

Analysis of Development Indicators in Balkan Countries

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Abstract: Since the collapse of socialism, Balkan countries have been changing as social, economic and politic structure. Some former socialist countries (Bulgaria, Slovenia and Romania) and Greece became full member of EU. Some Balkan countries (Serbia, Montenegro, Croatia, Bosnia-Herzegovina, and Macedonia) lived difficult war years. After the wars, they have started to struggle for economic, social and political reconstruction process. Each country in Balkan Peninsula wants bigger real per capita income, better welfare level, and generally become a developed country. But these countries have some political, economic and social problems in development process. The aim of this paper is to analysis Balkan countries in terms of development indicators such as education, population, national income and income distribution in 2000s. Moreover, new suggestions will be offered to accelerate development process at the end of paper.

Key Words: Balkan Countries, Development, Development Indicators

Introduction

Balkan Peninsula (South Eastern Europe) is an important area because of witness historic and politic experiences and incidents for ages. But it has been living historical alteration in recent decades. Although some Balkan countries (such as Turkey and Greece) were relatively stable in 1990s, there was war in Serbia, Montenegro, Croatia, Bosnia Herzegovina, and Macedonia. Some former socialist countries (Bulgaria, Slovenia and Romania) and Greece became full member of EU. The others have been struggling for this aim. In spite of Kosovo declared of independence in 2008, many countries haven't been accepting this situation. Nevertheless Balkan Peninsula is living relatively stable condition nowadays, compare with last ten years. Whole Balkan Countries, especially gain independence in recent decade, wants to become rapidly developed country. But all Balkan countries have some political, economic and social problems in this process.

After a long war and unstable political period, Balkans has taken an opportunity about their development process nowadays. This region has been gaining stable structure overtime and this stable period has been supporting development indicators. In this paper, Balkan countries are being analyzed in terms of development indicators such as education, population, national income and income distribution in 2000s. Moreover, new suggestions will be offered to accelerate development process at the end of paper.

This paper is organized as follows: the next section explains concept of development. Section 3 investigates indicators of development by using statistic data in this peninsula. Section 4 gives an analysis of development indicators for these countries. Section 5 offers some suggestions to accelerate development process. The last section provides some concluding remarks.

Concept of Development³⁴

After World War II, one of the important debating subjects is development. But generally development concept is accepted as a problem of underdeveloped countries. Underdeveloped countries don't perform industrial revolution, don't experience changing that it's bringing, and don't fulfill necessities of development process.

Development is being used sometimes instead of concepts as improvement, modernization, structural changing, and industrialization. This semantic shift complicates definition of development concept. According to Peet and Hartwick (2009:1), development is better life for most people means, essentially, meeting basic needs:

³⁴ According to Online Etymology Dictionary, Development concept used first time in 1756, "an unfolding, from develop + -ment). Of property, with the sense "bringing out the latent possibilities" from 1885. Meaning "state of economic advancement" is from 1902. Meaning "advancement through progressive stages" is 1836.

sufficient food to maintain good health; a safe, healthy place in which to live; affordable services available to everyone; and being treated with dignity and respect. Other definition about development that is innovative changes resultant in socio-economic structure of a country. It can be understood from these definitions that development is related not only economic paradigm but also social life, health system, educational and vocational structure, democracy, freedoms, human rights etc. For this reason, it is multidimensional and it spreads very long time.

Development is also related to economic growth. Stable economic growth process is very important for development. Unstable economic conditions affect negatively this process. In this point, being of stable economic structure is come into question. When being of stable economic structure, economic growth supports development process. This concept is more important for developing countries. For example, Turkey had big problems about unstable economic and political structure in 1970's and 1990's. Also, almost all Balkans lived unstable political and economic periods in 1990's.

There are also new approaches to development concept. The most important of these is belonging to Amartya SEN that had Nobel Economy Prize in 1998. Amartya SEN (1993:3) defines development that "as a process of expanding the real freedoms that people enjoy". Again according to SEN, development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states (Sen, 1993:3). The approach of SEN combines two important concepts: freedoms and development. Besides he recommends developing of freedoms before other indicators.

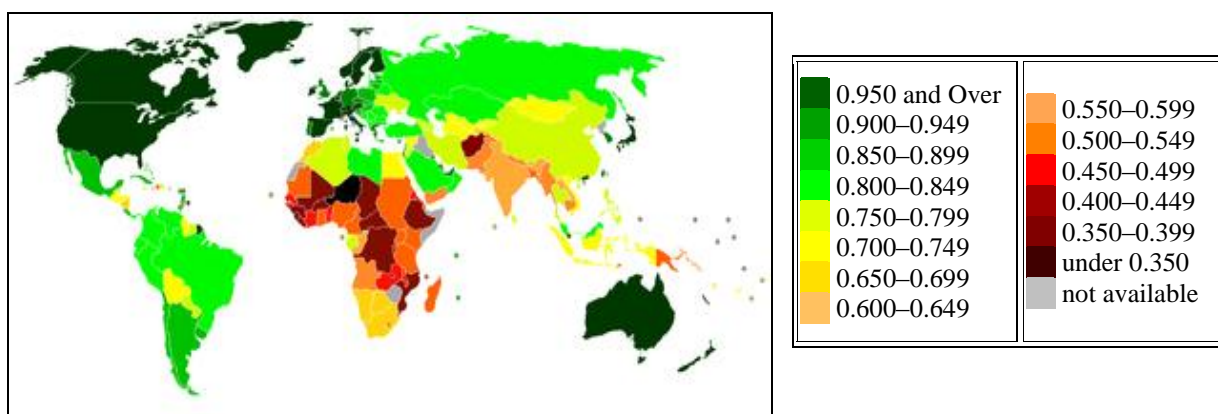
Main Development Indicators

For years many indicators have been used by economists in order to explain different level of development among countries. But which indicators are the best explanatories of level of development? We need to investigate indicators that are being used to explain development process by international institutions such as World Bank (especially World Development Indicators-WDI Online Database) and UN (United Nations, especially UNDP-United Nations Development Programme).

World Bank uses more than 331 indicators from the World Development Indicators (WDI) covering 209 countries. This indicators take parts inside of 16 topics such as Agriculture & Rural Development, Infrastructure, Aid Effectiveness, Labor & Social Protection, Economic Policy and External Debt, Poverty, Education, Private Sector, Energy & Mining, Public Sector, Environment, Science & Technology, Financial sector, Social Development, Health, and Urban Development (for details look at The World Bank, WDI Online Database).

UNDP calculates The Human Development Index (HDI). HDI includes some special data such as life expectancy at birth, adult literacy rates, gross primary-secondary and tertiary enrolment, GDP (gross domestic product) per capita (PPP - purchasing power parity- US\$). HDI separates three subgroup as developed (high development), developing (middle development), and underdeveloped (low development) countries.

According to Map 1, Africa, Middle East, South Asia and some South American countries have big problems in terms of level of human development. Especially in Africa, the level of human development is lower than other regions of the world.



Map 1: World map indicating the Human Development Index based on 2007 data, published on October 2009
Look at <http://hdr.undp.org/en/>, 25.04.2010

Again UNDP (United Nations Development Programme) uses to determine development level of each countries (particularly developing countries) eight topics as eradicate extreme poverty and hunger, achieve

universal primary education, promote gender equality and empower, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development in scope of Millennium Development Goals (for details look at UN - Millennium Development Goals 2009 Report).

Besides each country collect some data on development by using international standards. Hundreds of variables are being used by official statistical institution for this reason. Mainly of these variables are per capita GDP, literacy rate, tertiary education, unemployment rate, urban population, population growth rate, public expenditure on education, number of doctor, electric power consumption, number of computer and internet user, final consumption expenditure, daily newspaper, fertility rate, foreign direct investment, life expectancy at birth etc... Also Human Development Index and Democracy Index³⁵ are used to determine level of development in a country. The next section offers an analysis of development indicators in the Balkan countries by using some of these variables.

Analysis of Development Indicators for Balkan Countries

In this section, it will be investigated that situation of Balkans countries in terms of some indicators of development. But after the wars and unstable political period in the Balkans, some Balkan countries reached full independence in the different years. For this reason, we have data that has different initial year for each country (especially in 1990s). This problem has been almost solved in 2000s. But Kosovo's independence isn't being accepted by many countries. This situation complicates comparing all Balkan countries.

According to UNDP statistics, all Balkan counties (exclude Slovenia and Greece) are inside of High Human Development classification. Slovenia and Greece are inside of Very High Human Development classification (UN, 2009).

According to currently economic development literature, the best indicator of development is value of per capita GDP (Gross Domestic Product) in a country. Mostly Balkan countries have low per capita GDP. For example Albania has \$1677 per capita GDP in 2007; Bosnia and Herzegovina has \$2044; Bulgaria has \$2401; Macedonia has \$2061; Montenegro has \$2269; Romania has \$2595 and Serbia has \$1780. Exclusively Greece (\$15052), Croatia (\$5794), Slovenia (\$13333) and Turkey (\$5053) have relatively bigger than aforementioned countries' per capita GDP (see Table 1). It is possible that global crisis in 2008-2009 and financial crisis in Greece can be changed this figures.

	GDP per capita, (yearly, dollar) (2007)	Final consumption expenditure, etc. (% of GDP) (2007)	Literacy rate, adult total (% of people ages 15 and above) (2007)	Life expectancy at birth, total (years) (2007)
Albania	1677	96.53	99.04	76.5
Bosnia & Herz.	2044	111.89	96.66	75.0
Bulgaria	2401	85.30	98.28	72.7
Croatia	5794	78.67	98.72	75.7
Greece	15052	87.52	97.08	79.7
Macedonia	2061	96.66	96.99	74.1
Montenegro	2269	113.81	..	74.0
Romania	2596	82.77	97.60	72.6
Serbia	1780	98.95	..	73.4
Slovenia	13334	69.86	99.68	77.7
Turkey	5053	83.47	88.66	71.8

Table 1: Basic Indicators of Development in Balkan Countries

Note: Data comes from WDI Online Database

The other important indicator of development is final consumption expenditure (% of GDP). High levels of final consumption expenditure (% of GDP) refer low level intermediate product expenditure, capital goods (% of GDP) in a country. According to table 1, we can say that especially Bosnia & Herzegovina, Montenegro, Serbia and partially Albania have high level final consumption expenditure. These countries have also low level saving rates. For this reason investment amount in these countries is lower than the other Balkan countries.

³⁵ Look at Przeworski et al. (2000). They investigate relations between democracy and development.

Literacy rates are very close to percent 100 (exclude Turkey). Turkey has percent (88.66). This figure shows that Turkey is the worst country in terms of literacy rate in the Balkans (see Table 1).

Another important variable is life expectancy in birth. According to Table 1, Greece has the best figures with 79.7 years. Turkey has the lowest number with (71.8 years) (see Table 1). Life expectancy level in the Balkans (averagely) is lower than Euro area (80.4 years) and higher than world average (68.7 years).

Population growth rate is very slow in the Balkans. Especially Bosnia & Herzegovina (-0.14), Bulgaria (-0.48), Croatia (-0.04), Romania (-0.16) and Serbia (-0.43) have negative level population growth figures (see Table 2). Others (exclude Turkey and Slovenia) have also figures very close to zero. This situation is dangerous process for next years. Demographic structure will be very old in the next decades. This can bring social security problems similarly Germany and the other West Europe countries.

When table 2 is investigated in terms of foreign direct investment (FDI), we can see that Serbia (3.95) and Slovenia (3.34) have the best figures. Macedonia has the lowest number of FDI with (-0.01).

The lowest value of per capita electric power consumption is in Albania with 976.1 kWh. The highest value is in Slovenia (7123.5 kWh). Greece has the second best value of per capita electricity power consumption with 5372.1 kWh.

Unemployment, as percent of total labor force, is an important indicator of economic development. Macedonia (percent 36.02) and Bosnia & Herzegovina (31.09) have very high unemployment figures in 2006. Third high level unemployment figure is in Serbia with percent (20.84). But global crisis can be changed these figures in Balkan countries as generally world. For example, unemployment figure is percent 14 in Turkey in 2009.

	Population growth (annual %) (2008)	Foreign direct investment, net outflows (% of GDP) (2007)	Electric power consumption (kWh per capita) (2006)	Unemployment, total (% of total labor force) (2006)
Albania	0.35	0.14	976.1	..
Bosnia & Herz.	-0.14	0.16	2382.4	31.09
Bulgaria	-0.48	0.69	4311.3	8.94
Croatia	-0.04	0.42	3635.8	11.13
Greece	0.40	1.68	5372.1	8.75
Macedonia	0.03	-0.01	3495.4	36.02
Montenegro	0.23	..	..	..
Romania	-0.16	0.17	2401.6	7.22
Serbia	-0.43	3.95	4040.4	20.84
Slovenia	1.05	3.34	7123.5	5.73
Turkey	1.24	0.32	2078.4	9.86

Table 2: Basic Indicators of Development in Balkan Countries (Continued)

Note: Data comes from WDI Online Database

Income distribution is other considerable variable of development. The highest value of Gini index is in Turkey with (43.2). Macedonia (39.0), Bosnia & Herzegovina (35.8) and Greece (34.3) follow respectively Turkey. Croatia has the lowest value of Gini Index with (29.0). Beside share of poorest 10% of population in GDP is in Turkey with (1.9%). Again Turkey has the highest value in terms of share of richest 10% of population in GDP with (33.2%). The highest share of income in poorest 10% is in Croatia (3.6%) and the lowest share of income in richest 10% is also in Croatia with (23.1%). We can say that Croatia has the best figures in Balkans in terms of income equality (see Table 3).

	Share of income or expenditure (%)		Inequality measures	
	Poorest 10%	Richest 10%	Richest 10% to poorest 10%	Gini Index
Greece	2.5	26.0	10.2	34.3
Slovenia	3.4	24.6	7.3	31.2
Croatia	3.6	23.1	6.4	29.0
Bulgaria	3.5	23.8	6.9	29.2
Romania	3.3	25.3	7.6	31.5
Montenegro	..	..	..	..
Serbia	..	..	..	..
Albania	3.2	25.9	8.0	33.0
Macedonia	2.4	29.5	12.4	39.0
Bosnia & Herz.	2.8	27.4	9.9	35.8
Turkey	1.9	33.2	17.4	43.2

Table 3: Share of income or expenditure (%) and inequality measures in Balkan Countries in 2007.

Note 1: The Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequalities.

Note 2: Data was compiled from UNDP Human Development Index

Industrial production index is frequently used an indicator of development. When it is investigated industrial production index values of Balkan countries, Romania (120.6) has the highest value of industrial production index and Greece (101.1) has the lowest value (see Table 4). It is interesting that Serbia loses industrial production capacity, because Serbia has 113.1 index values in 1998, but Serbia has 108.6 score in 2007. Also Greece loses production capacity. Beside we haven't got Albania's index value.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	97.0	111.5	124.8	100.0	110.7	86.6	81.9	..	..	..
Bosnia & Herz.	53.7	59.3	64.8	72.8	79.6	83.3	94.4	100.0	107.4	117.3
Bulgaria	..	..	68.6	70.0	73.3	82.9	93.5	100.0	106.0	116.2
Croatia	80.5	79.5	80.7	85.5	89.7	92.7	95.6	100.0	104.1	109.3
Greece	95.1	95.1	100.8	98.7	99.3	99.8	100.8	100.0	100.8	103.4
Montenegro	91.4	84.4	87.6	87.0	87.5	89.6	101.9	100.0	101.0	101.1
Romania	76.3	74.4	97.0	100.8	100.9	100.5	102.9	100.0	109.3	120.6
Serbia	113.1	84.1	93.7	93.8	95.5	92.6	99.2	100.0	104.7	108.6
Slovenia	81.6	81.1	86.2	88.7	90.9	92.1	96.6	100.0	105.7	113.3
Turkey	77.8	74.9	79.4	72.5	79.4	86.3	94.7	100.0	105.8	110.6

Table 4: Industrial Production index (2005=100) in Balkan Countries

Note: Data comes from UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Only economic indicators are necessary, but not sufficient for comparison whole Balkan countries. For this reason we need other pointers. We investigate Human Development Index values and Democracy Index values for Balkan countries.

Table 5 shows HDI ranks and values for Balkan countries in 2003 and 2009. The highest value is belonging to Greece with 0.892 and its rank in HDI is 24 in 2003. Again Greece has the highest values of human development index with (0.942) and its rank is 25 in the world in 2009. Turkey (0.806) has the lowest value of HDI in 2009 and its HDI rank is 79. When 2009 ranks are compared with 2003, Greece, Bulgaria, Macedonia, Bosnia & Herzegovina lose former position. But Croatia, Romania, Albania and Turkey obtain better position.

Country Name	HDI rank in 2003	Human development index value 2003	HDI rank in 2009	Human development index value 2009
Greece	24	0.892	25	0.942
Slovenia	29	0.881	29	0.929
Croatia	47	0.818	45	0.871
Bulgaria	57	0.795	61	0.840
Romania	72	0.773	63	0.837
Montenegro	-	-	65	0.834
Serbia	-	-	67	0.826
Albania	95	0.735	70	0.818
Macedonia	60	0.784	72	0.817
Bosnia & Herz.	66	0.777	76	0.812
Turkey	96	0.734	79	0.806

Table 5: Situation of Balkan Countries in Human Development Index Values

Note: Data was compiled from UNDP Human Development Report 2009 (calculating with 2007 values) and UNDP Human Development Report 2003 (calculating with 2001 values)

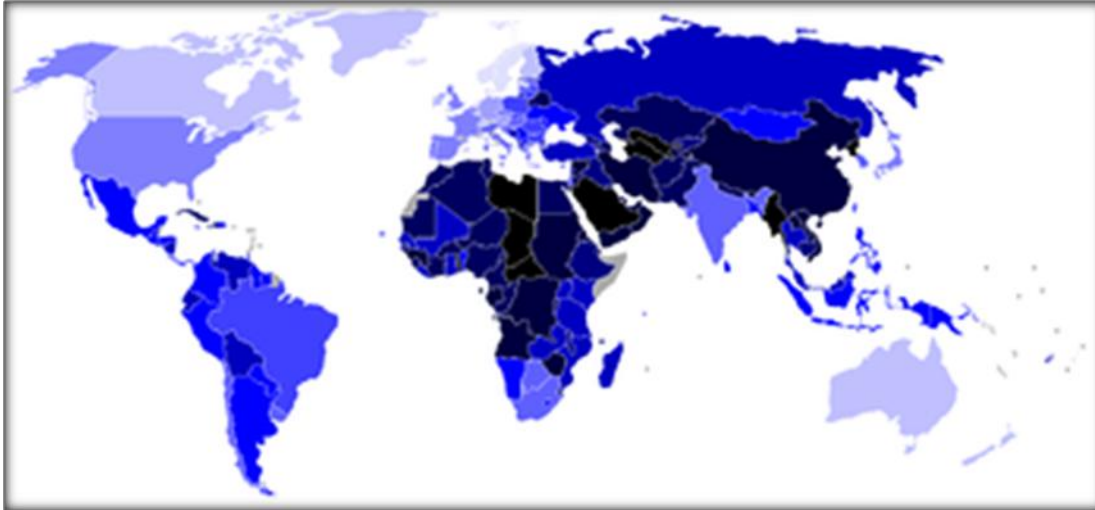
Another important thing about development is democracy level in country. We can investigate democracy index to understand this relation. Democracy Index is calculated by The Economist Intelligence Unit based on the answers of 60 questions for 167 countries (EIU, 2008). According to Table 6, Greece is the strongest democracy in Balkans. The weakest democracy in the Balkans is Turkey. While Greece and Slovenia have full democracy; Albania, Bosnia & Herzegovina and Turkey have hybrid regime. This situation is generally parallel to economic development levels.

Country Name	Rank in the Index	Kind of Democracy	Score
Greece	22	Full Democracy	8.13
Slovenia	30	Full Democracy	7.96
Romania	50	Flawed Democracy	7.06
Croatia	51	Flawed Democracy	7.04
Bulgaria	52	Flawed Democracy	7.02
Serbia	63	Flawed Democracy	6.49
Montenegro	65	Flawed Democracy	6.43
Macedonia	72	Flawed Democracy	6.21
Albania	81	Hybrid Regime	5.91
Bosnia & Herz.	86	Hybrid Regime	5.70
Turkey	87	Hybrid Regime	5.69

Table 6: Democracy Index (2008)

Note: Data comes from The Economist, Economist Intelligence Unit

When Democracy Index (2008) values are accommodated in the Map 2 for each country, lighter colors show more democratic countries and darker areas represent authoritarian countries. Especially North America and West Europe have lighter colors. Africa, Middle East and Asia countries have mostly darker colors. Balkan countries have averagely values.



Map 2: World Map Indicating the Democracy Index (2008)

Look at http://en.wikipedia.org/wiki/Democracy_Index, 01.05.2010

After analysis of indicators that are belonging to Balkan countries, we offer to accelerate development process of Balkan countries some suggestions in the next section.

Suggestions for Development Process of Balkan Countries

When it is considered special position of Balkans (multi cultural, multi religion and multi ethnical), to offer new suggestions are quite difficult. Even so, we explain some suggestions for Balkan countries below:

Stabilization Policy

Balkans had important problems it's throughout history. Especially after Ottoman Empire, unstable politic and economic life started in all Balkan Peninsula. With together socialism, there was relatively stable politic and economic life. However, after collapse of socialism, again war, blood, tears and unstable politic and economic life came back in Balkans.

Nowadays Balkans has been living more stable days. We know that development is closely related to stable politic and economic structure. For this reason, the first and the most important stage strengthen of stabilization process.

To strengthen stabilization process;

- European Union full membership process should be accelerated for Balkan countries that are not member of EU.
- By considering ethnic, religion and cultural structure of the region, bilateral goodwill (bona fides) agreements should be signed among countries.
- Some countries in the region should play a part in this process as a mediator. For example, Turkey invited presidents of Bosnia & Herzegovina and Serbia to talk problems between two countries in the last April.
- All Balkan countries should be invited international institutions. For example Bosnia & Herzegovina was invited to NATO in the last April 2010. Invitation of only Bosnia & Herzegovina is necessary, but it is not enough. For this reason, all Balkan countries that are not member of NATO should be invited.
- By protecting cultural, ethnic and religion diversity, an interior peace law should be composed agreeable by different society parts.

Trade Policy

- EU trade policy should be accepted by all Balkan countries.
- Free trade should be improved in the Balkans. Tariffs and other arrangements should be reciprocally dropped.
- Visa applications should be facilitated to improve trade among Balkan counties for especially businessman and scientists.
- Bilateral trade agreements should be improved.

- Collective science, education and R&D agreements should be signed.
- Balkan Common Wealth that is including all Balkan countries should be established in the next time.
- Substructure of information and communication technologies should be developed.

Goods and Service Production

- Manufacture and service sectors should be supported by government.
- Productivity level of industry should be accrued.
- To support industrial production, it should be allowed to transfer of technology.
- Barriers in front of foreign direct investment should be decreased.

The Others

- Tax system with progressive rates should be performed to decreasing Gini Index and social benefits of poor population should be improved.
- Banking system should be developed and its trustworthiness level should be boosted.
- Barriers for touristic travel should be diminished. Especially visa application should be facilitated.
- Countries that have insufficient capital for investment need foreign direct investment to accelerate of economic development. For this, it should be allowed foreign direct investment for whole sectors.
- Democratic reforms such as human rights, constitutional state, economic freedoms, freedom of thought should be performed particularly in Turkey, Albania and Bosnia & Herzegovina.
- The bigger part of budgets should be gone to education and productive investment.

Conclusions

When compare with developed countries, Balkan countries (exclude some full members of EU such as Greece and Slovenia) has important problems about economic development. Many countries in this region have less level GDP figures. Also human development and democratic level are not sufficient.

Nowadays, Balkan Peninsula has some opportunities related to development process after the war and unstable politic and economic life. These opportunities can be realized forthcoming periods. But this is depends on better orientate and management of economic, politic and social processes. Besides protecting and improving of stabilization process will be important in the next decades.

It is a reality that war and unstable politic and economic conditions encourage backwardness, poverty and anti-democratic applications of governments. Conversely peace, trade, stable politic and economic life cause better conditions for all nations in the Balkans.

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