

INTRODUCTION TO THE MONOGRAPH

The economic developments in East-Central Europe have been undergoing changes for nearly 20 years. Facing the hardships of new global challenges and financial crisis of 2008-2009, European economies will be reacting to the issue in a number of patterns. The *monograph* has been visualised before these global economic changes and slowdown have emerged, therefore, the contributors have not directly addressed this issue in their research and recommendations. The logical structure of the monograph is framed in nine parts and presented in *Figure 1*.

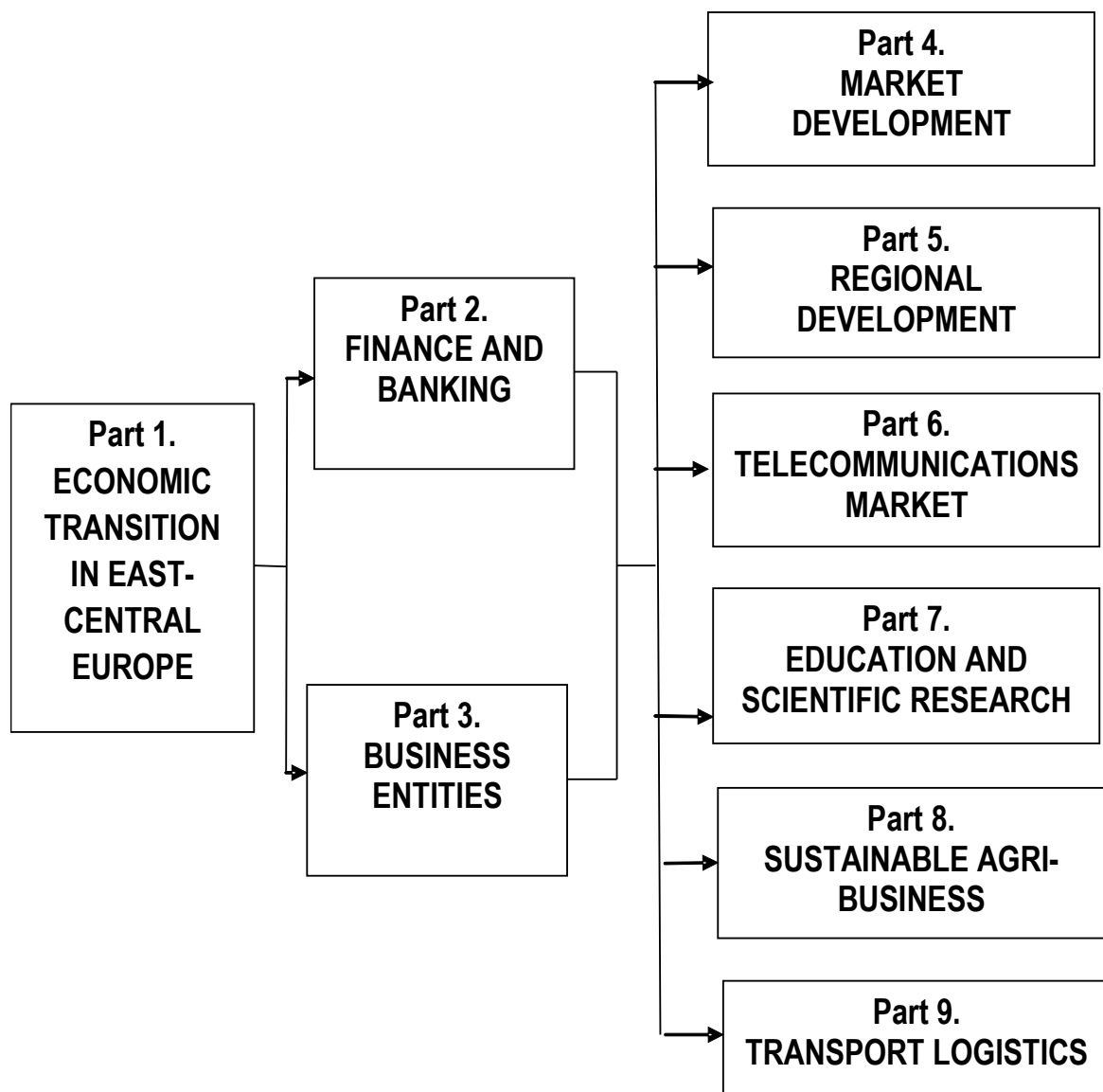


Figure 1. Logical Structure of the Monograph

The main ingredients of the transition process were agreed upon fairly early. They were:

- *Liberalization*: the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies.
- *Macroeconomic stabilization*: primarily the process through which inflation is brought under control and lowered over time, after the initial burst of high inflation that follows from liberalization and the release of pent-up demand. This process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments.
- *Restructuring and privatization*: the processes of creating a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and of transferring their ownership into private hands.
- *Legal and institutional reforms*: These are needed to redefine the role of the state in these economies, establish the rule of law, and introduce appropriate competition policies.

Nineteen years ago, on the eve of transition, economic discussion in the profession was dominated by the debate between *shock therapists*, who advocated radical reforms and rapid transformation, and *gradualists*, justifying a more cautious and piecemeal approach to reforms. *Shock therapists* pointed out to the example of East European countries and Baltic States – fast liberalizers and successful stabilizers, that experienced a recovery after 2 to 3 years fall in output, while their CIS (Commonwealth of Independent States) counterparts were doing much worse. Gradualists cited the example of China, arguing that the lack of recession and high growth rates is the direct result of the step by step approach to economic transformation. Shock therapists were arguing that “one cannot cross the abyss in two jumps”, that rapid liberalization allows to avoid painful and costly period, when the old centrally planned economy (CPE) is not working already, while the new market is not working yet.

As time passed, there appeared statistics that allowed testing the predictions of theories. Quite a number of studies were undertaken with the intention to prove that fast liberalization and macro-stabilization pays off and finally leads to better performance (Sachs, 1996; De Mel *et al*, 1996; Fisher *et al*, 1996; Aslun *et al*, 1996; Breton *et al*, 1997; Fisher and Sahay, 2000). To prove the point, the authors tried to regress output changes during transition on liberalization indices developed by De Melo *et al* (1996) and by EBRD (published in its Transition Reports), on inflation and different measures of initial conditions.

The conventional wisdom was probably summarized in the 1996 World Development Report From Plan to Market, which basically stated that differences in economic performance were associated mostly with “good and bad” policies, in particular with the progress in liberalization and macroeconomic stabilization: countries that are more successful than others in introducing market reforms and bringing down inflation were believed to have better chances to limit the reduction of output and to quickly recover from the transformational recession. “Consistent policies, combining liberalization of markets, trade, and new business entry with reasonable price stability, can achieve a great deal even in countries lacking clear property rights and strong market institutions” – was one of the major conclusions of the WDR 1996 (p. 142). The conclusion did not withstand the test of time, since by now most economists would probably agree that because liberalization was carried out without strong market institutions it led to the extraordinary output collapse in CIS states. Liberalization may be important, but the devil is in details, which often do not fit into the generalizations and make straightforward explanations look trivial.

The *goal of the monograph* is to present the recent economic and business developments in East-Central region of Europe by modelling and visualising the trends and forecasting future directions of business, market and regional development in the selected European industrial sectors.

The research goal of the *monograph* hinted a variety of *research tasks* to be achieved:

- 1) to re-assess the shock therapy model of transition and the model of management of assets of future periods in the conditions of global decrease of production and consumption;
- 2) to analyse East-Central European finance and banking sector, which will lay the background for the rest of the monograph in the fields of taxing, real exchange rate, balance of household income and expenditure and international banking practices;
- 3) to define the structural aspects of East-Central European business from multinationals, industry mergers and acquisitions to SME networking;
- 4) to introduce three perspectives of market development scenarios, comprising the issues of neuromarketing, consumption and consumer behaviour, and human capital development;
- 5) to research regional development phenomenon in East-Central Europe from the perspectives of FDI, industry and business clustering, place marketing and tourism development;
- 6) to present an update analysis of mobile and broadband telecommunication services in Eastern and Central Europe;
- 7) to evaluate transformational changes in education and scientific research sector in selected Eastern and Central European countries;
- 8) to discuss the emerging issues in agri-business sector in the context of sustainable development and greening technologies;
- 9) to study transport economics and logistics management issues in TRACECA transport corridors, shipping industry and green logistics.

The *research methodology* selected for the monograph incorporates a selection of research methods, such as scientific literature review, generalisation and abstraction; secondary and primary data collection, processing and evaluating; data grouping and comparison; SWOT analysis; content analysis; correlation analysis; regression analysis; cumulative analysis; modelling (mathematical, object and engineering). The scientific methods applied are *explanatory* and *empirical*.

The scope of the monograph presents a broad spectrum of contributors from 15 European countries, namely: **Austria, Azerbaijan, Belarus, Croatia, Finland, Greece, Latvia, Lithuania, Poland, Romania, Switzerland, Slovenia, Spain, Ukraine, and the USA**. Their contributions are structured in a meaningful way (*Figure 1*) to present findings and approaches from general economic development theories to industry development approaches in finance and banking, human resources, market and regional developments, telecommunications, education and scientific activities, agricultural sector and transport industry.

The chapters of the monograph are formed into meaningful parts, comprising research results from a selection of countries, e.g. *Part 7* represents three papers, which focus on emerging trends in education system and the issues of scientific research and scientific production promotion in *Belarus, Romania* and *Lithuania*; *Part 8* on sustainable agri-business developments in East-Central Europe has the insights from *Poland, Latvia* and *Lithuania*. The selected monograph structure allows the reader to develop his/her perception on business and market development in a range of countries in the European economic area and adjacent countries.

The *novelty and scientific significance of the monograph* can be denoted in a two-fold approach:

- a) theoretical models and concepts were developed and presented for further discussion in a broad field of social sciences – *economics and business management*;
- b) proposed models or well-established economic and managerial models were applied to selected national and international industries (finance and banking, telecommunications, education and science, agriculture, transport and logistics, tourism), in East-Central European business and market context for further testing.

The monograph is dedicated to the academic audience, business practitioners and policy-makers. Each of the target groups will find the perspective for research and development, practical approaches and theoretical consideration for further concept development.

The editors of the monograph would like to express outmost acknowledgment for the contributors to this monograph, who assisted in broadening the conceptual framework of business and market development along with practical and empirical insights to support the proposed models and approaches with extensive analysis of East-Central Europe economy and business transformations.

Scientific Editors:

Prof. Habil. Dr. Shamseddin G. Gadziyev
Azerbaijan State Economic University, Azerbaijan

Prof. Habil. Dr. Dainora Grundey
Vilnius University, Lithuania

Dr. Yuriy Bilan
University of Szczecin, Poland

Prof. Dr. Bruno S. Sergi
University of Messina, Italy

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