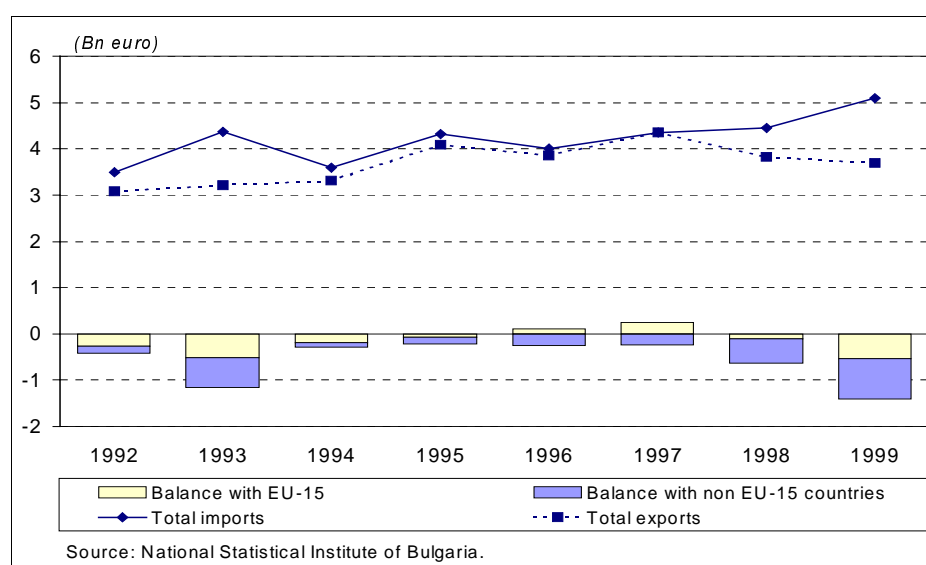


# Bulgaria and the EU

Tim Allen

Over the past years, Bulgaria followed a patchy road through transition. Its trade figures and their growth rates were more modest than was observed in most other transition economies in central Europe. Nevertheless, its trade relations with the European Union (EU) have prospered: in 1999, around half of Bulgaria's trade was carried out with the EU. Apart from traditional heavy industry in machinery, chemicals and metals, a new export industry in textiles seems to have emerged in Bulgaria.

Figure 1 Bulgaria's external trade



## Stagnating trade figures

With a population of around 8.2 million and an economy producing the equivalent of roughly a fourth of the average EU GDP per capita (1999 figures and in purchasing power standards), Bulgaria is modest in terms of size and economic might. Its unemployment rate stood at 17% in 1999 (up from around 15% in 1995) while inflation appears to have been tamed (2.6% increase in CPI in 1999 - see also page 3 for comparison with EU).

Bulgaria's trade performance throughout the 1990's has been patchy (see figure 1) and more stagnant than was observed in most other central European transition economies. For example, its annual average export growth rate 1992-99 stood at around 3% (see table 1) compared with more than 10% for most of the other EU Accession countries. In part this performance can be explained by severe external shocks such as the war and ensuing embargo in former Yugoslavia (for example, the river Danube remained blocked even at the beginning of 2000) or the Russian crisis. However, other issues also played a role.

## Statistics in focus

### EXTERNAL TRADE

THEME 6 – 18/2000

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## A fresh start

Initially strong export growth following the opening of its economy to the western world at the beginning of the decade flattened out in 1996-97 during domestic financial sector problems. Once these domestic issues were settled, another disaster struck and brought two successive years (1998-99) of negative export growth at an annual average rate of -10%. This export slump was common to most countries in Eastern Europe and largely explained by the Russian crisis (which had set in August 1998)- when sizeable parts of their Russian export markets disappeared virtually overnight. A recovery in exports from mid-1999 onwards and in particular in 2000 paints a brighter picture (exports March 2000 up by 23% compared with March 1999). In 1999, Bulgaria exported around 3.7 bn euros worth of goods while it imported around 5 bn euros worth. To put these figures into perspective and in relation with other EU Accession countries - its exports as a percent of GDP (around 30%) places Bulgaria within a group of countries including Romania and Latvia on the lower end of the scale. Most of these transition economies are currently enjoying substantial export led growth. Amongst EU Member states, Bulgaria's trade ratios in 1999 would place it on an even level with Luxembourg in terms of cover rate (i.e. how much of import spending is covered by exports receipts), but also with Austria, Finland and Sweden in terms of exports as a percent of GDP (see figure 2).

## Orientation towards EU

In 1999, slightly less than half of Bulgaria's imports came from the EU. On the other hand, slightly more than half of its exports were destined for the EU market. Over the past decade, it also succeeded in diversifying its export markets away from its traditional partners toward the EU (see figure 3). Exports to the EU grew by roughly 10% p.a. (almost four times above its annual average export rate - see table 1), mostly at the expense of Russia, formerly Bulgaria's largest export partner. Important trading partners in 1999 were nevertheless Russia (n°1 import partner),

Tab. 1 Bulgaria's trade by main partners, 1999

Partners	1998	1999	Share in 1999	Annual variation	
	(Mio euro)			99/98	99/92
			(%)	(%)	
<b>Imports</b>					
<b>Total</b>	<b>4 456</b>	<b>5 098</b>	<b>100.0</b>	<b>14.4</b>	<b>5.6</b>
EU-15	2 006	2 478	48.6	23.5	10.4
Russia	895	1 056	20.7	18.0	4.2
Germany	612	763	15.0	24.7	8.9
Italy	344	431	8.5	25.5	14.2
Greece	263	289	5.7	9.7	5.8
France	203	267	5.2	31.7	18.2
US	176	160	3.1	-9.2	4.8
<b>Exports</b>					
<b>Total</b>	<b>3 829</b>	<b>3 697</b>	<b>100.0</b>	<b>-3.5</b>	<b>2.7</b>
EU-15	1 904	1 939	52.5	1.8	10.4
Italy	485	522	14.1	7.4	16.6
Germany	400	366	9.9	-8.6	6.5
Greece	336	319	8.6	-5.2	12.5
Turkey	304	269	7.3	-11.6	4.7
Russia	209	176	4.8	-15.9	-14.5

Source: National Statistical Institute of Bulgaria.

Figure 2 Bulgaria in comparison to EU Member states, 1999

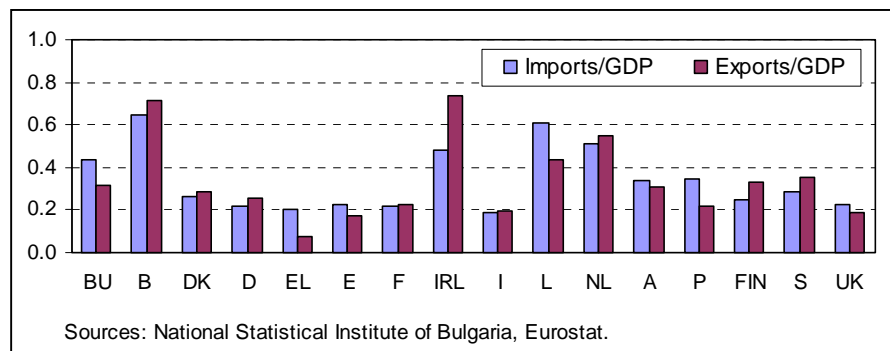
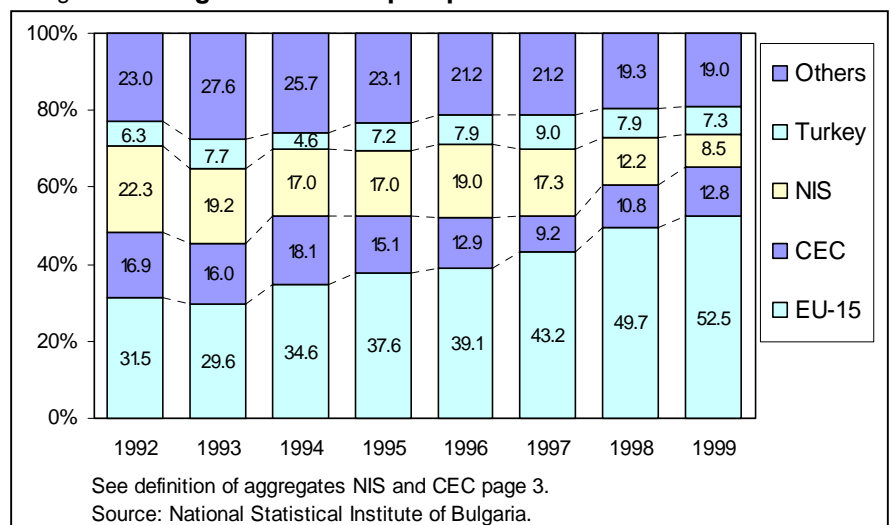


Figure 3 Bulgaria's main export partners



Germany, Italy and Greece.

## Textiles increasingly important

Bulgaria's patchy trade performance mentioned above can also be explained by its limited product differentiation. Typically, as transition economies develop, the traditional reliance on exports of heavy industrial goods and machinery by exports of new products with increased specialisation at a finer level of product detail. This process is often fuelled by substantial foreign direct investment, but until the introduction of a currency board arrangement - amongst other measures - in mid-1997 such FDI flows were scarce in Bulgaria. Thus until recent years, its exports continued to be dominated by machinery, chemicals and metals. However, substantial increases in exports of clothing articles and textiles seem to point to the dawning of a new era (see table 2).

EU-Bulgarian trade in 1999 was characterised by imports of consumer and intermediary goods into the EU from Bulgaria (see table 3) - in particular consumer goods enjoyed strong growth rates over the past years. EU exports to Bulgaria were dominated by equipment and intermediary goods, which also saw some substantial growth rates (another sign that economic restructuring is now on its way).

Tab. 2 Bulgaria's main imports and exports, 1999

HS products	1999 (Mio euro)	Share in total	Annual variation	
			99/98	99/92
Main imports				
99 Other products	1,034	20.3	887.9	3.5
84 Machinery & mechanical appliances	667	13.1	52.5	11.8
87 Road vehicles	427	8.4	101.1	8.2
85 Electrical machinery & equipment	348	6.8	47.8	12.1
27 Mineral fuels	149	2.9	-84.7	-16.5
39 Plastics & plastic products	148	2.9	29.8	14.1
Main exports				
62 Articles of apparel not knitted or crocheted	332	9.0	30.8	21.2
27 Mineral fuels	259	7.0	8.3	3.3
99 Other products	253	6.8	65.4	22.4
84 Machinery & mechanical appliances	245	6.6	2.1	2.0
72 Iron & steel	245	6.6	-33.6	1.9
61 Articles of apparel knitted or crocheted	202	5.5	39.3	21.8

Source: National Statistical Institute of Bulgaria.

Tab. 3 EU-Bulgaria trade by product classified by type of use, 1999  
(Reporter: EU-15, partner: Bulgaria)

Product groups (CEA)	Imports	Exports	Share in total		Annual variation 99/96	
			Imports	Exports	Imports	Exports
	(Mio euro)		(%)		(%)	
<b>Total</b>	<b>2 246</b>	<b>2 684</b>	<b>100.0</b>	<b>100.0</b>	<b>9.5</b>	<b>16.5</b>
Agricultural products	106	46	4.7	1.7	11.9	-2.2
Food products	166	147	7.4	5.5	1.9	6.5
Consumer goods	742	505	33.0	18.8	19.6	16.5
Automobile	9	205	0.4	7.6	6.4	9.1
Equipment goods	215	652	9.6	24.3	13.3	27.2
Intermediary goods	966	950	43.0	35.4	4.5	12.9
Energy	14	56	0.6	2.1	-17.2	40.1
Miscellaneous products	12	22	0.5	0.8	11.9	49.8

Source: Eurostat.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

NIS (New Independent States): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Uzbekistan, Russia, Tajikistan, Turkmenistan, Ukraine.

CECs (Central European Countries): Albania, Bulgaria, Hungary, Poland, Romania, Estonia, Latvia, Lithuania, Bosnia-Herzegovina, Croatia and Slovenia; Czech Republic, Slovakia, Serbia Montenegro and the FYROM.

Data sources: Customs sources (data are stored in Eurostat Comext database). Divergences between the sources on figures concerning bilateral trade can be partly explained by the use of different methodolo-

gies and concepts.

System: Special trade.

Classification: Table 2: Harmonised system (HS). The nomenclature used in table 3 (CEA or Classification for Economic Analysis) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.

Statistical values: EU: values CIF for imports and FOB for exports; Bulgaria: CIF/FOB.

In this report, 1 Bn euro= 1000 million euro

### Basic figures for 1999

	Bulgaria	EU-15
Population (Mio)	8.2	375.3
GDP/capita (in PPS)	4 700	21 190
Unemployment rate	17.0%	9.2%
Inflation rate	2.6% *	1.2%

\* PROXY HICP.

See also "Eurostat Statistics in focus, External trade, no 10/1997, Bulgaria's foreign trade" which you can order.

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