

The Eu Economic Integration: 'Pros' and 'Cons'

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Abstract: Based on recent European polls, the article argues that further EU integration intended for positive economic development union has to be with countries and regional groupings having comparative economic size with the EU.

Key words: Global economic integration, the EU enlargement, population polls

INTRODUCTION

European Union was formed in 1957 by the so called Original Six group; they were member states of Benelux (Belgium, Netherlands and Luxembourg) and France, Germany and Italy, which signed the treaty to create European Economic Community. In consecutive years they were joined by Denmark, Ireland and Great Britain (1973), Greece (1981), Portugal and Spain (1986), Austria, Finland and Sweden (1995). In 2004 10 countries: Cyprus, Czech, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia, and in 2007 Bulgaria and Romania obtained membership in the EU, thus increasing the number of the EU members up to 27 states.

This made the European Union one of the largest integrated groupings in the world with population of 490 mln. and economy representing one-third of the global GDP, one-fifth of the global trade in goods and more than a quarter of services in the world. During the last decade the EU reached significant results (European Communities, 2006): economic growth was 22.4% between 1995 and 2004 compared to 9.8% of Japan and 33.9% of the US. Intra-European trade makes two-third of the overall volume of trade of the union in general. The EU is a leading exporter and second after the US importer in the world. After significant growth since the millennium development of the trade of the EU stays stable, with the last phase of growth started in 2004.

Despite such success story of the EU economic integration, it has historically accumulated controversies in the past which will be discussed further in the article. Section II highlights perception of the two last rounds of the EU expansion by population of the union. Section III considers prospects of economic integration with Turkey and Eastern Europe. Finally, in the last section we consider the future of the EU integration

ENLARGEMENT OF THE EU IN 2004 AND 2007: ISSUES AND PROSPECTS

Perception by the EU population of the enlargement of the European Union in 2004 and 2007 was quite

different. In the newly entered states European passport was treated as being positive event leading to rapid economic growth and prosperity and thus celebrated in capitals of the new EU member states.

At the same time polls (Special Eurobarometer 2006; EU-Digest, 2007; Trei, 2007) have shown that population of states - economic leaders of the EU - was against expansion of the European Union: among them 66% of the Germany population, 62% in France, 65% in Luxembourg, 61% in Austria and 60% in Finland. The other fact of the same kind was refusal of the EU population in 2003 of the institutional reforms, when France and Netherlands voted against adoption of the EU new Constitution.

Population of Sweden (49%), Italy (48%), Portugal (47%), Ireland (45%) and Great Britain (44%) were mainly for the integration. And only in the least developed countries among the former 15 EU member states Greece (56%), Spain (55%) and small Denmark (51%) mainly voted for the enlargement of the EU. In general as an average over the EU 45% of respondents were found to be for the enlargement of the EU while 42% were against it.

The reason of voting against the EU expansion lies in the fact that an increase of the welfare in new EU member states up to high European standards was increasingly felt by the EU population as going at the expense of economically stronger part of Europe which starts to pull up less developed economies - new incomers of the EU. Respectively this is transformed to disproportionate economic development of the territories. Besides, the population opposes integration since competition in the employment area intensifies: labor force of new EU member states proposes its services for less price, necessitating thus the need to perfect skills and bringing an element of instability into the employment area. Respectively, each time during enlargement of the EU there arises a danger of loss of jobs by population capable of working and already employed.

Finally, enlargement of the EU during the last 4 years did not have economically proven reasons for 15 economically stronger member states of the union providing currently up to 90% of revenues for the EU as

a whole. At the same time, the theory of economic integration says that relatively much less developed new member states of the union by its rate of growth start to significantly lead over their more developed partners.

Besides, dynamics of successful economic integration requires its permanency implying in practice unification of economies of states (principle of convergence) as well as expansion of the union membership.

This paradox in development of European economic integration may be resolved through unification of the EU with the state or a group of states having adequate economic potential which may provide the EU a real return and sensible growth. These are world leading regional blocs and states, for instance, East-Asian Free Trade Area, consisting of ASEAN, China, India and Japan; MERCOSUR; NAFTA and Russia.

Among European neighbors willing to enter the EU were Moldova, Russia, Turkey as well as small European states such as Albania, Chernogoria, Horvatia, Macedonia, Serbia and others. Turkey is the 11st (since 1999) candidate to enter the EU. It is a member of NATO, the same as the EU member states. Turkish economy thus is already integrated in many aspects with the EU. At the same time entrance to the EU of the closest Turkish neighbors having mainly comparatively less economic potential, have put Turkey on one stage lower in the sense of regional competitiveness and corresponding advanced development of economic relations with the EU.

In this respect Turkish government made the issue of the fastest entrance to the EU a national priority. The only serious and principal obstacle on a Turkish way to the EU lies in a fact that Turkey is a Moslem state, while the EU is predominantly Christian. Collision of views mainly of Turkish-Armenian conflict in the past, religions and cultures made decision of the Turkey entrance to the EU in 2006 postponed for indefinite period of time.

Horvatia and Chernogoria have more chances for integration with the EU, with the least ones belonging to Serbia and Russia, while the EU motivation in last two cases is different. The EU requires Serbia to recognize independence of Kosovo, with Serbia opposing it. Stalemate situation with Kosovo might have been automatically positively resolved in case of the entrance of Serbia to the EU, provided Serbian autonomy to Kosovo at the same time.

Russia tries to recreate a unified economic area within the frame of the EurAzEC, and is not yet ready to start formal economic integration with larger and economically more developed European Union

FUTURE OF EUROPEAN INTEGRATION

For positive economic development the EU needs to economically integrate with leading regional groupings.

This follows from observation that the EU should benefit from economic integration with a bloc or a state of comparatively the same economic size. At the same time, an attempt to keep up competitiveness of continental blocs in a course of their enlargement taking place in economic integration pushes them to inevitable global economic integration.

From this prospective, the differences present in the level of economic development of the EU member states will always result in a scope of opinions during selection favoring the EU expansion: some countries will be positive about it, and some opposing to it; the same might occur when discussion of the global integration starts.

Anti-integration mechanisms already resulted in creation of nationalist parties in the number of the EU states, requiring no entry for foreigners including new EU member states, to the EU labor market, for saving the national currencies - along with refusal from euro, and the other measures of the same kind. In a number of states these nationalist parties have won significant share of votes during elections held in 2006, witnessing an increasingly growing tendency.

CONCLUSION

The article shows that population of economically developed part of the EU was against 2004 and 2007 expansion of the union. This was due to expected further disproportionate economic development after integration, with relatively faster economic growth of new member states. On the other hand, permanency of economic integration as a main condition for success of economic integration process pushes towards further expansions of the EU, thus initiating a basis for megablocs on intercontinental level with states of comparative size with the EU.

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