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Título: **Integration to the Europe. Chance for non-member countries economies**

Resumen:

Integration to the Europe. Chance for non-member countries economies

The results of development of the global economy with all its fluctuations, cycles of boom and recession creates a wide range of efforts for identifying the outputs and the factors affecting it.

While this development to the eighties was focused to the economic competition between West and East, the historical changes in the late of eighties rapidly changed this situation. World economy is transferring to the stage of its globalisation and by this new "game" are accepting quite new rules. The expansion of three centres of economic power / USA, Japan and European Community / are preparing new tools and measures for the winning of definite total economic supremacy. Obviously all three centres are trying to use their existing domestic advantages, but it will be probably just new strategic elements which can decide who is definitely "number one" and who will win more on detriment of the others.

The unambiguous answer to the question "Which of these new factors will decide ? " doesn't probable exist. However is possible identify some of the important factors. One of them can be by the size and quality of production basis/ structural changes - high technology, efficiency, labour cost, etc./, second one is market / size, absorption, structure, infrastructure, flexibility/ and as the other we can accept the global position and its stability, etc.

The process of globalisation has got many aspects, but one of them we can understand as crucial - it means the speed and quality of the process of integration. The rapid development of NAFTA and APEC are only the answers on the similar processes in Europe. In this way is offered the second important question " where are the borders of the integration process and what influence will have on the course of the development of the whole world economy for?"

Author of this report had only very unpretending interest, through the brief analysing focusing on some important factors, that lie between many others, to discuss firstly the preparations of EU for new step in global economic competition and secondly the position of EFTA and new adepts on membership in EU, former socialist countries - members of CEFTA /Central European Free Trade Area /, especially Slovak republic which is his native country.

Basic objectives of the reform process both in the CSFR and in its both successor countries - Czech Republic and Slovak republic, include internal restructuring, and on its basis implementation of material conditions to enable a universal penetration into worldwide economic

ties, namely through joining the countries which are members of European Union/EU

The CMEA / COMECON / disintegration into a number of smaller countries having a single concern, namely setting out on the way to prosperity as soon as possible, implies a considerable economic liberalization for advanced industrial countries. At the same time however, this change involves accelerating of the needs for deep existing power centres. As a result of detente the justification for the ideological and economic supremacy of the U.S. is decreasing, and each economic complex has to fight for winning a permanent economic prestige on qualitatively different platform.1/

/ _____ 1/These efforts are reflected in the formation of NAFTA (U.S.A., Canada, Mexico) and probably since year 2005 - AFTA / the entire american continent association/, as well as in a fast increasing extensive capital and cooperation links Economic Community-Japan, Hong Kong, Taiwan, South Korea, Indonesia, Malaysia, et alt.

ADAPTATION OF THE EU COUTRIES ON GLOBAL ECONOMIC DEVELOPMENT

Responses of the EU countries who have been through a deep economic recession, have been focussed on the completion of shaping a fully integrated West-European market, one free of obstacles to movement of tangible goods, persons, services and capital across national borders. Although January 1, 1993 which stood for an important turning point on their way did not mean the accomplishment of all the steps planned, this landmark opens a stage during which merely an increased mobility of the production factors mentioned is to bring approximately 250 billion ECU annually. At present it is as presupposed by Cechini's report of 1988 in the sphere of removing differences in taxation, and thus in creating equal conditions for accessing to state orders for all firms in member countries, as well as harmonization of technical barriers resulting from specific differences in national standards and technical regulations. Experts assume (see Fig.1), as early as in the first year, the operation of a unified market, along with other measures will be favorably reflected on a restored economic growth of the European G 12. However, the real data for the year 1993 fail to confirm the changes notified in official documents.

Economic Growth in Selected Countries during 1976-93 /in %/ Fig.1

USA Japan Germ. France G.B. Italy Canada EC

Year	USA	Japan	Germ.	France	G.B.	Italy	Canada	EC
1976	4.9	4.2	5.5	4.2	2.7	6.6	6.2	4.8
1980	-0.5	3.5	1.0	1.6	-1.7	4.2	1.1	1.4
1985	3.2	5.2	1.8	1.9	3.6	2.6	4.7	2.4
1990	1.0	5.2	4.5	2.2	1.0	2.2	0.5	2.9
1991	-0.7	4.5	3.1	1.3	-2.2	1.4	-1.5	1.4
1992	2.1	1.8	1.3	2.0	0.4	1.5	2.3	1.5
1993	3.6	3.1	2.3	2.6	2.6	2.1	4.3	2.5

Source: Economic Indicators for Major Industrial Countries, Wirtschaftgipfel 1992, Bonn 1992

Essential changes were expected to occur on a company level. A number of the so far valid limitations did not permit to fully utilize internal resources of the member countries and has failed to secure that a competitive environment, enabling the implementation of new changes, got its way through. Expert assumptions indicated the implementation of four types of a firm's results based on:

1. essential decrease in costs with regard to a better utilization of labour force and of the means of production concentration in larger production units and organizations;

2. rationalization of industrial structures and approximation of the costs price level as a result of the rising quality of competitive environment (removing super-profit protection);

3.growth of the role of comparative advantages and adaptation processes between the industries linked with the market integration; 4. accelerating the flow of new processes and new products encouraged by new conditions of an internal market^{2/}

Next group of results consisted of an increased absorption of a new internal market and a parallel rise in the potential and success of the West-European firms' exports to the Third countries' markets.

^{2/} see: Czesany, S.: Towards Development of Czechoslovak External Economic Environment in the EU region. National Economy, Prague 1991, N. 1, p.11

^{3/} In 1994 the EU consisted of an internal market of 345 mil. inhabitants with an average per capita GDP app. 19.300 USD/USA - 245 mil., 21.700 USD, Japan 125 mil. and 23.800 USD/. Calculation from "Annual Report" 1994/. The share of the EU trade with other countries exceeded 22,5% in 1992. /U.S.- 14.5 and Japan 10,5%/

Some erosion of foreign economic links within the Community resulting from differences in the implementation of the conditions in individual member countries, and on this basis, providing differing, often latent support to exporting measures, should lose its justification (or be subject to a joint decision by the E authorities.) The efforts for harmonizing often differing interests and approaches of individual members of the largest West-European community resulted in the acceptance of the agreement which constitutes a further particular step to the European Union, both in terms of its contents and ambitions. This document, which was given its name after the place of its origin - the Netherlands Maastricht (Febr.2, 1992), consists of a complex of protocols, declarations and regulations, thus constituting the architecture of economic and monetary union with a joint monetary institution and a central bank, and it will have been implemented in the course of three stages by the end of the 90-ies

^{4/} Measures approved by the Treaty of Maastricht:

a/ in political union: - joint foreign and security policy and relations to the Third countries; - joint Union citizenship; - increasing role of the EU organs and assuming further competences (European Parliament); - joint policy in legislation and internal affairs; b/ in the sphere of economic union: - rigid rules for all union members (agriculture, fisheries, transport) - measures for strengthening competitiveness of the EU industry - further coordination in research and high-tec; c/ in the sphere of monetary union: - joint monetary policy (the state budget deficit level

below 3 %; maintaining the rate of inflation as agreed - achieving common currency - establishing of European Central Bank

ADAPTATION OF THE EFTA COUNTRIES

Undoubtedly, long-term, complicated but in the end successful steps connected with the approval of the Treaty of Maastricht have brought about the increase in the formation of further integration efforts within Europe.

Although individual groups of countries are concerned about the formation of internal market and successive measures to a different extent, its implementation without further steps to be taken would imply a gradual separation of the EU market from all non-member countries. Various visible (customs duties and quantitative measures and the invisible ones (based on differing standards, regulations, legislature, etc./ barriers to trade might considerably limit a high proportion of the EU representation in foreign international trade, namely in the EFTA. This group of countries located over 3/5 of its exports on the EU market, and it was through importing from this group of countries that its high specialization dependence and a lower competitiveness in high-tech were compensated. Therefore it is obvious neither the EFTA nor the EU desire deeper integration of these relations for economic, trade and political, geo-strategic as well as societal reasons.

As early as in April 1984 a summit of ministers was held in Luxembourg on the initiative of the EFTA representatives. The declaration of political will of both parties to adopt joint steps in order to promote implementation of joint EFTA and EU ambitions within the European economic region along with the preparation of the EU internal market. Since the common objectives were insufficiently clear, and so that they could be secured by a treaty, the President of the EU Committee presented a proposal to make the Treaty of Luxembourg unambiguous. Delors' initiative leading to strengthening decision-making powers within the EFTA, meant the impulse needed to be binding and accepted by both parties. According to some independent experts, one of the important motives of Delors' initiative was postponing an official decision by several EFTA countries on a prompt entry in EU. In the given period the entry would produce considerable problems for the measures programmed in connection with the opening of an internal market / author's comment /.

Comparison of National Economic Indicators of the EFTA and EU Countries /annual average in the period 1986-1992/

Fig. 2

	Indicator EFTA
EU	3.1
EFTA	2.6

3 GDP Growth 3 2.6 3 3.1 3

Although the Treaty of European Economic Space /EES/couldnt be evaluated before it is materially implemented, it could be stated the treaty satisfies only some EFTA countries ambitions.^{6/} As early as in 1989 representatives of several EFTA countries realized the so-far comparative advantages resulting from political neutrality and geographical location, thus bridging the East and the West, were losing in importance. After the break-up of Comecon and the rise of economic competition between the world centres, geo-political arrangement in Europe has been gradually changing and mutual economic contacts have become sharper. On other hand the ratification of this treaty took place in separate EFTA countries with differing response in business circles as well as national governments - Switzerland and Liechtenstein the treaty is waiting to be approved - the countries grouped in both communities may be expected to exert

^{6/} the treaty does not refer to agriculture and fisheries for reasons of an excessive complexity. Neither does it consider the possibility of V.A.T. harmonization since there are considerable differences in this area at present. Some EFTA countries /Austria/ would find it hard to absorb a generally lower tax burden in the EU. Compromises were also made for transport, mainly for lorry transportation. Neither is the EFTA participation in the formation of joint monetary and financial EU policy taken into consideration.

efforts to avoid losing their present-day advantages for the fulfilment of some vague, prestige, but just fictitious ambitions. Despite the EFTA collective initiative, first Austria, then followed by Sweden and Finland, and successively by other countries came to realize a temporary operation of the "umbrella". created at present by the Treaty of European Space /Region/, as well as fragility of their economic prosperity and started governmental negotiations on the possibilities of their expedite entry in the EU on a bilateral basis.^{7/}

^{7/} Fears of weakening positions of the countries outside the EU Common Market led e.g. Austria still in 1993 to a profound analysis of all advantages and disadvantages resulting from this serious step. The area most seriously affected was an extensively subsidized agriculture. Direct price subsidies, amounting annually around 27 billion USD have to be abolished along with import quota of agricultural produce before Austria is adopted as a full EC member. Besides reducing subsidies Austria has to turn approximately 10 bil. USD in agricultural fund. An extensive decrease in V.A.T. was expected, however it evocated in 1995 an extremely high repulsin of austrians farmers. Similar objections has to be made with reference to financial and monetary policy, although it is strongly linked with the Deutsch Mark, but heavily influenced by the state. The state majority share in the largest bank institutions have to be in very short time decreased. The most critical attitude is taken to non-tariff and other trade barriers, used to protect Austrian industry.

Also the state monopoly of tobacco, alcohol, salt, precious metals, etc. was for membership in EU unjustifiable (author's comment).

Although the sacrifices to be made by the EFTAs applicants for the EU entry / Austria, Sweden, Finland, / should be balanced by advantages from this entry can only be evaluated in general terms, preparations for the entry of the mentioned countries have been completed in the course of 1994.

At the same time, and this is considered even by the circles putting through an expedite entry in the EU, acceptance conditions in the Group of 12 for each aspiring country were certainly more exacting than those in case of Greece, Portugal and Spain. The vision of "a la carte" type of entry was replaced by severe interferences in all the internal structure of every economy operating to date at a high share of manufacturing industry conserving a lower adaptability and flexibility which fails to correspond to overall EU intentions.

Even a minor change in political life, e.g. in Austria in 1995 brought again about extensive discussions on whether the decrease in present-day living standard (expected decrease at least per 6 per cent) and an enormous need for additional capital and financial costs will be traded off for achievement in strengthening a high exporting involvement by all participants in a new economic space (region). These expectations, as are documented by statistic figures / first three months of 1993 /, does not support this ambitions.

Adaptation of the CEFTA Countries

A long-term economic stability and the capability of a flexible adaptation to a hard competitive environment, which will be culminating by the end of this decade will not, however, depend barely on how successful specific steps made by Western part of the old continent are. It is naive to imagine that the integration communities will be able to separate their achievements from the economic development behind their eastern border. Similar illusions are called forth by West-European integration movements in the former socialist countries. Apart from the efforts for an expedite formation of the condition for an EU member, today they have to take into consideration the fact that except trade and agricultural produce, where both EU and EFTA take protectionist measures already today - and moreover, in many cases even for non-economic reasons, the East will cope with an economic integrated monolith.

Although most official presentation by the EU representatives claim the increasing integration ties constitute in the first place, increase in the mobility of internal production and other factors, recent events have confirmed official declarations will be immediately refused as soon as the other party takes steps which might bring about just a slightly endangered stability of some of the EU internal market economic segments.^{8/}

^{8/} The steel market problems called forth by the U.S. embargo on the import of steel alloy from the EU, produced immediate rejecting responses to the former $\frac{1}{4}$ SFR imports, although the items exported by our companies barely reached 1.5% market share. Similarly, efforts for calming French farmers after the U.S. market was closed had an indirect impact on banning meat and meat products export from Hungary, Poland, the Czech Republic and the Slovak Republic et al. Since January, the 1st., 1993 was $\frac{1}{4}$ SFR split into two parts - Czech republik / $\frac{1}{4}$ R/ and Slovak republik /SR/. Therefore is by the author used after this data the name of both countries. The impact of this kind of measures mainly recently is unfavorable, when economic breakdowns accompanying the transformation process in a number of Eastern economies have been considerably increasing.

Territorial Structure of Foreign trade in Selected Countries of Eastern Europe IN 1.991 (percentage calculation in national currencies) Fig. 3

	CR	SR	Hung.	Pol.	CR	SR	Hung.	Pol.	Total
Export	45,9	29,2	45,6	54,8	45,1	26,2	36,7	48,4	31,5
Import	13,2	8,9	17,8	17,8	17,8	17,8	17,8	17,8	28,3
CR SR	3,8	6,9	9,7	16,9	29,6	24,8	20,1	15,1	18,4
Hungary, Poland	6,6	5,3	4,9	5,1	4,9	5,1	4,9	5,1	7,0
UIS / the former USSR / Czech republik	-	-	-	-	-	-	-	-	8,0
Oth.countries	18,4	13,5	29,3	28,3	7,0	8,0	20,7	31,5	20,7
Total	100	100	100,0	100,0	100	100	100,0	100,0	100,0

Source: Calculation based on data in Ostekomisk Raport, Stockoholm Institute of East European Economics 1994-1995 The results of the process of european integration is requiring the rapid internal adaption of every potential aplicant. Therefore are trying more middle european countries to be redy as soon as possible. The starting position is analysed in the figure 4:

The starting position of CEFTA countries and their economic potential IN 1.993 Fig. 4

	CR	Hungary	Poland	SR
Export per capita in USD	1026	1240	864	360
Import per capita in USD	1186	1219	1214	440
% of covering import through export	87	102	71	86
Export CEFTA/ per capita = 100	163	197	137	57
CEFTA = 100 /	10	23	15	52
GDP v % per capita	115	140	103	87
Decline of GDP against 1989 / CEFTA in average	-21,7%	-30	-22	-21
Share of trade with CEFTA on the total trade turnover	45	23	5	4

source : Ministry of Finance of SR, Internal documents 1994

Microeconomic cooperation has, of course, its macroeconomic aspect. Fundamental socio-political changes in Central and Eastern Europe help breaking a number of political and economic barriers within a very short term. Radical intraeconomic changes connected with the process of privatization, liberalization, and democratization of society brought about a considerable euphoria on both sides. A number of politicians claimed the adoption of the first four countries /CR, SR, Hungary, Poland/ for European Community members would be realistic by the end of that decade inspite of their complex starting position. This optimism was, however, gradually shifted into a fictitious level, similarly to the way that brave plans in economic transformation failed to be implemented. The optimism has also been reduced by radically contradicting views of individual EU member

10/ Economist London, NO7 /1993/, see also Economic Papers 6.IV.1993, p.28

11/ D.Roche of the Morgan Stanley Institute reminds that the present-day level of subsidies, e.g. in the former ¼SFR were lower than in Italy and other EU countries. Likewise, the state budget deficit is lower, etc.(comp. Economic Papers. 12, 1992, p.1)

Adaptation of the Slovak republik

The Czech Republic and the Slovak Republic, maybe more than other countries of Central Europe, is fully aware of the impact of integration processes in the EU on their own economy. Every strenghting of the EU will, in turn, imply the need for a radical increase in efforts for maintaining their exporting positions. This is going to be increasingly difficult in face of the growing internal EU potential, as well as in connection with expanding international competition. The task of building a competitive industry securing an equal position of these countries in Europe is going to be increasingly important. Living standard and unemployment level of an opening internal market in the nearest future will depend on the capacity of industry and its ability of implementing technological innovations, capability of considerably increasing productivity of labour, investing in human resource training, and in particular in responding to permanently accelerating structural changes. This process is to be accompanied with a radical changeover in agriculture, a fast development of services and tourist trade, and a practical contribution of these industries for the entire national economy. On other hand it find dangerous by the mentioned radical changes to by sucessful by adaptation on the rapid globalization proces in developed economies and his influence on business environment. It is undisputable that naive ideas that on our entry the EU countries are going to take all responsibility for the results in internal economic restructuralization and increasing competitiveness, as it was in case if the GDR when the burden was taken over by the FRG, are gone. Slovak republik will have to provide a fairly clear definition what it expects from their entry in the EU, and it will have to purposefully subordinate all their systems and material measures to these objectives. It seems that the in time understanding of global aspects of the process of european integrations and its tending , which is stressing some most important interregional macroeconomics aspects can support the faster entry of CEFTA countries as it was assumed. The analysing of the development of Slovak economy in 1992-1994 confirms that in comparising to Czech republik is the growth of some indicators half-hearted. In comparison with other two member s countries of CEFTA is the starting position more better.Its resulteted in concrete figures in the table No.5:

Development of the Slovak economy in 1992-1994

	1992	1993	1994	1994	1992	1993	1994	1994	
CR_ GDP / in bil. USD /	10.9	11.0	12.4	37,0	GDP per capita	2.054	2.085	2.325	3.580
Private sector/share in % of GDP/	32.5	39.0	49.0	60.1	Growth of real GDP	-6,1	-4,1	4,8	2,6
Industrial production	-13,8	-10,6	6,4	2,3	Inflation	9,1	25,1	11,7	10,2
Unemployment	10,4	14,4	14,8	3,3	Balance of payments -Export /bn.USD,excluding ¼R /	3,7	3,2	4,2	12,0
-Import	3,6	4,0	4,6	12,6	Trade balance	0,2	-0,5	-0,4	-0,7
Foreign Debt	2,3	3,0	3,9	10,3					

Source: Key economic indicators, Osteconomiska Institut, Stockholm, April 1995 Vol.3.No.1

The structural policy as the most important part of the process of the transformation of the Slovak economy and one of starting points of the adaptation on the entry to EU only slowly discharges the main economic conditions, which are unavoidable for this important step.

Another serious area is adopting association agreements, which should promote and strengthen credibility and stability of political and economic reforms and enable to achieve consolidation of democratic political systems. It is assumed that the trade in relation to Central European countries in industrial and other goods will be considerably liberalized although this has not been experienced recently.

Jointly with other measures, the implementation of these agreements could, at least for some time, reduce an unfavourable impact of the EU integration measures on our economy. It will be inevitable to reassess practical results of the so far relations to the former CMEA countries. The vacuum created after the disintegration of the CMEA has to be replaced, and it should not end in the split-up of Central and Eastern Europe into six or more fragmented economies.

The fact that the inclination to a radical cut of the so far algorithm in the international economic relations to the former CMEA countries, as well as the assumptions of a speedy reorientation of some countries towards advanced countries are sufficiently linked neither with the starting conditions, nor with the capability of immediately and fully making its entry into the advanced market environment should also be considered.

Considerable prospects may be seen in promoting a border-zone cooperation. The latter might help in overcoming some geographical discontinuity typical for present-day foreign-trade and capital links. Neither are the ambitions of the Visegrad Four hopeless, or the efforts for restoration of integration links, of course, on another political and economic basis made by the former CMEA countries.

CONCLUSION

The rapid process of globalisation in international Economy affected in various size the national economies all over the World. The ability to adapt on a new situation is one of deciding factors which has favourable influence on the present and future positions of these economies. The chance of the Europe consists of rapid, but perfect prepared process of integration of other european non members countries in Union. The vision of the United nations of the Europe can be in the next century the best reaction on the global economic dangerous " made in AFTA or APEC "

This situation has another intraeuropean , but very important aspects. It is more than obvious that a gradual implementation of the unified EU market ambitions will temporarily or permanently weaken the position of the countries remaining outside this community. Deterioration of access to the EU market cannot be compensated on the EFTA markets, where the countries entered in this Union yet or assume trade and other practices applied by the EU countries nowadays in relation to external economic environment.

As obvious from the mentioned before, the only way of absorbing unfavorable impacts of introducing a unified internal market is the adaptation of national regulations, standards and closing agreements of increasing cooperation in the largest possible number of areas of

economic, scientific and social activities.

Undoubtedly, the most pressing, as well as important task is increasing competitiveness of domestic production and raising the standard of technical and utility properties on the level required on the West-European markets. This will enable successful location even on the markets of other countries. Achieving quality parameters required in the widest sense, in terms of technical, health, security, and ecological standards, will have to be implanted in wider foreign trade and capital links with leading European and other producers, while utilizing the internal comparative production advantages, which are quite obvious. The Slovak Republic has little time to spare to make decisions.

A decisive amount of changes rests, however, on a microeconomic- then company level. This is the case of internal rationalization or a considerable increase in productivity of labour and an effective exploitation of internal resources, as well as expanding high cooperation with leading foreign partners. Broad comparisons of overall structural changes reveal substantial differences between the countries, but especially in relation to CEFTA. Achievement of pole position in international competitions will need very deep interferences to the substance of production process which will have unfavourable influence on many important aspects of economic development / investment, unemployment, etc/.

Radical will be the pressure on efficiency and position of less developed European countries / CEFTA, etc./ however of the similar countries in America and Asia. An unambiguous signal for a material implementation of these objectives is also given by macroeconomic and political position of Slovak Republic. Our country is creating only one "pip" on the European map. On other hand the signing the Associating Agreement on June 23, 1993, on the basis of which Slovakia become an associated member of the EU and its successive ratification at the European Parliament session constituted a further systematic very significant step, which is going to persuade leading business circles of our unambiguous attitude to the chance of expanding the number of the European Community members, and gradually through this way help by the improving of the Europe position in world economic competition

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