

BULGARIAN ECONOMY COMPETITIVENESS: NATIONAL PROJECTION AND BALKAN-EUROPEAN DIMENSION

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Abstract. *According to the paper's main idea, the competitiveness of Bulgarian economy is naturally affirmed as a priority and main principle of the integration of Bulgaria in the European Union. This paper discusses the main features, concepts and approaches towards managing the competitiveness. It includes quantitative and comparative analysis of the Bulgarian and other European economies for the period 1999-2000, as well as future forecasts until 2003.*

The authors highlight a group of factors important for its increase. They advice and recommend how to improve the Bulgarian economy competitiveness in the future.

The competitiveness of the Bulgarian nation has increased in view of its integration to the European union and its market economy. Becoming competitive is one of the criteria for its integration to the European union. The principle of competitiveness is a main priority for its development, not only for all governments but also for the business.

The aim of the present paper is to define the essence and the indicators for the economy competitiveness, the evolution in the theory of management. In the paper, qualitative and comparative analyses of the Bulgarian and European economy in the period 1999-2000 are used. Recommendations for its growth are also given.

Competitiveness of each economy is the ability to sustain high levels of labor and capital productivity, achieved by innovations. It means steady economic growth, combined with the increase of the real incomes of population. This definition includes three elements:

Higher productivity of economy means more competitive economy. Position and share of the economy on the international markets prove this.

The competitiveness is not achieved by low price of working force, preferential taxes or devaluation of the national currency. New technologies provide growth in the competitiveness. If the market conditions are unreal, then some industries in them can simulate increasing competitiveness. However, this process can last temporarily and in certain conditions (6).

Competitiveness of economies and industries always possess the so-called feature of "regionalism". Entrepreneurs' activities define the competitiveness. The effective business strategies are the real engine for competitiveness.

If the real income and living standard increase, then the competitiveness is of importance. The population subsidizes national competitiveness in case of the increase in export and labor productivity, combined with the low income of population.

Competitiveness can be estimated in three ways:

1. Microeconomic view. In this aspect, the competitiveness is connected with the companies' activities.
2. Macroeconomic view. The competitiveness is connected with labor and capital productivity, investment and profit level.
3. Industrial view. The increase of competitiveness is achieved by active interference from public institutions.

The national and world practice offers a variety of concepts for competitiveness and its estimation. The following concepts about competitiveness can be presented:

- Public concept. Centralized organs define the problems and factors of competitiveness.
- Macroeconomic concept focuses on production factors, investments, and demand. The change in competitiveness is connected with change in economic conditions.
- Corporate concept. The competitiveness is connected with the ability to react to the changes in political and economical conditions and the business environment. The competitiveness is achieved by "economic balance and liberalization of the foreign policy with compensations of the inner market".
- Coalition concept. The competitiveness is conducted by negotiations with investors, by uniting of employers and others. The aim is to influence and make decisions for the increase of competitiveness.
- Institutional concept focused on building and functioning of "national innovative system". The consequence includes:
 - a) High schools and universities;
 - b) Scientific and research centers, financed by the government.
 - c) Industrial laboratories.
 - d) Participation in major international scientific and applied projects, programs and others.
- Cluster concept. It is connected with the definition of industries, activities and markets. They are important for the increase of economy competitiveness.

We think that for our conditions, the corporate and institutional concept is more suitable for the increase of national economy because:

1. They reflect the globalization in the development of international markets(2).
2. They show how small countries and economies can compete on the European and international markets.

First attempts for estimation and comparison in competitiveness are connected with the Institute of management and development in Switzerland. They have developed a paper for global competitiveness, where 250 indicators are estimated in eight groups, including:

- National economy;
- Internationalization;
- Government;
- Finance;
- Infrastructure;
- Science and technology;
- Human resources;
- Management;

This problem is defined in the modern concepts as achieving long- term economic growth.

Geoffrey Sax¹ says that competitiveness is typical for economy with fast and steady economic growth, quaranteed by economic institutes. The credit rating of 59 countries, including Bulgaria was defined by these methods in the annual world economic forum in Davos in 1999-2000. This rating includes 155 qualitative indicators. Classification of economies in two ways is the newest in this method. M.Porter, J.Sax and A.Worner classify the economies in these ways:

- Estimation of present competitiveness;
- Estimation of the growth in competitiveness;

The first way classifies Bulgaria in the 55-th place for 2000. The second one puts it on 54-th place for 1999. (Look table 1)

Table 1. Competitive rating of Republic of Bulgaria in 1999 and 2000 year¹

Country	2000 year	1999 year	GNP per capita	Country	1999	2000	GNP per capita
Finland	1	2	23 520	Spain	23	23	18 483
Germany	3	6	23 661	Italy	24	25	23 000
Holland	4	3	24 126	Portugal	28	29	17 129
Switzerland	5	5	27 286	Turkey	29	31	6 444
Denmark	6	7	27 003	Hungary	32	33	11 272
Swiss	7	4	27 007	Greece	33	36	15 180
England	8	10	22 584	Czech	34	41	13 406
Belgium	12	15	25 380	Slovakia	36	48	10 255
Austria	13	11	24 706	Poland	41	37	8 832
France	15	9	23 209	Russia	52	55	6 815
Island	17	22	27 810	Bulgaria	55	54	4 810
Norway	20	18	28 097	Ukraine	56	56	3 276
Ireland	22	17	24 483	USA	2	1	33 212
				Japan	14	14	24 892

¹ European and Balkan Countries are included in the classification.

¹ J Sax - Director of Harvard Institute of International Development

As you can see, Bulgaria is in one of the last places. It is due to the low level of GNP per capita and the work of companies and the business environment in which they work.

The opportunities for development of the competitiveness are insignificant. GNP has changed a little, but not enough for the necessary growth. The potential competitiveness includes another 3 indexes:

- Index of economic flexibility;
- Financial index;
- International index;

The inadequate change in these three indexes prevents the positive change in competitiveness of national economy. (Look table 2)

Table 2

Country	2000 year	1999 year	Country	2000	1999
Luxembourg	3	7	France	22	23
Holland	4	9	Portugal	23	27
Ireland	5	10	Island	24	18
Finland	6	11	Hungary	26	38
England	9	8	Spain	27	26
Switzerland	10	6	Italy	30	35
Swiss	13	19	Czech	32	39
Denmark	14	17	Greece	34	41
Germany	15	25	Poland	35	43
Norway	16	15	Slovakia	39	45
Belgium	17	24	Turkey	40	44
Austria	18	20	Russia	55	59
USA	1	2	Ukraine	57	58
Japan	21	14	Bulgaria	58	56

² European and Balkan Countries are included in the classification.

This tendency is confirmed for Bulgaria in the research, carried in the period 2001-2002. It is calculated with the help of:

- Index of technological development (L_1);
- Index of publicity (L_2);
- Index of macroeconomic stability (L_3);

Classifications and estimations give answer to the question: "Why can't we provide higher level of prosperity for our citizens and households. These two indexes are connected. They define the opportunities for the growth of labor productivity, export and economy productivity.

The growth of competitiveness of Bulgarian economy is a prerequisite for the economic growth and successful participation in international markets. It is also a condition to deal with the competitive "pressure".

It is of utmost importance to achieve results in the following areas:

Macroeconomic stability and working market economy. This means fight against corruption and the public bureaucracy.

Attraction of foreign investments. It is an important factor for privatization of public companies. Foreign investors will improve the competitive positions of companies. Their volume in 1999 is 6.5% of the GNP, and in 2000 year – 1 billion USD. The competitive role should increase.

- Quality of human resources. Labor market has become quite liberal. The cheap and qualified working force is an important competitive advantage. If it isn't steady, it won't lead to any increase in labor productivity. There is over 60% labor productivity in the countries with developed market economy.
- Innovations and technological development. This element is fundamental for the increase of competitiveness. There is a low level of computerization (37 personal computers per 1000 people, 250 PC for Slovenia and 244 PC for the countries in the European union.) The export of high- technological products is 3 891 mln. USD or 21% of GNP. For Bulgaria, it is 0.57% of the GNP. For Slovenia, it is 1.46% of GNP, and it is 1.2% of GNP for the Czech Republic.
- Physical infrastructure. It is the highly estimated factor for the Bulgarian economy. Bulgaria takes the third place in this factor.
- Commercial integration. Indicators in this group show how Bulgarian economy and companies must deal with the competition on European markets. The share of European union in Bulgarian export has reached 51%. The share in import has reached 49% and the industrial import is 73%.

The increase of export stimulates national production. The export structure is dominated by textile, shoes, iron and steel and information technologies. Changes in the prices of fuels, legislation and privatization influence the commercial integration. There are changes in these directions:

1. Company activities and competition, including:

- Qualitative marketing management;
- Demanding market;
- Transfer from low price of the working force to technologies;
- Support for Small and Medium- sized enterprises

2. Infrastructure, including:

- Electronic commerce;
- Access to information;

3. Technological development, including:

- Computerization;
- Fast transfer of technologies;
- Protection of the intellectual labor;
- Export of Goods and services, not of "brains";
- Increase of scientific researches;

4. Finance, including:

- Access to credits;
- Active financial markets;
- Increase of joint capital;

5. Human resources, including:

- Decrease of unemployment;
- Rules for the relations owners- managers- employees;
- Accessibility and quality of medical services;
- Development of educational resources;

6. Public administration, including:

- Tax system, stimulating business initiatives;
- Decrease of administrative barriers and corruption;
- Growth of the real incomes of population;

This can be shown with the figure. (Look figure 1).

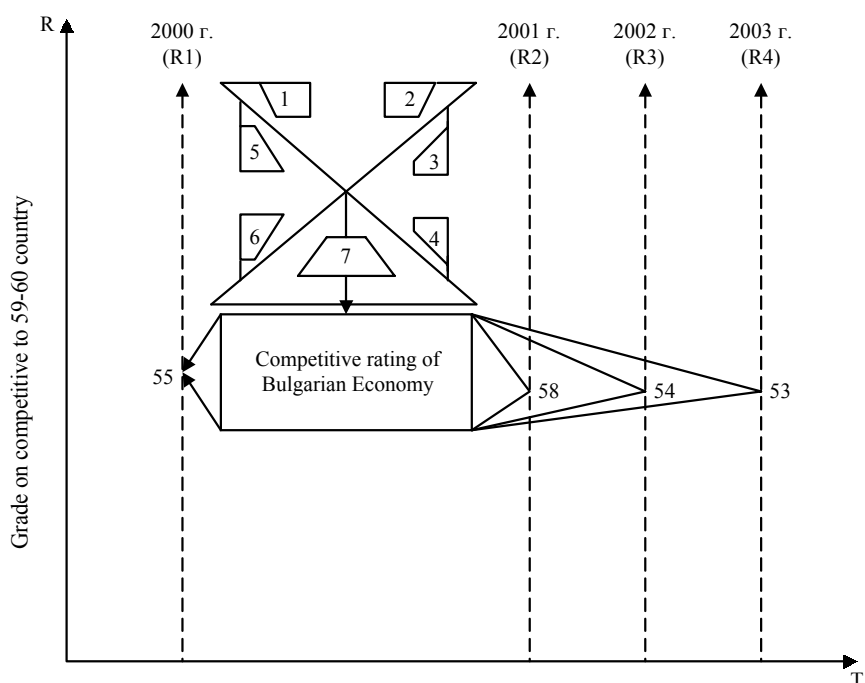


Fig. 1. Possible short-term projections in the change of competitive rating in Bulgarian economy

As it is shown in the figure, even the positive changes can not improve the competitiveness of Bulgarian economy in middle-term perspective. The total improvement of Bulgarian business environment and effective management could significantly increase the competitive status of Bulgarian economy in long-term perspective. If this becomes real, then the prosperity of households and citizens will increase. Otherwise, the reasons will lack political skills.

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The increase of competitiveness in Bulgarian economy has transformed main economical and managerial priorities in business policy and government policy. Economic growth, living standard and integration in the EU will contribute to the increase in competitiveness. That's why national and regional strategies are necessary. Development and realization of the industrial policy is an important part of the strategy.

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**KONKURENTNOST BUGARSKE EKONOMIJE: NACIONALNA
PROJEKCIJA I BALKANSKO - EVROPSKA DIMENZIJA****Nikola Dimitrov, Silvena Dencheva**

U radu se analizira priroda konkurencije bugarske ekonomije kao prioriteta i glavnog principa integracije Bugarske u Evropsku Uniju. Razmatrana su glavna obeležja, koncepti i pristupi upravljanja konkurencijom. Na kraju, daje se kvantitativna i komparativna analiza bugarske ekonomije i Evrope za period 1999-2000. godine, kao i prognoza do 2003. godine. Autori navode grupu faktora značajnih za povećanje konkurentnosti i predlažu načine unapredjenja konkurentnosti bugarske privrede u budućnosti.