

SCIENTIFIC CONFERENCE ON THE PROBLEMS OF ECONOMIC GROWTH

"Economic Growth: Incentives and Restraints", a most important issue for the economic development of Bulgaria, was the focus of an international scientific conference held on 6th and 7th October 2014 at the Economic Research Institute at the Bulgarian Academy of Sciences (ERI-BAS). This event was marked by the celebration of the 145th anniversary of the foundation of the Bulgarian Academy of Sciences.

Many scholars and lecturers from this country participated in the event delivering reports or attending as guests representing the Economic Research Institute (ERI) and other institutes at the Bulgarian Academy of Sciences, as well as University of National and World Economy, Sofia University "St. Kliment Ohridski", D. A. Tsenov Academy of Economics - Svishtov, University of Trakia - Stara Zagora, New Bulgarian University (NBU), Veliko Tarnovo University "St. Cyril and St. Methodius", South-Western University "Neofit Rilski" - Blagoevgrad, University of Forestry, VUZF University – Sofia, International Business School (town of Botevgrad), Plovdiv University "Paisii Hilendarski", and others. Foreign guests from the UK, France, Romania (Romanian Academy of Sciences - RAS), and FYR Macedonia, have maintained various forms of cooperation with scientists from the ERI-BAS for years.

Reports by Bulgarian and foreign scientists were delivered at the Plenary Session. *Prof. Dr. Mitko Dimitrov*, Director of ERI - BAS, introduced the topic of the economic growth and development of Bulgaria. Among today's favorable factors for this country, he outlined that Bulgaria is an attractive destination for foreign direct investment (FDI), has a relatively high proportion of European funds to gross domestic product (GDP), low direct taxes, and macroeconomic stability (external debt, budget deficit, inflation, etc), and that the economy tolerates crisis relatively well. He pointed out, however, that there are many problems which are not easy to solve. For example: Bulgaria is the country with the lowest incomes in the EU; the level of corruption is high; there is a hostile business environment; disappointment and dissatisfaction with the political class are very large; the judicial system, the administration, the educational and the health systems do not provide quality services; land and other natural resources are not used efficiently; there is a deep demographic crisis, depopulation and emigration, and others. Further, Prof. Dimitrov presented his case for a change of system that has been deformed and incomplete since the beginning of transition to a market economy in Bulgaria and that has, thus, been giving negative effects to this day. He presented a panoramic view of the transition process, differentiated several periods, and produced a critical analysis both in a macroeconomic perspective and on a corporate level.

During *the first period* (1989-1995), the country lagged far behind in the process of changing the economic system. And what is even more important, a number of deformations were created and accumulated during this period that led to the widespread substitution of gaining income from business activities with obtaining rent based on political and economic power, positions in the bureaucracy, fraud and

other non-economic factors. This caused a rapid decapitalization of state property. Once occurred, the system was directed to the newly-created private sector, which further impeded its reproduction and development. *The second period* (1997-2008) was characterised by macro-economic stability and moderate growth. During *the third period* (2009 to date), the country has been in a state of crisis and post-crisis stagnation.

In conclusion, Prof. Dimitrov offered ways of solving major problems that exist due to the unfinished change of system. Those ways are aimed at more efficient use of resources, governance and restructuring of enterprises, development of innovation, etc. Among his most important conclusions was the statement that the state has to ensure the effective functioning of institutions, to eliminate the defects in the functioning of the market, to determine the rules, and to ensure their compliance.

The report by Prof. Dr. Yordan Hristoskov, Minister of the Ministry of Labour and Social Policy (MLSP) in the Caretaker Government at that time, referred to the infrastructure of territorial units as a factor for the economic growth. It was based on an empirical study of the relationship between the level of development of infrastructure and the socio-economic development of the NUTS2 statistical regions of the EU and of the NUTS3 statistical areas in Bulgaria. As a result of the analysis, the author proved his working hypothesis that the differences in infrastructural development are one of the essential reasons for the uneven socio-economic development at a regional level. He also claimed that the opposite was true, too, namely, that the infrastructural differences at a regional and district level are due to the differences in the socio-economic potential of those territorial entities. However, as long as the development of the infrastructure is mostly a function of the state and the economic development is related to the behaviour of the market economic agents, Prof. Hristoskov emphasised that the connection infrastructure - economy was of determining importance and able to be controlled by the government.

Prof. Dr. Will Bartlett (European Institute, London School of Economics and Political Science) examined the crisis in the EU as a structural imbalance between the countries, divided into three groups: (a) Germany in the centre of the "core" group among other countries; (b) Greece, Italy, Portugal and Spain as the "periphery"; and (c) the Western Balkans as the "super-periphery". In order to justify the relationship of dependence between the European economies, as well as the side effects of the Euro-zone crisis on the Western Balkans, he presented an examination of a core-periphery model with insufficient consumption. The core is vulnerable to global stagnation; therefore, these countries are dependent on the income from the peripheries of export. This brings about a high deficit in the account current during the boom and places the peripheries in a very difficult position during the recession. Financialisation of the European economy can be considered as a repulse to the tendency of a global stagnation because the granting of consumer credits stimulates demand and helps temporarily overcome the problem of low consumption. However, as a method of creating internal devaluation, extending of austerity measures is not likely to succeed as a means of overcoming the crisis. Given the interdependence of European

economies, perhaps a better way out of the current period of low growth and stagnation is to lead a coordinated fiscal expansion in order to stimulate domestic and common European search.

Prof. Xavier Richet from the Sorbonne in Paris¹ discussed the role of foreign direct investment (FDI) in catching up and integration of the new and future member states of the EU. These processes take place with the entry of FDI in the region, in this case the region of Central and Eastern Europe (CEE), and in particular the Western Balkans where the rate of their internal accumulation is still very low and where the industrial structure of these countries has never corresponded to the investment requirements for the development of a strong industrial base. In this region, industrial recovery and economic growth are nurtured by FDI. However, it is not important how much investment goes to a particular region, but what is their role for markets and whether they are of importance for certain branches of industry. So far, FDI has contributed to the creation of a new industrial landscape in the region. Yet, this also brings about new economic dependence of these countries: today, most of them host large trans-national corporations which have a significant impact on the countries' domestic industrial structure, specialisation and property, as well as on the strong links with the Western European economies. FDI plays an important role in the region in that it transforms, adjusts and helps the region specialise in certain sectors; it creates jobs, increases the export of goods with higher added value and reconstructs the industrial network linking the industries in the region with Western companies and markets. FDI is also an opportunity for a profound transformation of European industry and for the introduction of a new division of labour by means of specialising along the regional value chain. Based on a comparative analysis of the CEE countries, the author maintained that the entry of FDI in the countries from the region of the Western Balkans would have a positive impact on the region's growth and would contribute to its economic transformation.

During the conference, the management of BAS awarded Prof. X. Richet with the "Marin Drinov" Sign of Honour on a ribbon, which is the highest award of BAS for contribution to the area of the economy. This award is recognition of his long collaboration with ERI - BAS and for his active work for the development of the Bulgarian-French scientific relations through joint training of post-graduate students and adaptation of researchers in the conditions of the transition to a market economy.

In his report, *Acad. Emil Dinga* (RAS) made a structured conceptual analysis of the main consequences of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (or in short, the Fiscal Compact) on the financial stability, economic cohesion and sustainable development of the EU and EU countries. He also reviewed and assessed such important issues as: the symmetry of causes compared with the asymmetry of effects, effectiveness,

¹ Actually, the report is by two authors: Srdjan Redzepagic of the Institute for Economic Studies in Belgrade, Serbia, and Xavier Richet of Université Sorbonne nouvelle, Paris, France.

practicality, irreversibility of impact. On this basis, the author proposed a concept that he called “public comparative budget priority”.

In the subsequent work, various economic problems that Bulgaria is faced with were posed and discussed by separate thematic panels². The topics were mainly oriented to the factors of economic growth - resources, investment, labour force and education, technological progress, corporate governance, as well as external factors for the country.

The main report in the “*Resources and Growth*” panel was that by *Assoc. Prof. Darina Ruscheva* (ERI - BAS, Head of Regional and Sector Economics Department). It assessed the parameters and tendencies in the manufacturing of food products in Bulgaria in terms of the opportunities it provides to reimburse their consumption. Based on a case study that covered basic products manufactured in agriculture, in food processing, and in the family farms within the period 1990-2012, it also made recommendations regarding the development of production of food products in this country in the context of national food security. The rest of the reports in this panel delivered by members of the department concerned various aspects of the topic discussed, such as: the availability of supplies in the main food groups and products (*Assoc. Prof. Sasha Grozdanova*); study of the dual motivation characterising market consumer demand for food and non-alcoholic beverages as a behavioural process (*Assoc. Prof. Petko Todorov*); investments in the Bulgarian power supply sector and in particular in its sub-sectors - electric power supply, heat supply, nuclear power supply, energy from coal, natural gas and renewable sources (*Assoc. Prof. Vesselina Grigorova*). Conclusions were made concerning the state of the investment management in each of these sub-sectors. Suggestions of how to improve it were offered. In their report, *Ch. Assist. Prof. Dr. Maria Kotseva* and *Ch. Assist. Prof. Milkana Mochurova* explored the relationship between the policies in the fields of climate, power supply, and water by means of applying the principles of good governance and ensuring the independence of the regulatory authority. They proved that the independent “State Energy and Water Regulatory Commission” (or DKEVR) regulator is virtually dependent and manifests weaknesses in defending the public interest. The report by *Assoc. Prof. Galya Burdarska* and *Konstantin Konstantinov, Ph.D.* analysed the available water resources and the way they were used by various sectors of the economy. Based on the rate of water loss, the authors reported on the non-rational use of the water resources. As an alternative to the construction of new dams, they offered an innovative, environmentally-sound technical solution to the storage of water resources by feeding the free spaces of groundwater facilities with the unused run-off of surface fresh water. The report by *Assoc. Prof. Ognian Bojukliev* discussed the problems of agriculture in Bulgaria and their relation to the Common Agricultural Policy (CAP) of the EU. It recommended overcoming the distortions and the negative trends through sustainable agriculture and cooperation, based on the highly-developed local food production and regional trade.

² The full-text of papers will be published in Proceedings of the Conference.

Two reports in the *"Investment and Business Climate"* panel focussed on the role of institutions in the economic growth. The view expressed by *Ch. Assist. Prof. Stanka Rinkova* (the South-Western University "N. Rilski") was that institutional change, especially in the countries in a state of transition, was characterised by the following peculiarities: in the institutional "construction" and in the amendment of the institutions themselves; in the interaction between formal and informal institutions; in the institutional "vacuum"; in the import of institutions, and in the role of the state as both an object and a subject of institutional "construction". In this connection, she pointed out the necessity to examine the nature of the institutional "traps" and the stages of institutional design. In order to determine the effectiveness of the institutional environment, she offered applying qualitative and quantitative indicators, systems of criteria, and indicators. In his report entitled "Institutional Limitations on Economic Growth", *Prof. Dr. Sc (Econ). Garabed Minassian* (ERI - BAS and Trakia University in Stara Zagora) emphasised on the fact that one of the disadvantages of the Bulgarian system was the rather frequent, and sometimes chaotic, change of the laws being adopted in this country. As he pointed out, that was most often related to lobbying interests, the insufficient qualification of the MPs, and the incompetence and lack of professionalism on the part of the regulatory authorities.

Assoc. Prof. Dr. Virginia Zhelyazkova (Higher School of Insurance and Finances) outlined the specifics and the development of the banking system in Bulgaria from the beginning of the financial and economic crisis in 2009 to date. The presence of foreign banks on the market has remained dominant. The total of assets, loans and deposits in the banking system has recorded a steady rate of growth, provisions have increased significantly. The levels of the interest rate have been marked by fluctuations that have reflected the changes in market conditions. The tendency has been to decrease the interest rates both on deposits and on loans. The total revenue has increased.

The role of credits for the economic growth in Bulgaria until the beginning of the crisis and afterwards was the focus of the report by *Assoc. Prof. Dr. Grigor Sariiski* and *Prof. Dr. Sc. (Econ) Rossitsa Rangelova* (ERI - BAS). The authors pointed out that in the years before the crisis loans increased intensely and in 2008 they reached about 85% of the gross value added in this country, which is a saturation threshold which has remained unchanged ever since. The main conclusion drawn was that the effect of the crisis has not led to a re-orientation of the activities of commercial banks and that they have continued to focus on granting loans to those economic activities that provide rapid returns only, which does not contribute to the economic growth of this country. The authors outlined crediting activities in the agricultural sector as a special case which has been significantly influenced by EU subsidies. Another conclusion drawn was that, as a result of the crisis, there has been a positive change in the attitude of companies and households: they have increased their financial literacy and are now much more cautious in borrowing.

Three of the reports in this panel explored the relationship between investment and growth at company level. In her report, *Ch. Assist. Prof. Dr. Galya Tasseva-Petkova* (ERI - BAS and the University of National and World Economy) examined the investment activity of non-financial enterprises in Bulgaria under the current economic conditions. The analysis was based on data from an empirical sociological study on the impact of having access to finances and of the impact of financial difficulties of enterprises on their investment activity. The purpose of the report by *Assoc. Prof. Dr. Silvia Trifonova* (the University of National and World Economy) was to demonstrate the attitude of the Bulgarian business to FDI in the current crisis conditions. The report summarised the results of several in-depth interviews with managers and owners of Bulgarian enterprises that were conducted in 2012-2013. The analysis has made it possible to draw important conclusions regarding the influx/outflow of FDI to and from Bulgaria during the crisis. The report by *Ch. Assist. Prof. Katerina Vojcheska* (ERI - BAS and the University of National and World Economy) discussed the main differences and peculiarities of the financial performance and the financial analysis parameters of the quality of corporative growth that are offered by the contemporary financial analysis.

In the course of the "*Innovations and Economic Growth*" panel, *Prof. Dr. Sc (Econ) Rossitsa Chobanova* (ERI - BAS) discussed the need for the business sector to focus on innovation, as well as for small and medium-sized enterprises (SMEs) to be included in national and global innovation networks when it comes to using the national scientific potential and gaining new international markets. She emphasised on the fact that this country should work out and apply a national innovation strategy for smart specialisation, and should increase public investment in research and development so as to overcome the problem of the lagging behind in economic development.

The focus of attention of the report by *Prof. Rossitsa Chobanova, Prof. Dr. Alex Yossimovski* (Skopje University "St. St. Cyril and Methodius"), and *Acad. Lupcho Kotsarev* (Macedonian Academy of Sciences and Arts) was contemporary challenges that Bulgaria and FYROM are faced with along their way towards knowledge-based economic growth. The three authors presented the results obtained within the project of BAS and the Macedonian Academy of Sciences and Arts "Bulgarian-Macedonian Research and Innovation Co-operation: Balkan and European Prospects".

Kristiyan Filipov (World Bank) talked about accelerating growth in Bulgaria that is based on the creative and high-tech business. Analysing the actual state of this sector, he stressed that the majority of companies are micro-companies in the sector. He pointed out the necessity for developing the clusters of the creative industries in Bulgaria that would help them gain access to new markets. The stronger clusters between companies would increase their ability to do business. The foundation of "creative centres" (similar to the technology parks) would help form a creative environment that would stimulate innovation in other branches of the economy.

A group of reports in this panel discussed the role of innovation at company level. *Assoc. Prof. Dr. Pavlinka Naydenova* (ERI - BAS) examined the relationship between innovation and business, the responsibilities of the state, the role of science, and business commitments. In her report, *Svetlana Nikolova* (Academy of Economy "D. Tsenov" - Svishtov) presented the results of internationally recognised rankings on the state of the business environment in Bulgaria in the period 2006-2012 and of a study of 44 Bulgarian companies from the North Central region. On this basis, she pointed out the main barriers to achieving higher competitiveness as a result of innovation. *Ch. Assist. Prof. Dr. Radostina Popova* (University of Forestry) examined some methodological aspects of innovation activity of enterprises of the forestry industry. She emphasised that the current assessment of innovation activity of enterprises in the forestry sector requires providing internationally comparable information on different types of innovation by enterprises, as well as reporting on the current features of its measurement. *Assoc. Prof. Dr. Adelina Milanova* (ERI - BAS) presented corporate social capital as a management innovation.

The main group of reports in the "Labour Market and Social Issues" panel referred to an empirical feature of the labour market. Two reports presented the results of a research work carried out in ERI - BAS by a scientific team (Beleva, Tsanov, Dimitrova, 2014), wherein the segmentation of the labour market was studied by means of the dynamics of employment and unemployment, as well as of the employees income ranged in definite intervals. In the past 24 years of the transition in Bulgaria, only eight years have witnessed employment growth, namely during the period 2000-2008, said *Prof. Dr. Iskra Beleva* (ERI - BAS). The unemployment rate in this country is around 13% which is higher than the average for Europe. Unfortunately, the existing low rate of economic growth is not likely to bring about an increase in employment both now and in the next years to come. The focus of attention in the report by *Prof. Dr. Vassil Tsanov* (ERI - BAS) were the changes in the scope and structure of the income segmentation of the labor market in Bulgaria based on annual (packet) data from the Statistics on Income and Living Conditions. The structure of the segments was evaluated according to the employees' educational level, gender, occupation, branch affiliation and rental relations. The stability and development trends of indicators were identified in each segment. *Prof. Dr. Georgi Shopov* (ERI - BAS) analysed social disparities among regions and districts in Bulgaria. *Ch. Assist. Prof. Dr. Maya Tsoklinova* (University of Forestry) considered the impact of globalisation on the economy and its results in the social sphere in the developing countries. She paid a special attention on the causal link between the effects of globalisation and changes in the labour market.

Two reports in the panel referred to the pension system. *Assist. Prof. Dr. Valeri Apostolov* (University of National and World Economy) presented the essence and objectives of the State Fund for Guaranteeing the Stability of the State Pension System (Silver Fund) in Bulgaria. According to the author, the existence of such a fund does not eliminate the need to continue of the pension reform under the conditions of the current unfavourable demographic trends, the state and

development of the labour market, and the impact of the macroeconomic and social factors. He maintained the view that the Silver Fund should either be taken out of the fiscal reserves or a way should be found for increasing the money in the fund without investing in risky undertakings. He claimed that the fund should be used as a buffer while carrying out the pension reform in order to ease the fiscal pressure. *Ch. Assist. Prof. Ralitsa Pandourska* (University of National and World Economy) offered flexible retirement as a viable solution in the pension reform in Bulgaria. With flexible retirement, people are free to choose the exact time of their retirement, on the one hand; on the other hand, it allows pensioners to work under certain conditions, thus performing a smooth transition from labour to retirement. Furthermore, flexibility could also be considered in terms of income, combining employment income with pension income or retirement income from various sources (public, private, professional system, etc.).

Two other reports examined some theoretical issues. *Nikolai Peikov* (the "Customs" Agency) commented on "Okun's law" under the conditions of recession, assessing the effect of short-term changes in GDP on the level of unemployment in Bulgaria. The results have shown a stable and strong dependence even after the beginning of the "Great Recession", thus confirming the validity of the law regardless of the phase in the economic cycle. *Petko Miran* (Plovdiv University) analysed neo-liberalism and the Washington Consensus as the causes of the rise in inequality and its impact on economic growth. He outlined the causal relationship between inequality and social mobility between generations and considered the policies to overcome inequality and the role of the state.

In the "*Higher Education and Science*" panel, the majority of the reports referred to higher education. The issues and prospects were outlined by *Assoc. Prof. Dr. Irena Zareva* (ERI - BAS). Higher education in Bulgaria in the context of the contemporary requirements for smart, sustainable and inclusive economic growth was considered by *Assoc. Prof. Dr. Margarita Fileva* (ERI - BAS). She emphasised on the importance of disclosing the reserves, which education provides to solve a number of economic and social problems in its capacity of community investment not only at present but also in future. She said it was urgent to develop a new education strategy that is based on the following: improving the system of vocational training, incl. the introduction of a dual training system after the example of Germany, Austria, and others; reforming and improve the system of higher education; strengthening links with business.

In her report, *Prof. Dr. Sc. Elizabeta Vachkova* (University of Forestry) presented the essence, timeliness, aims, purposes, and key results of a project to update the curricula on the courses of studies in the Faculty of Business Management at the University of Forestry in compliance with the requirements of the labour market. The report by *Assist. Prof. Dr. Maria Ivanova* (NBU) was practically oriented, too. It offered a model of a course of studies for the master's degree in Management and Development of Human Resources based on professional standards (trends and prospects for training and development of specialists in this area of human knowledge).

Assoc. Prof. Dr. Matthey Matev (ERI - BAS) addressed the issues of the social status of the scholar. Based on two surveys, he characterised the status in terms of payment, job prestige, public evaluation, and opportunities for occupational and intellectual development. Based on the results of a survey conducted in 2012-2013 in the academic circles in Bulgaria, *Assoc. Prof. Dr. Alla Kirova* (ERI - BAS) assessed and analysed the circumstances for an academic career and the degree of balance in the representation of women and men in higher education and science.

Several reports in the "*Corporate Governance*" panel dealing with the issues of corporate governance were produced by authors from ERI - BAS (Department "Economics of the Firm"). The report by *Prof. Dr. Plamen Tchipev* presented the trends relating to the structure, independence, and conflicts of interest in Bulgarian boards, as well as the selection and compensation of their members. Based on a summary of the theory and results of an empirical research, *Assoc. Prof. Dr. Spartak Keremidchiev* came up with a new formulation of the principles of work with the interested parties in corporate governance. *Ch. Assist. Prof. Dr. Miroslav Nedelchev* (ERI - BAS and IBS - Botevgrad) examined corporate governance in terms of dispersed ownership and the classic conflict "principal-agent" that is related to it. Other reports on related topics were those by *Assoc. Prof. Lalka Borissova* (IBS - Botevgrad), *Dr. Ionel Leonida* (RAS), *Kiril Mitov, Ph.D* (University of National and World Economy), and *Nikolai Katsarski* (University of National and World Economy).

"Influence of International Economic Relations" was the panel which collected thematic reports concerning Bulgaria's external environment as a factor in economic growth. It was attended mainly by scientists from Department "International Economics" at ERI - BAS. Some of the reports concerned theoretical issues. *Prof. Dr. Tatiana Hubenova-Delissivkova* (ERI - BAS) analysed some modern concepts of the growth theories within the context of global development. She drew conclusions about the factors, dynamics and sources of growth and transformation in the pattern of growth from the perspective of the neoclassical theory, the contemporary Keynesianism, and the endogenous growth theory. Relevant topics, like that of the slowing of growth in the EU, were brought forward in view of the conclusions and recommendations that could apply to Bulgaria. The report by *Ch. Assist. Prof. Dr. Victor Yotzov* (ERI - BAS and University of National and World Economy) examined the major patterns of economic growth from the point of view of their relationship with the external sector. The author made a well-grounded conclusion that, perforce, Bulgaria must observe the pattern of medium-term export-oriented growth. In this connection, proposals were made to improve this country's foreign-trade policy. The report by *Assist. Prof. Eduard Marinov* (ERI - BAS) briefly presented the theories of the economic effects of regional integration, the political factors determining the countries' motivation to participate in integration arrangements, as well as the expected potential benefits in terms of internal political, international, and international economic relations.

Another part of the reports had empirical and practical orientation. The topic of the report by *Prof. Dr. Iskra Christova-Balkanska* (ERI - BAS) was about the "re-

industrialisation" of the EU: the development of new high-performance and efficient branches of production; the aspiration for achieving faster economic growth; and conclusions about Bulgaria. The industrial structure of Bulgaria differs from that of economically developed countries in that labour-intensive branches of industry are predominant here. The trend to introduce new high-tech branches of industry, for which Bulgaria has competitive advantages, has created opportunities for converging its industrial policy to the main priorities of EU development as outlined in the "Europe 2020" growth strategy and the targets in a longer term. The study by *Prof. Dr. A. Tasev and Nedyalko Nestorov, Ph.D* (ERI - BAS) applied the co-integration approach to the assessment of Bulgaria's foreign trade as a factor for economic growth. The results obtained have shown the relationship between GDP growth and the change in its main components. The authors have also assessed the relationship between exports and imports, i.e. the level of imports that industry requires in order to increase exports. The results can be used while forming the policies of export-oriented growth model. In his report, *Ch. Assist. Prof. Dr. Vassil Petkov* (University of National and World Economy) analysed the impact of EU funds on improving the position of the agricultural sector in Bulgaria within the framework of the national economy and of the international markets. He assessed the results of the implementation of the Rural Development Programme in Bulgaria within the programming period 2007-2013. The author expressed his professional opinion on the overall effect of the financial assistance under the EU Structural Funds for the agricultural holdings. He made recommendations for a more rational use of the European funds in order to accelerate growth in this sector. The report also outlined the possible outcomes of the future development of agriculture in this country after the implementation of the expected changes in the Common Agricultural Policy in the EU during the new programming period (2014-2020).

Several reports on issues concerning the EU were particularly outstanding. The report by *Prof. Dr. Emil Panusheff* (ERI - BAS) discussed the agreement between USA and the EU and the opportunities for the Bulgarian economy it offers. A major role in concluding this agreement was played by the negotiations with the USA for the conclusion of the Trans-Atlantic Trade and Investment Partnership. The author pointed out that the negotiations included a number of important sectors of the Bulgarian economy - trade in services, FDI, access to public procurement, diffusion of innovation and new technologies. This Agreement together with the dynamics of the global value chains have required to assess the challenges facing the restructuring of the main directions of foreign economic activity of the Bulgarian economy under the conditions of liberalisation of the existing regimes with the USA. *Assoc. Prof. Kaloyan Simeonov* (Sofia University) examined the efforts of the EU and the euro area to restore the financial stability and the confidence of businesses and consumers in financial services. One of the main objectives of the reforms is to restore economic growth in the EU. According to the author, it is too early to determine the extent to which reforms of the financial markets will affect GDP growth. The main question is what will be the long-term effect of these reforms, as at this stage the initial assessment

and forecasts are positive. The target of the report by *Dr. Adina Kriste* (RAS) was to present a comparative analysis of the reaction of the central banks of some newly-emerging European countries to the current financial turmoil and to identify the characteristics of the way in which central banks manage under these conditions.

Two guests from Romania, *Tudor Chiomara and Yuliya Lupu* (RAS), presented a study on the fiscal challenges posed by the ageing of the population in Bulgaria and Romania in comparison to other EU countries. They proved that the change in state expenditure associated with the ageing of the population, which is manifested in an increase in government spending on pensions, has seriously affected fiscal sustainability. The topic of discussion in the report by *Ch. Assist. Prof. Dr. Neli Popova* (University of National and World Economy) was the development of government securities yields of selected EU member-countries during the period 2004-2013 under the conditions of a severe debt crisis. The issue is very topical for Bulgaria, whose accession to the euro zone is ahead. The report by *Ch. Assist. Prof. Dr. Julia Stefanova* (ERI - BAS) analysed the state of capital markets in selected countries in the Danube region and outlined the factors that promote the development of stock exchanges in these countries. The expected positive external effects of enhancing the process of inter-regional co-operation are related to economies of the scale, reduction of the market ambiguity, and increase of the liquidity and depth of capital markets.

Upon closing of the conference, *Prof. Dr. Mitko Dimitrov* drew a conclusion that the development of the Bulgarian economy would depend on the ongoing real reforms, on reducing the degree of regulation of market structures on the part of regulators and institutions, and on assuming political responsibility for making one decision or the other.

Prof. Rossitsa Rangelova, Dr. Ec. Scs.