

**“Free Trade Zone in Southeast Europe:  
Achieving Genuine Regional Economic Integration”**

**ACTIVITY REPORT**

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The work on the project during the fellowship year had several major aspects. Each of the following major type of activities outlined below proved to be an effective strategy.

## **1. Research Work**

### ***1.1. Interim research results***

In the period 1 July 2002 till 31 December 2002, I undertook the following steps to complete the proposed research objectives relevant to the analysis of the trade relations of Bulgaria with SEE countries and the successes and failures of CEFTA:

- 1 During the first half of the fellowship year the first part and the second parts of my research were finalized according to the time schedule.
- 2 Within the period 1 July 2002 till 30 September 2002 I carried out a complete review of the trade relations of Bulgaria with of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Romania and Yugoslavia. On the basis of the data collected during the research the trends in the development of the trade relations, major groups of commodities as well as the current status of trade relations was identified. The main obstacles preventing the increase of trade with SEE countries from Bulgarian standpoint were also identified.
- 3 Within the period 1 October 2002 till 31 December 2002, I carried out an analysis of the successes and failures observed within the 10-year history of CEFTA. Parallels between CEFTA and the Free Trade Zone in Southeast Europe were drawn and as a result of the analysis a number of risks related to the speed of regional trade integration in SEE were outlined. The future of CEFTA was also discussed in view of the prospective membership of CEFTA members in the European Union. The stage of tax harmonization in five CEFTA member states was also analysed.
- 4 The implementation of the Memorandum of Understanding was also tracked and a snapshot of existing bilateral free trade agreements within Southeast Europe is provided in my interim research as at 30 September 2002.
- 5 Within the above periods I started work on the last part of my research – “Avoiding the traps”, which will be a logical conclusion of findings reached during the fellowship year.
- 6 The intermediate results of the research work were summarized in a research paper, which was published on the Internet.

## ***1.2. Final research results***

In the period 1 January 2003 till 30 June 2003, I undertook the following steps to finalize the proposed research objectives relevant to the analysis of the relationship between foreign direct investment and tax incentives, the effect of liberalization of trade on GDP growth rates and perspectives for social cohesion with EU Member States, as well as the last part called avoiding the traps:

- 1 During the second half of the fellowship year the remaining three parts of my research were finalized according to the time schedule.
- 2 Within the period 1 January 2003 till 31 March 2003 I carried out a complete review of the relationship between FDI and tax incentives. The effect of tax incentives available in Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Romania and Serbia and Montenegro were thoroughly analyzed.
- 3 Within the period 1 April 2003 till 31 May 2003 I carried out an analysis of the relationship between trade liberalization and GDP growth rates for Southeast Europe. The anticipated effect from the Free Trade Zone in terms of accelerated GDP growth was also calculated.
- 4 Within the period 1 June 2003 till 30 June 2003 I summarized my research findings in the last section of the research paper called: avoiding the traps. Within that period the simulation model for calculating the years within which each SEE country will achieve cohesion with EU Member States was developed and tested.
- 5 At the end of June 2003, I visited CEU Budapest and communicated the final results of the research with my mentor. Within that period I also had to opportunity to visit the CEU library.
- 6 The results of the research were discussed with representatives of the Ministry of Finance of Bulgaria, Bulgarian Parliament officials, experts and my mentor as valuable feedback was obtained.
- 7 The final results of the research work were summarized in a research paper, which was published on the Internet. Please, follow this link to view the final version of the research paper ([www.policy.hu/ranchev](http://www.policy.hu/ranchev)).

## **2. Publications**

During the fellowship year I continued my publications. Delova Sedmica weekly published on its first page my article related to the prospect for establishment of the Free Trade Zone in Southeast Europe. A number of other publications are under review (including one in Albania) and will become available to the interested specialists in the following months.

The final policy paper targeted the seven SEE governments, the Bulgarian Ministry of Economy, the Stability Pact, the EU and the international financial organizations and was published as a supplement to one of the specialized editions – Delova Sedmica which gave it an outreach of more than 1,000 subscribers in Bulgaria.

## **3. Other activities**

During the fellowship year, I continued the promotion of my book based on the research findings called: “The Balkans: Free Trade Zone. Harmonization of the tax and customs legislation.” The book was advertised in the book review section of “Capital” weekly and the reaction of the interested specialists and the media was quite encouraging. A number of lecturers also listed the book as a reference material to the students in the University of National and World Economy in Sofia and University of Plovdiv. Copies of the book were distributed to the major Bulgarian national and university libraries, experts in the Bulgarian Parliament, the office of the World Bank in Bulgaria, NGOs, government officials, politicians, etc.