

SECTORAL ANALYSIS OF THE ECONOMIC BENEFITS OF BULGARIA'S SCHENGEN MEMBERSHIP FOR THE SOUTH-EAST PLANNING REGION

Petko Yangyozov

Burgas State University "Prof. Dr. Assen Zlatarov", Bulgaria, petkoiangiozov@abv.bg

Abstract: The present article analyses the state and the benefits of the economy of the South-East Planning Region in Bulgaria in the context of the country's full membership in the Schengen area. Bulgaria's accession to Schengen (by air and water from 2024, and by land from 2025) is considered as a key stage in the country's full integration into the European Union. The focus is placed on the expected economic impact of the abolition of border control, which is expressed in minimizing transaction costs for imports and exports, facilitating access to international and national markets for local and foreign producers and, in general, achieving sustainability of the business environment and increased economic growth.

At the beginning, a brief description of the European road and rail transport corridors which passing through the South-East Planning Region, as well as the state and importance of the port and airport infrastructure is made. The study sequentially examines the three main economic sectors - primary (represented by agriculture and extractive industry), secondary (represented by industry and energy) and tertiary (tourism and services). The analysis goes through a description of the current macroeconomic indicators, the investment potential and the impact of membership in the Schengen area, taking into account the strategic location, natural resources and the available transport infrastructure in the region at the moment. Data on some key macroeconomic indicators such as "Gross Domestic Product" (GDP), population, employment and foreign direct investment are presented and analyzed in detail.

The study highlights the significant role of agriculture and the extractive industry within the primary sector are presented. In the secondary sector, oil refining, energy and the manufacturing industry, and in the tertiary sector – tourism and services (mostly transport and logistics) are examined. Subsequently, the development potential in each sector of the economy is analyzed. In the primary sector, the additional benefits of Schengen membership will be realized through the free movement of labor and finished products, which will reduce the time and costs of transportation and storage of agricultural goods. The optimization of supply chains, the reduction of delivery times, the facilitated access to international markets as well as the strengthening of cross-border cooperation are some of the positive effects that will be experienced by enterprises in the secondary sector. Significant growth is also expected in the tourism and services sectors, mainly due to the free movement of tourists and labor.

In conclusion, the challenges of Bulgarian (particular South-East Planning Region) membership in the Schengen union are also indicated and the need for strategic investments in the infrastructure of the region, and specific economic policies aimed at maximizing the benefits of our country's new status is emphasized.

Keywords: investment potential, South-East Planning Region, economic integration, regional development.

1. INTRODUCTION

Bulgaria's accession to the European Union in 2007 opened up a number of new opportunities for closer convergence (economic, social, infrastructural, political, cultural, etc.) between our country and the other member states. Even then, the next key steps towards achieving Bulgaria's full integration into the EU were clearly set, namely joining the Schengen area and adopting the single European currency. In this regard, joining the area for the free movement of people, goods and services, albeit in stages - by air and water from mid-2024 and by land from 2025, is a logical step that is expected to generate additional benefits for the country's economy as a whole and in particular for regions of geostrategic importance such as the South-East Planning Region.

The South-East Planning Region covers the districts of Burgas, Sliven, Stara Zagora and Yambol. This region is one of the six statistical regions at NUTS 2 level, designated for the purposes of regional planning and statistical reporting in accordance with the requirements of the European Union (European Parliament, 2025). Due to a number of factors such as its specific geographical location, the passage of key transport corridors (Corridor No. 8 and No. 9), the combination of diverse natural features (mountains, mineral springs and the Black Sea coast), the developed logistics and industrial infrastructure and the presence of a port, the region is of strategic importance for the economic development of the country.

The purpose of this article is to make a sectoral analysis of the expected economic benefits for the South-East Planning Region in the context of Bulgaria's full membership in the Schengen Area.

The removal of border controls within the Schengen area is a key stage on the path to Bulgaria's fully European integration, facilitating the free movement of people, goods, services and capital. Economic theory postulates that

the reduction of trade barriers and facilitating the movement of goods, services and capital leads to increased competition and increased investment (Ethier, 1998). From this perspective, Bulgaria's full membership in the Schengen Community would lead to minimizing transaction costs in imports and exports, facilitating access to international and national markets for local and foreign producers, and generally achieving a sustainable business environment and increased economic growth.

The accumulated experience of other countries shows that the benefits resulting from joining to the Schengen Area can be realized through various channels – growing of the tourism sector, strengthening trade (both domestic and international), facilitating access to labor markets, as well as increasing interest from foreign investors seeking production or distribution bases within the Union. However, the positive effects don't occur automatically, but depend on the specific characteristics of the economy of the acceding country and its ability to adapt to new conditions (Baldwin & Wyplosz, 2019). Joining the Schengen Area provides another opportunity to position and establish Bulgaria as an attractive investment destination in the European Southeast. This is particularly significant for the South-East Planning Region, as it is located on the border with non-Schengen countries and thus its importance for transit trade and economic connectivity between trading partners and the community countries increases.

2. SOUTH-EAST PLANNING REGION – CHARACTERISTICS AND SPECIFICITIES

The South-East Planning Region is located in the eastern part of southern Bulgaria, bordering the Black Sea to the east, the Republic of Turkey to the south, the South-Central Planning Region to the west and the North and North-East Planning Regions to the north. These geographical characteristics determine its role as a strategic crossroads between Europe and Asia, as well as a key link in the EU transport network. The presence of an outlet to the Black Sea through the port of Burgas, which is considered as an inland sea at the regional level, but as a connection to the global ocean through the Mediterranean at the international level, gives it strategic importance (European Climate, Infrastructure and Environment Executive Agency, n.d.) for the development of multimodal transport trade and international trade (Georgiev, 2022).

The region is crossed by important European transport corridors, as well as a well-developed, albeit in need of modernization, road, rail, port and airport infrastructure. The road network in the South-East Planning Region is of key importance for intra-regional connections and for access to the rest of the country and Europe. The region is crossed by two of the main European transport corridors: Corridor No. 8, connecting the Adriatic with the Black Sea through the main transport link – the Trakia Motorway (Ministry of Transport and Communications of Bulgaria, n.d.) and Corridor No. 9, connecting Northern and Southern Europe and important mainly for trade relations with the Republic of Greece (Ministry of Transport and Communications of Bulgaria, 2017). The railway infrastructure in the South-East Planning Region is also part of the European transport corridors. Investments in the modernization of the railway network, especially on the Plovdiv-Burgas route, aim to increase speed and capacity, which is essential for the efficiency of freight carried to and from the Black Sea (Ministry of Transport and Communications of Bulgaria, 2020). The Port of Burgas is also of great importance for the region, being the largest commercial port in Bulgaria in terms of cargo turnover and one of the most important on the Black Sea coast (Eurostat, n.d.). Its strategic importance stems from the ability to handle various types of cargo – bulk cargo, general cargo, containers (TEU, FEU), Ro-Ro cargo and passenger (cruise) cargo on one hand, and on the other – from its connectivity with the railway and road infrastructure. It is a major sea outlet for the Bulgarian economy and an important point for transit traffic to and from Central Europe, the Middle East and Asia (BMF Port Burgas, 2017). Two international airports also operate in the South-East Planning Region - Burgas Airport, which is vital for the functioning and development of international tourism in the region and is a potential hub for cargo transportation (Civil Aviation Administration of Bulgaria, n.d.), and Stara Zagora Airport, which currently serves mainly cargo transportation, but its potential development could contribute to diversifying the regional economy (Nedeva & Genchev, 2018). All these geographical and transport features determine the presence of potential economic development and attraction of foreign investments with a view to the country's full membership in Schengen Area (Bulgarian Chamber of Commerce and Industry, 2023).

The population of the South-East Planning Region is approximately 952,000 people or about 14.8% of the country's population, with over 72% of them living in urban areas (National Statistical Institute, 2023a). National statistics data for 2023 shows that the region ranks third in the country in terms of GDP (23,281 million BGN), immediately after the South-Central (24,202 million BGN) and far behind the South-West Planning Region (92,972 million BGN). The North-East (18,530 million BGN), North-Central (13,482 million BGN) and North-West regions (12,765 million BGN) rank after the South-West Planning Region in terms of this indicator, which is evidence of the economic inequality between northern and southern Bulgaria, which must be overcome in the future (National Statistical Institute, 2023b). If we trace the values of the indicator that takes into account the distribution of

produced goods among the population, the following values are observed. According to the indicator "GDP per capita", the South-East Planning Region is in second place after the South-West Planning Region, which includes the capital of Bulgaria, and is evidence of the importance of the region in the national economy.

The examined planning region is also in the third place in terms of attracted foreign direct investments – a total of 3,258 thousand euros for 2023 (National Statistical Institute, 2023c). Another positive trend is observed in unemployment in the region. In 2024, the percentage of unemployed persons is 4.8% and marks a decrease compared to 2023 (5.8%), approaching the average unemployment rate for the country of 4.2% (National Statistical Institute, 2024). When analyzing the "Gross Value Added" of the individual economic sectors in the region, the tertiary (Services) sector stands out as the leader, forming nearly 54% of the total value added. The secondary sector is in second place with 43% and the primary sector has the lowest share – just over 3%. In these two sectors (primary and secondary) there is serious potential for development in view of the facilitated trade after Bulgaria's fully membership in Schengen Area.

3. SECTORAL ANALYSIS, DEVELOPMENT PROSPECTS AND EXPECTED BENEFITS

Among the activities within the primary economic sector, agriculture and the mining industry are of greatest economic importance for the region. According to data from the Ministry of Agriculture and Food (Ministry of Agriculture and Foods of Bulgaria, 2024), wheat production ranks first, accounting for nearly 60% of the total crop yield of cereal, industrial, and fodder crops. Sunflower is next in line with 12% in total crop yield, followed by barley and corn. Viticulture, fruit growing, and livestock farming are also well-developed and have long-standing traditions in the region. Despite the weak economic effect on the national economy, these sectors are of key importance for the economic prosperity of local communities. In almost every area of the region, there are favorable climatic conditions for the development of organic farming. This favors an increase in the number of farms using short supply chains in the sale of their produce (Doitchinova, & Kanchev, 2021). However, small and medium-sized farms encounter difficulties in securing sources of financing for the modernization of their technological processes. There are a number of challenges to the sustainable development of the sector in the region, mainly due to climate change, leading to droughts and increased year-round temperatures (Branzova, 2015).

Key industries of the secondary economic sector in the South-East Planning Region are oil refining, energy and manufacturing industry (mainly food and beverage industry) with a contribution of 8,799 million BGN to the GVA for 2023 (National Statistical Institute, 2023d). The Maritsa-Iztok complex is located on the territory of this planning region, which still plays an important role in the electricity balance of Bulgaria (Yarkova, Yarkov, & Tsacheva, 2021), but is faced with a number of difficulties of a different nature – economic, political, environmental and social (CEE Bankwatch Network & Za Zemlata – Friends of the Earth Bulgaria, 2018). Oil refining is an industry of strategic importance for both national security and the country's economy. The oil refining enterprise on the territory of the city of Burgas meets the country's demand for fuels and oil derivatives, while generating about 9% of the GDP (according to the Hellenic Business Council in Bulgaria, 2024) and provides employment for over 1,500 directly employed workers. A large part of the industrial enterprises operating within the South-East Planning Region face problems related to outdated (physically and morally) infrastructure and a shortage of qualified labor (World Bank, 2021). Investment opportunities exist in the modernization of existing industrial facilities, the development of high-tech production facilities for the production of components necessary for green energy (International Trade Administration, 2024), as well as in the production of renewable energy (solar and wind farms) (European Bank for Reconstruction and Development, 2023). A targeted state policy for the expansion of the established industrial zones in the region as well as investments in the construction of new ones in smaller settlements will increase the attractiveness of the entire region for foreign investment in the secondary economic sector, which will generate employment and economic stability.

In the South-East Planning Region, the most developed is the tertiary economic sector with a GVA of 10,927 million BGN in 2023 (National Statistical Institute, 2023b). This is due to a number of factors such as the geographical location of the region and the presence of: historical and archaeological sites of national and world importance; sites of tangible and intangible national and world cultural heritage; religious sites and natural features (many healing mineral springs). In combination with the relatively well-developed transport infrastructure described above, a favorable environment is created for the development of tourism and its accompanying infrastructure and additional services, as well as wholesale and retail trade. However, it should be noted that the seasonal nature of the tourist service leads to an uneven load on the infrastructure and workforce and to some extent distorts the labor market (especially on the Black Sea coast). At the same time, the problem of the shortage of qualified personnel is particularly serious, which, together with the need for a constantly modernized transport infrastructure, poses a number of challenges for the sector (European Commission, 2023).

The presence of three universities in the territory of the southeastern planning region and several branches of other universities in the country is a prerequisite for ensuring the demand for qualified personnel in the local economy. The main difficulties in achieving this goal are related to the demographic crisis and the emigration of the working-age population. The implementation of a targeted and proactive state policy and investments in the development of education and educational infrastructure in the South-East Planning Region would help to overcome the difficulties and achieve the goals described above.

The benefits for the primary sector are expressed in a number of aspects. A significant reduction in the time and costs of transporting agricultural goods from Bulgaria to markets in EU countries is expected. This applies especially to perishable products such as fruits and vegetables (Keay, 2025). The lack of border controls would facilitate the movement of workers, which would largely compensate for the shortage of labor during the peak seasons of agricultural work. The availability of transport infrastructure and reduced bureaucratic burden would increase investments in export-oriented agricultural enterprises. The increased tourist flow as a result of free movement across the border would lead to greater demand for locally produced agricultural products both in commercial markets and in restaurants and hotels. As an additional effect, the possibility of developing agritourism in the area, which would contribute to the diversification of income for small agricultural producers (Centre for the Promotion of Imports from Developing Countries, 2024).

Bulgaria's full membership in the Schengen Area is expected to generate a number of benefits and investment opportunities in the secondary sector. These will mainly be realized through rationalization and optimization of supply chains and reduction of transport costs and delivery times of raw materials and finished products moving within the EU (Pieńkowski & Szymańska, 2025). Faster and easier access to markets in EU countries will increase the competitiveness of industrial production in Bulgaria and in particular in the South-East Planning Region, which has the potential to attract more orders and help the sector grow. Another positive effect can be manifested by strengthening cross-border cooperation and investments in joint projects with companies based in other EU member states. Due to the strategic location of the region and the reduced bureaucratic burden an increase in interest from foreign companies looking for a suitable location for the construction of production or logistics centers can be expected. It would also facilitate access for local businesses to European markets and technologies (European Commission, 2024), which would lead to increased investments in energy efficiency, modernization of industrial infrastructure and, in general, to an increase in the competitiveness of the region.

The positive effects for the tertiary sector are expected to be mainly in the form of tourism, due to the removal of border controls and investments in transport connectivity with the other Schengen countries (Pieńkowski & Szymańska, 2025). This will make the South-East Planning Region a more attractive tourist destination. As an additional benefit, an increase in the number of business trips is also expected, which will increase revenues both in the sector and in related additional services. As a result, an increase in investments in new tourist sites and services is expected (European Commission, 2023). As mentioned above, Schengen membership favors labor migration and, other things being equal, would lead to a balancing of the ratio between labor demand and supply in certain sectors such as IT and tourism.

The main challenge facing the South-East Planning Region is that it has to compete for foreign investment with other more developed regions within the Schengen Area. There is a need for accelerated investments in the modernization of the transport infrastructure to meet the growing traffic and logistical challenges. With the exception of the economic centers of the region, in the rest of the region emigration and population aging have a negative effect on the quantity and quality of the workforce, which very often leads to limitations in the administrative capacity of the settlements and the opportunities for attracting investments. Despite its progress, Bulgaria still faces challenges, mainly related to the high administrative burden and high levels of corruption, which often hinder investor interest. A targeted and proactive state policy is needed to overcome the described challenges, which should include: investments in transport, industrial and educational infrastructure; support for small and medium-sized enterprises; administrative reforms to reduce bureaucracy; stimulation of public-private partnerships. Schengen membership and the forthcoming accession to the Eurozone are prerequisites for overcoming the described weaknesses and extracting maximum benefits for Bulgarian society and economy.

4. CONCLUSIONS

This article analyzes the current macroeconomic indicators, investment potential and the impact of Bulgaria's full membership in the Schengen Area on the primary, secondary and tertiary economic sectors of the South-East Planning Region. The economic, demographic and infrastructural features of the region are examined. The analysis of the three economic sectors reveals the potential for creating, other things being equal, a stable economic environment with low transaction costs, transport connectivity and optimized logistics chains after the abolition of border control. This study confirms that the South-East Planning Region in Bulgaria has significant investment and

economic potential, which could be realized with the country's Schengen membership and the forthcoming euroization of the economy. However, some challenges have also been identified, such as competition for foreign investment with other regions of the EU, the demographic crisis, high levels of corruption, etc. On this basis, recommendations for a targeted and proactive economic policy to overcome the challenges are made. In conclusion, Bulgaria's membership in the Schengen Area is not only a symbol of political and institutional integration, but also a real economic chance for the transformation of the South-East Planning Region into a modern, competitive and connected territory with European economic centers.

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