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Bulgaria: Ten years of European Union membership and unsatisfying economic results

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Thesis abstract

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The purpose of the study is to describe and analyse the reasons for Bulgaria's economic recession and external indebtedness under the operation of the centrally-planned model, the sharp financial, micro and macroeconomic crises during the years of restructuring and transition toward market-based economy.

The report's objectives are to examine the state's post-transition, open-market reform actions for full European Union membership and the current objective reality, more than ten years after the country's accession in the single-market economic union.

The thesis is divided into two main chapters, covering an academic theoretical framework of the principles of macroeconomics and an empirical, research one, providing in-depth analysis of the rationale behind Bulgaria's poor economic performance, reflected in various indicators.

Keywords: EU, Bulgaria, macroeconomics, economic growth, exports, corruption

TABLE OF CONTENTS

Thesis abstract.....	2
TABLE OF CONTENTS	3
Terms and Abbreviations.....	5
Tables, Figures and Pictures	7
Special Symbols.....	9
1 INTRODUCTION	10
1.1 Objectives and importance of the thesis topic.....	10
1.2 Research methods	11
2 THE MACROECONOMIC STRUCTURE AND ITS ENVIRONMENT	
.....	12
2.1 Circular- Flow model of the market economic system.....	13
2.2 Objectives and instruments of the macroeconomic policy.....	15
2.2.1 Objectives of the economic policy.....	15
2.2.2 Instruments of the economic policy.....	17
2.3 The aggregate demand and aggregate supply	19
2.3.1 Factors for shifting the aggregate demand curve.....	19
2.3.2 Factors for shifting the aggregate supply curves	21
2.4 Types of macroeconomic equilibrium.....	23
2.5 Main factors and mechanism of the business cycle's flow	26
2.6 Unemployment and its indicators	29
2.6.1 Frictional unemployment.....	30
2.6.2 Structural unemployment.....	30
2.6.3 Cyclical unemployment.....	31
3 THE EUROPEAN UNION AND BULGARIA.....	34
4 RESEARCH PROCESS AND RESULTS	36
4.1 Bulgaria's economic crises and objectives prior to its European Union	
membership	37
4.2 Micro and Macroeconomic crises and their structural transition.....	40

4.3 A period of administrative reforms, stabilisation and political intentions for full EU integration.....	44
4.4 The objective reality and future possibilities.....	48
5 CONCLUSION.....	58
BIBLIOGRAPHY.....	62
APPENDICES	67

Terms and Abbreviations

AD	Aggregate Demand
BCP	Bulgarian Communist Party
BGN	Bulgarian lev (лв.)
BNB	Bulgarian National Bank
BSP	Bulgarian Socialist Party
CEFTA	Central European Free Trade Agreement
CMEA	Council for Mutual Economic Assistance
DVAX	Domestic Value Added of Exports
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
EUR	Euro (€)
FDI	Foreign direct investment(s)
GDP	Gross domestic product
GVC	Global Value Chain
IMF	International Monetary Fund
LRAS	Long- Run Aggregate Supply
SRAS	Short- Run Aggregate Supply
UN	United Nations
U.S.	United States

USSR Union of Soviet Socialist Republics

WTO World Trade Organisation

Tables, Figures and Pictures

Table 1: Bulgaria's average foreign trade in the period 1985– 89.....	38
Figure 1: The types of secondary data (Saunders, Lewis & Thornhill 2012, 307). 11	
Figure 2: Circular Flow Model of the market macro system (Adlakonda 2015).....	14
Figure 3: Aggregate Demand (AD) curve shifts (Mavrov 2015, 42). Edited by the author.....	19
Figure 4: Curves of aggregate supply in a short and long period (Mavrov 2015, 46). Edited by the author.....	22
Figure 5: Full- employment equilibrium (Mavrov 2015, 54). Modified by the author.	24
Figure 6: Recessionary gap (Mavrov 2015, 54). Modified by the author.....	25
Figure 7: An above full- employment equilibrium. (Mavrov 2015, 54). Modified by the author.....	25
Figure 8: Short- term growth curve (Yakimova 2015, 85). Edited by the author....	27
Figure 9: Basic macroeconomic indicators in the period 2007– 2017 (International Monetary Fund 2018).....	34
Figure 10: Bulgara's exports' structure in 2017 (Observatory of Economic Complexity).....	34
Figure 11: Top Export destinations of Bulgaria (Observatory of Economic Complexity).....	35
Figure 12: Bulgaria's Trade Balance in the period 2007– 2017: Imports in red and Exports in blue (Observatory of Economic Complexity).	35
Figure 13: Bulgaria's GDP 1988– 1999 (World Bank).....	41

Figure 14: Losses- accumulating enterprises in East European transition economies 1992– 1995 (Apostolov 2018).	43
Figure 15: Products' complexity and Technological content (World Bank 2015)...	51
Figure 16: Domestic Value Added of Exports' Growth by Sector (World Bank 2015).	53
Figure 17: Global Value Chain Integration (World Bank 2015).	54

Special Symbols

€	Euro, currency symbol
\$	U.S. dollar, currency symbol
Лв.	Levs, currency symbol
%	Percentage indicating symbol
&	Ampersand symbol, “and” conjunction

1 INTRODUCTION

After the collapse of the communist political system and its centrally- planned micro and macroeconomic operational models in Central and Eastern Europe, the dissolution of the economic union Comecon, Bulgaria had faced a drastic political reform demands for dropping the totalitarian system, economic, thus social transition processes toward an open- market economy.

As a result of the slow pace of all systematic political, economically- structural, and social changes, as well as due to the lack of significant such, delayed by the Socialist government in the mid 1990s, the Bulgarian economy had started seriously suffering under the new open- market economic conditions, which led to an excessive loss of an overall microeconomic competitiveness on the different export markets, directly reflecting back negatively on the country's general economic performance.

The document will follow and analyse the reasons for Bulgaria's sharp financial and economic collapse, the internal crises during the first decade of its economy- transition and restructuring processes, such as the failed privatisation programmes, market and trading legislation liberalisation, and the state's first active steps towards its accession in the European Union.

1.1 Objectives and importance of the thesis topic

The aim of this research report is to study and analyse Bulgaria's economic goals and importance to join the European Union's integrated single- market, harmonised and standardised system, and its EU- wide economy. The paper is devoted to detailed analysis for the reasons behind the average indication of unsatisfying economic and social results, supported and reflected in a wide variety of officially recognised indices, estimates, indicators and statistical data; unstable macroeconomic growth, weak and uncompetitive internal business development, seen in the exports' structure and volume; outflow of foreign direct investments and such high corruption levels, 10 years after it had become a full EU- member.

1.2 Research methods

The quantitative approach is a suitable choice if the researcher has an objective to find out questions related to quantities and percentages, including correlations between variables. It is an educational research where the author sets the target of the study, asks appropriate questions and collects the quantitative data from the respondents. The objective of the quantitative approach can also be described as generalisation of results and quantifying data, hence measuring the occurrence of different opinions and views of a chosen sample (Park & Park 2016).

Researchers may use multiple methods for data collection, including quantitative and qualitative. Primary research and secondary data are basic techniques of research methods. The map figure below illustrates some of the specific types of secondary data.

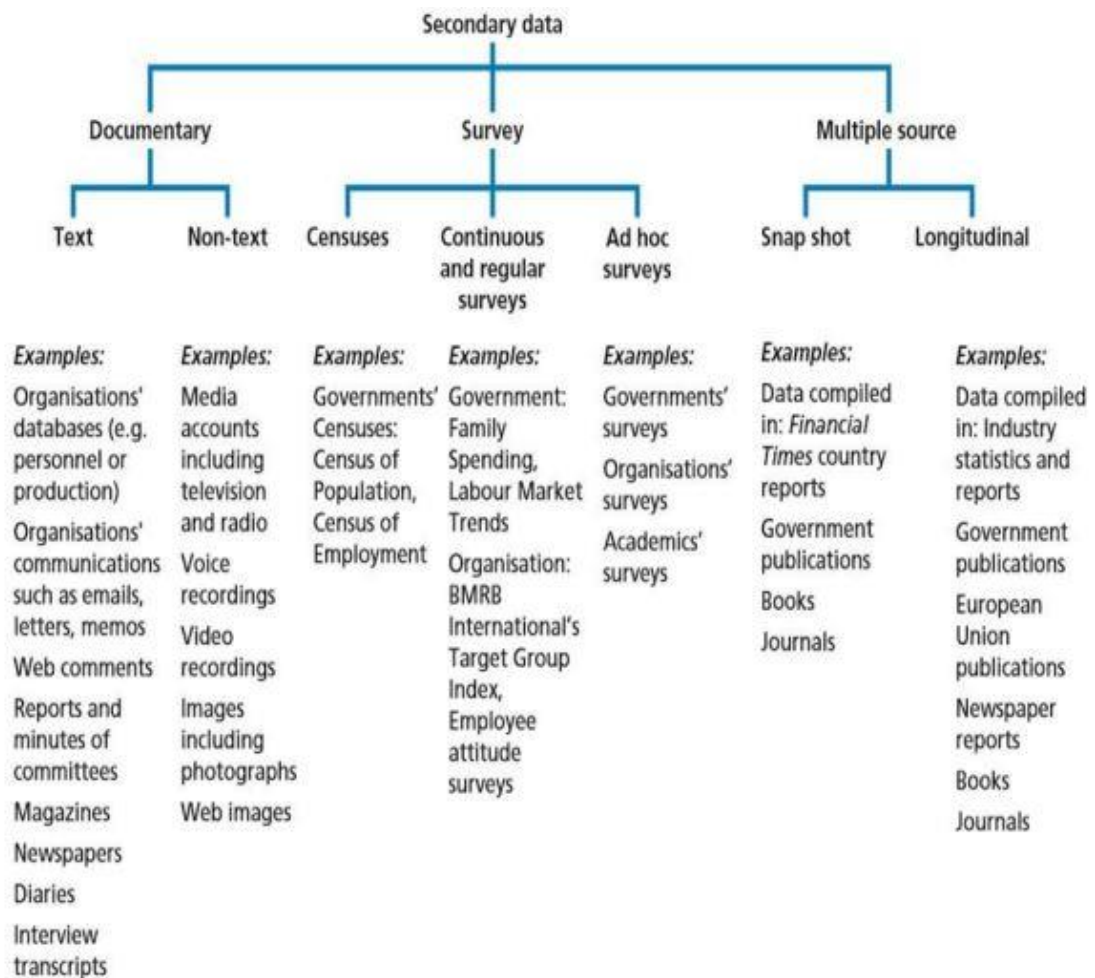


Figure 1: The types of secondary data (Saunders, Lewis & Thornhill 2012, 307).

2 THE MACROECONOMIC STRUCTURE AND ITS ENVIRONMENT

According to Vasilev and Yordanov (2014, 6), the economics' educational process traditionally begins with an introduction to micro and macroeconomics. At first, the issues that are dealt with by microeconomics and macroeconomics may seem quite distinctive and poorly related. This is only apparent and is due to the difference in the scale of examination, but not as a substantive difference in disciplines is present. In the main, differences are the result of aggregation in order to a compact presentation of microeconomic phenomena on a macro level to be made. Sometimes the link between microeconomics and macroeconomics is not obvious, but for a good understanding of the essence of macroeconomic issues, it is useful to consider the macroeconomics as an "aggregated microeconomy". At least such an approach helps to remember that eventually what is being observed on national economic level, is a reflection of our individual decisions.

Ivona Yakimova (2015, 7–9) explains that the macroeconomic analysis is important for those economic processes and phenomena, that characterise the national economy as a whole, giving it a development direction. These processes are seen as basic macroeconomic variables, as they exhibit varying intensity over time, changing their quantitative values and qualitative characteristics.

She also points out that unlike the single market, the macroeconomic system is distinguished by complexity, internal contradiction and greater inertia, due to the complex and not rarely alternative influence of the economic processes at the macro level. A peculiarity of the functioning of the market macro system, is its purposeful and subjectively oriented development character. If the single market achieves market balance through the mechanism of objective supply and demand, the development of the national economy is experiencing the decisive influence of government and state actions. The economic policy achieves certain goals that reflect in the interests of society or individual groups of society. The policy itself employs a toolbox, which depending on the objectives set, can carry different effects and results.

Demand nationwide is presented by households considered as distinct consumers who rely on a certain income. It does not matter whether the household is made up

of one or several individuals, the more important in this case is the level of their total income and what real demand is behind the consumers' sector.

On the side of the national market supply is not the individual company, as a producer, but the whole private sector. Namely, the private sector is seen as a source of a certain amount of domestically offered goods and services, and as a consumer of labour, land and capital.

At macroeconomic level, a new macroeconomic subject appears, with a great importance for the general national economic development– the state. Its role in the market system is twofold– it can be considered simultaneously as a consumer and producer in the national economy. The influence of the state as an economic entity depends both, on the share of government ownership in the economy, and on the specific market model of development characteristic of the country.

Apart from the national ones, the theory also takes into account the influence of foreign, non- national economic subjects as well. Such are the importers of goods and services that increase the national supply and deviate part of the income from the country to themselves.

2.1 Circular- Flow model of the market economic system

Within the separate national economy there is a connection and dependence between the object and the subjects of the macroeconomic system. This link can be illustrated by the so- called circular model, which makes it possible to highlight and analyse the described above characteristics of the market system. The model, itself shows that the main macroeconomic entities– households, private businesses and the state, participate both, in the role of consumers and suppliers on the different types of markets. The households offer their own production resources– labour, land, capital and other resources, for which, in return, they receive monetary income, which turns into consumer spending, which makes them demand generators on the product markets (Krugman 2018) (Agarwal 2019) (Yakimova 2015, 9).



Figure 2: Circular Flow Model of the market macro system (Adlakonda 2015).

The private firms are consumers of production inputs, for which they have expenditures. However, at the same time private companies are major producers, having a suppliers' role on the product markets, from which they receive financial revenue that offsets their costs. In this dual economic role, households and private businesses are involved in two interrelated but counterproductive economic flow of relationships— real and cash flow, which on the other hand, establish two relatively distinct types of economies— a real and a monetary economy (Hein 2008, 56).

The same, dual role has the state on the product markets. On the one hand, it is a consumer of goods and services, offered by companies from the private sector, with which it provides a number of its activities, for instance: filling the state reserve with different goods, equipping the armed forces, providing the administrative units with necessary materials and technical facilities. At the same time, the state itself organises a supply within the public sector, where the main market competitor is the private sector (Welker 2012) (Yakimova 2015, 10).

Here it is important to emphasise that the existing equivalent and feedback between the flow of money and the real flow ensures the continuity of economic development

and reproduction of all elements of the market economic system. Breaking the functioning of one of the system's elements, according to Prof. Yakimova (2015, 11), would automatically lead to a collapse and disruption of the functioning's rhythm of the entire national economy. The result will be the same in case of a lack of some of the system's elements. The absence of some of the resource markets, for example, could significantly modify the operation of the market system and deprive it of such essential characteristics as efficiency, sustainability and stability.

2.2 Objectives and instruments of the macroeconomic policy

The main objective of the macroeconomic theory is not only to study the ongoing macroeconomic processes and their effects on the behaviour of macroeconomic subjects, but also to formulate economic policy bases and rules to minimise the economic problems in society and maximise the benefits of the economic activity (Agarwal 2019) (Dutta).

As explained by both, Nikita Dutta and Yakimova (2015), the economic policy, conducted consciously and purposefully by the government of a country, is aimed at solving a number of basic macroeconomic objectives, which are of a universal nature and the realisation of which allows the sustainable and harmonious development of the economic system. The following sub-paragraph of an economic policy are elaborated according to the publications of Agarwal (2019), Dutta, Yakimova (2015, 11–13) and Krashevski (1986, 33–40).

2.2.1 Objectives of the economic policy

1. Economic growth is a major macroeconomic objective and it implies a steady increase in the level of production/ manufacturing and the growth of GDP. The growth itself has a high cost to society because it is related to the continuous sacrifice of the current consumption, at the expense of future consumption. Due to the restrictive economic environment, the available production should be able to ensure both, the current, and future needs of society that are in reverse economic dependence.

2. Full employment and minimising of unemployment are likewise important economic development objectives. Ensuring full employment is a guarantee of high economic activity in a state. The use of labour resources from the economy, provides opportunities for strengthening the incentives for education and professional development not only as a source of greater incomes but also as a factor for individual satisfaction and progressive social development. The unemployment, on the other hand, creates high economic and social tensions, resulting in macroeconomic instability and possibility of civil unrest.
3. Maintenance of price stability in free and unregulated markets is the third key objective. The government's administration of prices and the market economies are incompatible as the fixed prices impede the operation of the automatic market mechanism in establishing market equilibrium. While the unemployment is an obvious loss for the society of production and waste of labour resources, inflationary or deflationary price volatility, the negative consequences for the society are not so tangible.
4. The ultimate goals of successful national economic development are related to the country's external economic relations and the maintenance of neutral external economic balances. All national economies, regardless of their size and resource availability, are open to the global markets in terms of the movement of goods, capital, labour and natural resources. The effective economic development of a country implies balance between the exported and imported goods, services and resources. There may be a temporary, short-term or longer- term violation of the external economic balance, depending on the country's external economic objectives and its relationships with other countries and partners. In the long- term, the international economic relations require a balance between exports and imports as a guarantor of an equivalent economic exchange and mutually beneficial economic interests.

It is necessary to conclude that the economic policy is not able to guarantee the realisation of all objectives within the same period of time. The policy cannot provide both, a large current consumption, and a rapid economic growth. To reduce the inflation level, a rise in unemployment levels and declining production

or state interference through price control is required. Any particular economic policy implies a choosing one or more of the possible alternative economic objectives. This interdependence of macroeconomic processes puts the national economy in a difficult position to prioritise the objectives.

2.2.2 Instruments of the economic policy

The state's realisation of the economic goals is achieved through the use of macroeconomic instruments that forms the basis of economic policy. The instruments of the macroeconomic policy are the system of economic institutions, laws, actions and measures by the state, as well as the system of economic indicators under the direct or indirect control of the state. The universal (mandatory) instrument includes financial (fiscal) and monetary policy, incomes' policy and external economic policy. The described instruments of economic policy are according to Dutta and Yakimova's (2015, 14–18) publications:

- The financial (fiscal) policy relies on the two, main economic levers- government spending and taxation, which are reflected in the state budget. The state budget is the main economic leverage of the state, and it belongs to the active economic levers, because it ensures the state's financial independence and provides the means for its economic actions. The state budget is drawn up on a balance sheet basis and its main components are the public revenues and expenditures. Government spending is a key determinant of aggregate spending and it actively impacts on short- term fluctuations in the real GDP. Taxation delivers revenues to the public budget by redistributing the gross product, making part of the household and private sector's income, into government spending. By increasing the tax burden or tax relief, the state influences the amount of consumption and investment in the economy, and hence on the opportunities of economic growth in the country.
- The monetary policy is an indirect but effective instrument of the state for regulating economic processes. Its essence is expressed in the ability of the central bank to control money supply and the relationship between money,

production and inflation, one of the most controversial dependencies in macroeconomic development. Through the central bank, the state regulates the monetary mass in circulation, thus affecting the level of interest rates, access to loans and the investment climate in the country. Depending on the state of the macroeconomic situation, the government applies two types of monetary policy– liberal and restrictive.

- The income policy is considered to be the most controversial and debated element of the economic policy's theory, as it should combine two of the most important and contradictory goals of economic development– the need for economic efficiency and social justice for the population of a country. It consists of regulating the level of income and financing of public services– healthcare, education, culture, defence, etc. Many economists reject it, calling it “worse than useless”. Its importance for macroeconomic development is a function of the political choice of society and the level of economic welfare.
- Foreign economic policy is mainly a trade and currency policy, which includes a wide range of laws and measures to regulate the currency's exchange rate, impose foreign trade controls, tariffs, quotas, excise, duties, etc. Depending on the positions of the national economy on the global markets, it can be protective, if domestic production is uncompetitive and needs legal protection, and liberal (open), when national producers have strong and competitive positions on the world markets. The main objective of the foreign economic policy is to achieve a balance between exports and imports on the external markets. The state relies on all four elements of macroeconomic policy but depending on the priority goals or the dominant economic philosophy, the balance between the different elements may be quite different. This gives the specificity of the applied economic policy, which with the time and the changing reality seeks new accents and nuances.

2.3 The aggregate demand and aggregate supply

In the microeconomics, when a certain product market is studied, the concept of market demand and supply is used. Similarly, the macroeconomic model for aggregate demand and aggregate supply is applied to determine the price levels and production volume equilibrium for the entire market macro system. This concept is an indispensable analytical tool in solving fundamental macroeconomic problems related to economic growth, unemployment, inflation and the necessary macroeconomic policy to be implemented by the government. The following descriptive subparagraphs are according to the publications of Geoff Riley, Hristo Mavrov (2015, 40– 50) and Sean Ross (2019).

2.3.1 Factors for shifting the aggregate demand curve

The definition of aggregate demand, under the condition that all other variables remain constant, refers to the assumption of invariability of consumption, investment, public expenditure and net exports. Any change to any of the four elements, caused by reasons other than the price level, results in a change in the aggregate demand. It is graphically expressed by shift of the AD curve. The increase in aggregate demand is represented by shifting the AD curve outward, and when there is a decrease of aggregate demand– inward shift is made. (See figure 3)

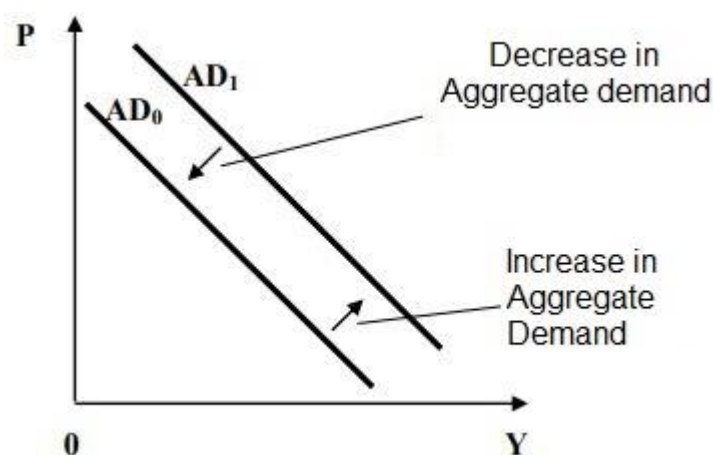


Figure 3: Aggregate Demand (AD) curve shifts (Mavrov 2015, 42). Edited by the author.

The structure of the aggregate demand outlines four sets of factors influencing the aggregate demand and causing the AD curve to shift. These are factors that lead to a change in consumer spending, investment costs, government spending and net export costs.

- Change in consumer spending increases or decreases the aggregate demand. The consumption itself may change as a result of the following factors:
 - Taxes' increase reduces disposable income, therefore the consumption, aggregate demand at each price level;
 - Transfer payments are an element of disposable income and their increase or decrease expands or shrinks consumer spending, hence aggregate demand increases or decreases;
 - Households' expectations— when people expect a high rate of inflation or an increase of their real income in the future, they buy more goods and services, and consumer spending is on the rise, along with the aggregate demand;
 - Wealth. At the same price levels, the richer households consume more than the poorer ones. Therefore, by increasing the real wealth of every individual, the common wealth increases, and this stimulates consumption, as well as the aggregate demand;
- Changes in investment costs. Investments are the most volatile component of the aggregate demand. Larger investments lead to an increase in aggregate demand, and vice versa, the decline in investment shrinks aggregate demand. The investments' activity, however, depends on the following factors:
 - Interest rates. The high interest rate reduces the size of the three investment components— commodity stocks, housing and manufacturing equipment. The low interest rates have a retroactive affect— it makes it more profitable to borrow credits and turning them into investments;
 - Profits' taxes. By increasing the taxes on profits, the amount of the net profits gets reduced, which limits investments and the aggregate demand;

- Earnings estimate— improving the economic environment and forming expectations for higher profits from investment projects, leads to increased demand for investment goods and an increase in aggregate demand;
- Technology. The emergence of new technologies is associated with an increase in investments and increased aggregate demand.
- Changes in government expenditures. The state is the largest consumer and, in this sense, the greater the government spending is on the systems of education, healthcare and defence, at certain price level, the greater the aggregate demand is.
- Changes in net exports. The modern, advanced economies are heavily dependent on mutual international trade. For a country, the increase in exports and the decrease in imports, as a result of factors, other than the price level, lead to an increase in aggregate demand, while the decline in exports and the increase in imports are counterproductive. The non- price factors influencing the net exports include: the gross domestic product of other countries and the exchange rate.
- Changes in money supply also affect the aggregate demand. If money supply increases, people have more money in disposal, aggregate costs increase and therefore the curve shifts to the right. Money supply also has a second, indirect effect on aggregate demand: the money increase in the economy leads to a reduction in interest rates, increased investments and aggregate demand.

2.3.2 Factors for shifting the aggregate supply curves

The supply- side behaviour of the economy differs in the short and long term and therefore two curves are present on the graph— SRAS and LRAS. In analysing the factors influencing the aggregate supply, the role of the period should also be taken into account. What is essential is that most factors influence both, the short- and long- term aggregate supply simultaneously.

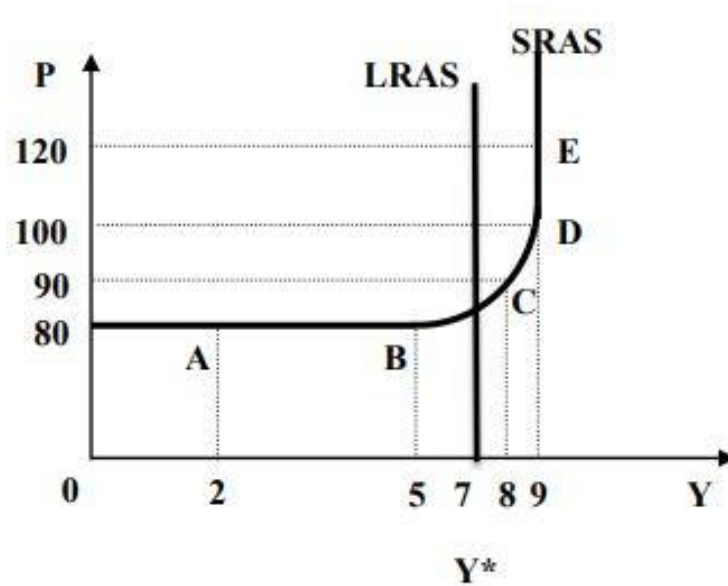


Figure 4: Curves of aggregate supply in a short and long period (Mavrov 2015, 46). Edited by the author.

- Factors, shifting both of the aggregate supply curves.
 1. Changes in the supply of factors of production. Increasing factors' availability in the economy, such as increasing workforce, finding new sources of raw inputs or increasing physical capital, increases the potential of the economy to produce, therefore the curves of SRAS and LRAS shift to the right.
 2. Productivity of factors. Factor productivity is usually understood as the quantity of output per unit of resource. Higher productivity increases the economy's potential to produce because a unit of a particular resource, would produce more output. Given the assumption of constant factor prices in a short period, the higher productivity is accompanied by a reduction in spending per output unit. The private sector will offer a certain quantity of output at lower prices, which means that the aggregate supply will increase.
 3. State regulation. One aspect of government regulation is the tax policy. Tax cuts create incentives for capital accumulation and more dili-

gent work. In both cases, long- term and short- term supply is increasing. The state influences the supply and the degree of regulation of business activity.

- Factors influencing only short- term supply are changes in factor prices—wages and input commodities' prices. An increase in short- term supply is reflected in shift of the SRAS curve to the right, while in reducing supply, the curve shifts to the left.
- Wages and raw materials' prices are part of the expenditure of a company. The increase in wages (or input commodities' prices) leads to an increase in unit costs. In order to maintain the same volume of production, new and higher prices for the final output is also required. In case that prices do not change, then the production should shrink. For the economy as a whole, this will mean that at each price level, less GDP is generated than before the changes in wages. Consequently, rising labour costs lead to a reduction in aggregate supply and a shift of the SRAS curve to the left.

2.4 Types of macroeconomic equilibrium

Depending on the parameters of the macroeconomic equilibrium and above all the magnitude of actual real GDP compared to the potential real GDP, three types of macroeconomic equilibrium can be distinguished: full- employment equilibrium, recessionary gap equilibrium and above full- employment equilibrium. The long- run equilibrium occurs when the actual GDP level is equal to the potential GDP, whereas in the short- run, all three types of macroeconomic equilibrium are possible. The types of economic equilibrium are defined by Singh, James Walsh, Mavrov (2015, 51–55) and Kenton (2018).

- a) Full- employment equilibrium (at potential GDP): As shown in figure 5, it arises when the short- term equilibrium point, gotten by crossing the curves of AD and SRAS, lies on the long- term supply curve LRAS. In this case, the

actual real GDP matches the potential GDP, and with this type of an economic equilibrium, unemployment is at its natural level, price stability is in place.

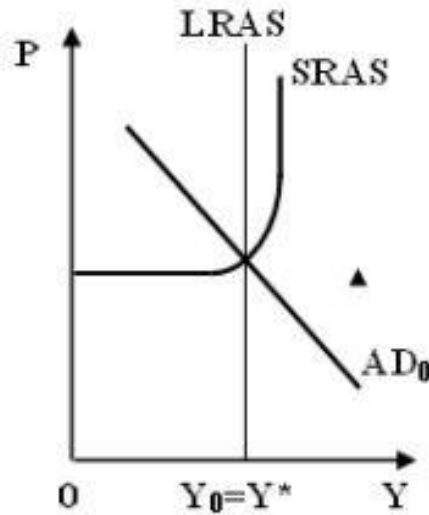


Figure 5: Full-employment equilibrium (Mavrov 2015, 54). Modified by the author.

- b) Recessionary gap equilibrium (under-employment): It occurs when the actual real GDP (Y_0), is less than the potential one (Y^*). The AD curve crosses SRAS curve at a point, located to the left of the LRAS curve. This condition of the economy, characterised by unemployment above its natural level, is known as a recession. Hence economists call it unemployment equilibrium, and the difference between the potential real GDP and the actual real GDP ($Y^* - Y_0$) is called a recessionary gap in GDP. (See figure 6)

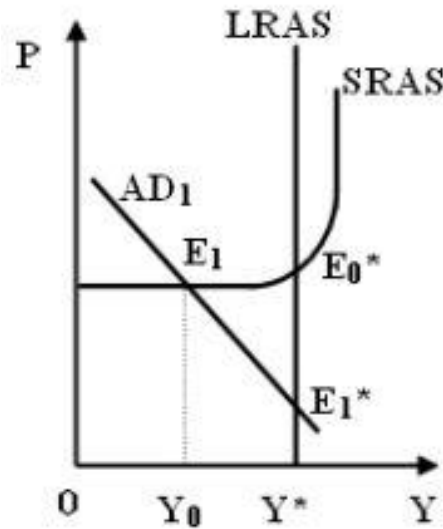


Figure 6: Recessionary gap (Mavrov 2015, 54). Modified by the author.

- c) Above full-employment equilibrium (above the potential GDP): Curve AD and SRAS intersect at a point laying to the right of the LRAS curve. (See figure 7) The most striking features of this type of economic equilibrium are that unemployment is below its natural level and the economy creates high inflation conditions.

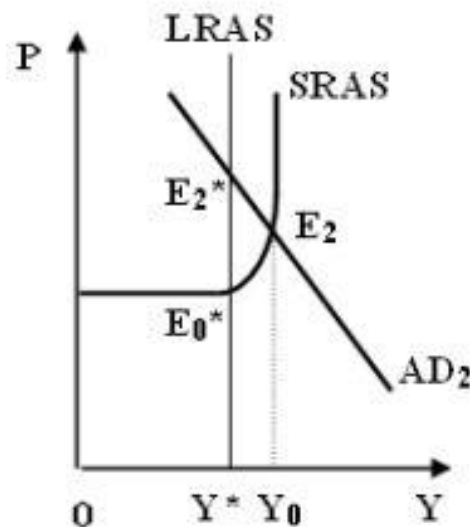


Figure 7: An above full-employment equilibrium. (Mavrov 2015, 54). Modified by the author.

2.5 Main factors and mechanism of the business cycle's flow

The main factors and mechanism of the business cycle's flow theory in this chapter is according to the materials by Diptimai Kari, Allen Sinai (1992, 7–15) and Yakimova (2015, 74–87). Despite the variety of theoretical ideas that explain the causes of cyclicity as a form of economic growth in a market economy, there is unity in clarifying the factors and mechanism of the cycle and its impact on certain macroeconomic processes and phenomena. Cyclical economic growth is linked to continuous fluctuations in real GDP level and hence employment and unemployment rates.

There are three different methods of real GDP increase, i.e. growth in the economy of a country. The first one is related to the growth of aggregate demand and if it is implemented in the context of a recessionary gap, the real GDP is close to that of its potential, causing a series of automatic actions on other macroeconomic indicators. If the increased aggregate demand causes the real GDP to change beyond its potential level, the resulting inflationary gap will increase the price level of labour force and other goods and services. In both of the changes in real GDP, a negative short- term effects will occur on the economy.

The increase in aggregate supply also leads to an increase in GDP, and the two types of should be clearly defined– the first type, that does not change the position of the long- term supply curve (LRAS), and the second type, in which the curve shifts to the right. Figure 8 illustrates the short- term growth in which the short- term curve shifts. For an example, a rich harvest (output) in the agriculture industry for the respective fiscal year. The increase in GDP is not related with the changes in the long- term supply curve (LRAS), since the growth result is not achieved due to the use of more resources, i.e. the potential level remains unchanged. Next year, an eventual weak harvest will shift the short- term curve upwards and to the left, causing a reduction in the level of real GDP.

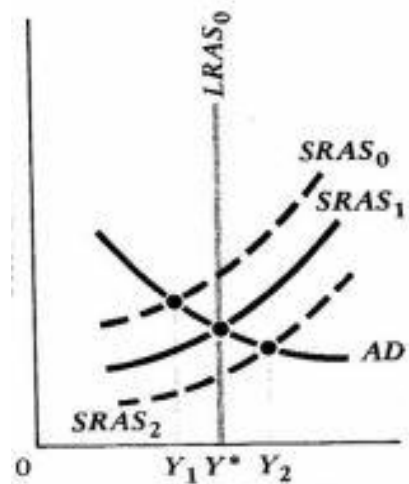


Figure 8: Short- term growth curve (Yakimova 2015, 85). Edited by the author.

The impact of other factors of a long- term nature such as the increase in the number of active labours, capital investments, new technologies, which increase the resource potential of the economy, shift the long- term supply curve to the right, hence the level of potential GDP. A gradual but prolonged increase in potential GDP is called economic growth, which is one of the most important elements for improving the living standards of the population.

It can be concluded that not all factors influencing the market economy are relevant to the economic cycle. Cyclical fluctuations in the level of real GDP are caused by changes in aggregate demand or in terms of short- term supply, which causes the real GDP to deviate from its potential level. Cyclical factors are mainly of short duration and come from both, aggregate demand and aggregate supply. Into the group of these factors fall: the level of real interest rate, the exchange rate, consumer and business confidence, government policy, etc. Although the impact of these factors is short- term and temporary, the mechanism of adaptation of the economic system is working slowly enough so that the negative consequences for the economy of this adjustment are felt sufficiently acutely and prolonged.

The long- standing practice of statistical surveys in different countries shows that there are strong enough and long- active factors that cause continuous fluctuations in the development of the economic reality around the long- term and sustainably progressive trend of economic growth.

The majority of economists believe that the main drivers of business cycles come from aggregate demand, while aggregate supply and its pro- cycle factors are less frequent initiators of cyclical fluctuations. Since aggregate demand has four main subjects and four elements, pro- cyclical are also all the factors, affecting each of them.

- The personal consumption made by households, which forms the bulk of the aggregate demand in a country, is influenced by: changes in the household consumption structure, changes in expectations and interest rates, tax rates, social benefits, etc.
- Net investments account for the largest share of gross private investments in the country, with nearly half of them at the expense of unallocated business profits. The rest is at the expense of bank lending, where the real interest rate (the difference between the bank interest rate and the annual inflation rate), estimated by the expected profit level, plays a major role in the investment decision. If the desired volume of capital goods increases, it is expected an investment boom and dynamic production of new capital goods.
- The state and its expenditures take a significant part of the aggregate demand in the economy over the last decades, as the size of these expenditures/ purchases, depends to a large extent on the political factor (which political party is in charge) and the state of the current political and economic conjuncture.

It can be concluded that aggregate demand is the more dynamic and pro- cyclical component of the national market, which causes a periodic change in economic dynamics and fluctuations at the level of real GDP. The aggregate supply is also a source of cyclical fluctuations. The long- term supply curve shifts to the right or left, under the influence of number of factors, the most important of which are changes in labour productivity and price level changes in production factors.

In addition to the pro- market, sources of cyclical fluctuations on economy may also have a non- market origin. Among them, the most important is the matter of the political factor and the political decisions of the government, and the first economist

who turned the attention of economic theory to the role of politics as a pro- cyclical factor was the Polish economist Michal Kalecki in the 1950s.

2.6 Unemployment and its indicators

The unemployment, its different types and indicators in this paragraph and sub- paragraphs are based on the academic materials of Vladimirov (2015, 90–98), (Corporate Finance Institute) and Kimberly Amadeo (2019). As a macroeconomic phenomenon, unemployment means incomplete use of the most important production factor- the labour resources of society. It is the result of a mismatch between labour supply and demand in the national economy. When labour supply remains higher than its demand, part of the workforce population remains unemployed and aggregate production is below its potential level.

When measuring unemployment, the working population (or labour resources) of the country, including citizens over 15 years of age, is divided into three categories: employed, unemployed and people outside the workforce.

According to the accepted International Labour Organisation standards, a person may be considered unemployed if he meets three conditions at the same time: can work, wants to work, and is actively looking for a job. Consequently, the lack of paid employment and the desire to work are not sufficient grounds for categorising the person as unemployed. An important requirement is to actively seek employment. Job search involves performing activities such as labour market registration (in a local agency), submitting applications, tracking and responding to job listings. The demand for active job search leads to the formation of a particular category of the population- the so- called discouraged persons. People who want to work and have searched for a job but have refused to look for anymore because they no longer believe they will be able to find vacancies. Such people are classified as discouraged, have left the labour market and are part of the economically inactive population.

Together with the general unemployment rate, particular performance indicators are also widely used in employment analysis and management, such as unemployment

rates among young people, women, low- skilled workers, different geographical regions, activities, etc. A central indicator of the state of the labour market is also the level of long- term unemployment. Long- term unemployed are those who are registered as such for more than one year.

Depending on the reasons for it, three major forms of unemployment differ: frictional (current) unemployment, structural unemployment and cyclical unemployment.

2.6.1 Frictional unemployment

It is related to the natural movement of the workforce and occurs when moving from one workplace to another. The labour market is dynamic. Many people choose to change their professional positions voluntarily or temporarily break their work activities for re- qualifying and seeking a better professional realisation. The frictional unemployment covers the period during which a worker is looking for a new job or is in a transition from one job to another.

The term "friction" implies that the labour market does not function perfectly and instantly to ensure match between demand and supply of vacancies. Frictional unemployment is inevitable, voluntarily and, at least in part, is associated with positive effects. As a result, part of the workforce moves from low- paid and low- productivity employment, to better paid and more productive position.

2.6.2 Structural unemployment

The economist from University of Economics Varna, Vladimirov (2015, 94–95) and Kimberly Amadeo (2019), describe that this type of unemployment is the result of a qualitative or territorial mismatch between labour supply and demand. Such discrepancies may arise even if the number of vacancies is greater than the number of unemployed persons if jobseekers do not have the necessary qualifications, professional experience and skills, or if they live far from the place where jobs are available.

Structural unemployment is a result of technological developments and structural changes in the business and the economy, which also change the requirements for the training and skills of the workforce. Technological innovation imposes new employment patterns by sectors and industries, and it is the reason for the qualifications and skills' requirements of the workforce to increase. Those who are skilled in obsolete technologies and productions lose their jobs and become unemployed. The distinction between frictional and structural unemployment is difficult and not always clear. A common characteristic of structural and frictional unemployment is that there is no shortage of places. The main difference is that in frictional unemployment jobseekers have "sellable" skills and can take up vacancies. At the structural level, they are unable to meet the demands of vacancies and can only get them after retraining, acquiring additional education and new skills. Due to the persistent divergence between the characteristics of demand and supply on the labour market, structural unemployment is considered a serious problem. It tends to be largely long-term as the necessary retraining of workers is not an inexpensive or easy task.

2.6.3 Cyclical unemployment

As its name itself indicates, it is related to the business cycles that occur in the economy. It is caused by the macroeconomic fluctuations in economic activity, and more precisely is the form of unemployment that arises as a result of declining aggregate demand. Changes in the level of cyclical unemployment coincide with changes in the business cycle. It is rising during an economic downturn (recession) when demand for goods and services in the economy is declining, and therefore demand for labour is declining. When the economy is in a growth mode, labour demand is on the rise and cyclical unemployment is declining, and in the upswing, it disappears completely.

In cyclical unemployment, the number of unemployed exceeds the number of job vacancies, so even if all vacancies are occupied, part of jobseekers will remain unemployed. Along with the three forms of unemployment mentioned above, the theory distinguishes between voluntary and involuntary unemployment. Voluntarily is accepted unemployment that arises when there are vacancies available, but the

unemployed do not accept them because of the salary offered, the small opportunities for professional development, or because of the lack of prospects for lasting employment. Forced unemployment, on the other hand, refers to a situation where there are no vacancies even though the unemployed are ready to work at existing level of wages and working conditions.

As explained earlier, frictional and structural unemployment are the result of the normal functioning of the labour market and are largely unavoidable in a dynamically developing economy. For this reason, it is virtually impossible to achieve 100 per cent employment of the available workforce. That is why, when economists state of “full employment”, they mean a level of unemployment where there is only frictional and structural unemployment, but it is not cyclical. This unemployment rate is considered a natural rate of unemployment and is an indicator of labour market equilibrium and full employment of labour resources. Or “full employment” means that there is only frictional and structural unemployment in the economy of a country.

The natural level of unemployment is seen as a level of employment that produces potential GDP. It is also seen as the minimum level of unemployment that ensures price stability in the economy and does not cause inflation to accelerate.

The practical significance of the natural unemployment rate indicator is that it plays a critical role for optimal employment and stability and is an indicator of the need for state labour market policy measures. From a quantitative point of view, the natural level of unemployment shows what is desirable and tolerable at a given time unemployment, which can be served without problems by society and which will not cause inflation to rise.

Professor Vladimirov (2015, 95–98) believes, that the natural unemployment level is a magnitude under the influence of the following major factors:

- Demographic changes in the structure of the economically active population—increasing the share of young people in labour force increases the natural level of unemployment due to higher current unemployment within their group.

- The social system providing support– over a limited margin for generous social benefits payments, the flexibility in the labour market may be reduced and may have demotivating effect on the unemployed, actively seeking jobs, raising their knowledge and skills, etc.
- Structural changes in the economy– on the increase the intensity of structural changes in the economy, the adjustment of the labour force to some extent is lagging behind, thus structural unemployment is increasing.
- The efficiency of the system of labour mediation– the efficiency of labour market institutions and their contribution to better awareness, guidance and facilitation of the link between demand and supply of labour has a significant impact on the level of frictional unemployment in the economy, and hence on the natural level of unemployment.

3 THE EUROPEAN UNION AND BULGARIA

The figures below represent Bulgaria's macroeconomic indicators.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GDP in \$ (PPP)	109.19 Bln.	118.03 Bln.	114.66 Bln.	117.16 Bln.	122.33 Bln.	124.62 Bln.	127.72 Bln.	131.74 Bln.	137.99 Bln.	145.26 Bln.	153.14 Bln.
GDP per capita in \$ (PPP)	14,291	15,517	15,160	15,669	16,695	17,107	17,627	18,292	19,289	20,453	21,687
GDP growth (real)	7.3 %	6.0 %	-3.6 %	1.3 %	1.9 %	0.0 %	0.9 %	1.3 %	3.6 %	3.9 %	3.6 %
Inflation (in Percent)	7.6 %	12.0 %	2.5 %	3.0 %	3.4 %	2.4 %	0.4 %	-1.6 %	-1.1 %	-1.3 %	1.2 %
Unemployment rate (in Percent)	6.9 %	5.7 %	6.9 %	10.3 %	11.4 %	12.4 %	13.0 %	11.5 %	9.2 %	7.7 %	6.2 %
Government debt (Percentage of GDP)	18 %	15 %	15 %	14 %	14 %	17 %	17 %	26 %	26 %	27 %	24 %

Figure 9: Basic macroeconomic indicators in the period 2007– 2017 (International Monetary Fund 2018).



Figure 10: Bulgaria's exports' structure in 2017 (Observatory of Economic Complexity).

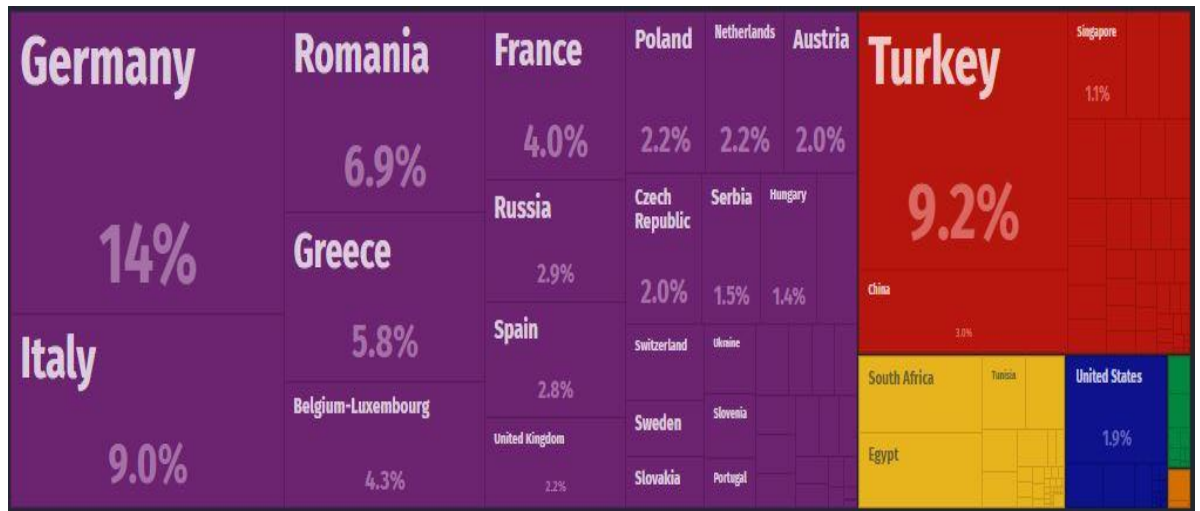


Figure 11: Top Export destinations of Bulgaria (Observatory of Economic Complexity).



Figure 12: Bulgaria's Trade Balance in the period 2007– 2017: Imports in red and Exports in blue (Observatory of Economic Complexity).

4 RESEARCH PROCESS AND RESULTS

Due to the complexity of the thematic problem studied, the utilised research methods for the report are qualitative and quantitative.

The choice for using the combination of both research approaches was based on the idea to get as systematic, accurate, valid and reliable results as possible in both numerical and theoretical aspects. After a careful study of the subject, backed up with previous experience and long- term, strong focus in the field of economics, a decision was made to conduct an interview with an expert, who was selected according to his proven long professional background and expertise– Latchezar Bogdanov, a founder and managing partner of the analytical advisory group Industry Watch Bulgaria. He has graduated from the University of National and World Economy and has obtained additional qualifications at leading international universities and organisations in the field of economic reforms in Eastern Europe, European integration, private sector stimulation, state- market relations. He has worked as an economic researcher and analyst at the Institute for Market Economics, as the main areas of his interest are public finances, macroeconomic policy, efficiency of public services. He participates in a number of projects and initiatives to improve the business environment by reducing administrative barriers. He has been an advisor during the tax reforms and the impact of legislation on the business environment and has repeatedly advised international investors on the general political risk in Bulgaria and the conditions for doing business in the country. He is one of the founders of the Bulgarian Macroeconomic Association, co- author of four books, and has written numerous economics- related articles published in leading Bulgarian and foreign medias. The questionnaire package was prepared in advance after consultation and approval by a professor from University of Economics– Varna. During the semi-structured interview, held on the 15th of April 2019, in an informal environment over the phone, there was an opportunity to ask additional questions to make a more in-depth analysis and achieve the objectives of the research project.

The quantitative data collection part was created based on the statistical data of previously conducted researches by various of government, internationally recognised non- government organisations and institutions, such as: The International

Monetary Fund, the World Bank, the European Commission, Eurostat, National Statistical Institute of Bulgaria, Invest Bulgaria Agency, the Ministry of Economy, the Ministry of Finance, Institute for Market Economy, the World Factbook from the Central Intelligence Agency, Global Financial Data, Observatory of Economic Complexity, and other higher degree education institutions, operating domestically and outside of the country. The statistical data outcomes were carefully studied, analysed and reported in understandable for the average reader manner and style.

4.1 Bulgaria's economic crises and objectives prior to its European Union membership

In the middle 1980s, the Bulgarian socio- economic crisis became more profound and felt more tangible. As a result of the world markets' constantly decreasing petroleum prices, thus production revenues, Soviet leader Mikhail Gorbachev was forced to put an end to the previous trading practices with the Union of Soviet Socialist Republics' Council for Mutual Economic Assistance partners, of an administratively pre- agreed, long- term price levels of the exported non- renewable energy resources, such as crude oil and natural gas (Vanous 1983, 11), which the Bulgarian heavy industry complex was highly reliant on. (Wight & Louise Fox 1998)

By developing its economy according to the Soviet Union's production- structural and planned- market models, Bulgaria's main specialised output industry was the heavy industrial sector- machinery manufacturing, steel, iron and chemicals' production, requiring steady increases of fuel, raw materials' imports, Soviet financial funds and technological hardware assistance (Wight & Louise Fox 1998) (Bechev 2015, 3). Moreover, the dependence of Bulgaria's macroeconomy on the supply of production resources and investments from the USSR had been so great, that even the General secretary of the Central Committee of the Bulgarian Communist Party, Todor Zhivkov, officially suggested Bulgaria to become sixteenth republic of the Soviet Union twice (Central Committee of BCP/14.12.1963, 1–41). The proposals, however, had been rejected by both Soviet leaders, Nikita Khrushchev and Leonid Brezhnev (Held 1994, 84).

The country's exports to CMEA- member countries accounted for two– thirds of the total quantity of exports, with 75 percent of them alone released on Soviet markets. Exports to other socialist states comprised mainly of investment goods, various foodstuffs, and other types of consumer goods. As of the foreign trade with non-socialist countries, Bulgaria had again exported mostly investment goods (34%) and fuels, metals and minerals (27%), and assortment of other, mostly consumer goods (Wight & Louise Fox 1998, 129). In exchange, Bulgaria's composition of imports, from socialist and non- socialist countries, was an output of same industries, with differences in quantitative percentages, as shown more detailed in the table below.

	Socialist countries		Non- socialist countries	
	Exports	Imports	Exports	Imports
	In percentages (%)			
<i>Investment goods</i>	63	43	34	25
<i>Fuels, metals and minerals</i>	4	43	27	33
<i>Foodstuffs</i>	13	0	9	2
<i>Raw materials</i>	0	3	6	12
<i>Consumer goods</i>	11	4	7	5
<i>Agricultural goods</i>	2	2	6	8
<i>Chemicals</i>	3	3	7	12
<i>Other types of goods</i>	3	2	5	3

Table 1: Bulgaria's average foreign trade in the period 1985– 89.

Regardless of the large volumes of trading with countries from the both political and economic blocs, Bulgaria had been indicating current account deficits over the entire decade, an alarming, internally shared problem, concerning the whole CMEA. The further declining exports to Western countries only worsened the financial balance, which soared from \$85 million in 1985, to \$1.3 billion in 1989 (Wight & Louise Fox 1998, 130), equal to approximately \$2.7 billion in 2017. At first, the government has had the ability to fill these imbalances by borrowing loans from overseas financial institutions, since the country's credit rating was rather good– Bulgaria had paid off a considerable share of its external debt, which by 1984 remained only \$0.3 billion,

reduced from \$3.7 billion in 1979, attributable to the reprocessing and re-exportation of Soviet oil. These fiscal policies and practices, though, took a negative course, and resulted the foreign debt to spiral from \$3.2 billion, to over \$10 billion in the short period between 1985 and 1989 (Wight & Louise Fox 1998, 130) (Bideleux & Jeffries 2007), causing additionally shortages of convertible currency capital, necessary for the debts and their interest rates' servicing (World Bank 1991, 103). The losses of hard¹ currency reserves, itself, triggered impossibility to import manufacturing equipment, replacement parts, and input materials which led to the first in forty year- period of a real GDP shrink, of 3.3 percent in 1989 (World Bank 1991, 103–104) (Holden & Peck 1990, 7–8).

By the beginning of 1988, however, Zhivkov made unsuccessful attempt of partial adoption of Gorbachev's Perestroika model to resurrect the ever- stagnant economy, with hopes of entrepreneurship emergence within the population, and attracting direct foreign investments,² although in this stage, suchlike package of decentralisation reforms was too late to be practically implemented (Holden & Peck 1990, 7–10).

The combination of external and internal economic factors and forces, the inefficient, irrational trading and economic systems, the emerging grey economy and corruption, the low labour productivity, the continual decline in the standards of living of the population, hence the lack of motivation in the workforce, the deficits of elementary consumer goods, long queues a front of the anyway empty retail shops, the social repression, political totalitarianism, and the environmental damages caused by the eco- unsustainable manufacturing industry, had brought and accelerated anti-regime rallies across the country, and reached their peak in October. Finally, on the 10th of November 1989, Todor Zhivkov resigned as head of the state and of the communist party, since 1954 (Bideleux & Jeffries 2007, 91–2) (Holden & Peck 1990, 7–10).

¹ Hard currency is a financial, liquid instrument, which has a stable value and can be traded, and exchanged on the foreign exchange market without central, governmental or banking quantitative restrictions (Investopedia).

² Private sector is illegal until 1987, except for joint- ventures between investors and the state. With the adoption of Decree 56 in 1989, an entire foreign ownership of microeconomic objects is made possible (Pickles & Smith 1998, 132).

4.2 Micro and Macroeconomic crises and their structural transition

In the beginning of 1990, Bulgaria's macroeconomy fell into a deeper recession. This can be explained as a consequence of several prominent political and economic features, typical for the Bulgarian transition period, which have left long-lasting mark on Bulgaria's micro, macroeconomic and social environment.

First and most importantly, Bulgaria's foreign trade, exports, and economic endowment with the Comecon is the largest, in contrast to any other former socialist country. In this matter of fact, the process of trading was not being conducted according to the classical principles of market trading, involving voluntarily execution of financial transactions between the both parties, in exchange of goods or services. In the previous decades, before the recession had kicked in within the both, Eastern and Western blocs, the barter transaction has been the most common type of payment exchange instrument inside the Comecon, ensuring the establishment of stronger economic ties, stability and an isolation from the world markets (Bideleux & Jeffries 1998, 536–538).

With **the fall of communism and the break-up of CMEA**, Bulgaria particularly suffered the most, as it was forced to continue importing fuels, raw materials and other necessary inputs, to maintain its production, in convertible currencies, on international price levels, which were sky-rocketing at that time (Bideleux & Jeffries 2007, 94). Fossil fuels' imports had to be cut from 10.1 million tons in 1989, down to 6.2 in 1990, to 4.7 in 1991, respectively. That meant, that Bulgaria's exports to former CMEA- member states had automatically dropped with 66 percent in 1991, and by further 25 percent the following year, to the USSR alone, with 56 percent, domino-affecting the GDP, absolute industrial output and the unemployment rate, as illustrated on the graph underneath.

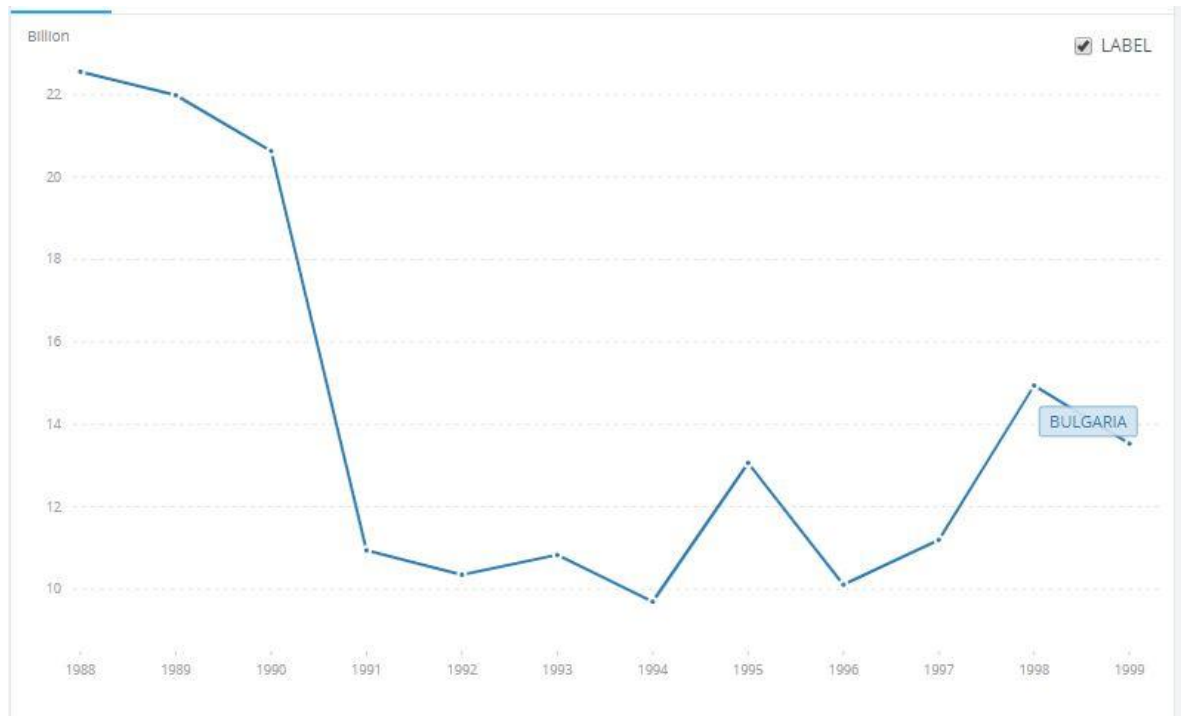


Figure 13: Bulgaria's GDP 1988– 1999 (World Bank).

It is assessed that in the three- year period between 1989 and 1991, the total volume of goods and services' exports have declined by over 60 percent (Wight & Louise Fox 1998, 131) (Bideleux & Jeffries 2007, 94) (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 23). Instead of taking rapid political actions, to reduce its microeconomic losses and stabilise its economy, by shifting its exports and imports to the EEC, similarly to other East European, and one-time socialist countries, the EEC amounted for only 31 percent of Bulgaria's foreign trade in 1992.

The external events around the military conflicts in the Middle East and on the Balkans, more precisely between Iraq and Kuwait, and in Yugoslavia, have had led to extra deterioration of the country's economic and financial status. The UN's embargo, imposed on Bulgaria's neighbouring country and noticeable trade partner, Yugoslavia, intensified the economy's negative performance until 1994. It had, furthermore, nourished and formed illegal business activities, corrupt practices and amoral norms, which have laid in Bulgaria's political and microeconomic life for many years afterwards. The 1990 Iraqi invasion and annexation of Kuwait was prosecuted with international sanctions, which have interrupted Bulgaria's arms' exports to Iraq as well. According to different estimates, it is believed that the exports of

Bulgaria's military industrial complex were delivering one- third of the total hard currencies' inflow (Dobrinsky 1997, 5). The situation grew even worse, as the country's international reserves were drained, and Iraq, on the other hand, had terminated its \$1.3 billion- debt repayment to Bulgaria. The outcome of all damaging aspects is catastrophic, as the new Bulgarian government, led by BCP's successor, BSP, declared moratorium on its public debt payments. Referring to BNB's 1991 annual financial report (1991, 100–102), the country's debt was 157 percent of the GDP and 271 percent of the exports' total value. The structure of the debt, itself, implied a profounder financial issue- roughly 80 percent of it was owed to the private creditors' London Club and only 20 percent to the Paris Club of public lenders. The settlement of the debt to other countries is easier to achieve, compared to private commercial banks. After intensive dialogs, however, prof. Berov's new expert government attained restructuring of 47 percent of the debt between 1992– 94, which nominally devalued it with \$3.8 billion (Capital 2003).

As a primarily industrial- based economy, with a significant GDP share, generated by the manufacturing sector, Bulgaria's post- communist governments showed very little political responsibility and desire to impose consistent and quick microeconomics'- restructuring policies, according to the market economy operational principles. This political sequence left the country with among lowest private sector shares of a GDP ratio, opposite to the Czech Republic, Poland, Hungary, Romania. In 1996, only 8 percent of the Bulgarian manufacturing companies were privatised, in comparison to the Czech Republic (89%), Poland (61%), Hungary (67%), and Romania (15%) (Apostolov 2018). The price for **the delayed privatisation process** is immeasurably high.

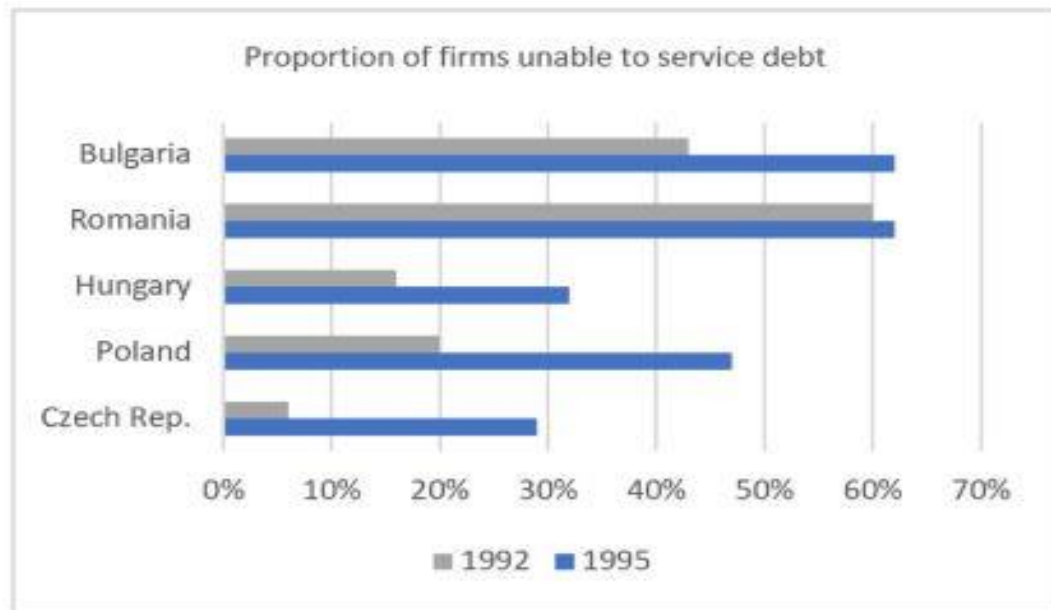


Figure 14: Losses- accumulating enterprises in East European transition economies 1992– 1995 (Apostolov 2018).

The socialist government and its “smooth transition” policy had left public, market-uncompetitive and losses- accumulating enterprises, to operate at the cost of the taxpayers and the tight fiscal budget for many years, consequently eliminating the smallest chances left for attracting strategic investors (Apostolov 2018). Additionally, in the attempts of Jean Videnov to keep the state’s microeconomic objects operative, he implemented strong legal pressure on large banks to lend them loans. The weakly restructured and modernised banking sector on the other hand, and managers of private financial institutions, had seen the government’s legislative gaps, started lending heavily to borrowers, but asked for refinancing from the public central bank constantly (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 26). The poor state management opened the door to another, often used amoral scenario of private business establishments, at the expense of the state, by creating parallel structures, channelling revenues and profits to private firms, and transferring losses to the state- owned enterprises (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 30). The upshots of this cycle were: a drained banking sector, a meltdown of BNB’s foreign exchange reserves to critical levels, hyperinflation shock, financial and economic crisis. The accumulated inflation had hit such levels, that the Bulgarian lev depreciated against the U.S. dollar by 589.3 and 264.5 percent in 1996– 1997,

thereupon, reduced the value of all BGN cash deposits (savings), assets and securities of Bulgarian individuals and businesses (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 27–49).

4.3 A period of administrative reforms, stabilisation and political intentions for full EU integration

Following the financial and economic crises of 1996– 1997, it became clear that Bulgaria had to utterly restructure the financial system, by seeking external assistance from the International Monetary Fund, and signing a Currency Board Agreement; liberalise and re- orient its foreign trade to the EU.

The idea of introducing a currency board in Bulgaria was brought at the beginning of the transition, first by Richard W. Rahn, and the led by him group of experts in 1990, who prepared the so- called programme “Rahn– Utt,” a national strategy for transition to a market economy (Binder 1990). At that time, however, Bulgarian politicians and the IMF did not support this certain concept. The Bulgarian politicians were sceptical, because they had believed that the existence of a central bank, was a symbol of independence and opportunity to conduct a national economic policy. The economists from the IMF, on the contrary, did not suspect how difficult it would be for governments and central banks, in many of the former socialist countries, to provide monetary steadiness without a currency board (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 50–51).

The most immediate and direct effect of the currency board’s operation was the sharp decline in inflation and its volatility. The average inflation before the introduction of the currency board was over 210 percent per annum, down to less than 6 percent afterwards, or it had fallen more than 35 times. Low and more predictable inflation levels made possible longer- term planning by companies and individuals, which has had a positive impact on the economy. Before the currency board’s adoption, the average economic growth was minus 4.6 percent, which was changed by a positive growth, averaging 4.11 percent and investments’ growth on average by over than 20 percent. One of the most important indicators of an economic confidence, is the level of FDIs. The nominal difference between the period before and

after the currency board, is more than ten times— from 1990 to 1996, foreign direct investments averaged \$63 million annually, and from 1997 to 2002, they were estimated to be \$692 million a year; as a share of a GDP, they have increased from 0.8 to 5.6 percent (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 53–55).

According to the Institute for Market Economics (2005, 36), the liberalisation of the trade regime is important in the following aspects:

1. Improvement of the conditions for investment and co-operation of production with EU companies. Between 1992 and 2002, around 60 percent of all foreign investments are made by EU businesses.
2. The access to the EU's market creates incentives for non- EU companies to invest and produce on Bulgaria's territory. In this case, it is also important that the EU- acceding countries and their companies are gradually adopting EU standards and regulations, meaning that foreign investors can use the set transition periods and start manufacturing in the meantime.
3. Specialisation of production is improved because most of the artificial barriers to exchange are removed. Firms get more specialised in their sub- industrial activities for which they have comparative advantages.
4. The signing of trade agreements with the CEFTA countries and a number of bilateral agreements, further creates the conditions for better regional specialisation of production and, therefore, optimisation of resources' usage.

The very first steps in the direction of trade liberalisation were taken in April 1989, with the adoption of Decree 56, which overthrew the state monopoly on foreign trade. The European Association Agreement of Bulgaria was then signed, as the trade arrangements under this agreement had been in force since January the 1st 1994. An asymmetric trade liberalisation scheme had been adopted, according to which the European Community's markets had to be open for Bulgarian goods for six years, and Bulgaria itself had to do the same for nine years. The agreement covered all industrial products, excluding textiles, coal and steel, for which a free trade regime was gradually established. With regard to agricultural commodities,

liberalisation was conditional and more complicated, with concessions on a “harmonious and reciprocal basis,” prohibiting new trade restrictions and anti-dumping provisions. This agreement was extremely important, as it had created the conditions for an economic integration with the EEC- states. Quite naturally, the liberalisation trade’s opportunities were fully used when other reforms were progressing, and the private sector expanded. (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 32–33).

The next notable move was an agreement with the EFTA, since 1993; a full membership in the World Trade Organisation in 1996, and CEFTA affiliation in 1999. The accession to CEFTA was based on bilateral agreements with the member countries, with more than 80 percent of the customs duties for industrial goods being lifted. Since the 1st of January 2002, Bulgaria lifted all industrial goods imports’ tariff restrictions from the EU, EFTA, Turkey and Estonia. Under market economy conditions and principles, it must be borne in mind that the subjects of export and import transactions are the companies and individuals, not the state. Government institutions and agencies have a regulating role in terms of trade by creating business framework, which can be restrictive– duties, excise duties, permit regimes are in place; or stimulating– depending on the freedom, that is given to individual market entities, objects or agents (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 33–34).

It is evident that there has been a change in the structure of exports to the EU over the period 1995– 2002. At the beginning of 1995– 1996, in the years, following the signing of the agreement, exports of raw materials predominated, i.e. goods with a low degree of processing, which reflects the low competitiveness of the state- owned enterprises in this period. Subsequently, there has been an increase of consumers goods’ exports, characterised by a higher degree of processing, therefore higher value added, which even exceeded that of the group of raw materials at the end of the period (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 37).

Returning to the notion of competitiveness, it is important to note that countries as Poland, the Czech Republic, Slovakia and Hungary, already in 1995 achieved 40 to

50 percent higher volume of exports than in 1989. In the same year Bulgaria's exports were 40 percent below the 1989 volume level— a clear indicator of the low competitiveness of Bulgarian public companies in the first half of the 1990s, which have created around 85 percent of value added in the industry (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 35).

In 2005, economists and other experts from the 1993- founded Institute for Market Economics, published in their book, *Anatomy of the Transition: Economic Policy of Bulgaria from 1989 to 2004*, complex calculations, analyses and assessment of three different scenarios on when Bulgaria would and will be able to reach the EU's average economic and income levels, based on: the general economic environment, development, growth, international trade, inflationary levels, fiscal policy, such as spending and redistribution, and the administrative regulations and control.

The optimistic scenario states that the economic reforms are being carried out very quickly; the macroeconomic stability and currency board are maintained; the judiciary, pension, education, healthcare systems are reformed, and other budgetary costs are optimized; deregulation and liberalisation take place, the tax burden is considerably reduced, the regulatory framework and licensing are alleviated; subsidies and protectionist measures, limiting free market competition are abolished. Under this particular scenario, correspondingly to the rapid pro- market reorganisations, forecast is that business climate would continue improving, the average annual growth of the economy over the next two to three decades would be around 7 percent, and the GDP per capita in Bulgaria will reach the European Union's average in 20- 25 years of time.

The pessimistic scenario oversees very slow economic reforms, which are interrupted and revised; the pension system creates deficits; the unreformed healthcare system would demand more funding, and the government's spending is rising, which will result in a budget deficit growth, resultantly in taxes increase. The reforms of the judiciary system are slow, involving many frequent legislative changes; the regulatory burden is increasing, causing uncertainty for business planning. Subsidies and protectionist measures are expanding, the privileged treatment of some sectors distorts the effective allocation of resources. Under these listed circumstances, the

economic growth will be slow and uneven- between 0 and 3 percent, and the GDP per capita will not reach the EU's average within this century.

The baseline scenario combines separate aspects of the both, optimistic and pessimistic scenarios. The economic reforms are progressing more slowly than potentially possible, and the macroeconomic stability is broadly maintained. Investments in the economy (especially direct foreign investments) are gradually enlarging as a percentage of the GDP. The budget has small to moderate deficit; the regulatory burden does not diminish, and taxes are not significantly reduced; some of the subsidies and protectionist patterns remain, then the economic growth would be moderate with an average of 3 percent. In this situation, the GDP per capita will reach the European Union's average from 50 to 65 years.

The conclusion is that the answer to the question of when the average incomes in Bulgaria will reach the EU's level, depends mainly on what reforms the Bulgarian government intend to implement, which will manifest in the economy's growth. (Angelov, Bogdanov, Dimitrov, Hristova, Slanchev, Stanchev, Stoev & Chobanov 2005, 5–10).

4.4 The objective reality and future possibilities

Bulgaria's accession to the European Union in 2007 was associated with many hopes. The politicians and the media were endlessly convincing the Bulgarian society, that this was the only sure salvation from the misery and the deadlock after the collapse of the communist regime and the never- ending transition period. The ministers literally counted the days and hours until our official admission to the EU, and the people were told that after the 1st of January 2007, the "golden rain" will be poured over the country, in the form of billions of euros from the club of the rich European countries. Ten years later, the promises of politicians and the reality clashed dramatically, and the euphoria has evaporated. After ten years in the EU, our country is still at the bottom of almost all possible indicators, indices and statistics that exist, with the tendency to consolidate its rank, the most common of which

are: the lowest GDP, lowest GDP per capita, lowest labour productivity, lowest competitiveness, the greatest poverty and the worst economic, financial, social, environmental, demographic, health, institutional, corrupt, and other.

As an EU member, what purchasing power would an average Bulgarian citizen have, with a minimum wage on the European market remains a huge public question in Bulgaria. The struggle to increase the minimum wage is an objective of the Ministry of Finance and it is not an effective measure for raising the incomes, but one for higher state collection rate. The increase of the national minimum wage to €286 means that an average company has to pay its employees at this level, i.e. there will be somewhat higher salary expenses for the operational budgets of businesses, hence there will be higher revenue for the state, but it does not have a real impact on real incomes. The minimum wage in Bulgaria should be considered as an instrument of lightening the money that businesses often pay not entirely according to their reported books for the National Revenue Agency. The minimum wage is non-parallel to inflationary levels and has no direct effect on reducing poverty levels, and when you consider that you have a country with a population percentage close to 80, that does not receive the average salary, then it means that the issue is structural.

On the question of what would structurally and nominally change in Bulgaria's economy for the next year or two, the interviewed economists pointed out that nothing significant would happen, as the real sector and the potential GDP are at the ceiling of their capacity. The country continues to export goods and products with lower portion of added value, and an inflow of FDIs, as main exports and economic aggregate, are not expected, unless the government launches active pursuing policies, related to attracting them. An annual growth of 3.1 percent and even 4 percent are not enough for Bulgaria to make catch-ups. It is not acceptable for the Finance minister to rely on this, even theoretically, that the motor of GDP growth will be consumption, in particular, private consumption, i.e. the households, as even the consumption has its limits and a cap of possibilities.

The necessity of an increase in Gross Domestic Product is around 6–7 percent, so that our economy could be able to reach the average of the vast majority of EU countries. After a complete slowdown in economic growth in recent years in the EU,

a new boom is expected, which this time will be driven by the states in Eastern Europe, and it is already happening, if we look at Romania and Poland. Although we have similar macro indicators to Romania, for instance, they have an economic growth of 6– 7 percent. We do not and will not achieve their numerical results, because we are at the height of our economy's capacity, and with such technique, organisation, staffing potential and administration in disposal, this underlines its production capability and potential GDP output level.

For a backward, poor country, with a low level of income and low capital accumulation, in a large, common market, where most of the states and participants in this market have a larger, richer population, with higher purchasing power, chances of catching up and long- term rapid growth, comes through the realisation of competitive exports, on the same huge market. This could be accomplished through more capital, assets' inflows, innovations, new knowledge and ideas, which will enter into an economic turn with a greater productivity efficiency for the production of new goods, with high portion of added value. If we want to be part of this economic and financial boom, it is essential to open our economy to new sectors' and sub- industrial activities, with the pressure and vision that will compete on global markets, which in turn will carry higher value added.

The global markets' demand for Bulgarian exports is considered to be weak. In comparison to our neighbouring countries, the exports of already existing products, grows to a lesser extent than the demand for exports from Romania, for example, as the structure of Bulgarian exports, itself is formed by products with large differences in the technological intensity, from primary raw materials to complex, high-tech goods. The comparative advantage of Bulgaria's exports is in the formation of a diverse range of products with low and high income potential, with a significant differences in economic complexity.

The graphic bellow represents three dimensions for all the products, for which Bulgaria marks values according to the RCA index, greater than one. On the first dimension, goods are categorised accordingly to a wider technological definition, while the second and third dimensions give the values for the potential profitability and the economic complexity.

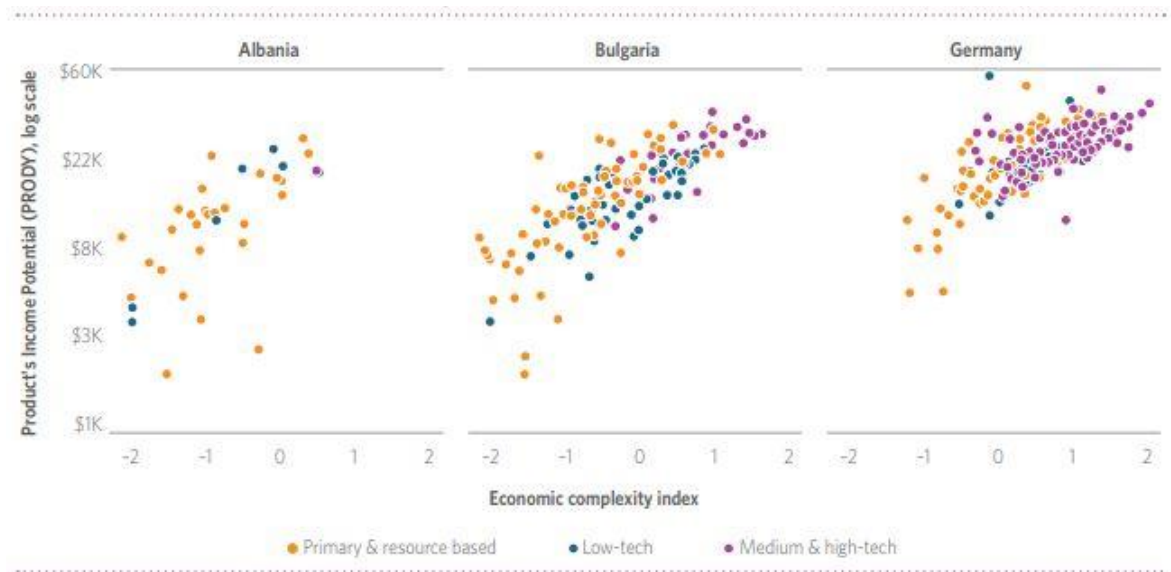


Figure 15: Products' complexity and Technological content (World Bank 2015).

In principle, primary raw materials and resource- based product categories have a lower level of complexity and sophistication than low, medium and high technological products. High- tech products, as it can be economically expected, are manufactured with a much higher degree of complexity and lead to having higher income potential.

Despite that Bulgaria's exports' volume has increased since the year 2000, the added value as a share of national GDP of the exported commodities, is decreasing, and the increase of exports' value added is weak compared to Hungary, Poland, Slovenia, Slovakia and Romania.

The domestic chain of value added is relatively short, which means that the average number of production steps in Bulgaria, hence the number of possibilities for increasing the domestic value added along the chain, are low compared to other European countries. Sales of input resources, as exports to other countries, are usually with low value added, due to the fact that Bulgarian exporters are generally far from the ultimate source of demand. This appears to be a limiting factor for the growth of domestic value added in the different manufacturing and service industries, such as the food and beverage, the clothing and textiles, and the machinery industries, where the processed manufacturing is in the beginning of the chain with value added.

In the European Union, where we have single- market system, therefore declining commercial costs, greater global openness and trade policies' cooperation, the organisation of goods' manufacturing processes is increasingly fragmented between the countries. Once produced just in a single country, now goods and services are part of the global production chain. The production chain, itself, covers the entire process needed to transform the raw materials, labour, capital and knowledge into intermediate goods and final products– from designing and manufacturing different components, to final product assembly, marketing and distribution. The Global Value Chain (GVC) divides overall production into many small- scale specialisation stages, that can be carried out where the necessary inputs are available, at competitive price levels. For that reason, the Global value chain can be seen as factories crossing international borders, and its upsurge has contributed to large scale reorientation of global trading.

Exports can contribute to economic growth and productivity growth not only because it allows countries to import, but through its impact on the domestic market as well. Exports create employment, labour income and domestic demand boost. It requires inputs' investments as well. The higher the proportion of intermediary goods, provided by domestic manufacturers, the greater is the indirect effect of exports on employment and labour incomes.

The exporters' domestic suppliers may also benefit from the effects of the dissemination of technological progress and achievements– this can encourage businesses to increase the qualification and skills of their staff, as well as to bring innovations to meet the demands of global buyers for productivity, efficiency and level of complexity. Suppliers are also subject to stringent quality control, market price and reliability, which are also likely to increase productivity.

Global value chains can reveal opportunities for businesses to increase productivity growth levels. The companies are units in the GVCs, as sellers or buyers. An internal, domestic firm is seller in the GVC if it provides supplies to multinational companies in the country or exports production, and a buyer in the GVC is a business that supplies itself with intermediate goods from abroad. First of all, GVCs can accelerate technological transfer. They trigger actions by exporting and domestic sourcing companies to increase technological parameters in order to meet the global buyers'

demands for productivity, efficiency and complexity. They also facilitate the import of intermediate inputs through new technologies. Secondly, participation in the GVCs may increase the demand for skilled workers and thus encourage businesses to provide professional training for their human resources, to be more competitive on international markets, and to use the new technologies already in place. Thirdly, the active participation in GVCs can stimulate infrastructure investments that would otherwise not be profitable, boosting domestic production. Fourthly, the increased levels of participation in GVCs, exposes the chain participants to greater competition, which ultimately influences the market structure of domestic companies. For example, multinational corporations typically require investments in high quality inputs, which can create incentives for local suppliers to learn more advanced technologies, to share the knowledge they already have with local firms, and as a result, that would lead to increased competition among the local enterprises.

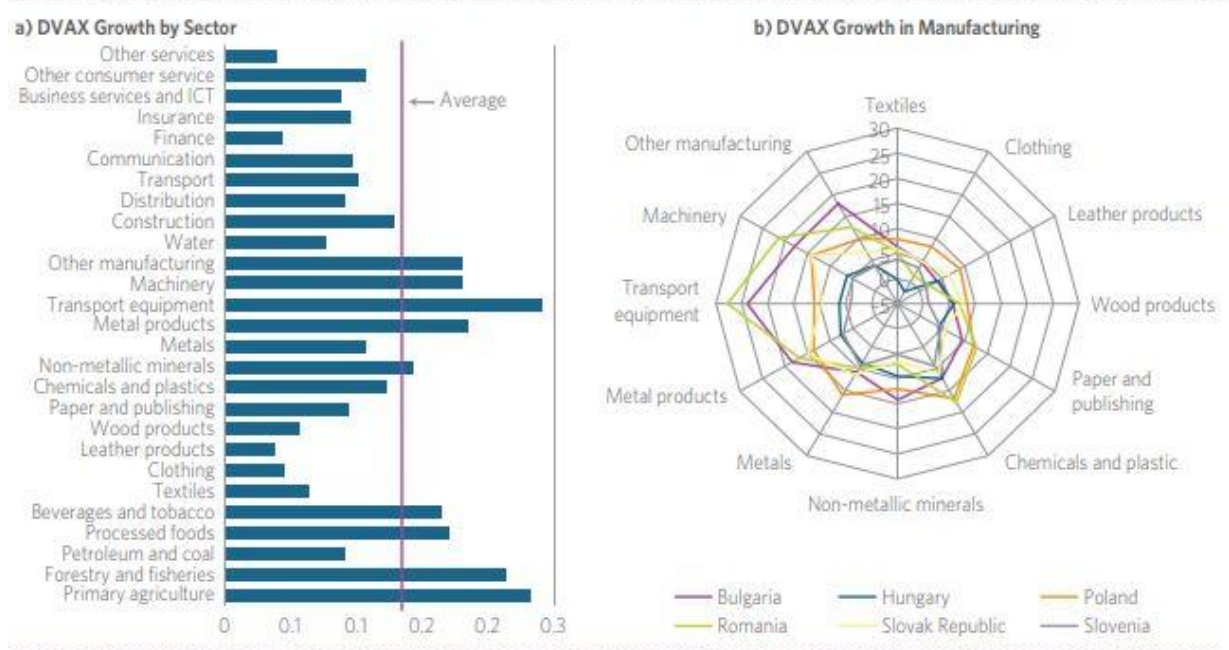


Figure 16: Domestic Value Added of Exports' Growth by Sector (World Bank 2015).

In Bulgaria approximately, 65 percent of the companies are an ownership of foreigners, and only 18 percent of the enterprises, owned by Bulgarian citizens, export at least 1 percent of their final production. The share of local companies, that export

more than 1 percent of their production is higher in Romania (21.1%), Poland (23.1%), and is almost twice as high in Turkey (35.9%). Exporting businesses, owned by Bulgarians, provide only 65.3 percent of their production inputs from local suppliers, which is lower than most of the countries that the comparison is made to; and the foreign- owned firms, operating in Bulgaria, provide around 52.6 percent of their production, inputs resources at the local level.

The exports of foreign- owned companies in Bulgaria account for 60.3 percent of the total value of their sales, suggesting that many foreign firms view Bulgaria as an export platform, with much lower costs or as an entry to the European Union's common market.

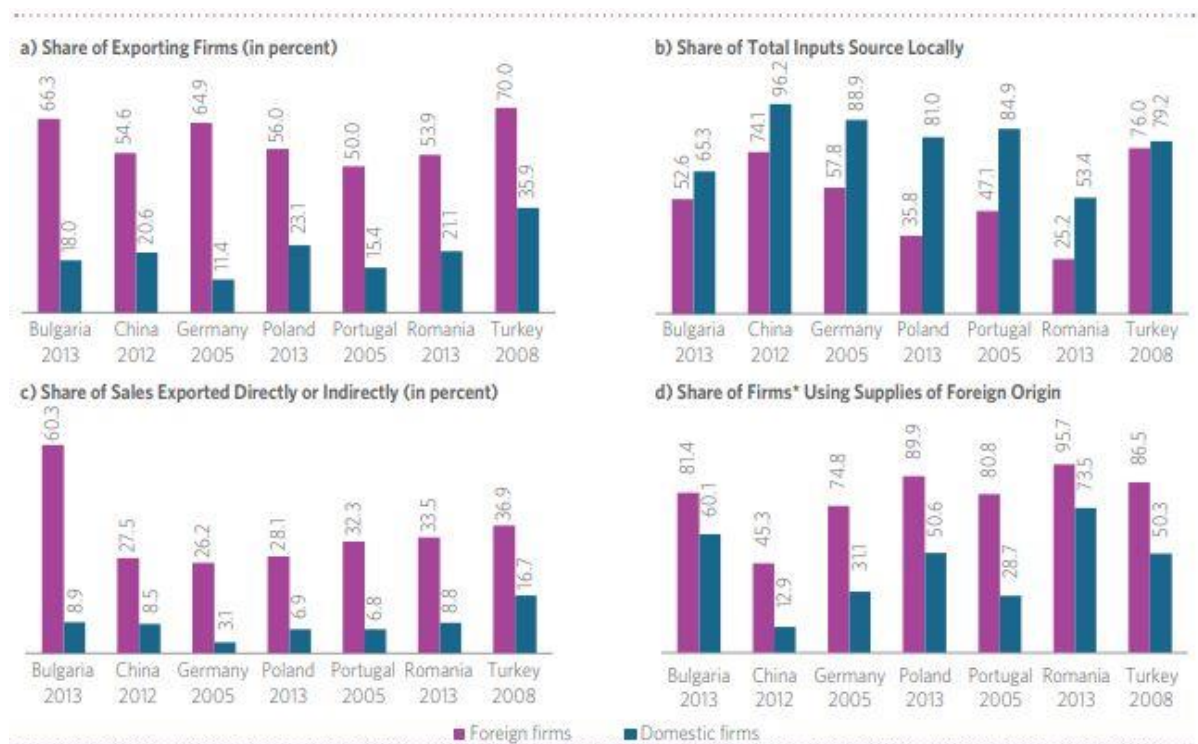


Figure 17: Global Value Chain Integration (World Bank 2015).

State authorities play a huge role whether, with their methodological actions, help to improve or worsen the national brand, business environment and the international image of the country itself for investments. Protection of property, trust in judiciary and institutions, the efficiency of the administration, as well as the predictability of the regulatory and legislative environment are important factors in this process. It should also be noted that the economic policy of the government, the legal frame-

work and the regulations determine what type of investors would be allowed to operate in the economy. There are investors who, with cooperation of politicians, aim to implement monopoly or quasi-monopoly mechanisms to get rent from the local market without being exposed to market risks. They want to have such a legal framework and rules that will not allow other potential competitors, hence to extract quick profits from the overpriced products or services they offer and have a guaranteed repayment of the invested assets and capital. Such an investor should not be allowed to establish market activities, although there are similar examples in Bulgaria in the energy sector, because when the risk of loss is eliminated, then there is an imbalance and distortion of market economics principles, that do not lead to whatsoever progress, generation of innovations or intention of competitiveness on the domestic and foreign markets.

There must be critical mass of reforms, changes, transformation due to the many regulations and unnecessary steps in the administrative chain, that can be fully eliminated, the microeconomic agents will be eased, and entrepreneurial activity will grow as the business environment improves. It is noteworthy that overall, in the countries with developed market economies, the regulations, and respectively, barriers to the private sector are less than in the countries with emerging market economies, including Bulgaria. Moreover, in 2003, the developed market states have carried out more reforms that improve business conditions, and this is a prerequisite for them to grow further, and the rest are increasingly lagging behind. The basic lesson for the current and future governments in Bulgaria—much more, largely-scaled and quickly executed reforms than now, if we want Bulgarian citizens to catch up with developed countries by their level of income, well-being, purchase power, etc.

Many governments in Bulgaria postpone reforms with the arguments that they are costly to conduct, there is not enough capacity for them and that they will take too long time. However, they do not take into consideration the benefits of these reforms, compared to the costs that the state budget has to cover. For example, the expense for setting up an administrative agency for registering businesses in Serbia was less than 1.8 million euros, and integration of registration in once place, in Turkey, costed 8.9 million. The cost to benefit ratio in this case was over 24: 1. Only in

the first year of the reform in Serbia, net benefits amounted around 43 million euros, and in Turkey– 367 million euros.

The benefits of the reforms stem from two sources. First, companies spend less time and resources to comply with regulations and search for financial resources. Instead, they use their opportunities to optimise the production resources, therefore, produce more and better goods and services. Second, the government has less expenses on regulations, and supplies more public services.

An important point is the state of public administration as well as the quality of the services it provides to both, the businesses and the citizens. The increase of number of administrative officials is in stark contrast to the aspirations of any European government. In 2017, however, the robust numeracy in the administration increased by further 5 percent. If in 2010, there were 18 civil servants per 1000 people in the Bulgarian population, in 2017 the ratio reached 20.

We live in the 21st century- we have seen the positive effects of the digitalisation process and of the digital economy itself. A functioning digital administrative management implies a unified, interconnected system and an easy exchange of information between individual services and databases, which currently is absent in Bulgaria. The result, instead of a dense network of services, we have rather separate “islets”, with a very small connection between each other. Despite that the number of provided e- services has increased, most administrations still have no communication with each other. More than 80 percent of them are not yet connected to a single, state communications infrastructure or registry through which they can exchange or draw the necessary information. No progress has been made over past years, and in fact, under 20 percent of the central and local administrations are real participants in the electronic documents’ exchange process. In addition, there is a stagnation in the number of administrative organisations that are not using different types of information systems. Approximately 14 percent of administrations do not have a document flow system, 43 percent do not have a database management system, and 56 percent do not have access to document management systems, streams and web content.

None of the parliamentary parties are opposed to the development of e- administration services. In practice, however, several successive political cabinets in power, seem to be indifferent to this process and do not make any effort to integrate it. Since the introduction of new services, and the improvement of the old ones often needs political support, at least due to the necessity of legislation changes, the lack of such services is an insurmountable obstacle.

There is a need for a meaningful, structural reform to mass digitalisation that would alleviate the expenditure element of the government budget for wages, which can be optimally redistributed to other ministries; the quality of the services will be improved, and the corruption will be reduced to minimal levels, as the human factor of subjectivity is eliminated.

5 CONCLUSION

Ten years after its accession in the European Union, Bulgaria has remained the poorest country in all socio- economic terms. Behind these results stand a number of factors– Bulgaria has undergone an economically unsuccessful transition period from a centrally- planned to a market- based model, characterised by high international trade linkness to a suboptimally operating and later disbanded economic union with countries from the former Eastern Bloc, with a legacy of enormously- sized, unprofitable industrial complex, subsequently unsuccessfully carried privatisation programmes, tied to great corruption and delayed political actions for international trade liberalisation, followed by exports' decline by more than a half, unserviceable foreign debt, high rate of bankrupting companies and therefore high unemployment rate in combination with drained banking sector, hyperinflationary shock and economic crisis, with a practical bankruptcy. These transitional economic phenomena and outcomes are characteristic not only for Bulgaria, but for most Eastern European countries, with little exception to the former East Germany. However, the most negative consequences were faced by Bulgaria, the former Yugoslavia and the countries of the former USSR.

After signing of a number of trade agreements, an adoption of trade regime liberalisation policies, the introduction of a stable currency board, the Bulgarian macroeconomy slowly began to regain economic growth, improve the business environment, attract more and larger volume of investments in the economy.

2007 is the year that marks the accession of Bulgaria to the European Union, thus it had to demonstrate competitiveness and great potential for economic development in all directions in the huge single market of the most developed societies in the world.

More than a decade after joining the EU, Bulgaria is being ranked last in almost all possible economic indicators, indices and statistical surveys that exist, with the tendency to consolidate its position, the most common of which are: lowest GDP and per capita GDP, lowest labour resources productivity, lowest competitiveness, highest poverty, inequality and corruption rates, and the worst financial, social, environmental, demographic, health, and institutional environment.

The products and services with a Bulgarian origin are with a low demand on the global markets, with low portion and short chain of value added. An inflow of investments and FDIs in the economy is a must, as main exports and macroeconomic aggregate. Critical mass of reforms and transformations should be launched due to the many regulations and unnecessary steps in the administrative chain, that can be fully eliminated just by the introduction of centralised digital administration and governance— businesses will be eased, and entrepreneurial activity will grow as the business environment improves and corruption reduces. With the improvement of the business environment, more capital, assets' inflows, innovations, new knowledge and ideas will enter into an economic turn with a greater productivity efficiency for the production of new goods, with high portion of added value. It is essential to open the economy to new sectors' and sub- industrial activities, with the pressure and long- run vision that will compete on global markets, which in turn will carry higher value added.

In consideration of theoretical framework, the validity of macroeconomic topics is suitable for all countries with open- market, transition, advanced and emerging market economies. There are some distinctions, however, that currently cannot be applied in some states, depending on their geographical location, government and politics, foreign relations, like China, Venezuela, Cuba, North Korea and other. As the research was conducted on Bulgaria and its economy, the validity is most appropriate for EU candidate countries such as Albania, North Macedonia, Montenegro and Serbia, and for future candidates like the Ukraine, as micro and macroeconomic shocks could be avoided due to the lack of competitiveness and the European Union's high market demands, and governments can prepare better for a full membership.

One of the most decisive objectives of the thesis was the achievement of reliable outcomes. The advantages of the use of empirically quantitative research method is that an ability to get an access to financial, sector- structural, market, industrial and sub- industrial data, with guaranteed high reliable accuracy, was possible, that exclude the degree of manipulation and human subjective moods or views.

The most reliable set of analytical information was directly sourced from the interviewed economic expert, who has long and proven professional background, therefore the given opinions are relative to the field of his research and advisory expertise. On the other hand, there is a disadvantage margin, that the proposed suggestions to the economic problems are according to only one interviewee and his subjective perceptions, i.e. some experts may profess and sympathise for more socially liberal economic policies and development, for higher degree of redistribution of wealth, while other, similarly to this case, follow strictly the market economy's principles and operational model.

The learning process itself had a great importance and influence on the author of the paper. First, and most importantly, is building the logical framework of the researched topic and the preparation of an optimal work's template, to be a model to follow in the process of building the study. The initial writing process is slow and complicated, as it requires the selection of quality, trustworthy sources, their deep subject-based study, and the subsequent filtering of the valuable and unnecessary academic and analytical information, combined with the mixture of quantitative empirical evidences, as various statistical data, in order to support the author's original statements and the final thesis. Finally, a well-structured text is created that can be understood by an average reader, interested in the objectives and in the topic itself.

Keeping the thesis' progress is essential, despite the inevitable mistakes and difficulties faced by during the course. Enthusiasm, passion, time management, collaboration and clear communication with the supervisor, as well as the sentimentality of the subject for the author are extremely essential elements for achieving high end results.

Future researches of this, or similar macroeconomics-related topics is essential if the government of a country wants to implement such long-term and sustainably-focused economic policies that would have indisputably positive effects on the state's economy therefore of the average living standards. Starting from general macroeconomic performance analyses, to sectoral, industrial and sub-industrial shares of output; products' spacing in the exports' structure, size and length of the

value-added chain, income potential of the export basket; entrepreneurship promotions, backed by long-term, stable and transparent business environment that will guarantee the companies' favourable operational climate.

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APPENDICES

APPENDIX 1. Flag of Bulgaria

APPENDIX 2. Flag of the European Union

APPENDIX 3. Interview Questionnaire

APPENDIX 1: Flag of Bulgaria (Council of Ministers of the Republic of Bulgaria).



APPENDIX 2: Flag of the European Union (Europa).



APPENDIX 3: Interview Questionnaire.

1. You are aware of the current economic and social situation in Bulgaria. What are the opportunities that our country has missed during its 10- year membership in the European Union ?
2. We all know that the “Transition” period has ended more than 20 years ago in Central and Eastern Europe; Why do we, as a society and our politicians, still associate and discuss this not so enjoyable historical period ?
3. Of course, without denying the achieved positive results and the progress in certain fields due to our membership in the EU, our country is still at the bottom of almost all possible indicators, indices and statistics that exist, with the tendency to consolidate its rank. What are the main reasons for that ?
4. I cannot miss to ask about the minimum wage in our country, the worrying average levels of poverty and inequality among the Bulgarian population, averagely. Why are we the poorest nation, with lowest minimum wage, with the least purchasing power ?
5. Over the time and several years after our association with the EU, we have had similar macroeconomic results with some of the poorest states in the European Union. Why did the comparative aspect of the medias disappeared, together with our strive of catching up ?
6. What would structurally and nominally change in Bulgaria’s economy for the next several years ?

7. What will lead to more significant and long- term growth in our economy, not only in nominal terms, but also in real GDP, and how to overcome the current potential GDP output level ?
8. Bulgaria is a country with a problematic trade balance since the operations of the centrally planned economy model and overall state ownership and monopoly. Can you analyse the current exports' structure of the country, what and how should we change it, so that a high growth can be achieved ?
9. How and what can Bulgarian companies benefit from the Global value chains ?
10. What the government must do in order to attract larger inflow volume of investments and capital in the economy ?
11. We are well aware that the reputation of foreign investors in Bulgaria is often of human resources exploiters, in order to optimise production costs and withdraw profits without reinvestments. What type of investors exist; which should and should not be allowed to establish economic operations in the country ?
12. What structural reforms and administrative transformations must the government implement, to ease and improve the overall business environment, attract quality investments and promote entrepreneurship ?
13. As most of the countries in the Union know, Bulgaria ranks the top of the most corrupt states in the EU. How can we eliminate corruption on public and private level and how does affect the Bulgarian economy ?