



Original Contribution

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THE DEPLORABLE STATE OF THE BULGARIAN ECONOMY REQUIRES URGENT MEASURES FOR ITS MODERNIZATION, BUT CREATES ENORMOUS DIFFICULTIES FOR THE INVESTMENT PROCESS

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Abstract: . *Our country and our small open economy is heavily dependent on the world market, as we have no practical impact on the development and functioning of this market, we consume all its positives and assets.*

Key words: *modernization , economy, competitiveness, international market, mobility*

Introduction

Some general trends and issues for the country in search of goals and priorities. Our country and our small open economy is heavily dependent on the world market, as we have no practical impact on the development and functioning of this market, we consume all its positives and assets.

Exhibition

In past Bulgaria was linked to the USSR, although hardly lost on it. From there was brought energy at favorable conditions, iron ore, machinery and others.

Within our specialization in the former Union for Mutual Economic Assistance the country exported production machines - 60% of our exports were machines and complete projects, some of which brought convertible currency. We specialized in electronics, where we had a serious export. Now for about 18 years we have lost these exports. Generally, the technology-intensive products now occupy about 2-3 % of our exports while for example for Hungary this share is 26%, EU 22%, U.S. 30% and Japan 32%.

Our agriculture underwent ideologically driven rout and was broken. Relatively easy it could be converted while maintaining cooperative form. Until

about 25 years ago it could feed two thirds of Bulgaria and the country was established exporter of various agricultural products, now experiencing great difficulties in ensuring our food balance.

Seriously were underestimated the care of the biosphere and the environment. Requirements in this area are still strong and our business should invest 15-20 billion for the modernization of a number of technologies related to metallurgy, power generating, chemical, cellulose, cement and other enterprises. Current state of the economy shows that we are lagging behind by as much as technological eras. We still live in the economy of "smoking chimneys". It is very hard and will become increasingly difficult to catch up. Modernization of the economy in its current state is difficult to achieve. All scientific fields were ruined, industry research and development centers that power applied to the real economy developments collapsed in a very short time due to lack of funding and users of their products. While in 1988, research expenditure amounted to 2.6 to 2.8 % of national income , they are now more than 0.5% , in which one third of these funds come from international programs and projects. One - two generations of scientists retired and a great number of young and middle generation sought work abroad.

The lack of an active strategic policy led the country to a disadvantage in the international division of labor. It still remains specializes in archaic procedures. We continue to sew clothes to order for users with modest purchasing power . We specialize also in the production of ferrous and non-ferrous metals such as low-quality export products with low value added and manufactured using imported raw materials.

While commodity prices constantly rise, our companies invest very large amounts of energy in the production of semi-finished products that sell at very low prices.

The accumulation rate reached about 25% by 2010-2014, but should not be overestimated , as in previous years were finalized privatization of major state-owned , which attracted significant foreign investment in recent years account for almost half of the gross fixed capital formation, i.e. internal sources of accumulation are at much lower level.

The global financial crisis has affected mainly the shares of financial institutions , the decline primarily reflects the still fragile investment culture in the country and the fear of loss. Small investors expect that every lev invested in bank shares on the stock exchange should bring big dividends , disregarding possible variations for a certain period . Our country is not the enclave, which is causal by global trends . However, the Bulgarian banking system is unlikely to be affected by the global crisis such as the U.S. and Western Europe. It can be said that the shares of public credit institutions in the country are highly underestimated . For example, they can not be traded at price / book value (P / B) 2 or 2.5 times when the average annual asset growth in our banking system is much higher than in Europe sector . Evidence that current share prices

are unrealistically low , recent transactions are international units of certain credit institutions in Bulgaria , and quoted on the stock exchange , including acquisitions of CIB. In this connection it is appropriate for investors now rely on the banking sector in order to benefit from lower prices. Report for the first quarter of 2008 for banks entirely depicted that there are concerns about disruptions and shrinking profits, since their portfolios work well . Offer significant opportunities and projects under the European Structural Funds , especially when zadyagat modernization of various activities. The scope for investment in banks there as those who risk now will earn more .

Conclusion

The main problems facing the economy of Bulgaria , which hinder its modernization are:

- lower labor productivity - now 25% of those in the EU and 19% of those in the U.S. ;
- lower quality of infrastructure and the worsening trend with serious implications for the development of tourism ;
- lower ability to co- management of large infrastructure projects , including municipal administration;
- widening of regional disparities;
- higher current account deficit of the balance of payments;
- lower mobility of human capital and long-term unemployment (10-12 % vs. 3 % in the EU and 1.5 % in the U.S.) ;
- increasing energy intensity of the economy - in our energy expended per unit of production is 9 times higher than the EU average ;

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