

Economic and Military Strength of South Balkan Countries in the years of Crisis (2009-2018)

Dr. Anastasia Paris¹

Hellenic Military Academy

Abstract.

This article looks at the economic performance of four Balkan countries in the period 2010 and 2019. The Balkan countries are Albania, Bulgaria, North Macedonia, and Greece. The economic performance is examined in terms of gross domestic product, trade balance and current account. Weight is placed on the reasons that the above countries experienced economic crises and how they recovered. Then, emphasis is located on military expenditure against GDP for all above countries. Finally, comparison of military forces is conducted.

Keywords: current account, economic crisis, gross domestic product, military expenditure

Introduction

Four countries are studied that are Albania, North Macedonia, Bulgaria and Greece in the period 2009-2018. It examines the growth of GDP, current account and trade balance of all economies. Then emphasis is placed on military issues. The military expenditure against GDP is analysed. Finally, comparison of military forces is conducted.

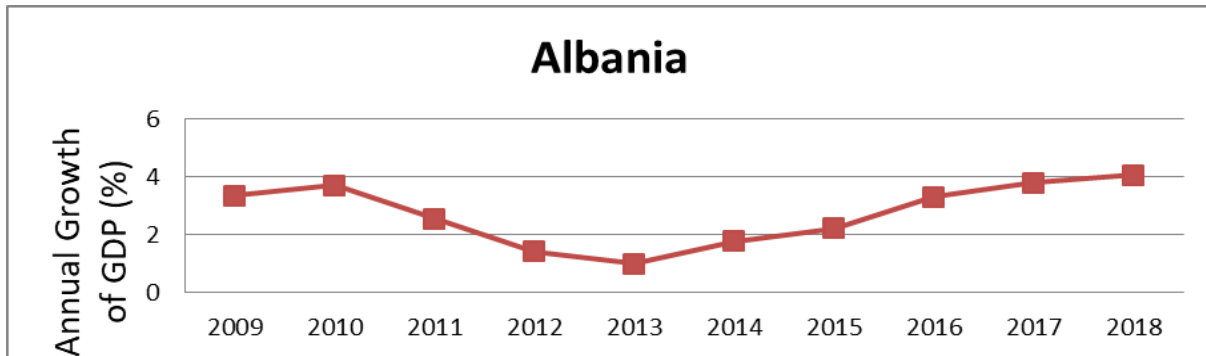
Chapter 1: Economy

1.1 Albania

1.1.1 GDP

As we see at Figure 1 there was a slight increase of GDP between 2009 and 2010 and a constant drop of annual GDP growth from 2010 until 2013. Foreign investment was noticeable by the mid-1990s, with support coming from the United States, the European Union, and the International Monetary Fund. By the middle of that decade, Albania bragged the fastest-growing economy on the continent, but, as one of Europe's poorest countries, it was still considered less developed. Individual investors, constituting possibly one-third of the country's population, fell victim to a pyramid finance system that overwhelmed the national economy and led to weeks of anarchy. Even though more than four-fifths of the economy has been privatized since the 1990s, the alteration process has been slow and uneven. The average annual growth in the period 2009-2018 was 2.72%. Albania was one of few countries in Europe to record an economic growth in the first quarter of 2010 after the global financial crisis.

Figure 1: Annual Growth of GDP - Albania

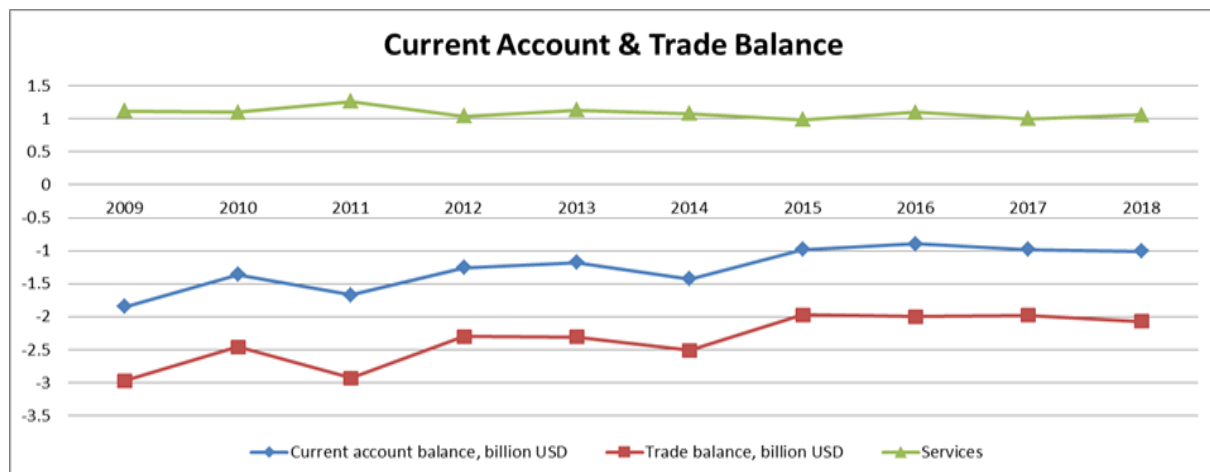


Source: <https://data.worldbank.org/indicator/>

1.1.2 Current Account & Trade Balance

Albania had a growing trade deficit in the early years of the 21st century. Figure 2 shows that Albania was importing by far more goods than exporting in the period 2009-2018. So it had a trade deficit. The principal imports are food products, machinery and equipment, spare parts, textiles, and minerals and metals. Its major trading partners include Italy, Greece, Turkey, Germany, and China. It exports textiles, footwear, and base metals.

Figure 2: Current Account & Trade Balance - Albania



Source: <https://data.worldbank.org/indicator/>

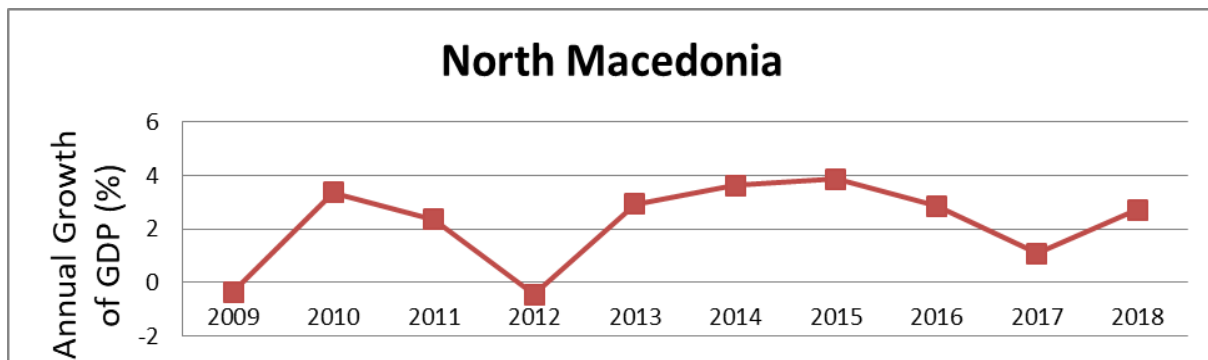
1.2 North Macedonia

1.2.1 GDP

The average growth of GDP in the period 1991-2000 was -0.82 %. Since then, North Macedonia has preserved macroeconomic stability with low inflation, but it has so far lagged the region in drawing foreign investment and creating jobs, regardless of making extensive fiscal and business sector reforms. Official unemployment rests high at 24.6% (2015, Q4), but

may be exaggerated based on the presence of an extensive gray market that is not apprehended by official statistics. In the wake of the global economic recession, North Macedonia has experienced declined foreign direct investment, lowered credit availability, and a great trade deficit. Nevertheless, as a result of conservative fiscal rules and a sound financial system, in 2010 the country credit rating improved slightly to BB+ and was remained at that level in 2011. As a result, GDP progress was modest, but positive, in 2010 and 2011, and inflation was under control. The average growth of GDP in the period 2009-2018 was 2.19 %.

Figure 3: Annual Growth of GDP – North Macedonia

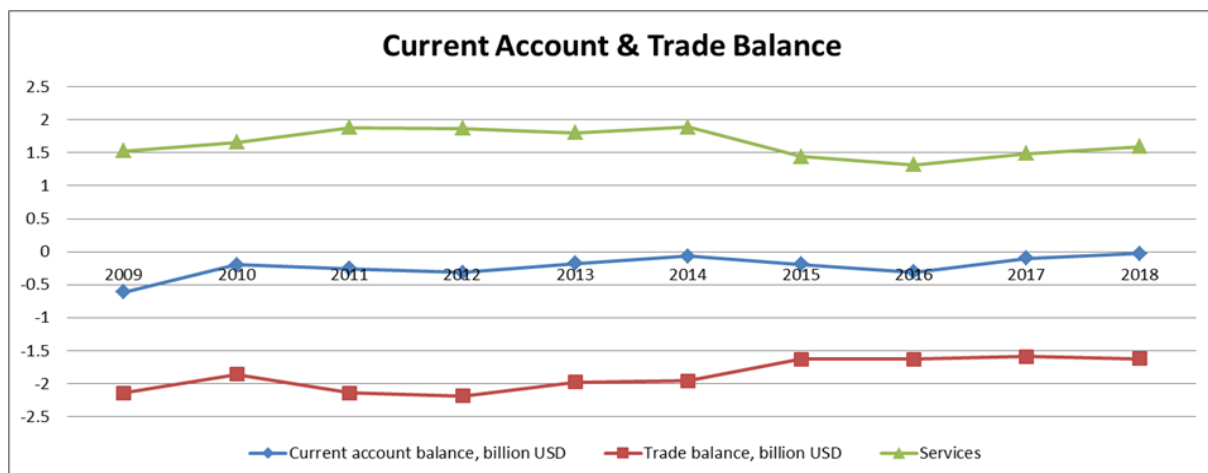


Source: <https://data.worldbank.org/indicator/>

1.2.2 Current Account & Trade Balance

As we see in Figure 4 North Macedonia experienced deficits in trade balance and current accounts during the period 2009-2018. The deficits in trade balance were more severe than those of current account. This means that services have contributed positively in most years in the entire period 1996-2018. In February 2001 North Macedonia signed a Stabilization and Association Agreement (SAA) with the European Union, and in December 2005 the European Union approved candidate rank to the country.

Figure 4: Current Account & Trade Balance – North Macedonia



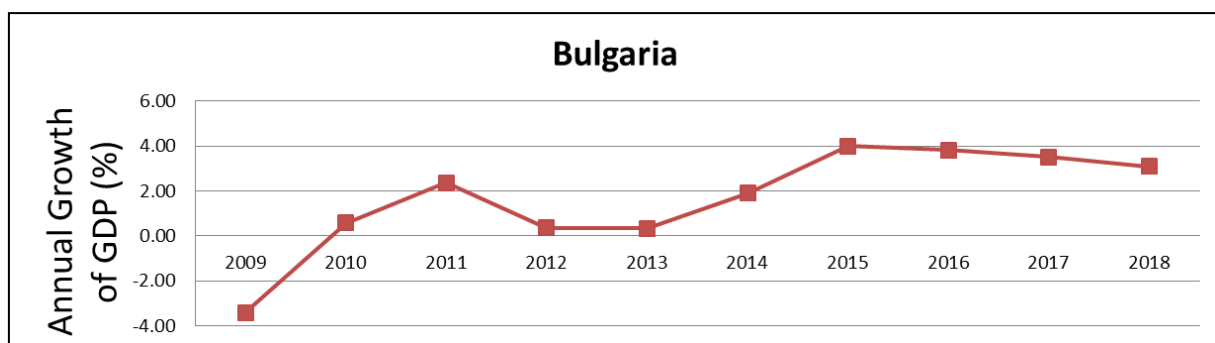
Source: <https://data.worldbank.org/indicator/>

1.3 Bulgaria

1.3.1 GDP

Liberalization of price controls in Bulgaria in the early 1990s directed to a marked growth in prices. As a consequence, inflation increased and strikes became more frequent. The rising pains of the private sector and the strict financial discipline demanded to ease the heavy foreign debt also resulted in periods of high unemployment and reduced social services. In contradiction of this backdrop the Bulgarian government pursued economic stability with the assistance of international financial institutions, and with the introduction of the currency board in 1997 and other reforms, inflation dropped dramatically by the end of the decade. By the beginning of the 21st century, with the government violently privatizing state-run industries, the reorganized Bulgarian economy had markedly improved supported in 2007 by the country's ascent to full membership in the EU. The GDP increased at an average annual rate of 1.22% in the period 2009-2018.

Figure 5: Annual Growth of GDP – Bulgaria

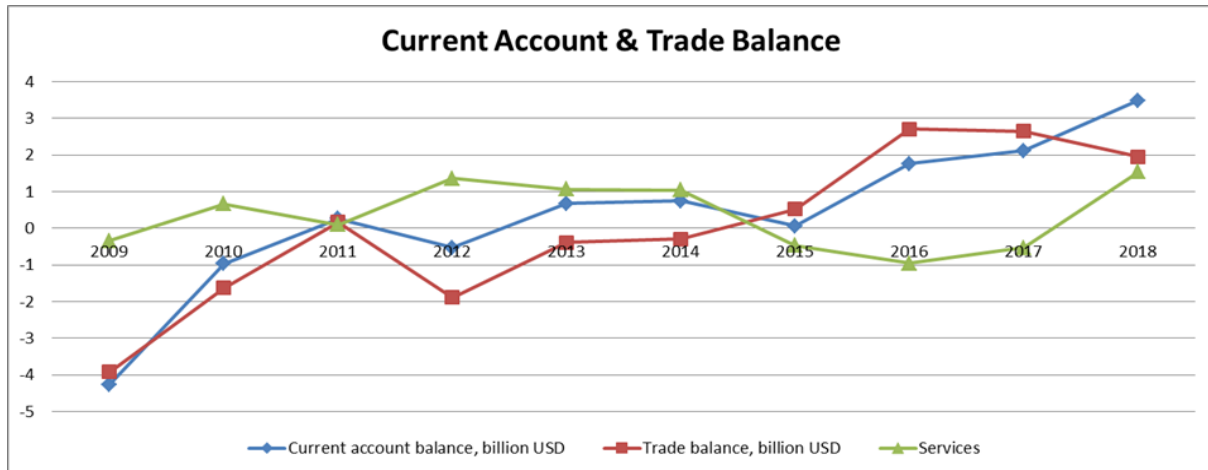


Source: <https://data.worldbank.org/indicator/>

1.3.2 Current Account & Trade Balance

Almost two-thirds of all exports in Bulgaria are capital goods, such as machinery and equipment, and one-fourth are consumer goods, basically of agricultural origin (such as fruit, wine, cigarettes, dairy products, and meat). About two-fifths of all imports are capital goods. We see in Figure 6 that there has been a trade and current account deficit in most years in the period 2009-2012. The worst year was 2009 when there was a global economic crisis in 2008. In 2018 there was a surplus in services. Almost two-thirds of all exports are capital goods, such as machinery and equipment, and one-fourth are consumer goods, basically of agricultural origin. About two-fifths of all imports are capital goods. In 2018 there was a surplus in services.

Figure 6: Current Account & Trade Balance – Bulgaria



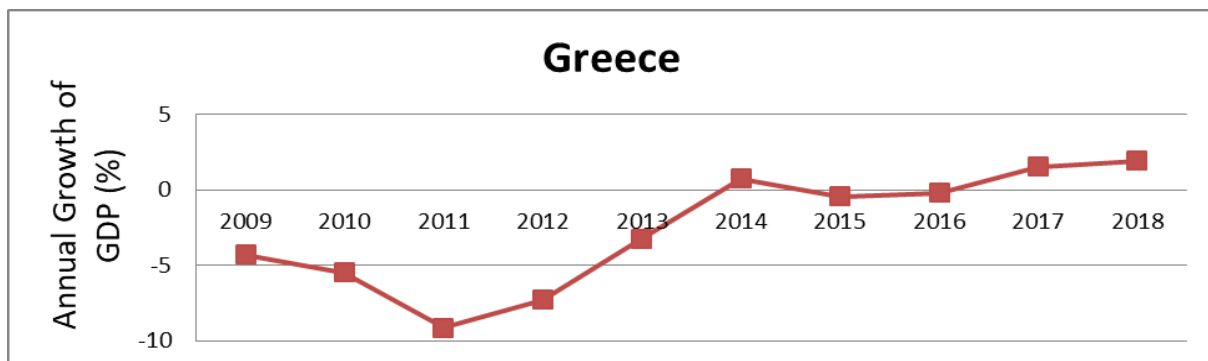
Source: <https://www.theglobaleconomy.com/>

1.4 Greece

1.4.1 GDP

In late 2009 the Greek economy departed into a tailspin. This economic and financial crisis had been moderately precipitated by the universal financial downturn that soured economies all over the world in 2008–09 in the wake of the eruption of the “housing bubble” in the United States in 2007, which left banks around the world awash in “toxic” debt. Past the difficulties tied to the international situation, however, it turned out to be clear that Greece had its own acute problems derived mainly from disproportionate government borrowing and misleading accounting that had hidden the degree of the government’s extraordinary debt. Severe austerity measures were not enough to rescue the Greek economy and government, and in March and April of 2010 the EU and the International Monetary Fund (IMF) stepped in with two gigantic aid packages that came loaded with new demands for austerity measures. Figure 7 shows that average growth of Greek GDP was -2.59% in the period 2008-2019.

Figure 7: Annual Growth of GDP – Greece

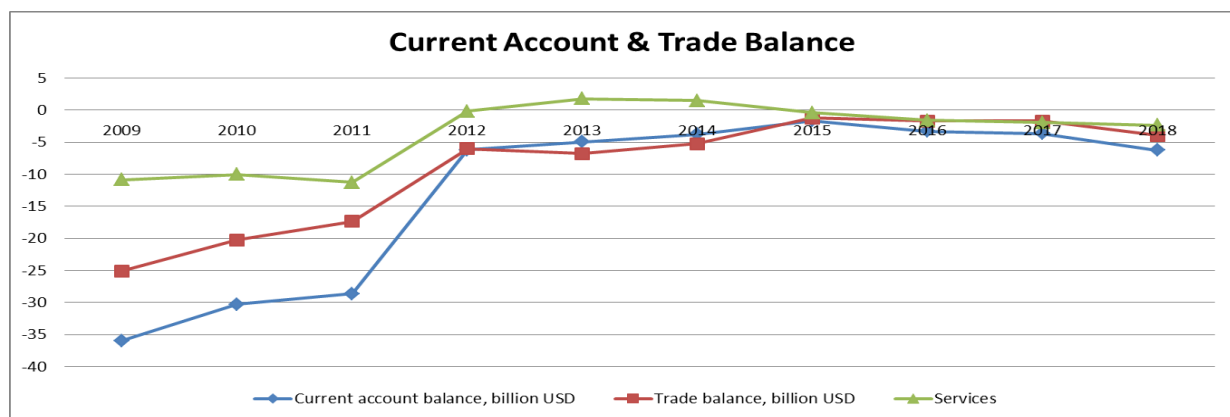


Source: <https://data.worldbank.org/indicator/>

1.4.2 Current Account & Trade Balance

In the early 21st century, the deficit in the balance of payments was counterbalanced by the borrowing that would ultimately be responsible for the country's economic collapse, as well as by limited foreign investment, and, to a lesser degree, by remittances from emigrants. Services have developed the leading sector of Greece's economy, contributing about two-thirds of the gross domestic product (GDP) and engaging about the same proportion of the workforce by the early 2000s.

Figure 8: Current Account & Trade Balance – Greece



Source: <https://www.theglobaleconomy.com/>

Chapter 2: Military

2.1 Albania

Figure 9 shows the Albanian military expenditure as percentage of GDP. Due to the breakup of Yugoslavia, political and economic crises in the Balkans there was a drop of military expenditure as percentage of GDP. There was an increase in the period 2000-2009 and 2010-2018 due to the amelioration of the economy based on privatization programs and transfer of funds from Albanians working abroad.

Figure 9: Military Expenditure against GDP - Albania

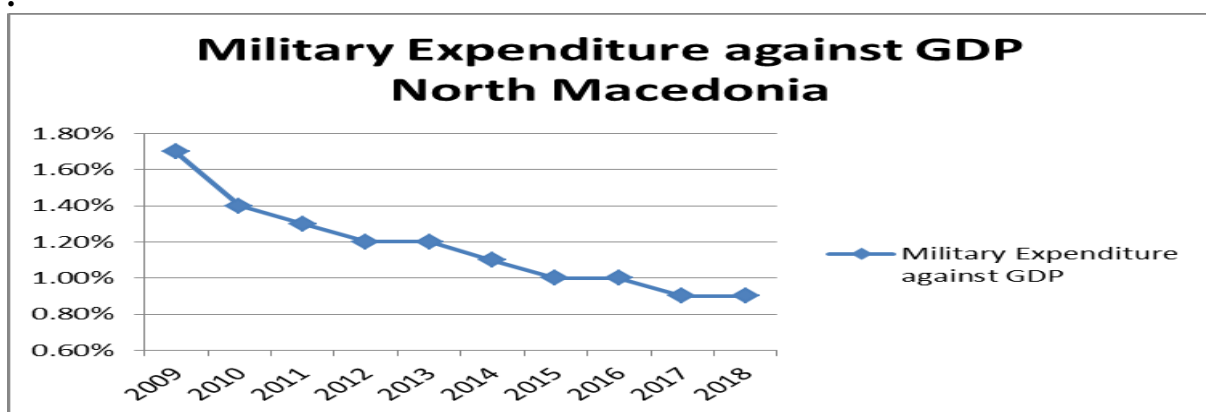


Source: <https://www.sipri.org/databases/milex>

2.2 North Macedonia

Figure 10 displays the military expenditure of North Macedonia as percentage of GDP. There was a continuous drop of military expenditure against its GDP in the period 1996-2017¹ due to the wars and economic crises. Since 2016 there has been a continuous growth of military expenditure against its GDP due to Macroeconomic stability that has been kept by a prudent monetary policy that retained domestic currency pegged against the euro and inflation under control.

Figure 10: Military Expenditure against GDP – North Macedonia



Source: <https://www.sipri.org/databases/milex>

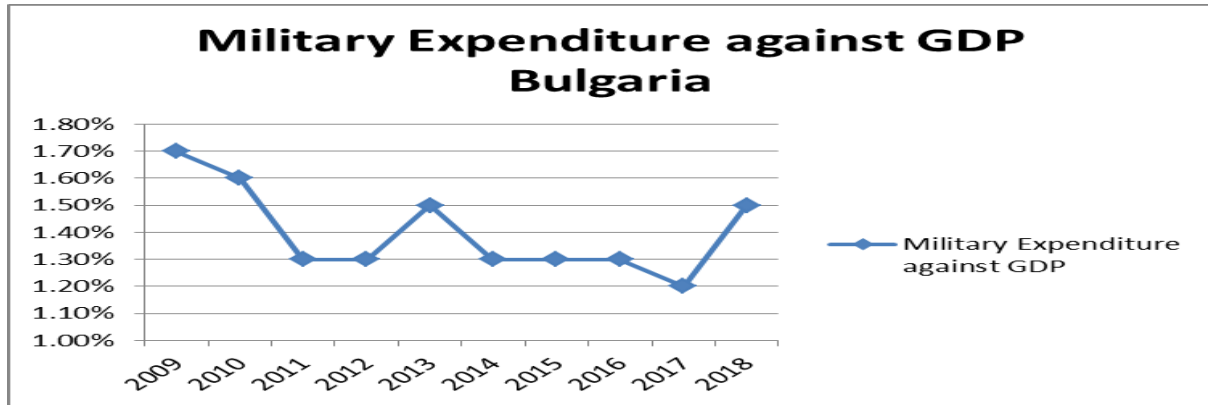
2.3 Bulgaria

Figure 11 illustrates Bulgaria's military expenditure as percentage of GDP. It must be said that there was a massive drop of -12.5% of Bulgaria's military expenditure as percentage of GDP in the period 1990-1999 due to the wars and political and economic crises². There was a slight increase of 0.6% due to the world economic crisis in 2008. In the period 2010-2019 there was a 14.2% increase due to reformation of Bulgarian economy because of the country's ascent to full membership in the EU.

¹ <https://www.britannica.com/place/North-Macedonia/People#ref42788>

² <https://www.britannica.com/place/Bulgaria/Economy>

Figure 11: Military Expenditure against GDP – Bulgaria



Source: <https://www.sipri.org/databases/milex>

2.4 Greece

Figure 12 expresses Greece’s military expenditure as percentage of GDP. There was a more or less constant fall of Greek military expenditure against its GDP in the period 2009-2014³ due to political and global economic crises. There is a constant increase of the Greek military expenditure against its GDP since 2014 mainly due to shipping and tourism that have shown significant dynamism.

Figure 12: Military Expenditure against GDP – Greece



Source: <https://www.sipri.org/databases/milex>

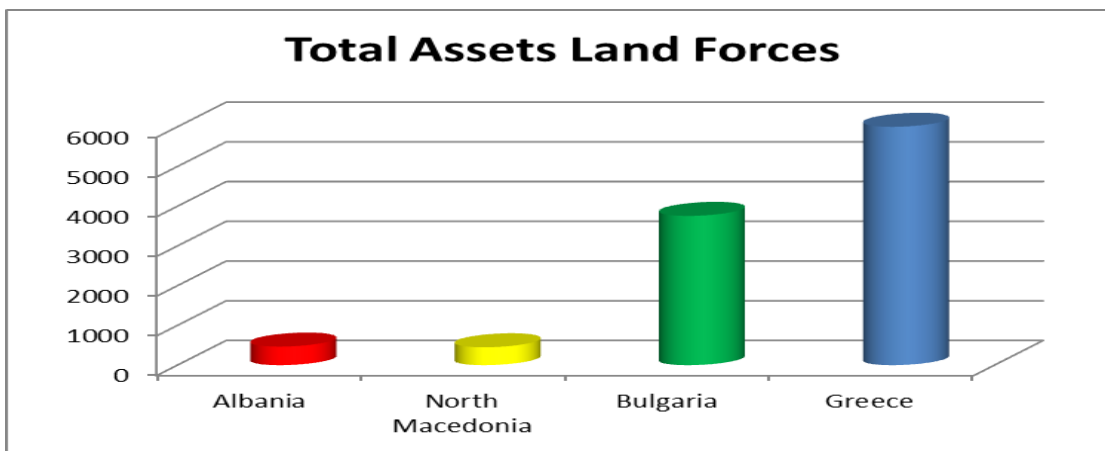
³ <https://www.britannica.com/place/Greece/Religion#ref26455>

Chapter 3: Comparison of Military Forces

3.1 Land Forces

Figure 13 reveals that in 2020 Greece had 6,208 total assets, the greatest in the Balkans. In the second place comes Bulgaria with 3,758 of total assets, third is Albania with 467 and North Macedonia with 450.

Figure 13: Total Assets – Land Forces

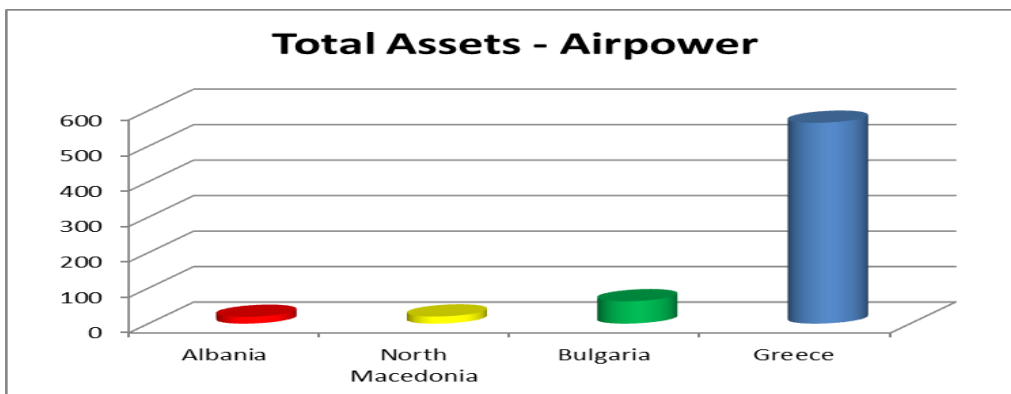


Source: <https://www.globalfirepower.com>

3.2 Airpower

Figure 14 demonstrates that in 2020 Greece had the greatest airpower in the Balkans holding 566 total strength. Bulgaria with total strength 63 holds the second place and North Macedonia with total strength 20 keeps the third position. Albania is closed to North Macedonia with total strength of 19.

Figure 14: Total Assets - Airpower

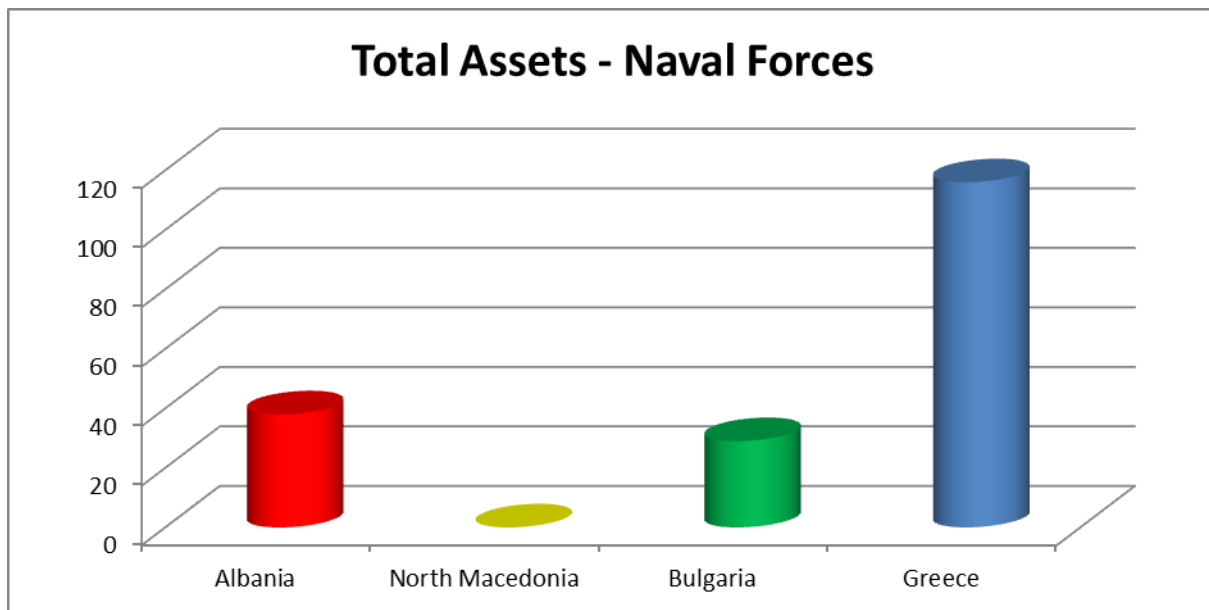


Source: <https://www.globalfirepower.com>

3.3 Naval Forces

Figure 15 reveals that in 2020 Greece kept the first position with 116 total assets in relation to its naval forces. Albania holds the second place with 38 total assets and Bulgaria the third place with 29 total assets. North Macedonia has no sea and hence no naval forces.

Figure 15: Total Assets – Naval Forces



Source: <https://www.globalfirepower.com>

Conclusion

At first, all four countries experienced economic slowdown due to the global economic crises. Then, the governments borrowed mainly from the IMF and invested plenty of money in order to recover. Greece is part of Euro-Zone and borrowed several billion of euros in order to avoid bankruptcy and to recover faster. Bulgaria due to low average income, managed to attract many foreign investments. Albania due to internal instability and North Macedonia due to its differences with Greece, delayed their recovery.

Then, the military expenditure against GDP is examined. Albania and North Macedonia experienced a drop of military expenditures until 2016 due to their bad economy. Only since 2017 there is a trend of growth. Bulgaria was at first affected by the global crisis, resulting in an intense drop of military expenditures. Managed to stabilize and from 2017 there was an increase. Greece experienced a fall until 2014 and ever since a constant growth.

It must be said that although Greece experienced a deep economic crisis that period, is considered the strongest –both in absolute numbers and in quality terms– military power of the Southern Balkans (and the Eastern Mediterranean in general), in terms of Land Forces, Airpower and Naval Forces.

Acknowledgment (TNR 12pt. bold)

This paper is an output of the science project conducted that resulted in the publication of the book: “Economic and Military Strength of Balkan Countries in the period 1988-2019” © 2020 Dr. Anastasia Paris (ISBN: 9798681627784).

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