

**РОЛЯ НА ЗОНИТЕ ЗА СВОБОДНА ТЪРГОВИЯ МЕЖДУ
БАЛКАНСКИТЕ СТРАНИ И ЕВРОПА В ПЕРИОДА НА
ИКОНОМИЧЕСКАТА КРИЗА В ГЪРЦИЯ**
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**ZONES FOR FREE TRADE BETWEEN BALKAN COUNTRIES
AND EUROPE IN GENERAL DURING THE ECONOMIC CRISIS
IN GREECE**
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Abstract

Regionalization or periphery is difficult to be defined as meaning as well as geographic proximity also implies a sense of consistency, in the economy, politics, organization and its culture. Almost one-third of the zone agreements of free trade under negotiation are interregional. This paper tries to make an approach to the Zones for free trade between Balkan countries during the economic crisis that started from 2008. The aim of the paper is to evaluate the zones for free trade between Balkan countries and Europe in general during the economic crisis in Greece. Evidence was reported from research papers and statistics from the previous years from 2008 until today.

Keywords: *Free Trade Zones, Balkan countries, economic crisis, Greece*
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INTRODUCTION

1. An approach to the notion of Free Trade Zones

Regionalization as a phenomenon, however, seems to be has been strengthened in recent years at an international level. Regional organizations on

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several occasions seem to be more flexible and react more efficiently. Regionalization simultaneously complements and conflicts with globalization. The rise of the periphery may be different interpretations by the three theories that are applied in international economy of policy. Nevertheless, the three different schools of political economy accept that regionalization will have a growing impact on international environment in the following years. The development of Western European integration against the first wave was a response to change security and power relations (Campisi, 2008).

Indicative regional organizations are NAFTA - North American Free Trade Area Free Trade Between US, Canada and Mexico), ASEAN - Economic and Trade Cooperation Zone of South East Asia. The emergence of the US and the Soviet Union post-war forces pushed Europe closer cooperation. Those who are in the school of realists accept the second wave of regionalization as a result of the changes that have been made in issues of strategy and economic.

The first wave of periphery for the liberals is interpreted as a need to create global Post-war institutions. The second is presented promoting the interdependence between the international economic and political environment. Global growth has resulted to the increased interdependence for those who are supporters of liberalism. Regional associations are created after the increase of exports and foreign direct investments which have pushed further on global development as multilateral negotiations were lengthy and several times were ineffective (Campisi, 2008).

2. General review of free trade zones in South-Eastern Europe

During the start of the '90s the collapse of the Soviet Union was obvious. In the 1990s countries from Eastern Europe formed links with the European Union. In the southern countries, a revival took place of several trade agreements. 30% to 40% of regional trade agreements currently in force are between least developed countries. The problem of trade agreements between developing countries are that they are more declarations of intent than they lead to direct trade liberalization (Carmassi et. al., 2009). Key purpose of Free Trade Areas is reciprocal tariff reductions and remove barriers to trade between the member countries of these zones. In the framework of free trade areas, countries retain the right to apply independently of external trade policy with regard to imports from third countries.

It is a fact that the current political and economic conjuncture in the Balkan region is characterized by the existence and interaction of two opposing forces, which tend to determine the prospect of regional co-operation between Greece and the Balkan countries for the next period.

On the one hand, the effort is being made to smoothly integrate the other Balkan countries into the EU, which will complete the process of enlargement of the EU with the countries of Central and Eastern Europe that started in May 2004 and continued in January 2007 upon accession Bulgaria and Romania (Carmassi et. al., 2009).

But the accession of the CEE countries has just added 9.1% of EU GDP. Bulgaria and Romania joined the EU in 2007. The strong income inequalities in force within the EU is a brake on the EU deepening of European integration. In conclusion, the EU is at a global level is the most successful example of regionalization. EU has also developed a regional one cooperation with several developing countries. It is an example for developing countries of regional integration attempts to imitate.

The global financial crisis has affected a great deal degree and the rising (up until then) economies of the Balkans causing uncertainties for the future. The decline in global demand has eroded exports of the countries, while the fall in foreign capital inflows has created problems to cover external financing. All of this contributed to their fall in growth, while declining domestic demand had a negative effect on Greek exports (Carmassi et. al., 2009).

The global economic crisis emerged in the Balkan region at the end of 2008. According to the table below, economic activity recorded a large decline in 2009 in all Southeast European countries, with Romania (-14.4%), Montenegro (-12.6%), and Bulgaria (-10.9%). Bosnia and Herzegovina (-8.6%) followed, which are followed by Turkey (-5.4%) and Albania¹⁶ (-4.4). Economies recover in 2010, with the only remaining countries still negative (Romania) (-1.9%) and Croatia (-1.8%). It is noteworthy that Turkey has particularly high growth rates in 2010 (8.2%), a trend which is expected to continue in the coming (Dabrowski, 2009).

Table 1. Rate of economic growth in the Balkan countries

	2008	2009	2010	2011
Albania	57,7	3,3	3	2,2
Bosnia and Herzegovina	5,7	-2,9	0,5	2,2
Bulgaria	6	-4,9	0,9	3,5
Croatia	2,4	-5,8	-1,8	1,5
Montenegro	6,9	-5,7	0,3	3
FYROM	5	-0,9	1,3	2,2
Romania	7,3	-7,1	-1,9	1,5
Serbia	5,5	-3,1	1,5	3
Turkey	0,7	-4,7	8,2	4,5

The large drop in domestic demand and the decline in commodity prices contributed to the escalation of inflation. FYROM and Bosnia - Herzegovina recorded negative inflation rates in 2009 (-0.8% and -0.4% respectively), while the same picture prevails in the rest of SEE countries. This trend is expected to reverse in the coming years, mainly due to economic recovery, commodity price increases, increased indirect taxes, devaluation of currencies (mainly of Serbia) (Moberg, 2014).

The high levels of economic growth in the countries of Southeast Europe stemmed from a massive influx of capital, but they had to finance high deficits and high public debt. The influx of funds led to a significant increase in bank credit. However, the fact that a significant portion of credit is in foreign currency means that there is inevitably a significant currency risk (Sanfey et. al., 2016). On the basis of the above, it is clear that the main causes of the crisis were:

- a) High current account deficits which proved unsustainable at the onset of the crisis due to the drastic reduction of capital inflows,
- b) High external debt, the exchange rate pressures that it causes, as well as the need to find sources of financing the short-term debt,
- c) The high rates of credit expansion leading to an increase in credit risk,

d) Large inflows of capital which often lead to rises in the real economy, due to deterioration of external sector deficits, while creating conditions of overvaluation and speculative attacks,

(e) Foreign direct investment was mainly directed at non-marketable products, with the result that competitiveness, export performance and therefore the current account deficit and

(f) foreign liabilities were constantly expanding (from 13% of assets in Turkey to 31.5% in Romania), while the ratio of loans to foreign (130 in Bulgaria and Romania, 118.7 in Turkey), while the foreign assets / foreign liabilities ratio was quite low (an indication of a possible occurrence of capital adequacy problems of banks in case of interruption of foreign financing) (Dabrowski, 2009).

BILATERAL ECONOMIC RELATIONS BETWEEN GREECE AND THE BALKAN COUNTRIES: TRADE AND INVESTMENT

Given that companies from developed Western countries have developed a high investment interest for Central European countries, Greek businesses have turned to the Balkan countries with which they have geographic and cultural proximity and knowledge of the business environment in the Balkans (OECD, 2010). Today, in the midst of a crisis, Greek investors have mitigated their investment momentum, but they are still in the Balkans because, despite economic shocks, they insist on believing in the Balkan prospect, keeping their top positions in the investment lists (Sanfey et. al., 2016).

It is obvious that the global economic crisis will also change the trade relations of countries (due to declining external demand). This was also the case for the bilateral trade of Greece with the Balkan countries, which over time prevailed at high levels. With the exception of the case of Montenegro, Greece has not ceased to have a positive trade balance throughout the crisis. However, a significant decline was seen in the trade balance over the period 2007-2009. The largest losses were recorded in Romania (\$ 169 million) and Bulgaria (\$ 168 million), followed by Albania (\$ 92 million). It is noteworthy that Greece's trade balance improved with Bosnia and Herzegovina (\$ 23 million) and mainly with FYROM (\$ 134 million), due to the drastic decline in Greek imports (Dabrowski, 2009).

Economic cooperation is certainly one of the most powerful areas the relations of Greece with Balkan countries. Under the known circumstances of the economic crisis, bilateral trade between the two sites has an increasing trend and this is very important, demonstrating the great potential that exists in our economies (Felton & Reinhart, 2008). In 2013, trade with Romania amounted to € 1.2 billion, an increase of 9% compared to 2012, and € 672 million in the first six months of 2014, up 21% compared to 2013. At the same time, Greek investments in Romania, especially those in the banking sector, play a key role in our economy and stability. In July 2014, Romania had 5,925 companies with Greek capital, or 3% of all foreign companies in Romania, with investments reaching € 1.7 billion, placing Greece in seventh place among foreign investors in Romania (Sanfey et. al., 2016).

Greece, as evidenced by FYROM export data processing by its neighbor's statistical office, is the second largest commercial destination for Macedonia after Germany. Together with Britain, Serbia and Italy absorb 49.9% of the country's exports. The total trade transactions of FYROM the first eight months (January-August) of 2016 amounted to 6.98 billion dollars, increased by 2.4% compared to the same period of 2015. Specifically, according to the Statistical FYROM Agency, the amount of exports of the country in January-August 2016 amounted to 2.72 billion dollars (Minchev, 2010), an increase of 4.8% from 2015, while the level of imports reached 4 , \$ 25 bn., up 0.9% compared to the same period of 2015. The same time, FYROM's trade deficit rose to 1.527 billion dollars (Felton & Reinhart, 2008).

CONCLUSIONS

From the previous analysis, it became clear that the decision to further enlarge the EU with the countries of the Balkan region is hampered by the negative developments that took place during the economic crisis.

Under normal economic conditions, the countries of the Balkan region would converge with the EU average by favoring the prospect of membership and at the same time maximizing the benefits of establishing a customs union with the old EU Member States.

In spite of the negative investment climate, the Balkan countries still retain their comparative advantages as foreign investment countries and free

trade zones, creating positive prospects for continued Greek investment. It is only certain that the coming years will be decisive and indicative of the future course of Greece in the field of regional economic cooperation with the Balkan countries.

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