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## **Europe in Crisis: Does the Crisis Create Opportunities for Balkan Countries, Especially for Albania?**

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### **Abstract**

This paper basically discusses the financial crisis that is taking place in Europe. There is a fear that this economic crisis will take hold of Europe if it is not controlled. Europe is one of the biggest economies of the world so almost all the countries over the globe are also having a threat of facing the financial crisis. This paper also looks for the opportunities that the Balkan countries will have due to this financial crisis in Europe. The fall in the economy of Europe has also affected the economic conditions of the countries of Balkan region especially Albania and the GDP values of these countries have decreased.

**Keywords:** *Albania, Balkans, crisis, opportunities, Europe, economic.*

**Introduction**

This report deals with the economy crisis in Europe that is perhaps the most important issue of today's world. As we know that crisis is an unsteady situation in which too much problem or difficulty is being faced. It is the most crucial or most vital turning point that can lead to many changes. When any crisis takes place then there are chances for the improvement as well. It cannot be said that a crisis can never get resolved. In this paper we are dealing with the economy crisis that has taken place in the European countries in the current time period. This is currently the most thrilling issue that is under discussion everywhere. This crisis has many impacts not only over the European countries but also to many other countries of the globe.

This global impact is because the economy of Europe is very powerful economy and there are many countries that used to invest in European countries so these countries are definitely being affected due to this economy crisis. The main issue that we have to discuss in this paper is the economy crisis in European countries and its affects over the countries of Balkan region. We have especially discussed the affect over Albania. This paper thoroughly discusses that does this crisis providing any opportunities to the economy of countries of Balkan region or not? As Europe is having one of the biggest economies of the world and the economy crisis in Europe is threatening the economic conditions of many other countries of the world. With the economy crisis in Europe the economy of Baltic countries has also decreased which shows that threat to the economy of Europe is also a threat to the economy of Baltic region countries. (Financial crisis definition, 1)

### **European Economy before Crisis**

The European economy was recovering in the mid of May 2007 but still it was lagging behind the U.S economy. This recovery was due to the healthy growth rates, inflation was controlled and the unemployment level was recorded at quite low. The economy of Europe recovered quite much. Europe recorded its lowest unemployment rate since 1990 which was approximately 7.5%. There were forecasts that the euro economy would be overtaking the economy of America in the year 2007. Later on the economists changed their view and forecasted that the euro economy would be declining. There will a price hike in oil prices and 3% hike in the German VAT rates, which would slow down the growth of the European economy. After some time it was being noticed that the price hike in German VAT rates had very little effect on the economy and the expectation from the European economy proved stronger. (European economy still lags behind US, 1)

It was expected in the December 2008 that the world economy will slow down with a growth of only 5 percent. European Union was expected to shield some economy, but there will be a gradual recovery and the output will be expected to grow by almost 2.2 percent in the year 2007 and 2.5 percent in the year 2008. The government expenditure, revenue and debt deficits of the European Union are on the fall, this fall foresees that these problems have overcome the European economy. It was also observed that by the Euro appreciation and due to inflation, monetary conditions will take

effect which needs to be stricted. The tax rates of the corporations of European Union fell significantly and at the same time they faced competition from the new EU States. It was expected that the corporation taxes are going to fall, which will raise concerns such as equity. Before the crisis in the European countries the production in the industrial sector was strengthening the whole of Europe and the pace at which it was strengthening was exceeding that of the general economy. The countries in Europe focused on the manufacturing of the goods production and also in the research and development programs, which stabilized their economy. (Report on the European economy 2007, 1)

### **Economic Crisis in Europe**

After almost 15 years the European economy fell into recession. The Gross Domestic Product shrank 0.2% for two consecutive quarters. In the European Countries the consumers and companies both are feeling the pinch as a decrease of sales and profits. Even Europe's largest, German Economy, contracted almost 0.5% in the third quarter, which is the worst since 12 years. The serious nature of the economy crisis that is taking place today has hit the globe and each and every country is under the impact of this global crisis. It is believed by some people that the European Union and Euro Zone will not be able to endure the tremors. According to the European commission president, the European countries are facing the exceptional situation in terms of economy and in order to resolve this economic crisis it is needed that the flow of credit should be controlled by working at different levels. The European companies are under great pressure and the people are facing the fear of losing their jobs. This is the most dangerous situation that can take any turn because in European countries the companies are forced to fire its employees because of having economy crisis and the unemployment rate of European countries is increasing day by day. The countries that exist in the Eastern part of Europe are facing the hardest situations in terms of credit crunch and economic crisis. The Eastern part of Europe contains Albania, Belarus, Bosnia Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia and Montenegro, Slovenia and Ukraine. The currency crisis in Eastern part of Europe is being felt very drastic as the currencies are decreasing very rapidly. Western Europe is also facing the crisis but they are congregation their needs for more bailouts. The unemployment rate in the Eastern

Europe is increasing so much the few of the Eastern Europe countries are now protesting and the people of these countries want their governments to resign because of increasing economic issues. According to a careful analysis the unemployment rate is expected to increase from 15 million to 18 million in few upcoming months. The governments are still unable to find any solution for this problem and the jobs are getting disappeared. The economy crisis is on its peak and it is not taking place only in the European countries; it is the problem of the entire world. This is a global issue as almost 40 percent of the total global economy has been disappeared. Issues like unemployment, high mortgage rates, credit crunch, failure of banking systems, crash of stock markets, fall of tax revenue and the loss of customer's trust is on its pace and it was never the same in the history. So this is for sure a crucial point to think and to find out the solution. The biggest countries are under the debt and the debts of the countries are increasing from the total gross domestic product of the country. All the European banks are facing the problem of credit crunch and are getting bankrupt. (Schechter, 1)

All the governments of European countries are trying hard in order to save their countries from the after effects of this greatest global crisis. The European governments are afraid of this global financial crisis as it is affecting their economic conditions, banking systems, employment rates and the stock markets very badly. The value of European economy is also decreasing very rapidly if it is compared with the currency value of dollar and yen. According to an estimate the Eastern Europe has taken the loan of dollars 1.7 trillion which has to be paid back by this year and the loan will be approximately equal to the one third of country's Gross Domestic Product. It is said that it is the crucial financial crisis that has been seen. The Eastern Europe is facing the hardest economical conditions and all the Balkan region comes under the Eastern Europe. Eastern Europe has taken credits from the Western European banks as well and is totally unable to pay back. It can be said that Eastern Europe is heading towards the recession time period. One of the main problem that is being faced by the European countries is perhaps their banks are too large that they are not in a condition to take loans from other countries instead the European economy was considered to be strong enough that they used to give loans to other countries so this is also an issue due to which the economy crisis is not getting controlled in Europe. The economists believe that it is very much difficult to save Europe from these economic disasters rather they think that Europe will move in to the depressing state of recession. The European

economy is strong enough that many countries will have the impact of recession in Europe. The crisis of economy in Europe can even wipe out the trade of the world so serious measures should be taken to save the economy of Europe. It is a clear fact that if European countries will not be saved from the disaster then all the countries of the world will be in a real trouble. Obviously the short term issues will get improved time by time but the major issues need attention of the globe so as to prevent further economic problems. (Blodget, 1)

### **Impacts of European Economic Crises over Balkan Region Countries**

The Balkan region is the older name for the South Eastern Europe and it has been given according to the geographical location. This name has been given because of the Balkan Mountains which range from Bulgaria towards the Eastern Serbia so the region that comes in between this area is known as Balkan region. Balkan region is a large region and consists of almost population of 55 million people. Albania, Macedonia, Bosnia Herzegovina, Greece, Kosovo and Montenegro are the countries that totally come under the Balkan region. So these are the South Eastern Countries of Europe. There are also some countries that are incompletely located in the Balkan region; these are Slovenia, Romania and Turkey. To some extent Croatia and Serbia are also located to some extent in the Balkan region. The Balkan region forms a big part of Europe. The countries Albania and Bosnia form the Western Balkan region. (Balkan region, 1)

When communism distorted then Eastern and Central Europe countries started making efforts for gaining some value and position in market and economy. For the development of these countries the European Union was formed. A lot of establishment and development has been made in the Baltic region countries because of the EU. As European economy is one of the biggest economies of the globe so the Baltic countries were in great support and developments were being made but now when the global financial crisis has taken place, the development of South Eastern Europe and Western Europe has also got affected. The development activities have ceased down because of the economic crisis and according to estimation the economy of these regions will not get better till 2011. Various disturbances have been seen in the economy of Balkan countries. The Baltic countries were not much developed countries so these countries are facing drastic results of this financial crisis. Because of the economic crisis in Europe, the Baltic countries are suffering with a great production decrease

and the import and export sector is also decreasing. The import sector is decreasing at a faster rate as compared to the export rate because the countries are not in a condition to import something and the experts say that minimizing the amount of import can bring the Balkan countries in a better condition but this is also not possible because the production is also not at its good. The rates of unemployment have been increased to the large extent in the Balkan region countries because of low economic profile. The issues in the South Eastern part of the Europe are increasing day by day; the loans have been taken but the countries are not in the condition to pay back the loans. Hence the economy of European countries can greatly affect the economic conditions of the Balkan region countries. As our paper is especially concerned with the economy of Albania so the in depth details of economic conditions of Albania has been given. (Economic growth in Balkans not before 2011, 1)

### **Economy of Albania**

Albania is one of the most poor countries of Europe and till date remains amongst one the poorest countries in Europe with a very weak economic infrastructure. According to the Bank of Albania in 2008 the per capita income was U.S. \$3,500; 13.5% is the official unemployment rate, and according to the World Bank's 2005 Poverty Assessment 18.5% of the Albanian population is surviving under the poverty line. The Gross Domestic Product (GDP) consists of agriculture which is approximately 24%, industry that is just about 13%, service sector which is around 39%, transport and communication that is estimated to be 12%, construction which is around 11%, and remittances that are received from Albanian workers residing mostly in Greece and Italy that is near to 12.8%. Albania in past was a communist country, when communism started to collapse in Europe, it occurred quite late in Albania. As compared to other Eastern European countries the fall down of communism resulted in more frenzied situations and in 1991 and 1992 resulted in the movement of refugees in large numbers to Italy and Greece. Attempts to restructure the economy began in the start of 1992 after the fall of GDP by more than half from what it was in 1989, when the GDP was at its peak. Albania was the last one to embark upon democratic and free market restructuring. Albania was suffering from very poor economic conditions when the democratically chosen government that gained control of the office in April 1992 commenced a highly motivating economic transformation program that was meant to

bring an end to the economic decline and resume the country on the pathway that led towards a better market economy. The main steps that were initiated to improve Albania's economy were price and exchange system liberalization, financial consolidation, monetary self-control, and a compact income policy. These steps were harmonized by a broad package of structural reforms that included privatization, enterprise and financial area reorganization and formation of the legal structure for a market economy and private sector activity. The outcome of Albania's efforts was at first encouraging. Albania's GDP rose, and Albania's currency became stable. The speed and strength of private capitalist reaction to Albania's opening and liberalizing was much better than anticipated. Beginning in 1995 the progress started to slow down. The downfall of the renowned pyramid schemes of the 1990s and the unsteadiness that followed were great hindrances, from which Albania's economy is still trying to recover. In past few years the Albanian economy has improved, although infrastructure improvement and most important modifications in areas such as tax collection, property laws, etc are proceeding slowly. During past few years European economy has been under financial crisis as well. According to an interview of the Governor of the Bank of Albania, Mr. Ardian Fullani that it is too soon to decide what impacts the European crisis is going to bring to Albania, but without doubt, a long and deep downturn in the European region, can bring negative affects for several balance of payments products, such as remittances, trade ins, exports and foreign direct funds. The contraction of global financial conditions may have an effect on the financial conditions of Albania, in the form of reduction of financial intermediation growth rate and more composite financial circumstances for borrowing aid from abroad. Albania that receives considerable remittances from their respective emigrant communities in the West combined with the highest unemployment rates in Europe, is currently standing in the mid of a perfect economic downfall conditions. According to an analysis in the upcoming months Albania can experience a drop off in remittances, decrease in foreign assistance and investment, and in addition to this an increase in unemployment locally and among its emigrant communities. In a country like Albania people living in poor conditions mostly rely on the remittances sent by their relatives working in Europe, concentrated in Italy and Greece. According to Albanian and international organizations there are around 800,000 Albanian emigrants in Europe. The remittances from these emigrants are about an approximate of 13% of Albania's Gross Domestic Product (GDP). Majority of Albanian emigrant population are



employed in the service sectors in their particular host countries. The service sectors have already started to sense the consequences that can be faced from the recession. In England Polish workers are returning back to their country because of the unexpected fall in the construction industry and the high cost of living standards prevailing in the West. Due to the plunge in the remittances coming from Europe country like Albania can suffer great consequences in the local economy and particularly on the political environment. In addition to remittances Albanian economy greatly rely on foreign aids and investments. On an average Albania receives 300 million Euros in aid per year and over 400 million Euros in foreign investment. Due to financial crisis Albania is expected to have decrease in foreign aid and investments. As financial crisis in Europe continues to grow many people can lose their jobs and return back to their homeland and as a result of this Albania can experience a decrease in its GDP and an increase in its population. (Albania economy, 1)

#### Opportunities Created by the Economic Crisis for the Balkan Countries Especially for Albania

As the European economy is one of the biggest economies of the world therefore the economic crisis that is being faced by the Europe is definitely going to hit many countries of the world. The Balkan countries joined the European Union just because these countries were not established enough and they wanted the support from the European countries. Obviously the financial crisis in Europe is now affecting these countries as well. The financial crisis are also having impacts over the Albania as well because Albania was supposed to join EU in the year 2009 and now as the Europe is already facing the economic crisis then this integration is looking to be under danger. The European Union has signed an agreement with Albania that promises for the stabilization and association of Albania. Obviously the EU is tending to help in the establishment of the countries but obviously these promises will get affected in case of recession. It is believed by the economists that the countries like Albania and Azerbaijan are safe form the economic crises that is being taking place because these countries are not having very strong economic infrastructure so the crisis has not affected there GDP to the large extent till now and these countries are still being supported by the other developed countries. (European commission, 1)

Conclusion

This paper has given a detailed description of the economic conditions of European countries. The paper concludes that the economy crisis is a problem that is being faced by almost all the countries over the globe and hence it is known as the global issue. But the crises are not for always and these crises can be brought to an improvement by planning about the situation. The European economy is one of the biggest economies of the world and the financial crisis in Europe can have adverse affects over all the countries in Europe as well as outside the Europe. The Balkan countries are situated on the South Eastern part of the Europe and these countries are not very much strong in terms of economy. The European Union strongly supports these countries when it comes to development and finance. The current financial crises has scared all the countries of the world and the European economy is on such stage that if the things will not be controlled then Europe would have to face the depressing situation of recession. Surely the economic conditions of Europe have also affected the economic condition of Balcan region countries and especially Albania. The Gross Domestic Product of all the Balkan region countries has dropped down and the expert economists believe that this condition can get better not before 2011. So for improving the conditions of Balkan region countries and especially Albania it is necessary that the economic condition of Europe gets better. The basic question was whether the decrease in the economy of Europe will affect the economic condition of Balkan region countries or not? So it can now be concluded that the Balkan region countries cannot get developed without the support of European countries is the financial crises in Europe will definitely harm the economic situations of Balkan region countries. In short, it can be said that the economic crisis in Europe can badly affect all the other countries of the world as it is one of the largest economies of the world. At the moment the Balkan countries and especially Albania is not facing the crisis but if the economic situations of the globe will remain the same then these countries are also supposed to be hit by the economic crisis.

### **Recommendations**

If we observe this paper carefully then it can be recommended that the crisis is a situation that at some time comes towards improvement. So the economies of the world should discuss this issue and try to raise the GDP levels of the countries. For securing the economic conditions of the

underdeveloped countries, it is necessary to maintain the economic conditions of the developed countries first.

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