

THE ECONOMIC DEVELOPMENT OF BULGARIA AND ROMANIA AS EU MEMBER COUNTRIES AND THEIR PLACE WITHIN THE GLOBAL ECONOMY

The international scientific workshop “Bulgaria and Romania: Member Countries of the EU, Part of the Global Economy” was held on the 10th of December 2018 at the Economic Research Institute at the Bulgarian Academy of Sciences (ERI-BAS) in Sofia, Bulgaria. The workshop was organized by the International Economics Department at the ERI-BAS and the Institute for World Economy at the Romanian Academy (IWE-RA) as a closing event of the joint interacademy project “Bulgaria and Romania: Member Countries of the EU, Part of the Global Economy” carried out by the two institutions. It was also a sequel to the International Conference with the same title, which was held in 2017.

The workshop aimed and managed to bring together esteemed researchers, young scholars, post-doctoral researchers and PhD students working in the field of International Economics and International Finance to share their views on some contemporary aspects of Bulgarian and Romanian economic development – either in comparison with each other, or as part of the global economy. There were participants from various Bulgarian and foreign academic institutions – the Economic Research Institute at the BAS, the University for national and world economy, New Bulgarian University, Sofia University, Tracian University, the Institute for World Economy and the Institute for National Economy at the Romanian Academy, Nicolaus Copernicus University in Torun, etc.

The workshop was opened by *Prof. Iskra Christova-Balkanska, PhD*, Head of the International Economics Department at the ERI-BAS, who, after welcoming all the participants, presented some information on the results of the joint interacademy project “Bulgaria and Romania: Member Countries of the EU, Part of the Global Economy” carried out by the International Economics Department at the ERI-BAS and the IWE-RA for the period 2015-2018. Prof. Balkanska stressed upon the great long-term cooperation, the mutual academic exchanges between the two institutes, as well as the numerous joint events and publications to which the project contributed. She stated that the BAS and the RA have accepted the opportunity to continue their mutual work and presented the idea of continuing the cooperation in a new joint interacademy project between the two institutions.

The workshop combined two formats in order to facilitate a multi-national and multi-stakeholder debate on the current development of the Bulgarian and the Romanian economy, their specific policies as Member States of the EU and their place within the global economy. Two plenary sessions were held, as well as an open poster session which was available to all participants during the entire span of the workshop.

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The first session was moderated by *Eduard Marinov, PhD* – Chair of the Organizing Committee of the workshop. The participants in this session focused on some of the main macroeconomic issues in the Bulgarian and the Romanian economy, presenting their views on the similarities and differences between the two countries, highlighting the specifics of the economic catching up and convergence of the two economies within the EU, or analyzing specific aspects of the development of the EU economy as a determinant economic and social environment or as past experience to be avoided in the future.

The session started with *Prof. Garabed Minassian, Dr. Ec. Scs.*, who spoke on the topic of “Does fiscal policy promote economic growth? The Post crises experiences of Bulgaria and Romania”. He claimed that the particularities of the fiscal policies applied in Bulgaria and Roumania during the post crises period have had an impact on economic development. The long-term public investments have only proved to act as an incentive for economic growth. The cross-border flows of capital in its interaction with the elements of the fiscal policies have been assessed. These developments have acquired quite a different shape in the context of the single economic and monetary policy in the EU. There have been spillover effects among the various countries and, under the given circumstances, the beneficiaries happened to be the undisciplined countries at the expense of the disciplined ones. The author made some recommendations on how to pursue a beneficial fiscal strategy. With respect to the fiscal parameters, it has been proven that if one wishes to speed up the processes of convergence, it is better to stick to the “happy medium” in the economic and monetary union.

Then, *Prof. Rossitsa Rangelova, Dr. Ec. Scs.*, and *Assoc. Prof. Grigor Sariiski, PhD* presented their paper “Comparing Progress in Bulgaria and Romania: The wrong way travelled – how the similar initial conditions led to the uneven economic development of Bulgaria and Romania”, in which they stated that economic reforms have been implemented more successfully in Romania than in Bulgaria. They argued that the dissimilar achievements in the two countries are the result of the different focus of the initiated reforms and the specific design of their respective sequencing policies. The reform path followed by Bulgaria has been focused mainly on the provision of peculiar privileges for the businesses and not so much on the development of a fair market and a fairer distribution of the value added between the economic agents. Romania placed emphasis upon the improvement of its institutional framework ahead of other policies that brought the country better competitiveness and a more attractive investment climate. The authors attempted to measure the effect of the individual paths of economic development in the two countries (in terms of better industrial structure and higher value added) and to provide some ‘catching-up’ recommendations for the Bulgarian economy.

Prof. Tatiana Houbenova-Delisivkova, PhD shared her views on “The external macroeconomic imbalances of Bulgaria and Romania in the process of preparation for the Economic and Monetary Union: Main trends and challenges”, aiming to compare the external macroeconomic imbalances of Bulgaria and Romania that hinder the

achievement of their EU compliance as economies of Member States and to identify similarities and differences in the policy responses of both countries. The analysis aimed to analyse the European integration with regard to the changes in the economic and social situation in Bulgaria and Romania and to discuss the implementation of the broad policy priorities for the EU and their implications for both countries under review. The study identified the common problems of Bulgaria and Romania with regard to their preparation for their accession to the EMU in light of the interdependencies within the Euro Area.

Prof. Iskra Christova-Balkanska's contribution, titled "Challenges for European Banks in the post crisis period: Impact on Romanian and Bulgarian banks" discussed how the global financial crisis (GFC) severely hit the European banks and changed their operational activities and policies on the credit expansion and the financing of the nonfinancial sector. She presented what the current financial situation of the European banks is and what the prospects for enhancing their profitability and market expansion are. Another question under consideration was that of the policies of the European banks located in Bulgaria and Romania and their impact on the economies of the two countries. It turns out that the foreign subsidiaries of European banks located in Romania and Bulgaria are well-capitalized but there are some doubts about the transparency of their operations and their ability to respond adequately to external and internal shocks.

The session ended with *Assoc. Prof. Daniela Bobeva, PhD's* presentation "The Greek economy without "Troika" which was aimed at identifying the main challenges before the Greek economy after the successful completion of the last agreement with the so-called "Troika". The internal positive signals would be reduced further in the context of growing uncertainties about the Euro Area economy and the growing political risks. The presentation discussed the recovery of the Greek economy and its implications for the economic development in the neighbouring countries.

The presentations during the second session focused on case studies on some specific regional, sectorial and socio-economic aspects of the development of the Bulgarian and the Romanian economy and their performance in the EU and within the global economy. The session was moderated by Prof. Iskra Christova-Balkanska – Chair of the Scientific Committee of the workshop.

The session started with the presentation "Prosperity and progress of the Danube regions in Bulgaria and Romania", which was delivered by *Senior Assist. Prof. Maria Kotseva-Tikova, PhD, and Senior Assist. Prof. Milkana Mochurova, PhD*. The authors claimed that the level of prosperity has grown during the last years but that not every country and region has benefited equally. The income inequality has increased and it has raised the necessity to apply suitable policy measures. The social progress differs among the countries and within them. The EU Social Progress Index measures the development of the 272 European regions and ranks 2 Bulgarian and 2 Romanian statistical regions in the back positions. These four regions are located alongside the Danube River. The authors presented a study of the social,

environmental and economic characteristics of these regions that have resulted in their low levels of social progress.

Senior Assist. Prof. Juliana Hadjitchoneva, PhD presented a “Comparative analysis of entrepreneurship in Bulgaria and Romania”, discussing the developments of entrepreneurship in Bulgaria and Romania through the application of a comparative approach framework. She discussed the recent performances and achievements of both countries based on comparative studies and indexes stemming from the main factors and dimensions that encompass the entrepreneurial spirit, attitude and success.

The next participant was *Senior Assist. Prof. Eduard Marinov* who presented his views on “Migrant typology: Definitions and current trends in Bulgaria and Romania” in which he discussed the main features of different forms of immigration – refugees, asylum seekers, migrants, illegal migrants, economic migrants, stateless persons – trying to give a definition to the different categories of migrants based on the international and national legal practice. He then continued with a comparison of the main trends of migration, citizenship acquisition, asylum and permits in Bulgaria and Romania. The conclusion posed some questions on the nature and future development of migration processes.

The session was concluded by *PhD candidate Ruslan Martinov*, who shared his finding on “The role of social enterprises in the economies of Bulgaria and Romania”. Bulgaria and Romania are countries striving for better economic development and improved well-being of their citizens. Historically, in the last 80 years Bulgaria and Romania’s economies have been dominated by large local enterprises which were controlled by the Government. Nowadays, the large foreign enterprises hold these economies due to their better financial security. The concentration of the capital gives some advantages like economy of scale, but it also creates sharp disadvantages – depriving the people from their personal freedoms to a large extent. This gap in the social development of the society is slowly closing thanks to a multitude of specialized programs that support and encourage entrepreneurship in many fields and respects. Social entrepreneurship in particular has the priority to satisfy the solidarity and to boost the social economy ahead.

The poster session was presented during the entire span of the workshop and all participants were able to see the summarized results and finding of all who could not attend in person –during the sessions, as well as during the coffee-brakes, lunch-time and the closing cocktail. The presented posters discussed both comparative studies and case studies on the Bulgarian and the Romanian economy, as well as some current issues present in the global economy. The presented contributions were, as follows:

- *Alina Ligia Dumitrescu* – “The Impact of Migration on the Labor Market in the European Union”;
- *Andreea – Emanuela Drăgoi, Ana-Cristina Bâlgăr* – “State aid policy and its implications for the European banking system”;

- *Cristina Georgiana Zeldea, Alina Cerasela Avram* – “IT&C Services, Potential Competitive Advantages for Romania”;
- *Daniel Bulin* – “Chinese FDI in the CEE countries in the context of the 16 + 1 cooperation platform”;
- *Dimitar Zlatinov* – “Macroeconomic determinants for immigration from Bulgaria and Romania in the context of the global financial and economic crisis of 2008”;
- *Emilian Dobrescu, Edith Dobrescu* – “Romanian Economy Pending the EU Presidency”;
- *George Dumitrescu* – “Bulgaria and Romania - Transportation hubs for the Chinese Belt and Road Initiative”;
- *Iulia Monica Oehler Sincai* – “Redefining Strategic Partnerships in the Indo-Pacific Region: What is at Stake for the US, the EU, China and India?”;
- *Mateusz Jankiewicz* – “Spatial differentiation of the consumption structure in European Union countries”;
- *Mateusz Jankiewicz* – “The influence of sustainable consumption on the consumption structure convergence in European Union countries”;
- *Petre Prisecaru* – “The EU Energy Union and the Transition to a Clean and Energy Efficient Economy”;
- *Plamen Iliev* – “Project Audit”;
- *Tomasz Grodzicki* – “Regional Innovation in the Visegrad Countries”.

The international scientific workshop “Bulgaria and Romania: Member Countries of the EU, Part of the Global Economy” offered an interesting mixture of scientific information, research approaches and achievements dealing with the problems of the impact of EU policies in the context of Bulgaria and Romania’s EU membership, the economic development of the two countries as EU Member States, their place in the global world and economy, as well as with some modern advances in international economics. All contributions will be published in a Book of Proceedings and will be available with open access at the dedicated website of the workshop – <https://inecoconference.wordpress.com/2018-2/>.

The workshop was a fine and worthy conclusion to the activities within the joint interacademy project “Bulgaria and Romania: Member Countries of the EU, Part of the Global Economy” implemented by the ERI-BAS and the IWE-RA, but it also opened the door to the start of a continued scientific cooperation – between the two institutions, as well as between all the participants in the workshop.

Prof. Iskra Christova-Balkanska, PhD,
Eduard Marinov, PhD