



Managing Economic Transition in Eastern Europe: Emerging Research Issues

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European Union Enlargement and the Future of Sub-Regional Co-operation in CEFTA

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Abstract

CEFTA has been in force since 1993. Its main objective has been to support the participating states' integration with the European Union through the development of the sub-regional free trade area. To date, the success of CEFTA has been apparent in a variety of ways, including: (a) fostering economic reintegration within central and eastern Europe; (b) contributions to 'soft' security in the sub-region;

(c) various indirect contributions to the EU pre-accession process; (d) its attractiveness to various other central and east European states (Croatia, FYR Macedonia, Ukraine, Moldova). The aims of this paper are firstly to discuss whether there is scope for further intensification of cooperation in CEFTA during the run-in to the first wave of EU enlargement and secondly to consider the maybe more important question of whether CEFTA itself can undergo further expansion and thereby make a contribution to anchoring some of the as yet more peripheral central and east European countries into the 'new' European economy.

Foreign Direct Investment Practices: the Case of Greek Companies in the Balkans

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Abstract

In the past years a very limited number of Greek enterprises had invested abroad (foreign direct investment-FDI) and the cost of investment was rather immaterial. This situation changed radically during the current decade with the trend of economic co-operation and investment activity in the Balkan States. Many big and medium size Greek enterprises invested in the Balkans and continue to do so. Since investing abroad is rather something new or unknown for the vast majority of Greek industrial firms or banks, the investment practice, similarities and differences between FDI and domestic investment activities are really important and interesting to be examined. The proposed research aims to examine the Capital Budgeting practices and the role of Management Accounting Systems in the appraisal of Capital Investment projects undertaken by Greek companies, abroad. Specifically, the investment activity of Greek enterprises in the Balkan countries will be examined.

Comparing Currency Crises in Emerging Markets: Lessons from the Asian Crisis 1997-98 for the Russian Crisis 1998

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Abstract

In the paper I compare the developments in the currency and financial markets of the Asian countries in 1997-98 with the Russian experiences in 1998. The questions of the prerequisites for a sound financial system and for effective currency markets are vital issues for example as to what the economic transformation of the former socialist countries and their future accession to the European Union are concerned. The paper represents the introductory chapter of my PhD thesis, and acts as a justification for the theoretical approach I am going to choose later in my research.

The underdeveloped state of the banking sector, the liquidity crisis prevailing in the banking sector, and the consequent incentive of banks to intermediate foreign money are important features underlying the currency crises as well in Asia as also in Russia. Illiquidity is a necessary and sufficient condition for financial and currency crises. It is especially interesting in the context of investigating whether liberalization of the capital markets has been too fast in Russia, since illiquidity and liberalization are linked. Moral hazard problem in the financial sector, resulting as a consequence of government guarantees for loans, is an important factor in the Asian crisis. It also plays a role in Russia as well, but it is not as extensive. The Asian crisis also seemed to be more contagious than the Russian crisis.

Cumulative effects of macroeconomic imbalances and microeconomic distortions were the main causes underlying the crises in both cases. However, political instability and uncertainty arising from the lack of commitment to economic reforms made the crises worse. The most needed structural reform in Russia is to get the

public budget deficit under control. This differs from the Asian case. Furthermore, the weakness that the public finances represent in the economy is exacerbated by the fact that Russia is not a contracting state. Thus, the Russian financial and currency crises are structurally more persistent than those in Asia.

The dynamics of the interest rates is one key issue in learning to understand the development and functioning of the Russian financial and currency markets. This issue is complex. Efficiency of financial intermediation would require for the interest rates to come down nearer to international levels. However, for internal reasons, high real interest rates would be needed to attract badly needed investments in a transition economy.

In order to avoid future currency crises in Russia, the banking system and the working of the domestic capital market have to be improved. The Asian crisis showed clearly the importance of a sound banking system. This is even more important in Russia, since the Russian economy is not growing, as did the Asian countries before the crisis.

Institutional Collapse in Transitional Russia: Consequences for Managerial and Entrepreneurial Culture

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Abstract

Modern Russia has been going through one of those rare historical stages in which both the cultural and economic foundations of the nation endure radical change simultaneously. This puts particular pressure on the formation of the national pattern of entrepreneurial and business behaviour. Three major influences affecting entrepreneurial culture are identified in this contribution and their effects are evaluated. It is argued that the diffusion of new cultural patterns in business relations is going to be slow and idiosyncrasies will persist. As a result, a noticeable variance between national and international entrepreneurial culture is to remain a challenge to foreign firms doing business in Russia and a deterrent to the process of Russian marketisation in general.

Economic and Political Costs of Delayed Accession

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Abstract

The paper examines the process of accession of Central and Eastern European Countries (CEECs) to the European Union (EU) by using economic models. In particular the paper focuses on the position of governments of the CEECs in those countries furthest removed from eventual membership. These countries face economic problems, which can be classified as political feasibility, time inconsistency and uncertainty. The paper demonstrates that these problems are present in the accession process and have to be taken into account. The results of the analysis indicate that those countries furthest removed from the accession process face sizeable constraints in their pursuit of accession. They require more substantial, and unconditional, transfers by the EU and for these countries the delay of some of the reforms is optimal. The paper then goes on to demonstrate that in the recent past these constraints have manifested themselves in a number of countries, most notably Bulgaria and Romania. The paper acknowledges that these recent problems are only indicative but nevertheless asserts that these problems will become more prevalent in the coming years. It then concludes that the economic problems caused by this particular form of the accession process will delay full membership of the Union and might even cause the abortion of accession aspirations in these countries.