

***Economic Growth and
Market Access Challenges in
Bulgaria, Romania, and Turkey***

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Outline

- Dynamic Economic Growth
- Root Causes of this Growth
- Dangers to Long-term Expansion
- Specific Market Access Barriers
- Energy Security in the Black Sea
- The Importance of the EU



Dynamic Growth

- One of the fastest growing regions in the world
- Bulgaria, Romania, and Turkey all have rebounded from severe economic contractions
- Become stable economically and politically



Dynamic Growth (cont.)

<u>2005</u>	GDP (\$Billions)	GDP Growth (percent)	Export Growth (percent)
Bulgaria	25.8	5	17
Romania	72.7	4.1 (8 in '04)	16
Turkey	332.5	7.5	18



Dynamic Growth (cont.)

<u>2005</u>	FDI (\$billion)	Inflation (% incr.)
Bulgaria	2.3	5
Romania	6.2	9
Turkey	9.6 (\$2.85 billion in '04)	8



Where is this growth coming from?

- Privatization – get it out of our hands
- Sound economic policies – inflation is down and Bulgaria has a surplus
- EU Accession – reform or else
- Reform programs are less likely to be cyclical



Threats to Economic Growth

- Corruption
- Politics
- Stalling Turkey's EU Aspirations
- Current Account Deficits
- Energy dependence



Market Access Barriers

- Corruption
- Excessive Bureaucracy
- IPR Protection
- Judicial Systems



Energy Security in the Black Sea

- Environmental – increased traffic in Bosphorus
- Diversification of Sources of Supply
- Caspian Sea to Western Europe via Black Sea pipelines
 - Baku-Tbilisi-Ceyhan
 - Constanza-Trieste
 - Burgas-Alexandropoulos
 - AMBO
 - Odessa-Brody



Energy Security in the Black Sea (cont.)

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- Alternative energy is key
 - Nuclear
 - Wind, hydro, etc.
- Attracted significant foreign investment
 - Petrom/OMV in Romania
 - AES in Bulgaria
 - BP/BTC in Turkey



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The Importance of the EU

- Critical for reform efforts in Romania and Bulgaria
- Directed what needed to be done and when
- Necessary scapegoat – used throughout the EU to justify reforms
- No EU = Danger of a backlash in Turkey
- Structural and Cohesion Funds

