

Economic performance and military expenses of the 4 strongest Balkan countries since 1988

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Abstract.

This article considers the economic performance of the four strongest Balkan countries that are Romania, Greece, Bulgaria and Croatia, in the period 1988 - 2019. Furthermore, it studies the economic performance in terms of gross domestic product, trade balance and current account. It is vital to say that the reasons behind the economic fluctuations will be thoroughly scrutinized. In addition, the military expenditures will be considered against gross domestic product.

Keywords: Balkans, current account, gross domestic product, military expenditure, trade balance

Introduction

This article studies the economic enactment of the four strongest Balkan countries that are Romania, Greece, Bulgaria and Croatia, in the era 1988 - 2019. In addition, it examines the economic performance in relation to gross domestic product, trade balance and current account. It is vigorous to say that the causes behind the economic fluctuations will be thoroughly searched. Furthermore, the military expenditures will be studied against gross domestic product.

Economic Indices

Gross Domestic Product

Table 1 shows the Gross Domestic Product of the four strongest Balkan countries in 2019 taken from the World Bank and the United Nations. In addition, it demonstrates a prediction by the International Monetary Fund for the GDP of these countries for the year 2020.

Table 1: GDP

2019 GDP (World Bank) ¹ "GDP (current US\$)". <i>World Development Indicators</i> . World Bank. Retrieved 2 July 2020.		2019 GDP (United Nations) ² "United Nations Statistics Division - National Accounts". <i>unstats.un.org</i> .		2020 GDP (IMF prediction) ³ "World Economic Outlook Database, October 2020". <i>IMF.org</i> . International Monetary Fund. 13 October 2020. Retrieved 13 October 2020.	
Country	US\$million	Country	US\$million	Country	US\$million
Romania	250,077	Romania	250,075	Romania	248,624
Greece	209,853	Greece	205,326	Greece	194,376
Bulgaria	67,927	Bulgaria	67,925	Bulgaria	67,917
Croatia	60,416	Croatia	60,415	Croatia	56,768

❖ Romania

a) GDP⁴

Throughout the 1990s the government had to support a large number of unemployed workers, and it was left with an antiquated industrial base. Nevertheless, many small retail and tourism-related businesses were established. By the end of the 1990s, a mixed economy had grown in Romania, and a movement toward a full-fledged market economy was evidently visible.

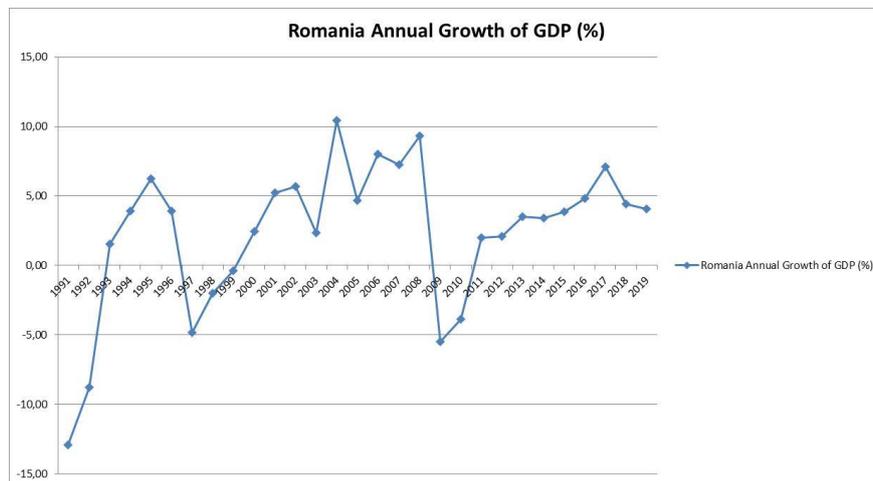
Although a primary outpouring of foreign aid following the revolution in 1989, ongoing aid and investment was discouraged by unclear and inconsistent investment and tax laws and the extensive perception of corruption. It was not until 1997 that laws were altered to appeal foreign investment to stimulate the economy. The average growth of GDP in the period 1991-2000 was -1.09%. In 2001, the Romanian agency for Foreign Investment was created. By the early 2000s the leading sources of foreign investment came from the Netherlands, Austria, France, Germany, Italy, and the United States. Similarly during this period, gross domestic product (GDP) grew intensely, and inflation rates had dropped to the single digits by mid-decade. Hence, the average growth of GDP in the period 2001-2010 was 4.35% and 3.92% in the period 2011-2019.

¹ http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true

² <https://unstats.un.org/unsd/snaama/Basic>

³ https://en.wikipedia.org/wiki/International_Monetary_Fund

⁴ "Eurostat: Romania posts biggest economic growth in EU in 2016 Q2". *Business-Review.eu*. 12 August 2016. Retrieved 24 September 2017.



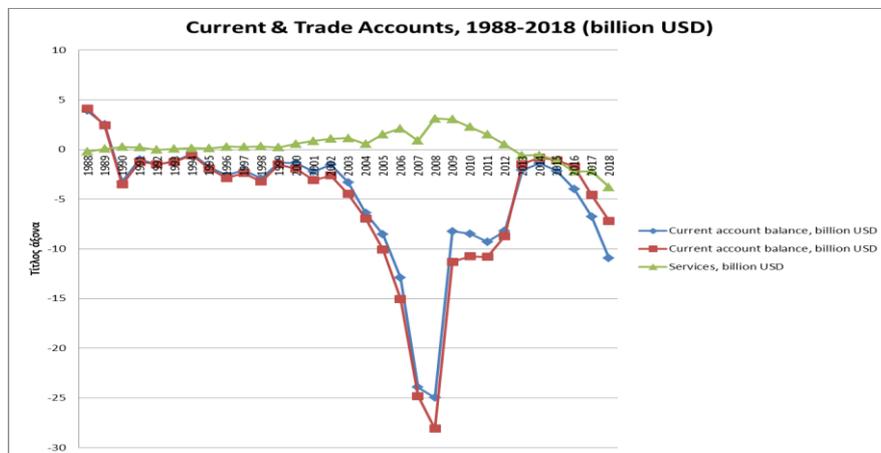
Graph 1: Romania – Annual Growth of GDP - <https://data.worldbank.org/indicator/>

b) *Current Account and Trade Balance*⁵

Graph 2 shows that only in 1988 and 1989 Romania experienced current account surplus. In the decade following the revolution, however, the Romanian government failed to implement many of the macroeconomic reforms that other eastern European countries with transitional economies had embarked on. Nonetheless, in 1993 the United States reestablished most-favoured-nation trading position with Romania, which had been suspended in 1988.

By the beginning of the 21st century, traditional Romanian exports such as textiles and clothing represented for more than one-fifth of exports, followed by metals, electrical equipment, oil, and nonelectrical machinery. Vital imports comprised textiles, machinery and electrical equipment, chemical products, oil, and foodstuffs. Total foreign trade has grown since the 1990s, but exports have not kept pace with imports, resulting in a persistent deficit in balance of payments. By the mid-2000s, Romania was keenly pursuing membership in the EU, which demanded that the country follow measures to establish a free-market economy and restrain corruption and smuggling. Romania was accepted to the EU in 2007, but its efforts to join the visa-free Schengen region were frustrated by other EU members' anxieties about possible abuses to the "borderless" system. Romania's vital trading partners are Italy, Germany, Hungary, France, and Turkey.

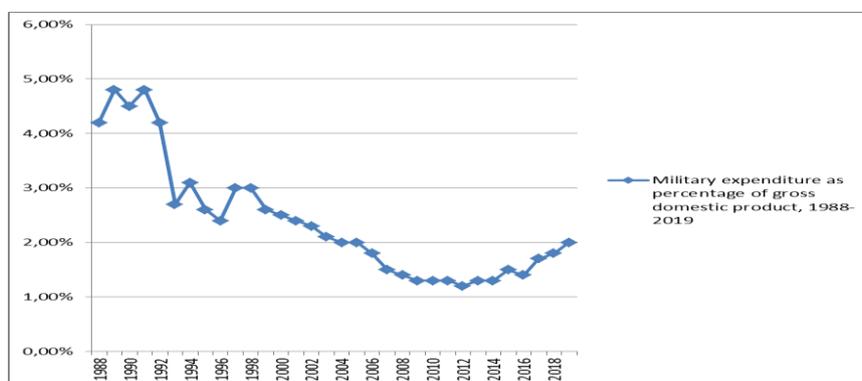
⁵ "Romanian tourism — statistical abstract". insse.ro. Retrieved 5 May 2017.



Graph 2: Romania - Current & Trade Accounts - <https://www.theglobaleconomy.com/>

c) *Military Expenditure against GDP*

Graph 3 displays Romania's military expenditure as percentage of GDP in the period 1988-2019. There was a more or less constant fall from 1988 until 2012 due to socialist expansion that distorted the economy, unproductive, obsolete industrial base, unreliable investment, tax laws and extensive perception of corruption. Since 2012 there was a continuous rise of military expenditure against Romania's GDP due to state-owned companies that were privatized under a program of the national privatization agency.



Graph 3: Military expenditure as percentage of gross domestic product of Romania, 1988-2019 - <https://www.sipri.org/databases/milex>

❖ **Greece**

a) *GDP*^{6,7}

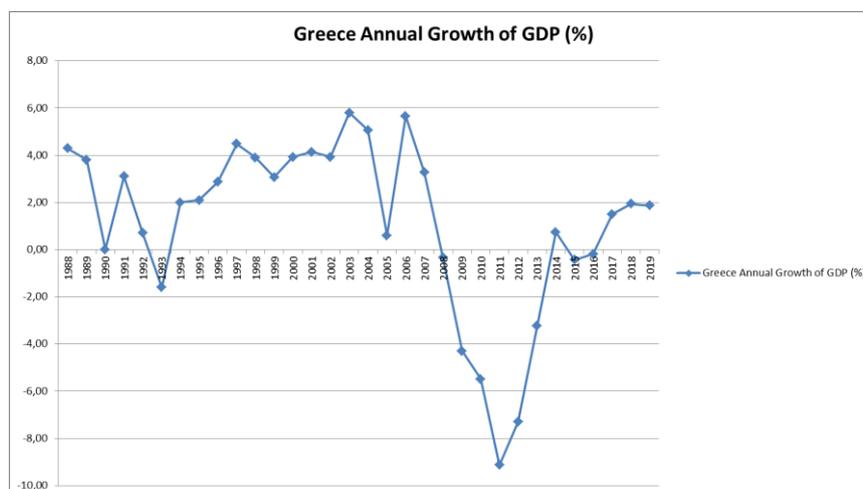
Greece's economy experienced rapid growth in the post-World War II period, but it has stayed one of the least developed in the European Union (EU). Actions taken since the

⁶ "CIA World Factbook: Greece, country profile". CIA.

⁷ "ΤτΕ: Προβλέπει ύφεση 5,8% το 2020 - Ισχυρή ανάκαμψη το 2021". Kathimerini (in Greek). Athens. 29 June 2020. Retrieved 29 June 2020.

late 1980s, nevertheless, have begun to reduce the degree of state control of economic action. Average growth of Greek GDP in the period 1988-1997 was 2.17%. Following admission into the European Economic Community (later succeeded by the EU), Greece became a foremost beneficiary of the Common Agricultural Policy, which delivered subsidies to the country's mostly inefficient agricultural sector and for tasks to improve its infrastructure.

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)—fearing the failure of the euro currency zone, which Greece had joined in 2001—stepped in with two gigantic aid packages that came loaded with new demands for austerity measures. Graph 4 shows that average growth of Greek GDP was -2.03% in the period 2008-2019.



Graph 4: Greece – Annual Growth of GDP - <https://data.worldbank.org/indicator/>

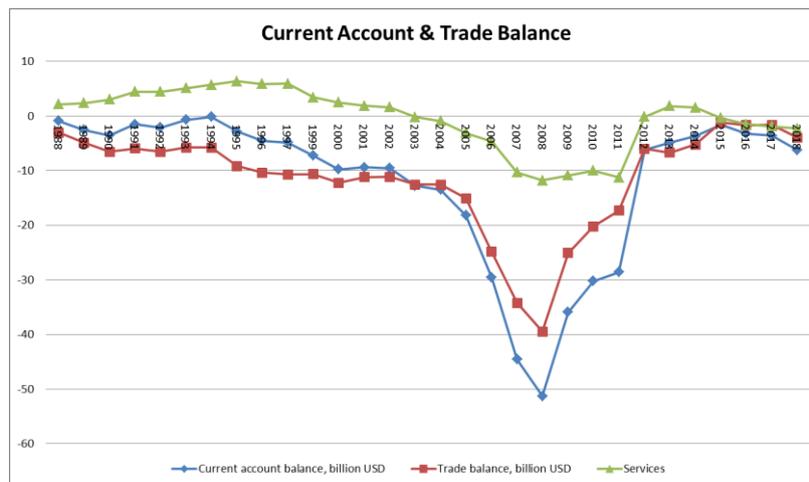
b) *Current Account and Trade Balance*^{8,9}

Greece experienced deficits in both trade and current accounts over the entire period 1988-2018. Beginning in the 1960s, the number of tourists, notably those from European countries, augmented significantly, although Greece confronted increasing competition from countries such as Portugal and Turkey. Greece appeals more than 16 million tourists each year, thus contributing 18.2% to the nation's GDP in 2008 based on an OECD report. The

⁸ "COMMERCIAL TRANSACTIONS OF GREECE : June 2020". Piraeus: Hellenic Statistical Authority. 7 August 2020. Retrieved 11 August 2020.

⁹ "Tourism involves everyone". Retrieved 18 March 2019.

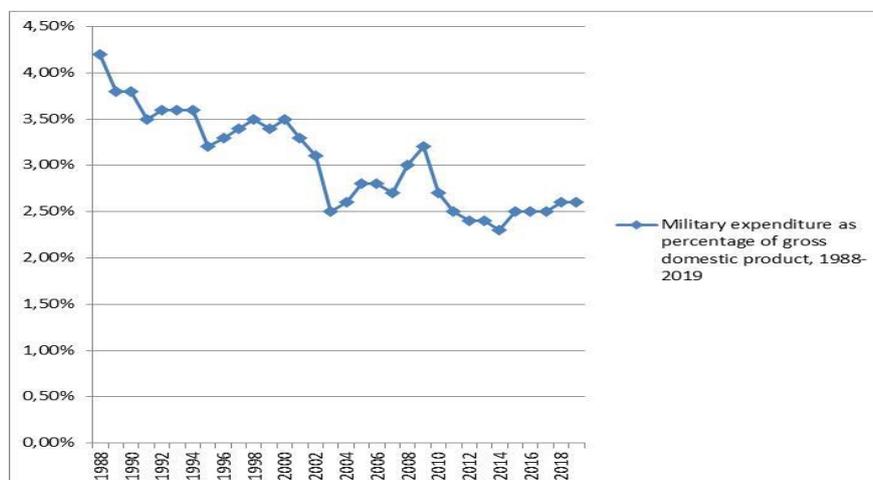
same survey showed that the average tourist expenditure while in Greece was \$1,073, ranking Greece 10th in the world. The number of jobs directly or indirectly linked to the tourism sector was 840,000 in 2008 and represented 19% of the country's total labor force. In 2009, Greece received over 19.3 million tourists, a major increase from the 17.7 million tourists the country welcomed in 2008. Among the member states of the European Union, Greece was the most popular endpoint for residents of Cyprus and Sweden in 2011. In recent years a number of well-known tourism-associated organizations have located Greek destinations in the top of their lists.



Graph 5: Greece - Current & Trade Accounts - <https://www.theglobaleconomy.com/>

c) *Military Expenditure against GDP*

Graph 6 expresses Greece's military expenditure as percentage of GDP in the period 1988-2019. There was a more or less constant fall of Greek military expenditure against its GDP in the period 1988-2014 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.

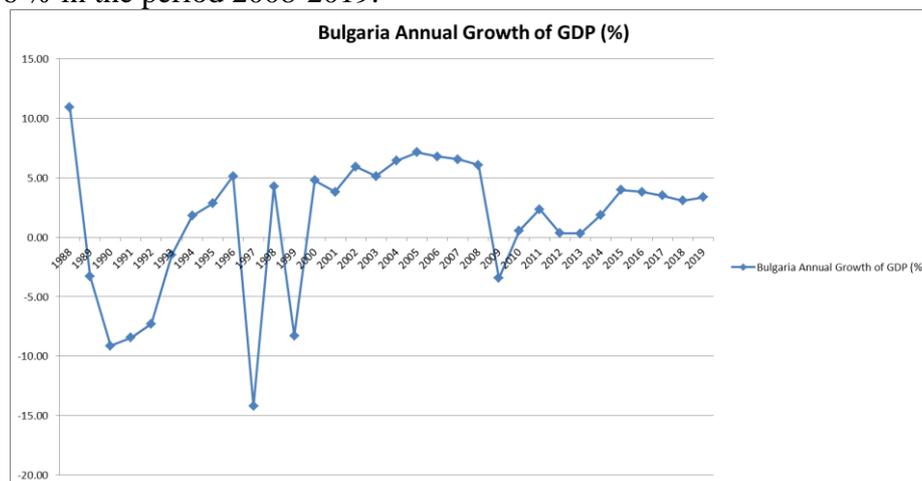


Graph 6: Military expenditure as percentage of gross domestic product of Greece, 1988-2019 - <https://www.sipri.org/databases/milex>

❖ Bulgaria

a) GDP¹⁰

The fast industrialization of Bulgaria since World War II and the economic transition it experienced influenced by the communist government had a profound effect on Bulgarian society. Liberalization of price controls 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. Furthermore, as a result of political unrest with the first efforts to re-establish a democratic political system and free market economy the standard of living dropped by about 40%, and only started to stabilize substantially after 1998 after the fall of Jean Videnov's socialist government. Average growth of GDP in the period 1998-2007 was 4.27%. Due to global economic crisis in 2008, GDP in Bulgaria in 2009 grew by -3.42%. 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 2.16% in the period 2008-2019.



Graph 7: Bulgaria - Annual Growth of GDP - <https://data.worldbank.org/indicator/>

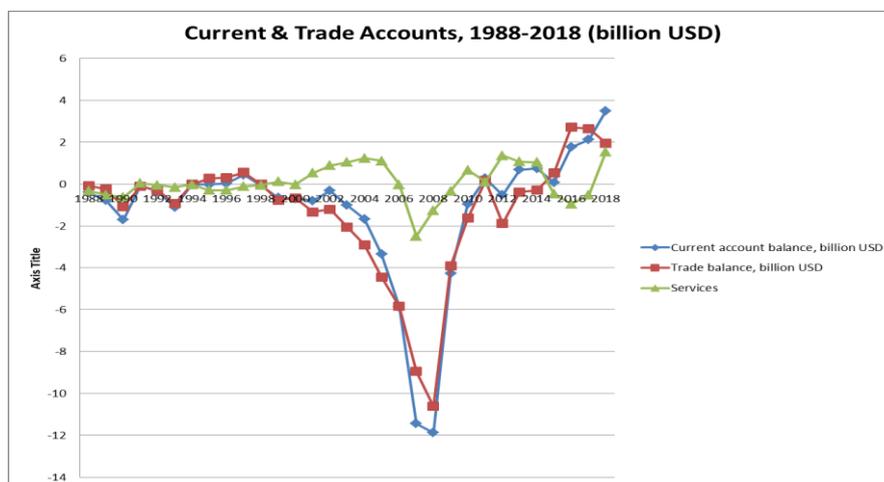
b) Current Account and Trade Balance¹¹

We see in graph 8 that there has been a trade and current account deficit in most years in the period 1988-2019. The worst year was 2008 when there was a global economic crisis. In 2019 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 (such as fruit, wine, cigarettes, dairy products, and meat). About two-fifths of all imports are capital goods. The Soviet Union, until its termination, was Bulgaria's main trading partner in the early 1990s. In the early 21st century Bulgaria's main export

¹⁰ <https://www.britannica.com/place/Bulgaria/Economy>

¹¹ <https://www.britannica.com/place/Bulgaria/Finance#ref42703>

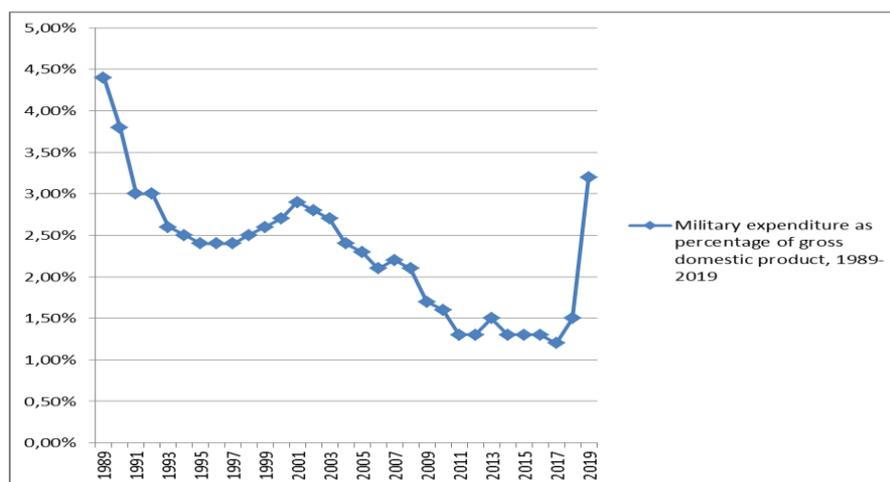
destinations comprised the other countries of the European Union (EU) as well as Turkey. Russia was a vital source of imports, along with EU countries, Turkey, and China. Tourism in Bulgaria has grown substantially since the 1960s.



Graph 8: Bulgaria - Current & Trade Accounts - <https://www.theglobaleconomy.com/>

c) *Military Expenditure against GDP*

Graph 9 illustrates Bulgaria's military expenditure as percentage of GDP in the period 1989-2019. 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 crises. 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.

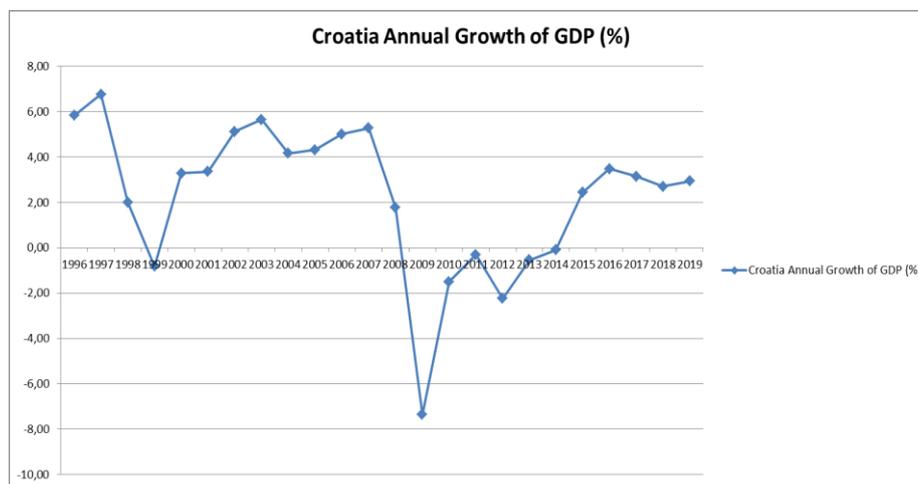


Graph 9: Military expenditure as percentage of gross domestic product of Bulgaria, 1989-2019 - <https://www.sipri.org/databases/milex>

❖ Croatia

a) GDP^{12,13}

The Croatian government began a sequence of restructuring the economy from the Yugoslav structure of socialist self-management to market-oriented capitalism succeeding the demise of communism in Croatia in 1990. By the late 1990s approximately one in five members of the working-age population were jobless, with young people mainly affected; high unemployment remained a problem into the 21st century. The war also assisted to raise an informal economy and a black market. As tensions increased, Croatia declared independence on 25 June 1991. Though, the full employment of declaration only came into effect on 8 October 1991. Even though Croatia experienced a noteworthy boom in the economy in the early 2000s, the increase of the government debt and the lack of concrete reforms led to a financial crisis in 2008 which enforced the government to cut public spending thus provoking a public outcry. The fall of GDP in the period 2008-2009 was -7.36%. On 1 April 2009, Croatia became member of NATO. The mainstreams of Croatian voters were in favour of country's EU membership at the 2012 referendum. Croatia finalized EU accession negotiations in 2011 and became part of the European Union on 1 July 2013. Croatia was influenced by the European migrant crisis in 2015 when Hungary's closure of its borders with Serbia enforced over 700,000 migrants to use Croatia as a transit country on their way to Western Europe. In Croatia, the average growth of GDP in the period 2006-2015 was 0.24% and 3.06 in the period 2016-2019.



Graph 10: Croatia – Annual Growth of GDP – <https://data.worldbank.org/indicator/>

Graph 10 shows that during 2015 the Croatian economy accomplished 2.44% growth of GDP with slow but upward economic growth, which sustained at 3.48% during 2016. The better than anticipated figures during 2016 enabled the Croatian Government and with more tax receipts permitted the repayment of debt along with narrow current account deficit during Q3 and Q4 of 2016. This development in economic output, coupled with the drop of

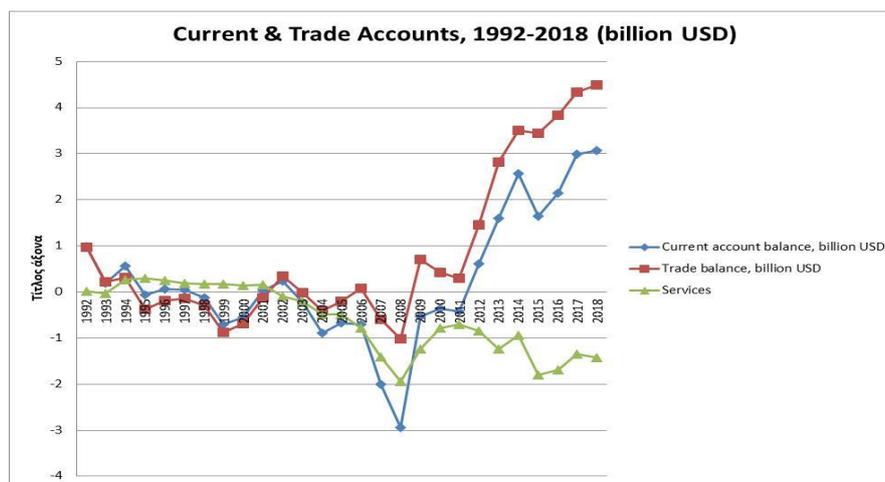
¹² Hedges Chris (16 January 1998). "An Ethnic Morass Is Returned to Croatia". The New York Times. Archived from the original on 18 May 2013. Retrieved 18 December 2010.eir way to Western Europe. https://books.google.gr/books?id=-84_kkgMf2QC&redir_esc=y

¹³ Croatia GDP Growth Quickens In Q4, <http://www.rttnews.com/2749294/croatia-gdp-growth-quickens-in-q4.aspx>, 2/28/2017, accessed 14/03/2017

government debt has made a positive impact on the financial markets with many ratings agencies reviewing their outlook from negative to stable, which was the first upgrade of Croatia's credit rating since 2007. Because of consecutive months of economic growth and the demand for labour, plus the outflows of residents to other European countries, Croatia has had documented the biggest drop in the number of unemployed during the month of November 2016.

b) *Current Account and Trade Balance*^{14,15}

Graph 11 displays the trade balance, current account and services of Croatia in the period 1993-2018. There was a current account surplus in 1993, 1994, 2013, 2015, 2017 and 2018 due to the good performance of services in the country. The banking sector has consolidated significantly since the late 1990s, via mergers, takeovers, and bankruptcies. The sector is moreover now tremendously privately and foreign-owned, with Italian, Austrian, and German banks controlling. Banks in Croatia have spent heavily in technology; henceforth, internet, telephone, and drive-in banking are extensively offered. Croatia's gorgeous coastline and abundant islands form the basis of another vital component of the service sector—tourism. The service sector employs more than half the workforce and accounts for the majority of GDP.



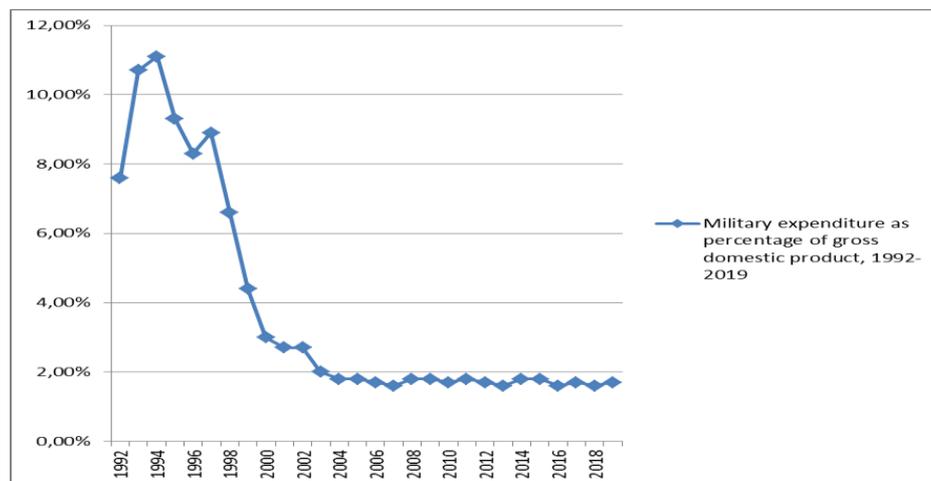
Graph 11: Croatia - Current & Trade Accounts - <https://www.theglobaleconomy.com/>

c) *Military Expenditure against GDP*

Graph 12 displays Croatia's military expenditure as percentage of GDP in the period 1992-2019. There was a constant more or less drop of its military expenditure in the period 1992-2003 due to the Balkan wars and economic crises. Since 2003 then there was a moderate increase helped by the European Union and the outflows of residents to other European countries.

¹⁴ <https://www.economy.com/croatia/current-account-balance>

¹⁵ <https://www.economy.com/croatia/current-account-balance/not-seasonally-adjusted>



Graph 12: Military expenditure as percentage of gross domestic product of Croatia, 1992-2019 - <https://www.sipri.org/databases/milex>

Conclusions

This paper studied the economic strength of the four strongest Balkan countries that are Romania, Greece, Bulgaria and Croatia, in the period 1988 - 2019. In addition, it examined the economic enactment in terms of gross domestic product, trade balance and current account. It is vigorous to say that the causes behind the economic fluctuations were thoroughly scrutinized. The military overheads were measured against gross domestic product.

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”

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