmes and measures.

Prof. N. Pavlov, Dr. Ec. Scs. (University of National and World Economy) made a critical overview of the application of European recommendations for bringing the pension system of Bulgaria up to date. He first focused on the pension changes that have been laid out as requirements by the European Commission.

Based on the analysis of the pension changes, he summarised that in the policies of modernising the pension system in Bulgaria, the philosophy of the paradigm of the three-pillar model was observed. He also pointed out the slow rate of reforms and adaptation to the consequences of the demographic ageing and the economic crisis, to the good practices in the EU, Strategy “Europe 2020”, and the programme for adequate and sustainable pensions.

Prof. P. Lukanova, PhD (Economic Research Institute at BAS) elaborated on the issues of education and qualification under the conditions of economic decline and growth in Bulgaria. By contrasting foreign strategic priorities in education, teaching, and vocational training to the fulfillment of organisational changes in the respective systems in Bulgaria between 1990 and 2011, she proved that they were significantly lagging behind. Reforms in this country have been rather fragmentary mainly due to the underestimation of education and training as political priorities; besides, their poor financing has been preserved; also, those two have only weakly been subordinate to the requirements of quality and efficiency.

The fourth line of discussion concerned *the mobility of the labour force*. The main issue was determining the opportunities for improvement of the mobility of Bulgarian citizens within the EU.

The topic of the effects of the global crisis on migration and their monetary transfers in Albania was introduced by *I. Gedeshi* (Centre for Economic and Social Studies, Albania). First, he outlined the profile of emigrants and the changes in their social and economic status in the countries they have left for. Then, he focused on the changes that have resulted from the 2008-2009 crisis when the number of emigrants from Albania diminished, mainly due to the high levels of unemployment and the limited job opportunities and higher incomes in the accepting countries. Due to the lowered incomes of Albanian immigrants in the countries affected by the crisis, a decrease of the amount of monetary transfers they have been sending to their motherland has been observed. The phenomenon of the return of emigrants was regarded from two points of view: (a) pessimistic – their return would cause tension on the labour market in Albania where the level of unemployment has exceeded 13%; (b) optimistic – the return would cause cumulation of savings and lead to the enhancing of employment by generating places of work by the former emigrants themselves.

Prof. L. Kekenovski (Faculty of Economy at Skopje University) introduced the demographic reproduction and socio-economic development within the framework of the new migration processes in the FYR of Macedonia. He drew the profile of the emigrants from that country in terms of gender, age, level of education, motives, etc. He outlined an interesting connection between higher education, unemployment, and emigration in the past years. Following the analysis, he concluded that the “brain drain” from the FYR of Macedonia has been on the rise and that highly educated young people have been the most active. Thus, the country has been losing its own human capital, particularly people aged 25 to 29, which has had a pronounced negative effect on the country’s overall development.

Prof. I. Hristova-Balkanska (Economic Research Institute at BAS) reviewed the issues of the influence of monetary transfer from emigrants on the economy of Bulgaria. Based on rich empirical data, she traced the dynamics of the received transfers in the past 12 years and the spheres where the received money resources were employed and made the following summary: Monetary transfers have been a significant source of income for many households. Those transfers, however, have been able to cover only part of the financial deficit. They have not been able to compensate for the income that might have been generated if Bulgaria’s economy had generated places of work and functioned with the amount of qualified worker that left Bulgaria. The difference in payment between those employed in the developed countries of the EU and those in Bulgaria would maintain the tendency of a reflux of trained personnel from this country.

Prof. V. Minchev, PhD (Economic Research Institute at BAS) reported on the results of a survey he organised himself of the Bulgarian diaspora in Spain. Today, the number of Bulgarians in Spain amounts to around 171,000 and they reside in 3,261 settlements there. Between the year 2000 and 2009, Spain was the second country after the USA in terms of attracted foreign citizens. Between 2000 and 2005, half of Spain’s gross domestic product was due to the influx of emigrants.

Apart from purely socio-economic reasons, Spain was the preferred immigrant destination because of the regularisations of the foreign citizens carried out on a regular basis: in 1991, in 1996, in 2000/2001, in 2002, and in 2005. The study of the Bulgarians in Spain was carried out in 24 settlements chosen at random where at least 100 Bulgarians lived. The wide range of empirical data received has been a good basis for the study of Bulgarian emigration and for implementing the adequate policy towards those people.

Based on the above survey, *Assoc. Prof. I. Zareva, PhD* (Economic Research Institute at BAS) introduced a detailed study of employment among the Bulgarian immigrants to Spain in terms of positions occupied, compliance with the acquired qualification, administrative (statutory) basis, etc. The results show that there has not been any significant difference in statute of the employed Bulgarians on the labour market in Spain and those employed elsewhere. Besides, regardless of the fact that the majority of the Bulgarians abroad lose their qualification and many are part of the gray sector or are unemployed, they prefer to live and work abroad.

Prof. R. Rangelova, Dr. Ec. Scs. (Economic Research Institute at BAS) briefly introduced the main points in an international project that had recently been completed. It was entitled "Social Impact of Emigration and Internal Rural-Urban Migration in Central and Eastern Europe" and was coordinated by the GVG Institute in Cologne (Germany). Twenty-five countries from Eastern Europe took part in the project, including Bulgaria. Conclusions were drawn and recommendations given, among which the following: (a) In order to properly meet the challenges of emigration, and so as to provide adequate and efficient policies concerning migration and cross-border mobility of the Bulgarians, the state should improve the information and the study of those, as well as to organize the monitoring of the migration processes in this country. (b) The success of the future policies should not lie in the retention of human capital within the country, but in contributing to the development of the human capital, including during emigration, and in employing this development for the benefit of Bulgaria. (c) One common feature of the present-day migration policy of Bulgaria has been the considerable number of strategies, action plans, programmes, etc. that have often been subjects to criticism due to their declarative character and lack of particular objectives or the respective indicators of achievement. Besides, they have not been sufficiently focused on assisting the circulating migration.

The conference has been very useful and this was proved by the prolonged comments made, discussions carried out and positive assessment given. The reports of the conference are going to be issued separately.

Professor Rossitsa Rangelova, Dr. Ec. Scs.