ON THE LENGTH OF THE TRANSFORMATION PERIOD
IN FORMER COMMUNIST COUNTRIES

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The Republic of Bulgaria has undergone two transformation periods in the last 60 years:

The first one – after Word War II. The second one – after 1990 and the ongoing change in the system.

Today people ask themselves – How long will this transformation take? When will the radical changes in the social and political system end? When will the economic stratification of the population be brought to an end?

We are not going to discuss the variety of partial and specific transformations which are to a large extent a subject of the contemporary technological process. They are continuous.

We are interested in the main transformation that would result in something visible – normalization of the life of the Bulgarian people, the emergence of a society in which exploitation of wage labour is confined within tolerable limits and human dignity is safeguarded.

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1. The different parts of the study are developed as follows: Prof. At. Damyanov DSc - introduction, items 1, 2 and 3; Chief Ass. Prof Dr. Iliev, DSc - item 4 and possible conclusions.

1. Intensified inequity dynamics and asymmetry in the world

Generally, when this process is considered we have in mind the advanced countries and the so-called "peripheral countries".

The process is characterized by the following main features:[2]

First, the modern west and far-east communities, with their complex institutions and abundance of resources, create new conditions for international interaction, competition and exchange, the price of which exceeds the scarce financial resources both of the transition countries and the peripheral economies. However, the elite of these economies senses the pressure to imitate, otherwise a nation would be helpless, unable to take part in the "global civilization" and culturally incapable of communicating in international terms.

Following this direction, however, *could create a considerable disproportion between the needs of a modern administration, diplomatic services and military staff, on the one hand and the actual capacity of the underdeveloped economies to produce the needed surplus and to manage the endemic tension between revenue and expense on the other.*

Second, the explanations of the inequity dynamics originate from the common criticism of the theory of D. Ricardo concerning comparative advantages, criticism which doubts its applicability to peripheral economies. A possible view approaches the problem in the sphere of exchange relations by three related and contradictory assumptions:
• trade is a key factor for accumulation of capital and national prosperity;
• the typical export profile of the peripheral economies contains "lower category" goods, involving higher amount of labour;
• when these "lower category goods" are exchanged with "higher category" goods the surplus is transformed from the one type to the other type of economies.

Third, *this is the dilemma between the International demonstration effect (IDE) and Relative deprivation (RD).*

The international demonstration effect is generated by the material progress of the advanced countries: while their standards of consumption, conveniences, health care and expectations of life are a product of the ongoing technology revolution within their national borders, the idea of these standards is fast moving, creating new expectations, which cannot be satisfied by the method of production in the economically underdeveloped countries.

In the short run the effect of these expectations is an increase in consumption aptitude and a decrease in savings aptitude.

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2. Janos, A. C. Paradigms revisited: Productionism, Globality and Postmodernity in Comparative Politics. In: World Politics № 50, 1977, .p. 118-149.

In the long run it results in "relative deprivation" and social discontent, often aggravated by the "peripheral countries paradox", though the relativity of the shortage requires a strict state system, *such countries from the periphery often become an instrument in the hands of a political class which aims to improve its own material conditions to the standards of the developed countries.*

Both the "International demonstration effect" and "relative deprivation" are characteristic of our times. But the ideas that support them take us back in the history of the economic thought to David Hume in the 17th century, to Adam Smith in the 18th century and to Karl Marx in the 19th century.

The insights of these early political economists were developed in the last century by Thorstein Veblen who points out that the economic expectations of the individuals are formed by the consumption models of the others or *by 'the power of the constructive imitation of the standards of the respectable expenses".*

2. R. Bulgaria and the trajectory of the J-curve

Since 1990 our social system and economy, in particular, has followed the trajectory of the J-curve (see fig. 1).

The J-curve is an instrument to analyse the policy of economic reforms and is based on the assumption for distribution of expenses and the benefit from them.[3]
In this sense *the economic reforms generate transition expenses in the short term before they begin to generate the expected economic and social benefit.*

Figure 1.

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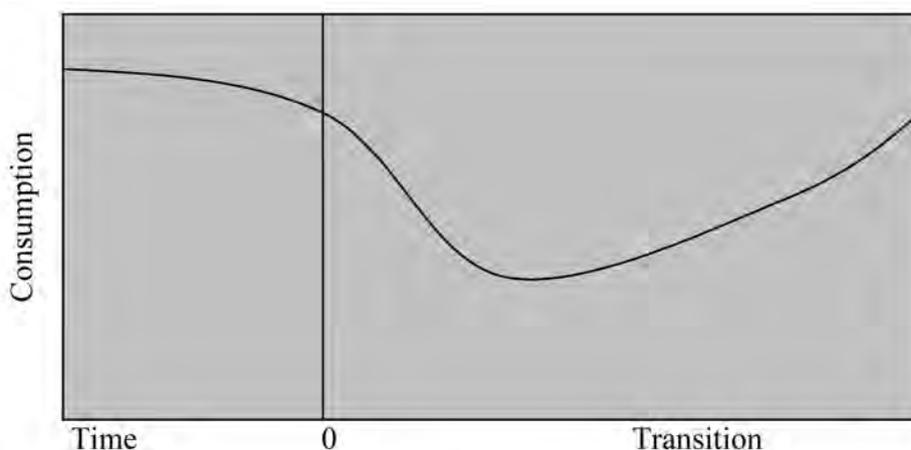
3. Prezeworski, A., Democracy and Market, Cambridge University Press, N.Y. 1991, pp. 138-143

Following the philosophy of this curve we experience the influence of another retaining and deforming factor – the external debt. We can definitely confirm that we have passed over from *a debt crisis* to *the external crisis pressure*, some of the problems being positively reduced, others – temporarily deferred. Their cyclical reproduction on a smaller scale will trouble the Bulgarian people for many years.

These introductory views and thoughts may be considered strange. In our opinion, however, they suggest the need to master the "art" of the phenomenon of internationalization of economic life.

To know, to master and to apply this "art" gives a wide opportunity:

First, *to reduce the endemic tension between revenue and expenses in the national economy;*

Second, *to change the export profile of produced and traded goods;*

Third, *to head in a positive direction from the trajectory of the J-curve.*

Fourth, *to ease the pressure of the external debt.*

Fifth, *to lay stress on the "command of the international language" – in some cases to master its contemporary condition, in others – to take out of use the obsolete terms (words).*

Decoded, these five messages lead to the micro-economic level, where Bulgarian companies face a number of challenges of intra-national and inter-national origin.

3. Archetype scenarios

In his research "How to develop and Use Scenarios", published in 1987 Long Range Planning magazine[4] S. P. Schnaars outlines three types of scenarios:
a) Business-cycle scenarios;
b) Archetype scenarios;
c) Research type scenarios.

In their interpretation we would pay attention to the second type, and namely the "archetype scenario" (see Fig. 2)

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4. Schnaars, S. P., How to develop and Use Scenarios. In: Long Range Planning. Vol. 20, № 1, 1987, p.110

Figure 2.
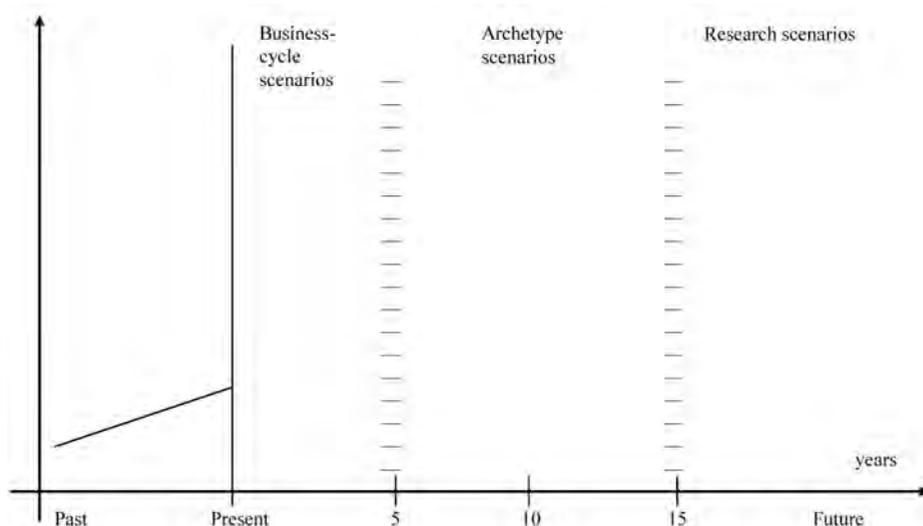
With this type of scenario we can describe alternatives for the development of social and political and economic structures. The concept "archetype" refers to fundamental changes in development.

In such a scenario the society can:

• pass through periods of painful, tough restructuring of economy, in respect of produced goods, of foreign economy relations, of economic inertia cessation, etc;
• introduce growing innovation or - as it is fashionable to say nowadays "In Search of Innovation";
• create a new growth platform.

   The length in time of implementation of these scenarios is 15 years.

4. The Republic of Bulgaria on the economic map of the World and the region.

A summarized export pattern of the countries in the region in terms of global economic diversity can be outlined with the help of the following economic aggregates:

• Gross domestic product per capita
• Export
• Export per capita.
• Export per sq km of the country's surface area
• Imports

   This general economic pattern does not aim to prove high diversification, but in practice it does so.

The macro-economic indicator gross domestic product per capita for 2002 clearly shows the distance from the developed countries (World level 2002) and the rating between 71st and 150th position in the world. The only exception is Greece, which is a member of the European Union (33rd position).

Table 1.

№	Countries	Volume ($)		World level		Regional level	
		2002	2005	2002	2005	2002	2005
1	Albania	2 900	4 900	118	136	7	8
2	Bosnia	1 700	6 800	150	115	9	7
3	Bulgaria	6 200	9 000	81	89	3	3
4	Greece	17 200	22 800	33	43	1	1
5	Macedonia	4 400	7 400	96	107	6	6
6	Romania	5 900	8 300	83	96	4	4
7	Serbia and Montenegro	2 300	2 600	132	166	8	9
8	Turkey	6 800	7 900	71	101	2	5
9	Croatia	5 800	11 600	84	77	5	2

Source: Globastat and The World Factbook

Three years later this distance is preserved, and though Greece is ten positions down in the world rating, it remains a leader in the region. In absolute values all countries in the region register growth, but it is not enough to take higher positions in the world rating. Only the growth rates of Bosnia and Croatia provide for a higher position, which is reflected in the regional rating. Bulgaria registers a step back in the world rating, but keeps the third position among the countries in the region.

This negative result is a consequence of a complex set of reasons. Some of them can be traced back in history, for instance;
• The political division of Europe after World War II;
• The political division of labor in the former socialist countries;
• The artificial "injecting" of a country from the region with funds as a consequence of the "Cold War";
• The establishment of artificial state construction after World War I in the region;
• The destroying of entrepreneurship and the free spirit in some countries from the region during the last 50 years;
Other reasons can be traced in the last 15-20 years such as:
• The complex set of geopolitical interests that interweave in the region;
• The military conflicts and ethnical turbulence in some of the countries;
• The political remapping of the region.

The foreign trade and export structure are important for the future development of the region and for the countries and their companies (see tables No 2, 3 and 4).

The exports of the countries from the region register growth at rates which give them the opportunity to take higher positions in the world rating. The only exceptions are Greece and Macedonia. Bulgaria preserves its regional level, in spite of the rise in exports in absolute values to a higher position in world scale.

Table 2.

№	Countries	Exports					
		Volume ($) mln		World level		Regional level	
		2002	2005	2002	2005	2002	2005
1	Albania	310	709	151	151	9	9
2	Bosnia	950	2 700	119	110	8	7
3	Bulgaria	4 800	11 670	77	70	4	4
4	Greece	15 800	18 540	50	62	2	3
5	Macedonia	1 400	2 047	112	118	7	8
6	Romania	11 200	27 720	57	56	3	2
7	Serbia and Montenegro	1 500	5 485	111	92	6	6
8	Turkey	26 900	72 490	40	36	1	1
9	Croatia	4 300	10 300	79	73	5	5

Source: Globastat and The World Factbook

The dynamics can be traced in the export per capita indicator. Romania, Turkey and Bulgaria register progress and improve their regional positions by one. Greece yields precedence to Croatia and Macedonia steps three positions back among the countries from the region.

Table 3.

№	Countries	Export per capita					
		Volume ($) mln		World level		Regional level	
		2002	2005	2002	2005	2002	2005
1	Albania	88.31	198.93	150	168	9	9
2	Bosnia	242.21	609.41	122	120	7	7
3	Bulgaria	622.77	1566.37	89	85	4	3
4	Greece	1487.22	1737.85	53	79	1	2
5	Macedonia	684.19	1000.85	84	101	3	6
6	Romania	500.80	1241.38	97	91	5	4
7	Serbia and Montenegro	140.49	506.50	134	129	8	8
8	Turkey	404.55	1040.62	104	96	6	5
9	Croatia	992.12	2290.97	64	69	2	1

Source: Globastat and The World Factbook

There is a considerable dynamic in the export per sq km indicator, too and the situation is identical to the export per capita indicator. Croatia, Romania, Bulgaria, Turkey and Serbia and Montenegro improve their regional positions by one. Greece yields precedence to Croatia again.

Table 4.

| № | Countries | Export per sq km | | | | | |
| | | Volume ($) | | World level | | Regional level | |
		2002	2005	2002	2005	2002	2005
1	Albania	10 783	24 656	117	131	9	9
2	Bosnia	18 580	52 808	102	102	7	8
3	Bulgaria	43 278	105 202	76	76	5	4
4	Greece	119 751	140 518	52	64	1	2
5	Macedonia	55 264	80 804	69	91	3	6
6	Romania	47 158	116 716	74	71	4	3
7	Serbia and Montenegro	14 656	53 591	110	101	8	7
8	Turkey	34 462	92 867	83	83	6	5
9	Croatia	76 050	182 165	64	57	2	1

Source: Globastat and The World Factbook

As far as imports on the world and regional level are concerned the pattern is the same, in spite of the higher absolute volumes and some slight transpositions in the world rating. Turkey remains the largest importer in the region (25th position in 2002 and 27th in 2005 in the world).

Table 5.

| № | Countries | Import | | | | | |
| | | Volume mln ($) | | World level | | Regional level | |
		2002	2005	2002	2005	2002	2005
1	Albania	1 000	2 473	130	125	9	9
2	Bosnia	2 450	6 800	102	89	7	7
3	Bulgaria	5 900	15 900	74	66	5	5
4	Greece	33 900	48 200	36	40	2	2
5	Macedonia	2 000	3 196	107	116	8	8
6	Romania	11 900	38 150	55	45	3	3
7	Serbia and Montenegro	3 300	11 940	89	72	6	6
8	Turkey	55 700	101 200	25	27	1	1
9	Croatia	7 800	18 930	65	61	4	4

Sources: Globastat and The World Factbook

Although the figures in tables Nos. 1, 2, 3, 4 and 5 and our considerations are intended as illustrations and make no pretence to be exhaustive, they suggest some basic conclusions:

• The developed countries are far ahead, except for Greece, though some indicators register positive trends.
• There are new features of the countries – newly emerged markets/countries.
• There are 'the early started' and 'the late started', or the economic mix is of wide range.
• Compared to 2002 in 2005 there are transpositions in the ratings of the countries in the region. This is an indication of the vitality of the emerging countries/markets, of the drive towards membership of the EU.

Possible conclusions

In *item 1* the stress is laid on the transformation "on principle", on the ongoing stratification of the society, on the fact that obvious asymmetries in economic, political and social aspects can be identified.

This stress is more of an explanatory nature and does not give an answer to the specific question.

In *item 2* the stress is laid on the directions of transformation, as a starting point, trajectory, transformation expenses

In item 3, we find qualitative and quantitative characteristics:

a) Painful and tough restructuring;

b) Length of about 15 years.

All these dimensions, even measured in time do not, again, supply an answer to the question why the transformation is still going on.

The considered concepts, as well as other possible concepts, do not account for the contradiction which has emerged between market relations and the form of ownership.

Other transformed economies, like the Spanish, the Portuguese and others, did not experience change in ownership.

Then what?

Then we look for the answer in the Bible. And in the story about Moses – 40 years.

Both the East and the West in Europe need these years.

This period of time is needed to achieve complex transformation:

a) Intra-national;

b) External, international.

Both transformation directions involve a psychological aspect, too.

In my opinion, Bulgaria and Romania, and later the rest of the countries in the region will achieve the necessary convergence.

They have fresh resources for taking off: acquire and demonstrate new approaches for building and managing change; enhance skills in resource planning and delivering results – oriented performance; develop an understanding of key functional areas, increase functional capability; explore new mindsets that enable you to think beyond traditional methods; develop an international network of peers to explore new approaches exchange ideas, and encourage through challenging opportunities.