

Transition and Catching Up

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Topics

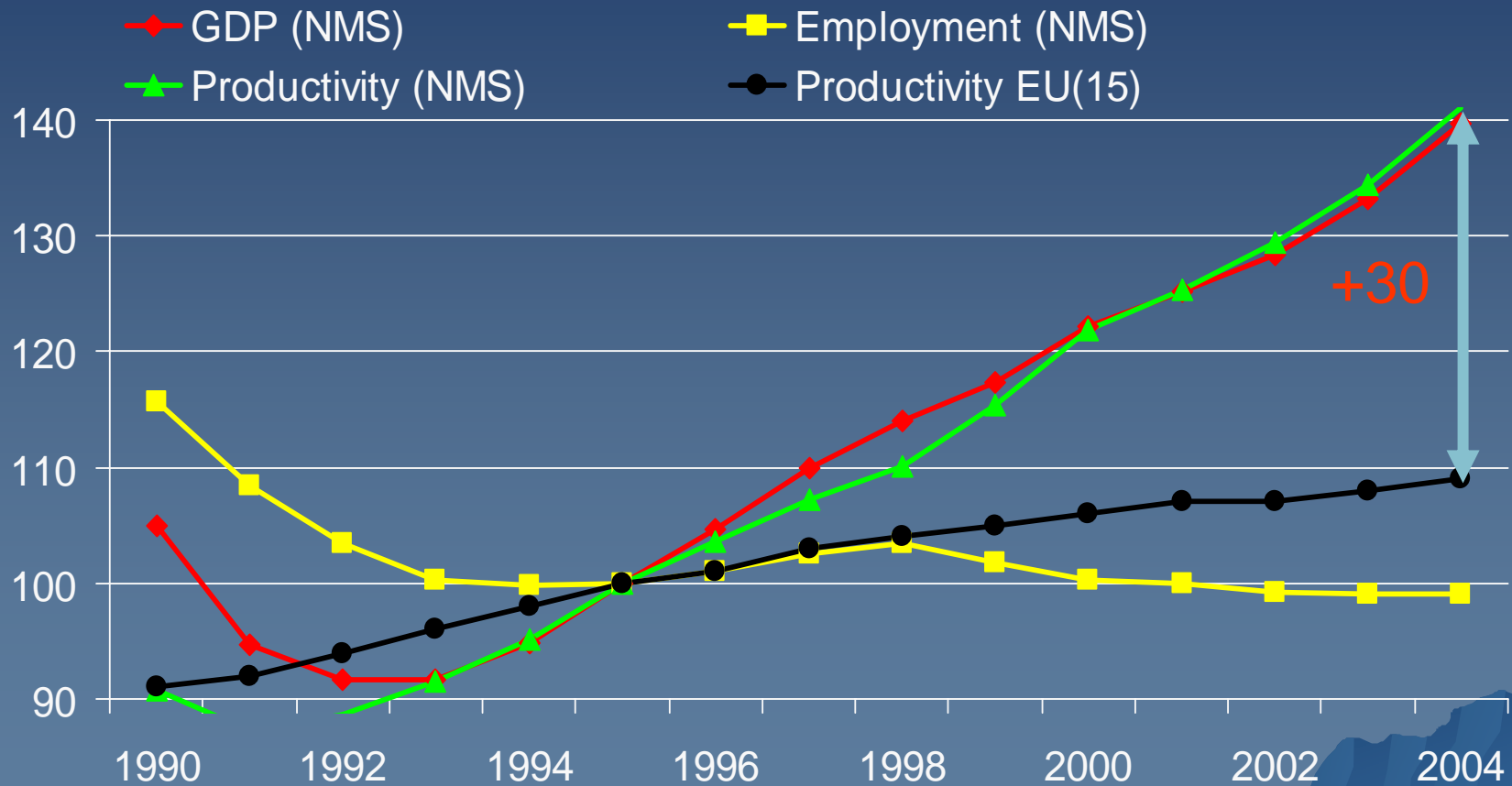
- ◆ What is transition?
- ◆ How is the Balkans doing?
- ◆ What are the main risks?
- ◆ Trade liberalization
- ◆ EU prospects

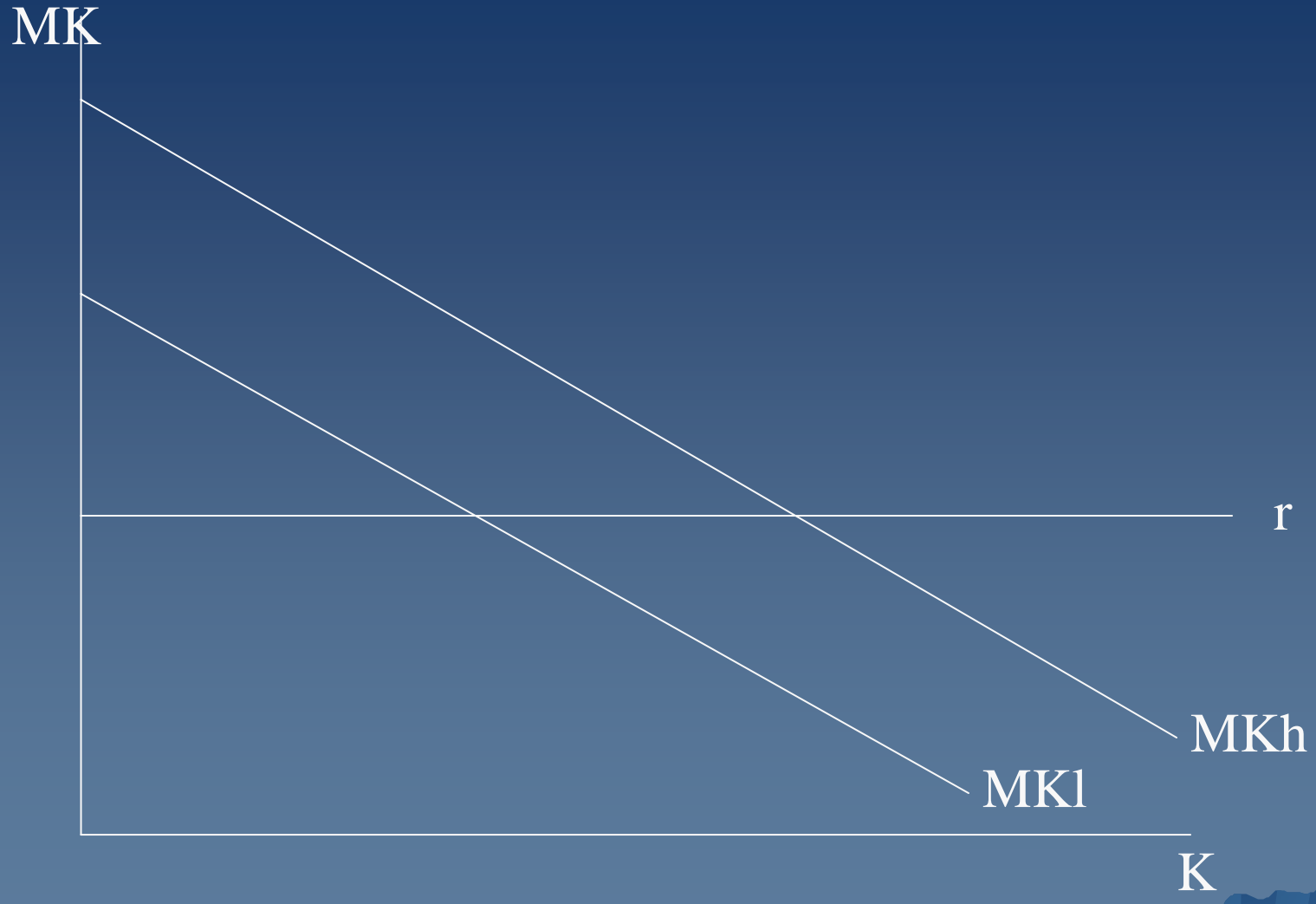
Efficiency and productivity

- ◆ Institutional change
- ◆ Productivity
- ◆ Industrialization

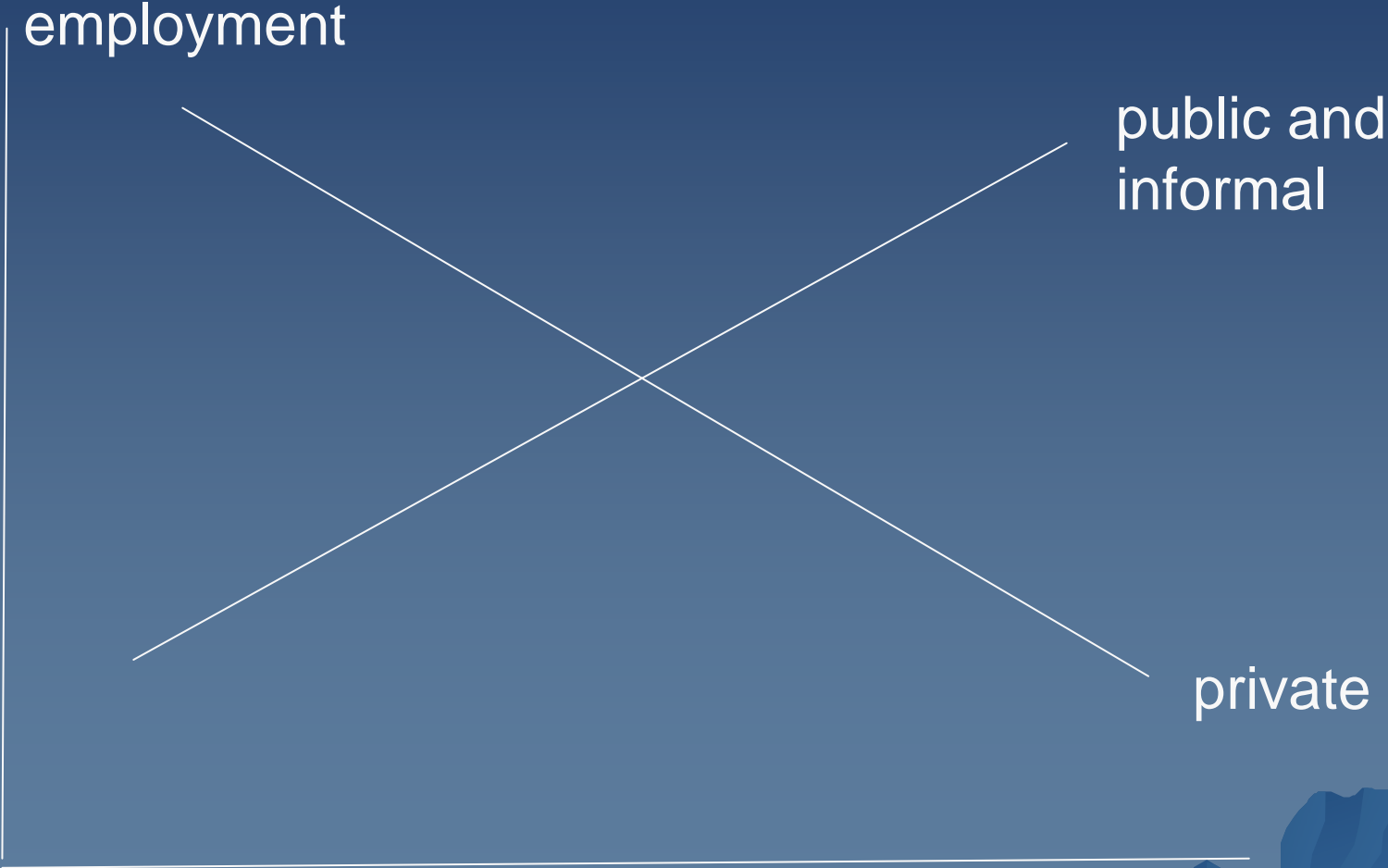
Labour productivity in NMS and EU(15)

Index 1995=100





Optimal speed of transition

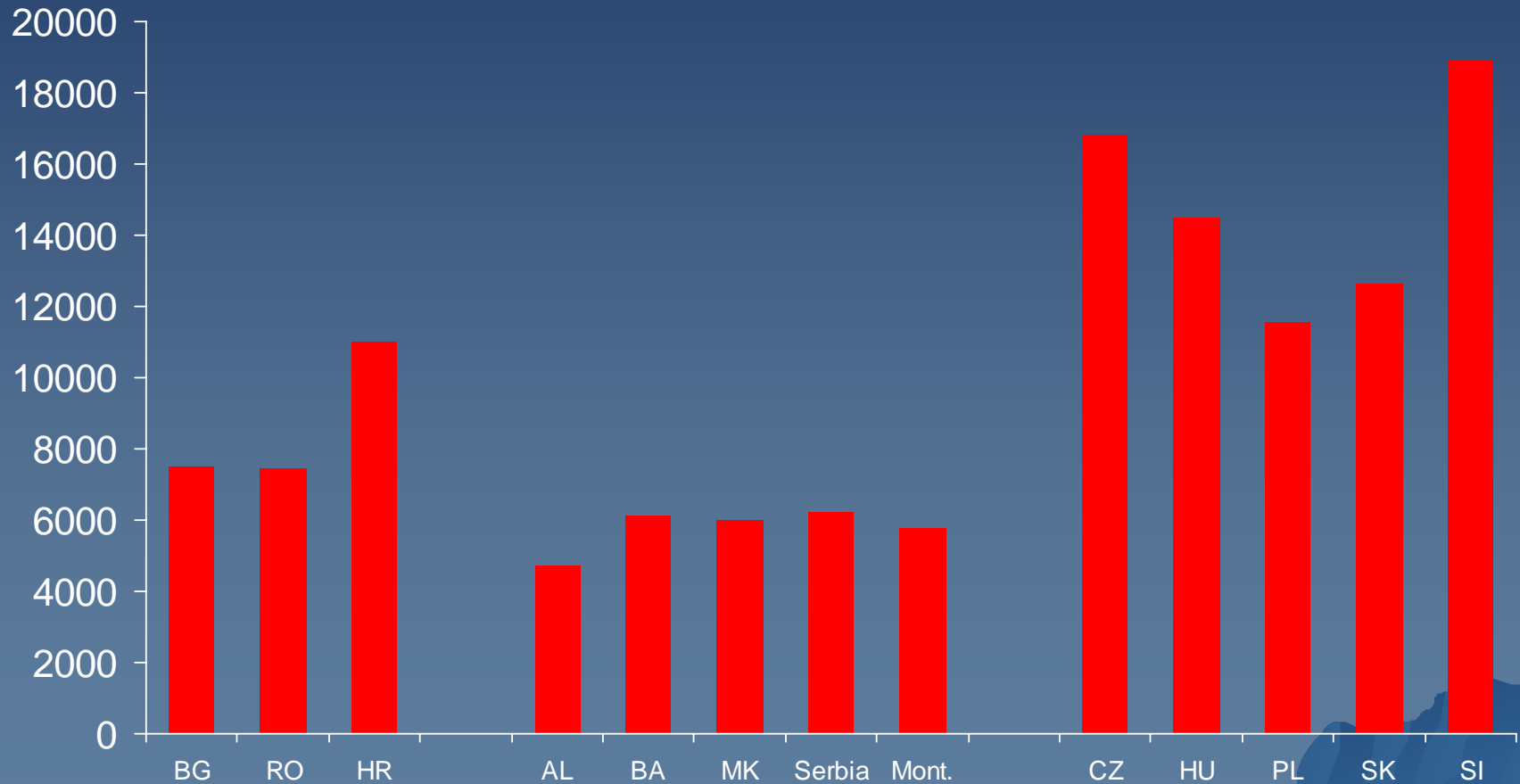


How is the Balkans doing?

- ◆ GDP growth over 5%
- ◆ Increasing foreign investments
- ◆ Continued restructuring of the public sector

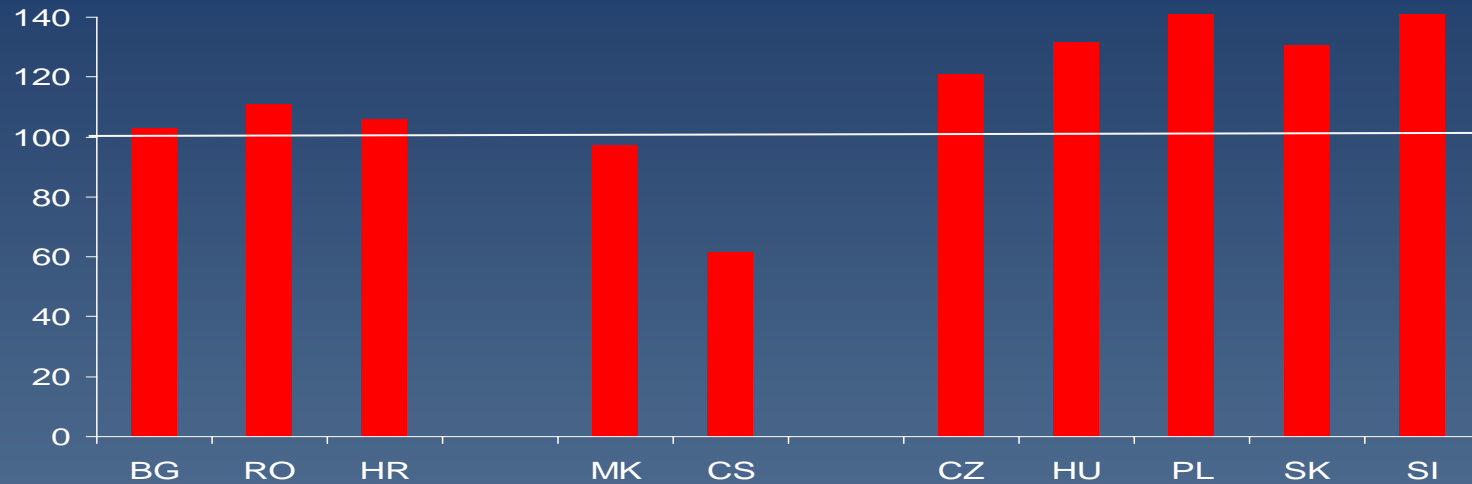
GDP per capita 2005

- EUR at PPP

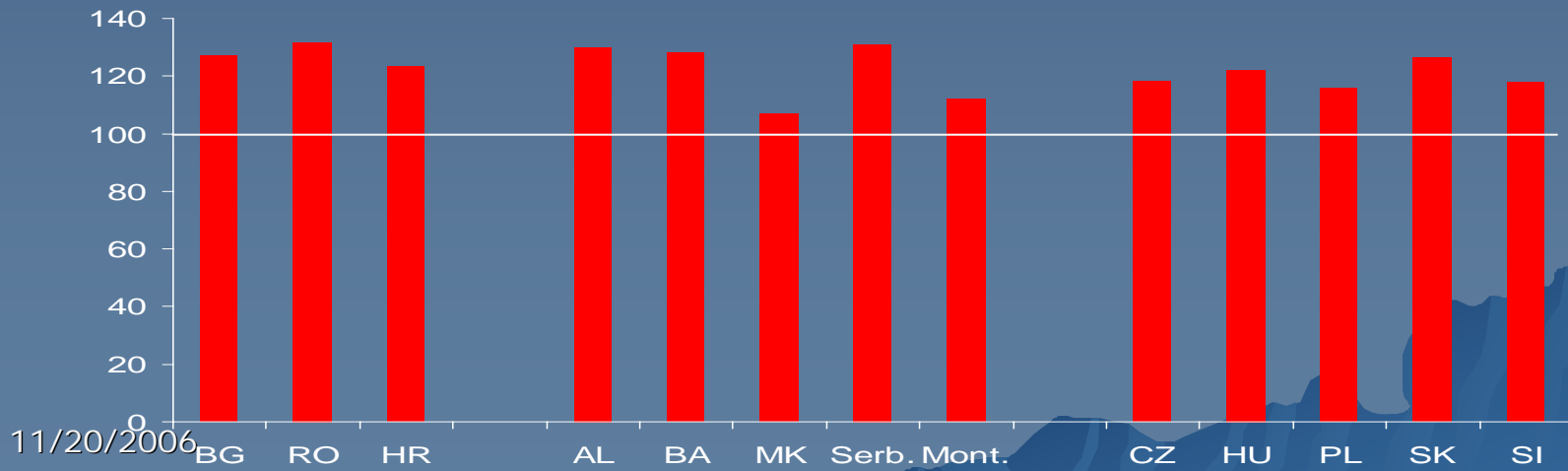


Real GDP, 2005

1990=100

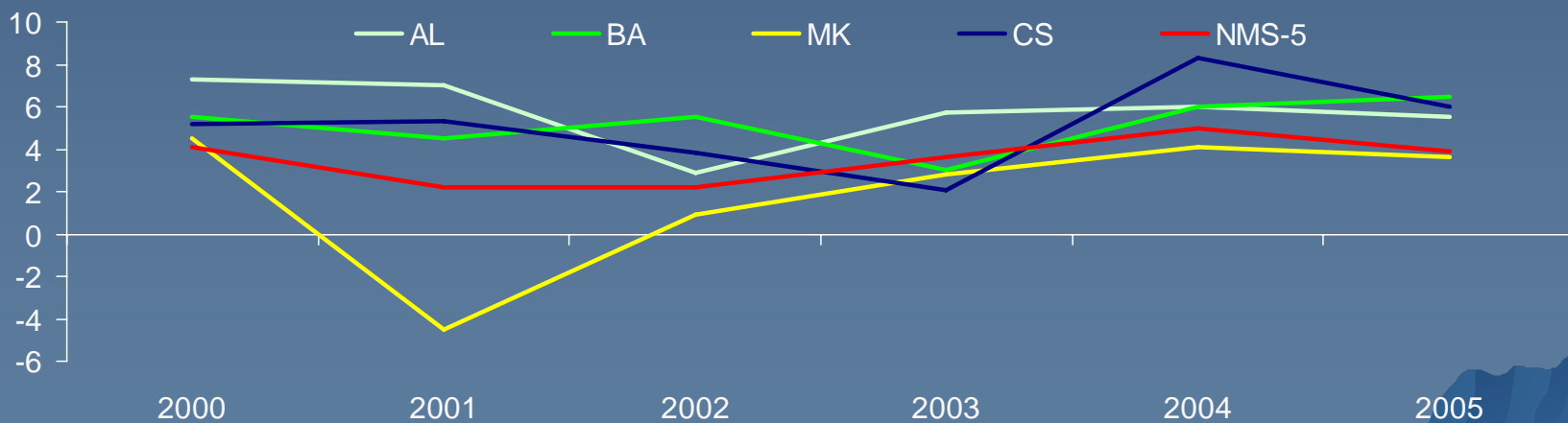
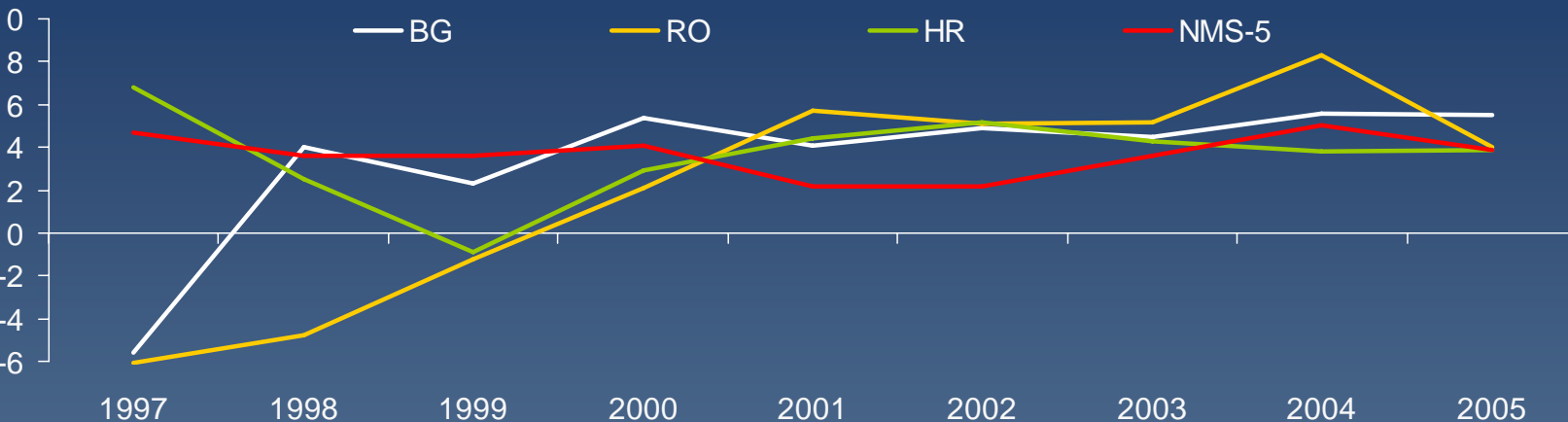


2000=100



Annual GDP growth rates

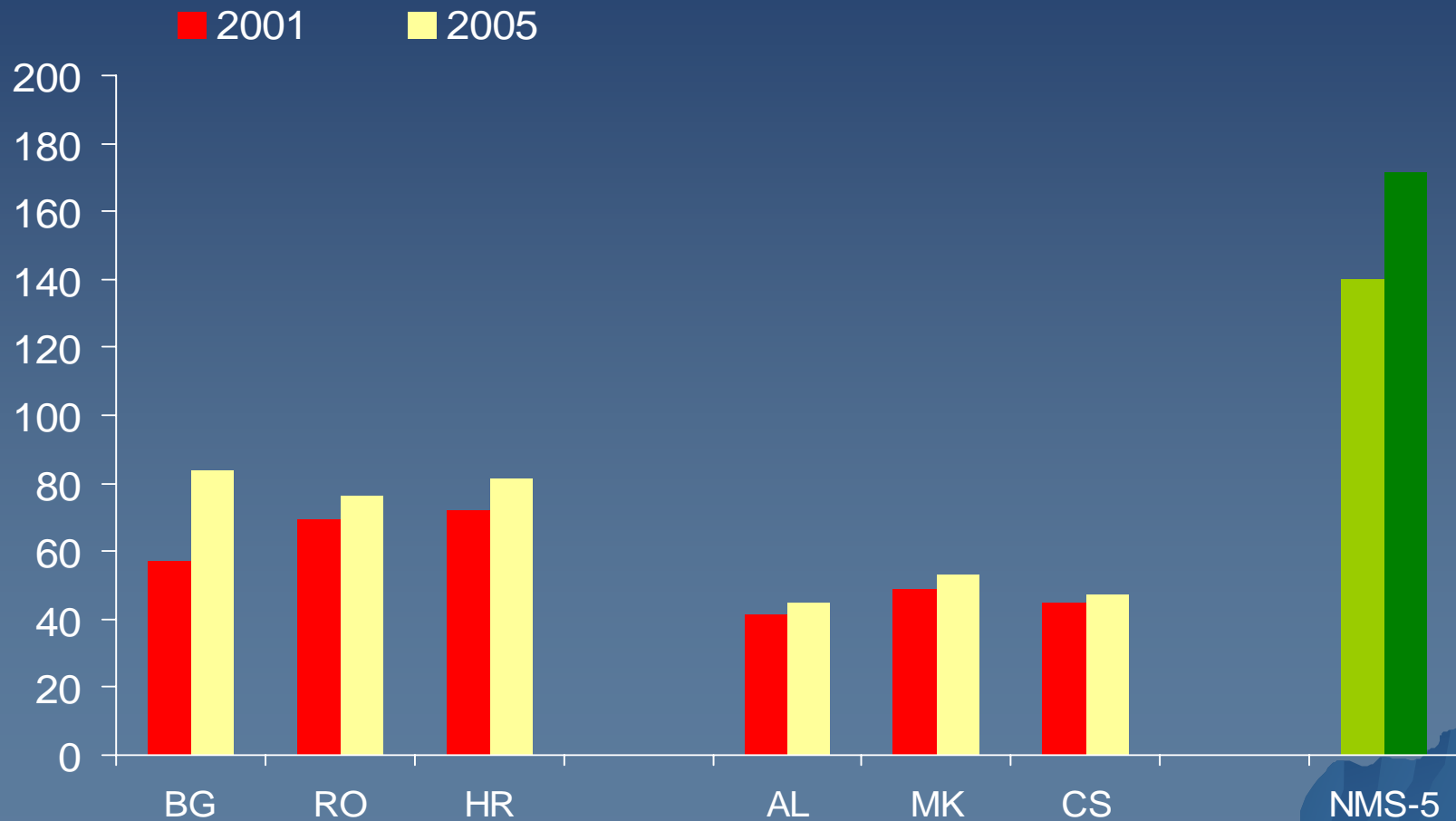
change in % against preceding year



How is the Balkans different?

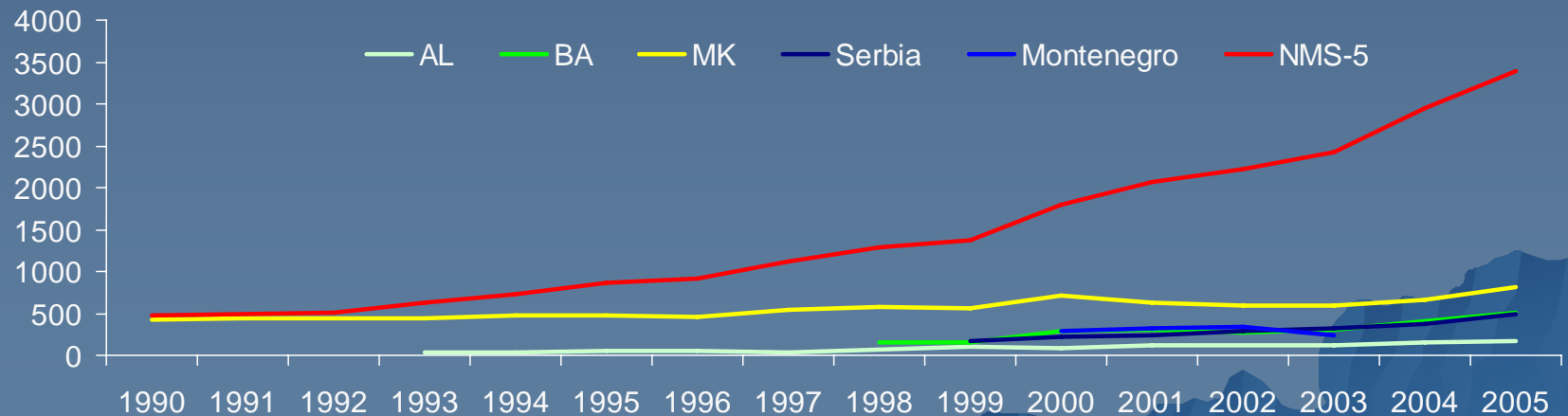
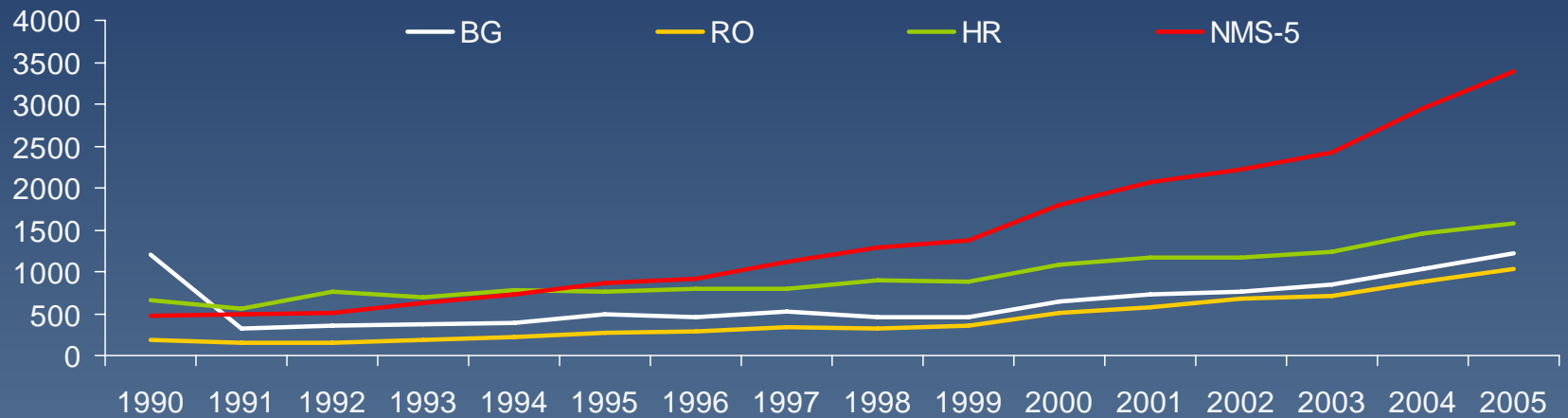
- ◆ Slow reindustrialization
- ◆ Weak exports
- ◆ High unemployment

Industrial production in South Eastern Europe (1990 = 100)

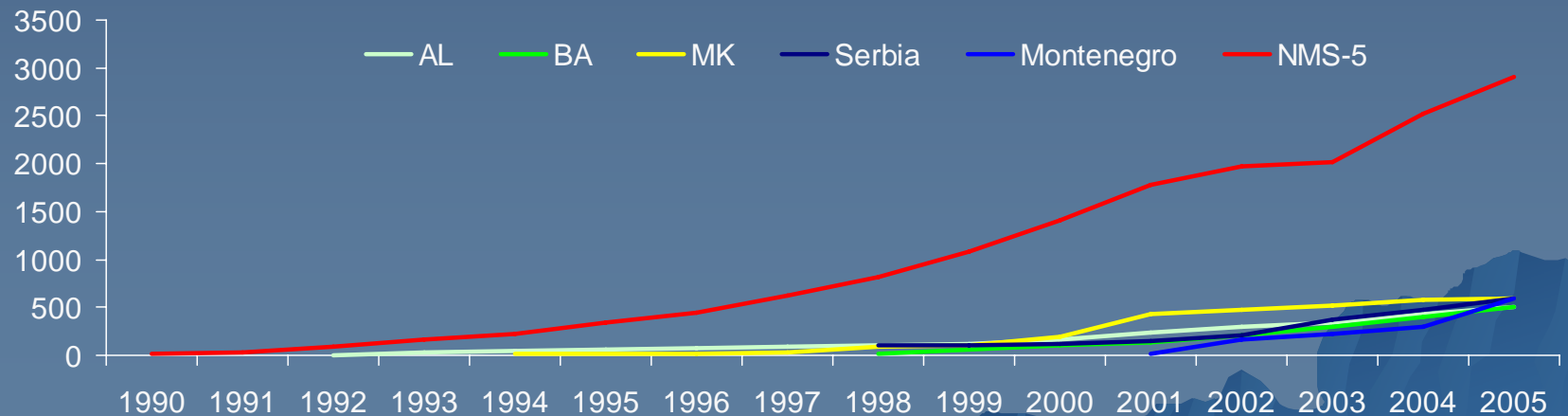
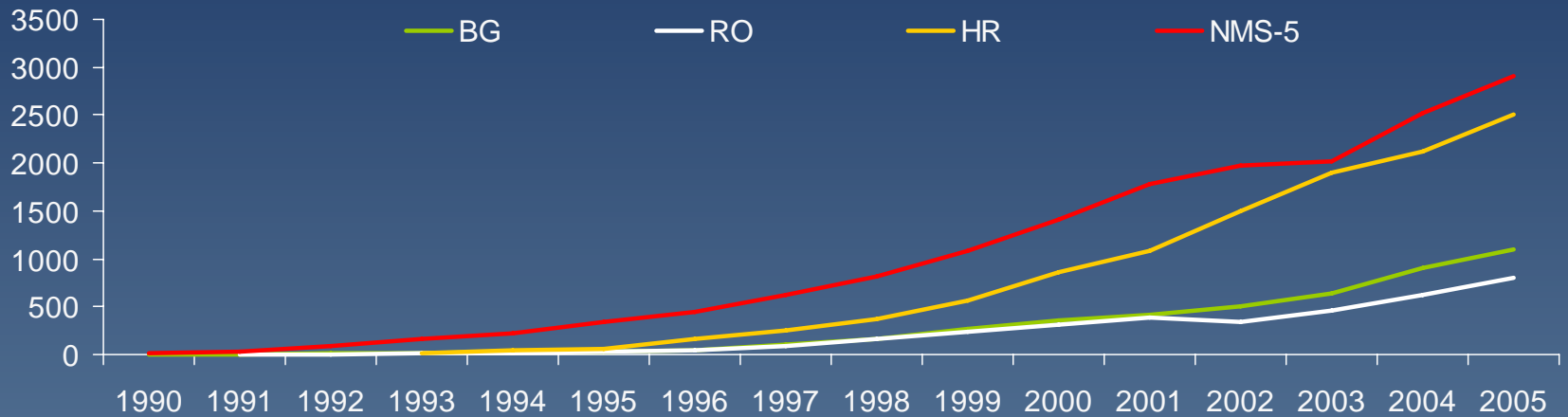


Exports per capita in NMS-5 and SEEC

in EUR (goods trade only)



FDI stock per capita in NMS-5 and SEEC 1990-2005, EUR

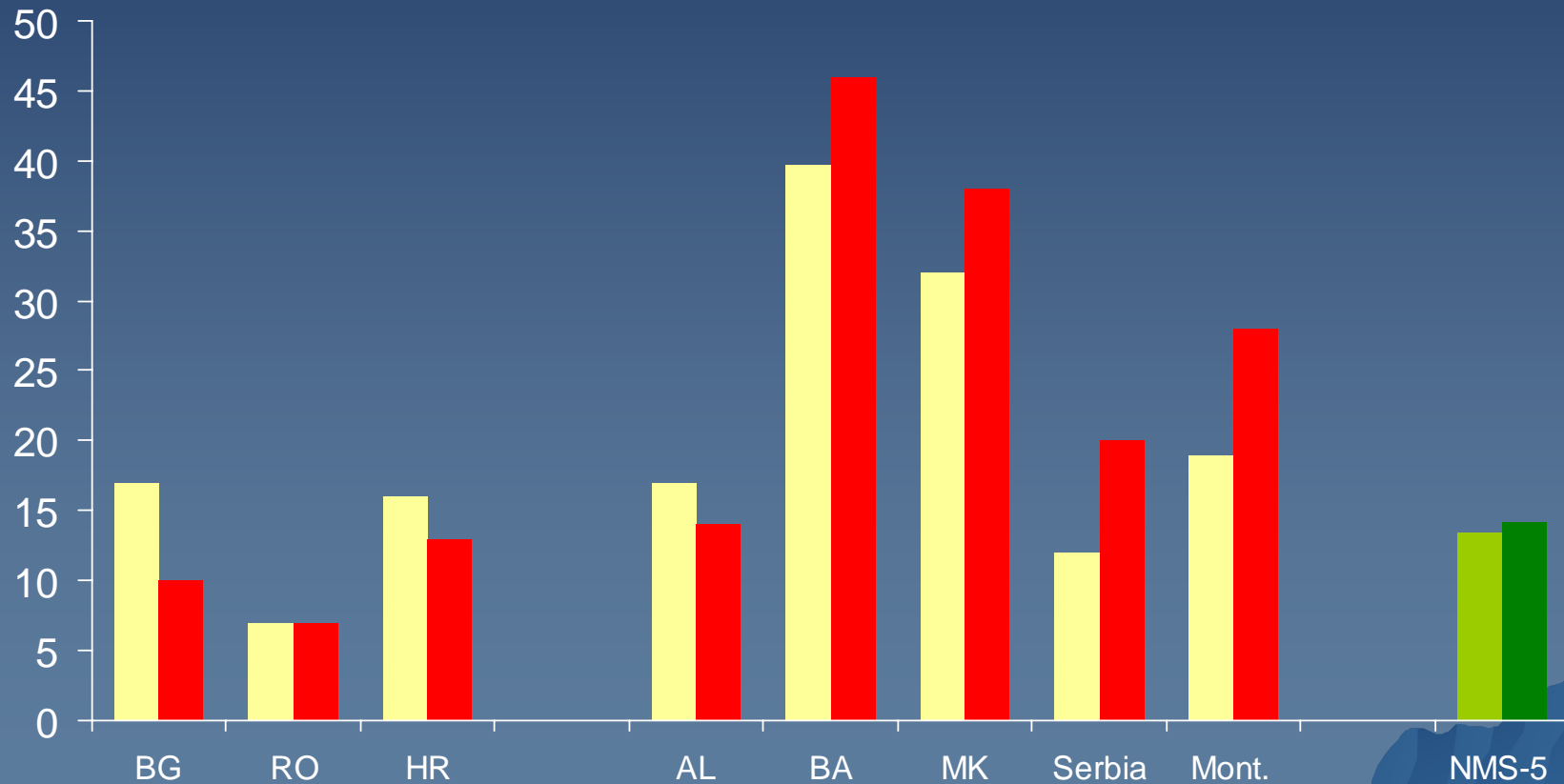


Trade balance (commodities) in % of GDP in SEEC and NMS-5 2005



Unemployment Rates, 2000, 2005

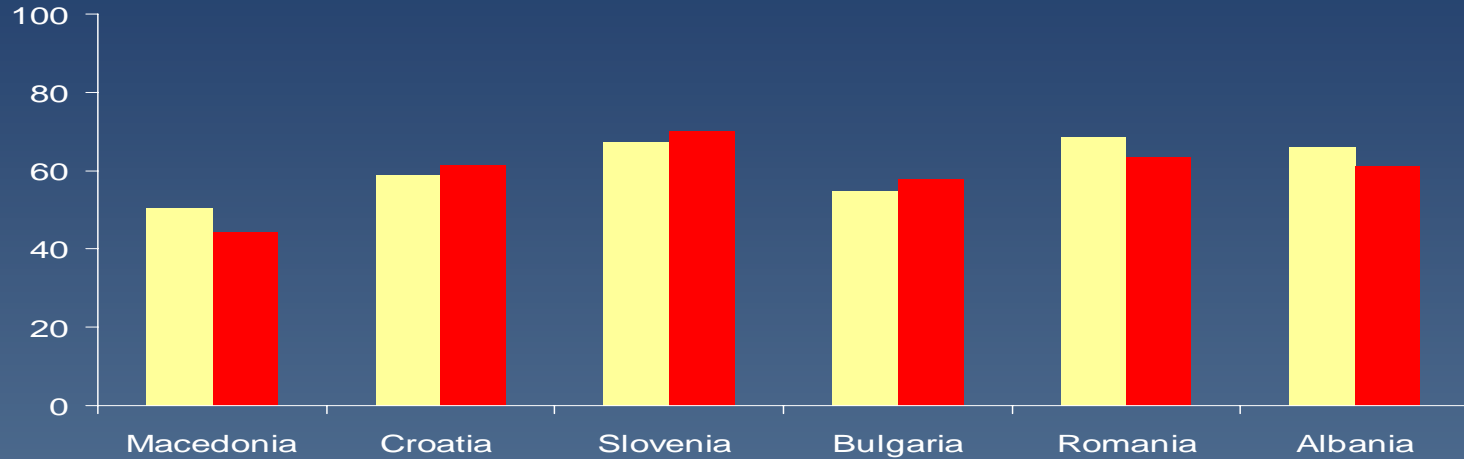
in % of labour force, average, LFS



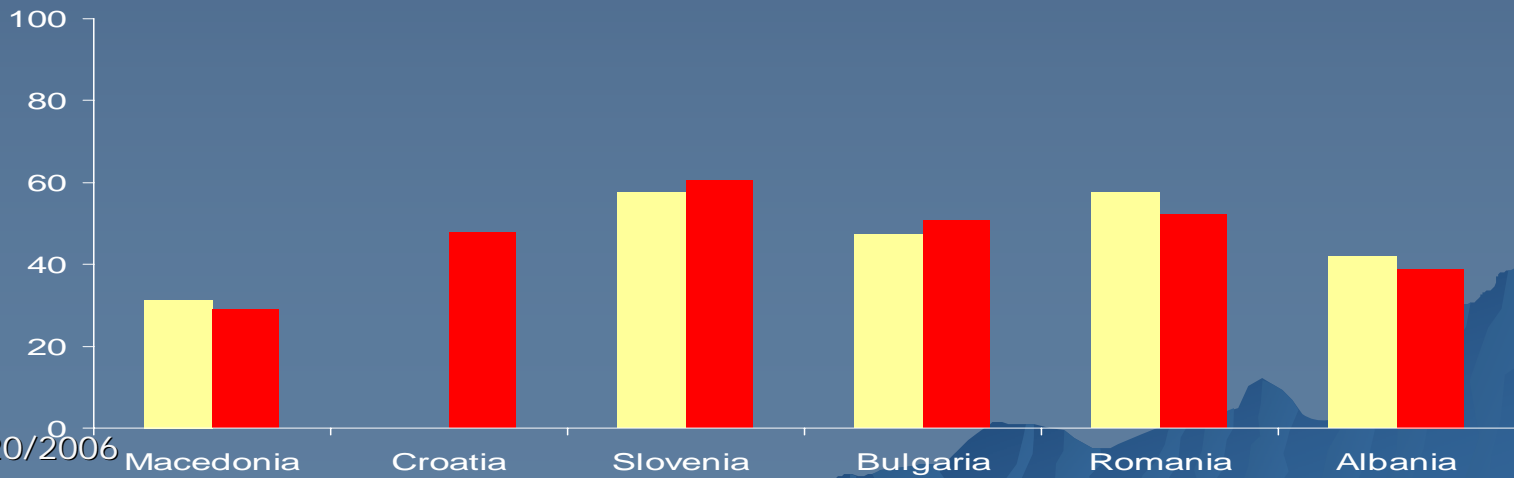
Employment rates in SEEC

Male

2000 2004



Female



Western Balkan free trade area

- ◆ Free trade area from January 1, 2007
- ◆ The area is small and the intra-regional trade is segmented
- ◆ Distortions through different trade regimes with the EU and the rest of the world

SEE trade. exports as % of total (2004)

percentage point change in shares
2001-2004

of:	ALB	B&H	BUL	CRO	MAC	ROM	S&M
to:							
Albania		0.1	-0.1	0.1	0.1	0.0	0.4
Bosnia & Herzegovina	0.0		-0.1	1.7	-0.1	0.0	4.6
Bulgaria	0.0	0.0		0.2	0.4	0.4	0.3
Croatia	-0.2	8.2	0.4		2.2	0.6	2.1
Macedonia	-0.3	-0.1	0.0	-0.2		-0.1	-2.1
Romania	0.0	-1.0	0.7	0.6	0.1		-2.4
Serbia & Montenegro	1.2	-3.1	-0.6	0.3	2.5	-0.4	
EU-4*	-6.5	3.4	-1.9	-2.5	-1.9	-1.4	0.4
SEE-7	0.8	4.1	0.3	2.7	5.3	0.5	2.9
Total change, USD bn	0.2	0.7	4.0	3.6	0.3	10.4	1.5

* EU-4 = Austria, Germany, Greece, Italy.

SEE trade. Imports as % of total (2004)

percentage point change in shares
2001-2004

	of:	ALB	B&H	BUL	CRO	MAC	ROM	S&M
from:								
Albania			0.0	0.0	0.0	0.0	0.0	0.1
Bosnia & Herzegovina		0.1		0.0	0.8	0.0	-0.1	0.1
Bulgaria		-0.1	-0.1		0.2	3.3	0.0	-1.2
Croatia		0.3	3.9	0.2		0.8	0.2	0.0
Macedonia		-0.3	-0.3	0.0	0.0		0.0	-4.1
Romania		-0.1	0.0	0.0	0.9	0.0		-1.2
Serbia & Montenegro		0.6	3.5	0.0	0.4	2.1	-0.3	
EU-4*		-5.8	-1.1	4.0	-1.7	-1.9	-3.4	-1.0
SEE-7		0.4	7.0	0.2	2.2	6.2	-0.2	-6.4
Total change, USD bn		1.0	2.3	6.8	7.7	0.2	17.1	5.0

* EU-4 = Austria, Germany, Greece, Italy.

Trade policy alternatives

- ◆ Access to EU and other markets
- ◆ Access to regional markets

Main risks

- ◆ Constitutional issues
- ◆ EU commitment

Serbia, B&H, and Kosovo

- ◆ Democratization
- ◆ Economic cooperation

EU Prospects

- ◆ Croatia
- ◆ Macedonia
- ◆ The rest