About the Book: The Economic Crisis in Europe and the Balkans

The economic situation in each of the South-Eastern European countries before the appearance of the crisis was very different and the impact of the crisis on each country was also different. In 2008, in countries such as Bulgaria, Romania, Poland, Slovenia, Czech Republic, Albania and Serbia, the rate of BIP growth was over 3 %, while in Hungary and Turkey the equivalent rate was almost zero or slightly positive (Ukraine). In the same year, the rate of growth in the eurozone was 0.5 % and in the EU-27 1.0 %.

One year later, the crisis led to the collapse of almost all the economies of SE Europe, except for Albania and Poland that managed to achieve, despite the crisis, positive growth rates. Comparatively, the BIP of the eurozone fell by 4.2 % and of the EU-25 by 4.1 %.

Although the return to earlier growth rates was not feasible, the conditions for financing investment plans deteriorated further. Moreover, as the macroeconomic environment in general was not favorable in Europe and the rest of world, most countries in the East Central Europe exploited foreign exchange policy and productivity improvement measures in order to cope with the problems of competitiveness brought about by the crisis. Therefore, the countries of South Eastern Europe, such as Poland, Russia, Hungary, Romania, Czech Republic, Serbia, Turkey and others, decided on the devaluation of their national currencies against the euro. Following this, the price level followed rising trends and was accompanied by an increase in the rate of unemployment. The activation of fiscal policy became the counterweight to the reduction in economic activities, with an emphasis on construction and on a contraction in private consumption.

The situation was temporarily improved during the years 2010 and 2011. The improvement, however, was limited and growth did not approach the level before the 2008 crisis. The devaluation of currencies boosted exports and temporarily improved the balance of payments. Nevertheless, this trend was reversed due to the increased prices of food and raw materials and contributed to rising inflation.

The estimates for 2013 show that the recovery for SE European countries will be slow but sustained. The injections to the economy will firstly be applied to the domestic demand by loosening of the fiscal policy. However, the situation of the

European economy is expected to play an important role as well, the recovery of which will have beneficial effects on the SE European economies.

The consequences of the crisis were not the same for all the countries of the region. Thus, some countries (Romania, Bulgaria, the Baltic countries) showed a stronger growth rate momentum compared with other countries, whereas countries that had serious structural problems (Western Balkan countries) benefited less from the boost in international demand for exports of their products. Finally, countries such as the Czech Republic, Poland and Slovakia experienced growth rates that supported their efforts to address the serious debt problems they were facing.

In this particular economic environment, the SE European countries should go ahead and gain competitive advantages. The 4th International Conference EBEEC 2012, held in Sofia, Bulgaria in May 2012, hosted scientists and analysts of the particular region's economies, who discussed many different aspects of the progress of the economies. This book contains selected articles presented at the conference that analyze important aspects of the situation of these economies.

In Part I, Nikitas-Spiros Koutsoukis and Spyridon Roukanas present the economic crisis, starting from the subprime events in the USA, continuing with the Greek economic crisis and then with other European countries such as Italy and Spain, until reaching the present status as dictated by the Greek Private Sector Involvement (PSI) in restructuring the Greek debt. The authors align the timeline with a suitably adapted reputation risk framework in order to interpret the development of the crisis and to anticipate, where possible, its future evolution.

Murat Sadiku, Luljeta Sadiku and Nimete Berisha refer to the relationship between the Greek economy and the Western Balkan economies and investigate the probability of a spillover effect of the current Greek crisis to the countries of the Western Balkans. After presenting an outline of macroeconomic data for the sample countries, the authors test for this possibility using a binary logit model. They provide an interesting approach to a contemporary issue that has not received adequate attention in terms of the spillover effect on neighboring countries.

Bisera Gjosevska and Goran Karanovic discuss the various roads followed by a number of very similar albeit very different countries in their efforts to join the EU and survive during the current financial distress. The structure and nature of each economy is contrasted along with the divergent level of integration in global economic flows. According to the authors, what needs further discussion is whether the situation of one country being an acceding EU member and another in danger of being a perpetual EU candidate is due to the policy responses linked to the economic crisis.

Magoulios George and Chouliaras Vasilis examine the impacts of the financial crisis on the foreign trade between Greece and the Balkan countries (BCs) for the period 2007–2010. There is a reduction in the Greek trade volume with most of the BCs compared to the trade volume with the EU and the world. This is due to Greece's geographical position and, to a lesser extent, to this country's trade completion with the BCs compared to the EU. Despite the fact that the terms of trade between Greece and the BCs have generally become worse, they remained favourable for Greece, whereas the terms of trade between Greece and the EU and the world as a whole are unfavourable for Greece and have further deteriorated. The authors state that 2009 was the year not only of the greatest recession in the BCs, but also of the greatest reduction in Greek imports and exports, concluding that the extent of recession in the BCs and the progress of Greek exports to these countries are directly related.

Georgios Makris and Thomas Siskou make an effort to analyze the arguments of the predominant theoretical foundations of globalization that could explain the recent crisis. They argue that traditional economic theory cannot successfully interpret the current international economic reality. By examining the empirical findings concerning the 2007 world economic crisis, they claim that the causes of this systemic crisis are due to "real economy". Apart from analyzing the characteristics and dimensions of both the financial sphere and macroeconomic imbalances of the globalized "real economy", the authors wish to establish the relationship between them and the global economic crisis. This approach enables them to state that despite the excesses or omissions of economic policies that could be considered contributing factors to the eruption of the crisis, the main cause lies in the way that the process of globalization is materialized.

Elefterios Thalassinos, Konstantinos Liapis and John Thalassinos demonstrate a holistic framework for measuring a bank's financial health by classifying its main responsibilities as either conformance or performance. Responsibilities are classified into five categories: Corporate Financial Reporting (CFR), Risk Management Procedures (RMP), Corporate Governance (CG), Corporate Social Responsibility (CSR) and Stockholders Value Creation (SVC). Based on this framework, their article correlates all qualitative and quantitative components with the bank's ratings. With the use of financial and other published data of the Greek banking sector, the authors propose a new model and a procedure for the explanation, management and monitoring of a bank's financial health.

In Part II, Konstantinos Liapis, Antonios Rovolis and Christos Galanos analyze the trends in the tax regimes of different countries for the period from1995 to 2009 and use multivariate cluster analysis to identify similarities between cross-country tax regimes in the EU. They argue that there are significant differences between the tax regimes of EU countries and that no policy has been implemented to ensure tax homogeneity across the EU, nor is there any likelihood of such. Budget deficits have an impact on taxation and, invariably, countries manage the recent debt crisis by selecting different taxes as fiscal policy tools. This article shows that the level of economic growth affects the structure of taxes at work and alters the performance of different types of taxes. The article attempts to explain the factors that differentiate tax regimes by using multi-dimensional criteria and, thus, contributes to the debate for a common tax regime between EU countries.

Abdylmenaf Bexheti and Luan Eshtrefi claim that the governments of the Former Yugoslav Republic of Macedonia (FYROM) have proceeded to policymaking decisions based on political instead of economic cycles, focusing on the needs of individual elites and not on the priority of eventual EU integration. This situation has resulted in a decade-long failure to create priorities for eventual EU accession. By a comparative and benchmark analysis, the writers examine the present economic situation in FYROM and what is needed to intensify the process of economic policy harmonization to EU standards. They state that the lack of sufficient economic policy outcomes from Skopje may lead the EU to regard this as a retreat from its obligations. They also believe that by moving one step forward and two steps back, the current economic national strategy of reforms will leave FYROM out of the EU enlargement agenda.

Karen Crabbé and Michel Beine study the impact of economic integration and institutional reforms on export specialization in Central and Eastern Europe. The integration and transition process in Central and Eastern Europe offer a good empirical setting for examining this question. An empirical analysis was conducted for ten Central and Eastern European countries (CEEC) over the period 1996–2008. The authors show that better protected property rights and a fair credit policy lead to more diversified exports. Trade integration, on the other hand, stimulates export specialization, but institutions seem to be more important in explaining export patterns.

In Part III, Pantelis Sklias and Maria Tsampra argue that, despite the significant political, institutional and socio-economic advances of individual countries during the last 20 years, regional integration and endogenous business development are still lagging. They also argue that regional integration from a socio-cultural point of view constitutes a solid base for cross-border business cooperation and that Western Balkan countries can accelerate their economic development by exploiting their potential for cross-border trading and entrepreneurship. Finally, they suggest the political, institutional and financial support of intra-regional business, especially in cross-border areas where clusters can capitalize on geographic proximity, shared historical background and culture.

Adrian Costea constructs a framework that enables us to make class predictions about the performance of non-banking financial institutions (NFIs) in Romania. By implementing a two-phased methodology, the author aims at: (a) validating the dimensionalities of the map used to represent the performance clusters and to quantify errors associated with it; and (b) using the obtained model to analyze the movements of the three largest NFIs in the period 2007–2010. By the validation procedure, which is based on a bootstrap technique, the proper map architecture and training-testing dataset combination for a particular problem can be found. Furthermore, the visualization techniques employed in the study make clear how different financial factors can and do contribute to the companies' movements from one group/cluster to another.

Eleni Zafeiriou, Karelakis Christos, Chrisovalantis Malesios and Theodoros Koutroumanidis empirically test the existence of a causal relationship between economic growth and the development in the banking sector and stock market in ex transition economies, recent Member States of the EU and, especially, Bulgaria. Their findings indicate a sole relationship between the banking sector, the stock market and economic growth and also a bilateral relationship between economic growth and the development in the stock market, as well as between economic growth and the development in the banking sector.

Dimitrios Kyrkilis, Simeon Semasis and Constantinos Styliaras discuss whether and how agriculture has contributed to the economic growth in Greece by exploring the relationship of agriculture with the main non-agricultural economic sectors. The use of proper econometric and statistical techniques that utilize time series data collected over the last five decades shows that agriculture has not influenced the other economic sectors and at the same time has not been influenced by them.

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