

V. Gligorov
**Trade, Investments and
development in the Balkans**

a few remarks by
Vitalija Gaučaitė Wittich (UNECE)

Three main themes

- **I. The Balkans: repeating Central Europe's path**
(CEFTA-2006 and CEFTA-1996)
- **II. What is behind the lagging export performance of the Balkans**
(exchange rates and competitiveness: various experiences, similar outcomes?)
- **III. Policy choices for the Balkans**

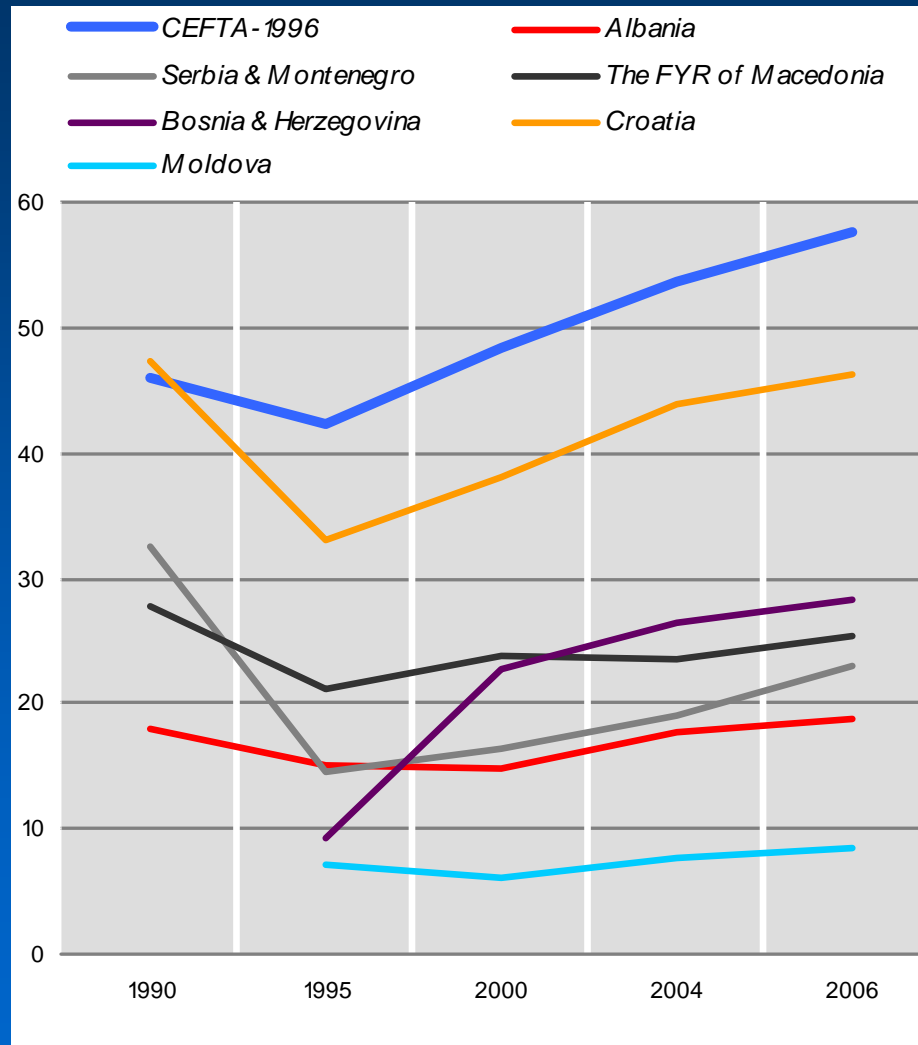
I. The Balkans and Central Europe

(CEFTA-2006 versus CEFTA-1996)

- Openness and economic growth:
similar path but lagging by a decade?
- Sustainability of trade expansion and current account deficits:
missing foreign direct investments?
- Evolving specialization patterns:
any important differences?

GDP per capita relative to the EU-15, 1990-2006

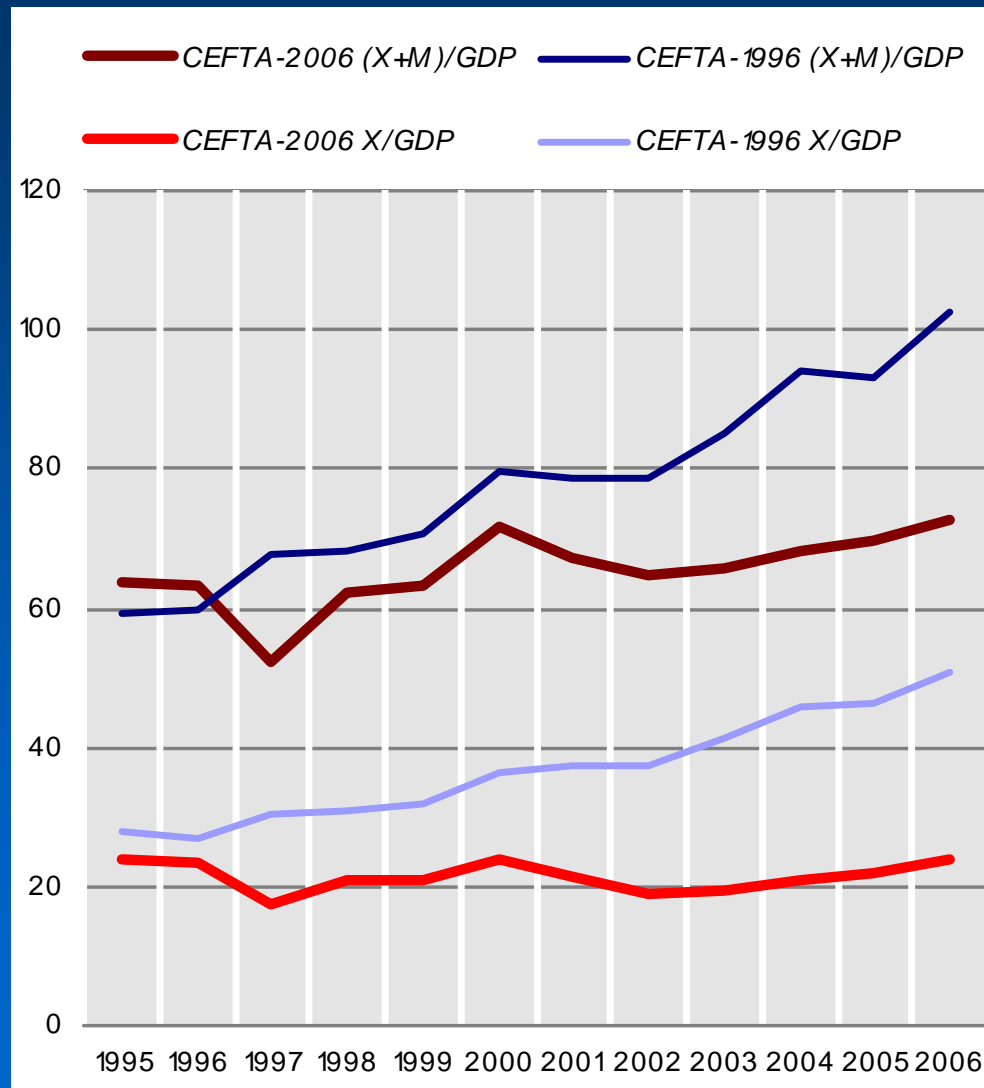
(Average for EU-15 = 100)



Source: UNECE Statistical database and national statistics

Note: Based on GDP per capita in \$, at prices and PPP (US) of 2000

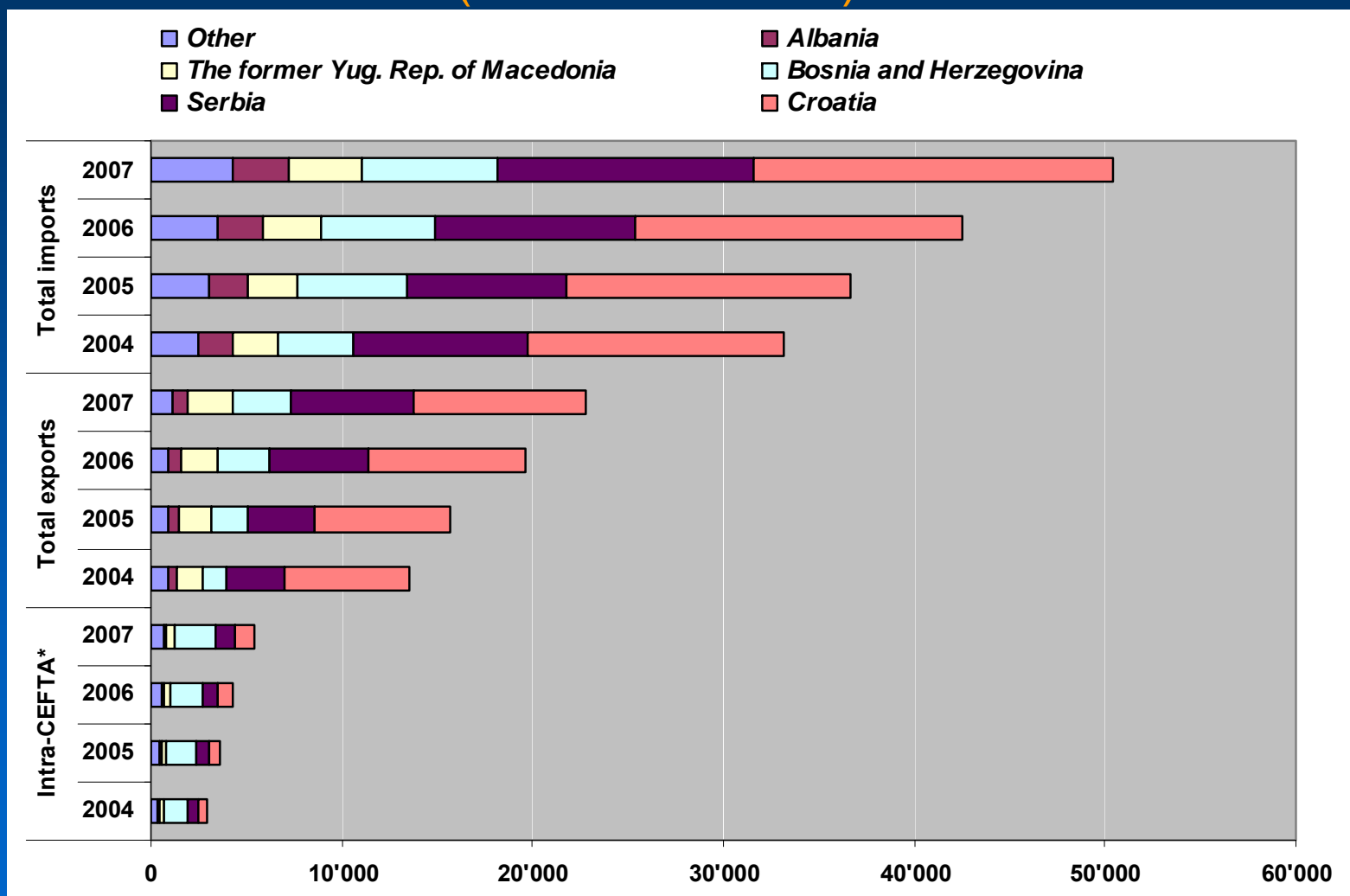
Trade openness and propensity to export, 1995-2006



Source: UNECE Statistical database and national statistics

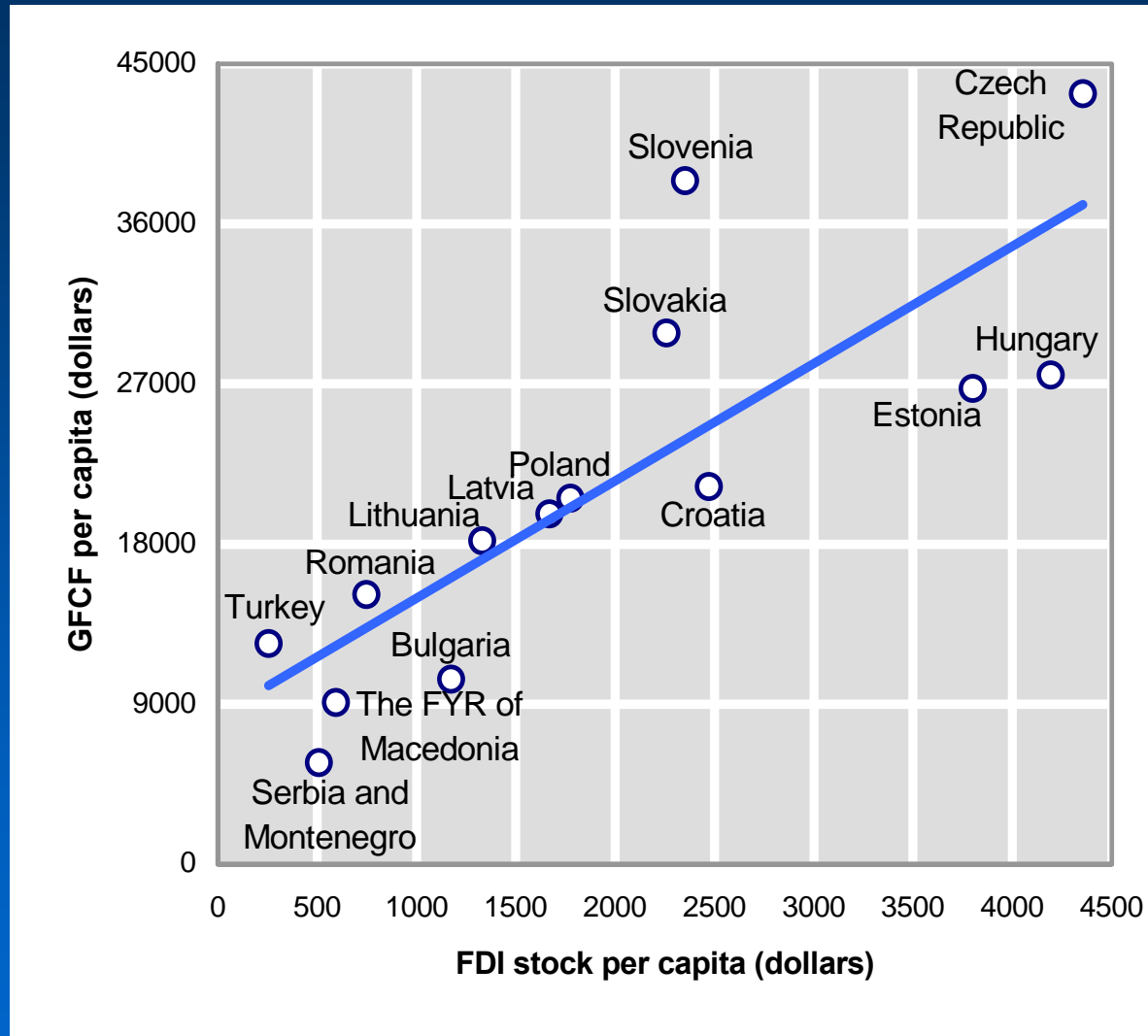
Trade flows of CEFTA-2006 countries, 2004-2007

(in million euros)



Source: UNECE Statistical database and national statistics

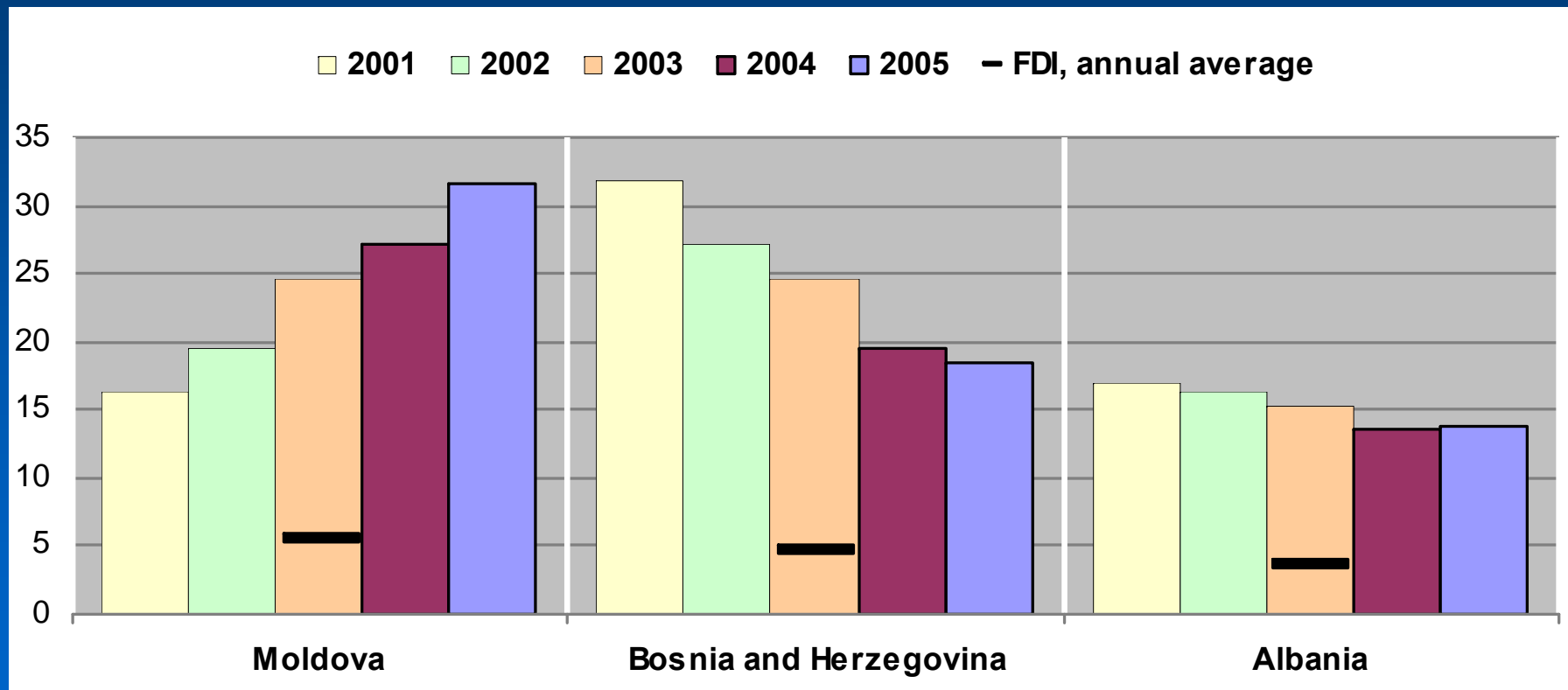
Capital stock and FDI, 1995-2004



Source: Vitalija Gaučaitė Wittich, UNECE Discussion paper No. 2005.6 (December 2005).

Migrants' Remittances and FDI, 2001-2005

(per cent of GDP)



Source: UNECE Statistical database and national statistics and central banks

CEFTA-2006 vs. CEFTA-1996

- Active trade liberalization periods:
 - CEFTA-1996 in 1994-1998
 - CEFTA-2006 in 2000-2006
- Observed trends of export structure change in 2000-2004 are more in line with CEFTA -1996 in 1994 -1998 than recent ones
- CEFTA-2006 RCA(contribution to trade balance measure):
 - primary commodities (including food),
 - labour-intensive & resource-based (textile&footwear),
 - low-skill & technology-intensive goods

II. What's behind the lagging export performance of Balkans

Exchange rates and competitiveness:

- fixed exchange rates (*de facto* or *de jure*) versus the float
- anticipating impact of real wage growth

“Is it right to rely on exchange rate appreciation to control inflation to control real wages?”

III. Policy choice for the Balkans

What could bring more for the Balkans:

first-best versus second-best worlds

(Dani Rodrik)

transition versus development policies?

(Vladimir Gligorov)