International Integration: From a Dream to a Political Dogma

Aleksandrs Fedotovs and Oksana Sakalosh

Abstract The aim of the paper is to revise some widespread views on international economic integration with focus on successive enlargements of the EU. Authors propose to clearly distinguish between the terms globalization, integration, and cohesion. Globalization, integration, and cohesion are considered as three different aspects of modern economic development which do not necessarily go hand in hand. Although EU membership has been turned into a political dogma in the East European countries, it is argued in the article that enlargement of the EU is nowadays pushed ahead too hasty and beyond economic rationality—both in terms of spatial expansion and strengthening of internal unification. Research methodology is based on economic theory, study of economic literature, analysis of statistical data, and author's own calculations.

Keywords Globalization • Economic integration • Cohesion • European Union • EU enlargement • EU new member states

1 Introduction

Among the characteristic features of world development since 1990s there was a substantial growth in number of new states, in Eastern Europe in particular. By the beginning of the twenty-first century the number of states in Europe proved to be the biggest since the 1860s (Fig. 1).

On the other hand, the attained national sovereignty usually proved to be without delay sacrificed to the idea of international integration. Devotion to international integration manifests itself in East and South-East European countries as striving for membership in the European Union. Moreover, in these countries membership in the European Union is being imposed on public as a political dogma.

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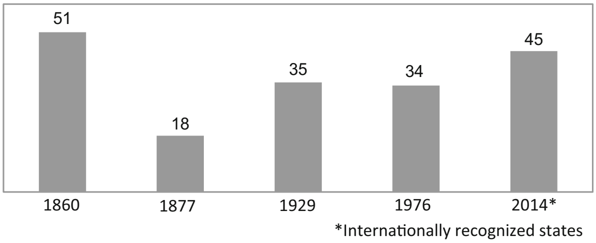

Fig. 1 Number of sovereign states in Europe, 1860–2010. *Sources*: Berthold (1976), Muir (1982); authors' calculations

It has become a commonplace statement in the modern world that globalization and international economic integration are objective and inescapable processes. Let us therefore try to find out: what exactly is meant today by globalization and economic integration and what are corresponding implications in the context of the European Union?

2 Integration or Globalization?

Interpretations of the term "economic integration" have experienced substantial change during recent decades. Once upon a time, in the early 1990s, in definitions of economic integration it was sufficient to refer only to free trade conditions, e.g.,: "Economic integration occurs when two or more nations join to form a free-trade zone" (Case and Fair 1994, p. 888). Gradually definitions of integration were expanded to embrace a more broad range of characteristics. According to Rugman and Hodgetts (2003, p. 104), "economic integration is the establishment of transnational rules and regulations that enhance economic trade and cooperation among countries". Daniels et al. (2007, p. 749) interpret economic integration as "abolition of economic discrimination between national economies".

As compared to integration, globalization is a relatively new term which has become popular in recent decades. Its interpretations also do not remain unchanged. In the early 2000s, Rugman and Hodgetts (2003, p. 432) meant by globalization "production and distribution of products and services of a homogeneous type and quality on a worldwide basis"; Hill (2003 p. 684) characterized globalization as merger of national markets, "a trend from distinct national economic units toward one huge world market". Daniels et al. (2007, p. 6) globalization is "the process of growing interdependence among countries". Mankiw et al. (2013, p. 536) point out financial aspect of the process: in their view, "the term *globalization* refers to the growth of interdependence amongst world economies usually seen as resulting from the removal of many international regulations affecting financial flows". It proves difficult, however, to discern difference between explanations of the two above-mentioned terms given in modern economic literature. Most often the two processes are described in actually the same words. In 2007, Hill (2007, p. 5) defines globalization as "shift toward a more integrated and interdependent world economy". The terms "integration" and "globalization" are often used interchangeably as synonyms—e.g., for Samuelson and Nordhaus (2005), globalization is just a popular term used to designate growing processes of economic integration of different countries. Sometimes one can find attempts to give a more comprehensive definition of globalization including broader range of features, e.g.,: "Entry of all countries—depending on scientific and technological, economic and social potential reached by each of them—into world economy, their integration and interaction, washing away of borders between national economic complexes, formation of global economic space" (Maksimova and Noskova 1995, p. 84). Again, no clear distinction between globalization and integration is suggested in such definitions.

We believe, first of all, that the content of globalization should not be reduced to just merger of markets (either goods markets or financial ones). What seems true in the existing definitions is the accent placed on the word "market": indeed, under globalization any area—economic life, politics, culture, and moral—becomes increasingly subdued by market forces. In our opinion, globalization implies a trend not just to a single world market and mutual dependence of national economies, but also to similar consumption habits, similar material culture and values all over the world—with all positive and negative consequences of such a process. However, globalization and integration are different phenomena which we should not confuse: one does not necessarily mean the other.

Let us remember that in its original meaning, the verb "integrate" is explained as "to complete (imperfect thing) by addition of parts" or "combine (parts) into a whole" (Seidl and McMordie 1982). The latter of the constructions seems to be the most appropriate in the case of international economic integration.

In our opinion, globalization is an objective, spontaneous process of intensification of international economic and cultural contacts, growing interdependence of all countries of the world. This process stems from technological progress, exchange in products and information, development of means of transportation and communication, migrations of population. However, the fact that jeans, Coca-Cola or McDonald's have spread all over the world does not imply by itself that the world has become more united. Integration, in its turn, is a deliberately planned, organized and promoted process of uniting countries in a single entity. It is carried out by political means assuming that economic preconditions have been matured. Integration is impossible without adequate economic basis, and economic integration in due course is followed by political integration.

Integration of nations is a dream cherished from ancient times, at least since Alexander the Great's idea of merging Greeks and Persians in a single nation of "Perso-Hellenes". During many centuries worldwide brotherhood of nations was advocated by philosophers and poets. World history has witnessed numerous attempts to integrate nations on different bases: military, dynastic, religious, ideological, and economic. Most often these attempts began with (more or less forcible) political unification supplemented afterwards with ideological or economic means. The Arab Caliphate or empire of Charles the Fifth can be mentioned as examples in the Middle Ages: the first strived for uniting the world under the religion of Islam while the latter claimed for the same under the aegis of Catholic faith. In more recent times the Soviet Union declared integration of "fraternal Soviet peoples" on the basis of Communist ideology. A concept of "new international community of people—the Soviet people"—was invented and propagated (to be fair, the concept denied assimilation or loss of national identity). All of the above-mentioned as well as many other endeavours have failed. It is worth reminding that many attempts of integration of sovereign states, especially among less developed countries in Africa and Latin America (like South American Community of Nations proclaimed in 2004) remained purely formal and lacking vital capacity because of insufficient economic basis.

The advantage of the European Union seems to be that the process of integration was started from creating economic foundation consistently supplemented with political superstructure. Nowadays, however, strengthening of political integration seems losing touch with economic and social preconditions.

3 Integration Is Not Convergence or Cohesion

For the post-Communist East European countries, globalization merged with integration into the European Union. These countries cherished exaggerated hopes for quick economic progress and equalization of living standards with Western Europe. The hopes, however, proved premature. Globalization, economic integration and convergence are three different aspects of modern economic development which do not necessarily go hand in hand.

The 13 new member states admitted to the EU since 2004 make up 26 % of the EU territory. Their share in the total population of the 28 EU countries is about 1/5; as seen in Fig. 2, this share has slightly decreased since 2004 because of unfavourable demographic trends. However, the share of the 13 new members in GDP of the EU-28 turns out extremely small (Fig. 3).

Along with enlargement of the European Union, its heterogeneity steadily increased, turning into one of the most acute problems. Each of the successive enlargements of the EU in 1973–2013, besides increase in number of member states, contributed to diversity of economic and social development levels within the united Europe. It is especially true for the EU enlargements from 2004 onwards since the new member states had appreciably lower development indices in all areas. Now the differences between the 28 member states of the EU are much greater than they were in the European Community consisting of 6, 9, or 15 countries. This obviously impedes the process of integration. As a result, need for such special terms as "convergence" and "cohesion" appeared in European political terminology.

Opposition of core to periphery (or centre to periphery), as well as that of the North to the South, is well known in literature dealing with the global economy. Now the European Union has acquired its own North and South. In the expanding EU, the separation into more developed core and less developed periphery started

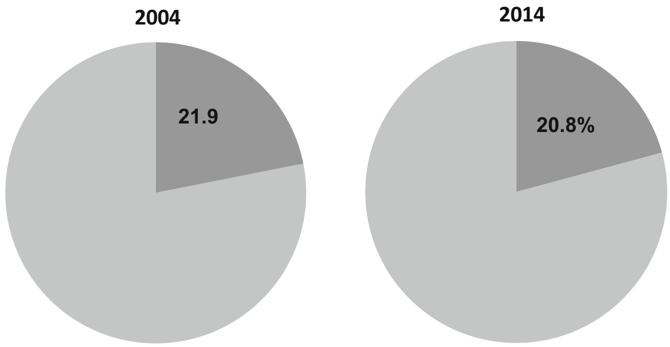

Fig. 2 Share of the 13 new member states in the EU-28 population. *Sources*: Eurostat (2014); authors' calculations

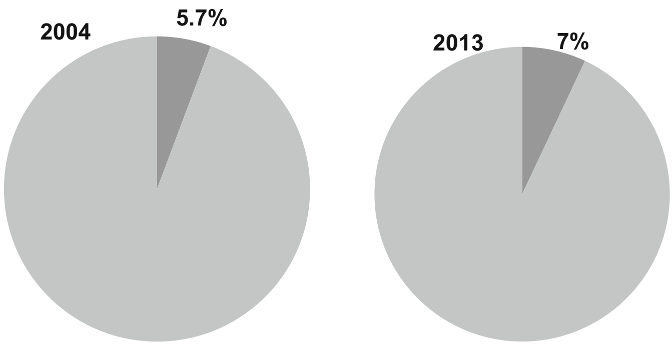

Fig. 3 Share of the 13 new member states in the EU-28 GDP. *Sources*: Eurostat (2014); authors' calculations

since the 1970s–1980s with admission of Ireland, Greece, Portugal, and Spain. The separation continued and became especially obvious in the 2000s.

After the enlargement of the EU in 2004, opinions were expressed by some experts that the new member states would need 15, 30, 40 or even more years to reach at least the average EU development level. No doubt, some degree of development levels' equalization among the EU countries is observed in the last two decades. This can be concluded from Table 1 containing data on GDP and AIC (actual individual consumption) per capita. The gap between the highest and the lowest GDP per capita (amplitude of Max/Min value), as well as standard deviation (σ) and coefficient of variation (k_v) calculated for GDP per capita, have obviously decreased since 2000 (although the Max/Min ratio in 2013 proves almost the same as in 1995). It is impossible, of course, to check whether the convergence in 2000–2013 had been achieved due to membership in the EU or it would also occur under other historical conditions. Similarly, it cannot be asserted that progress of the European Union had caused further polarization of economic development levels of countries in Europe as a whole. Furthermore, the process of equalisation is

Table 1 GDP per capita, 1995–2013, and actual individual consumption (AIC) per capita, 2011, in the EU-28 countries (at current market prices, PPS)

	EU-27=100						
	GDP per capita						AIC per capita
Country	1995*	2000	2002	2004	2008	2013	2011
Luxembourg	179	244	240	252	279	264	150
Austria	130	131	127	127	124	129	117
Netherlands	120	134	133	129	134	127	113
Sweden	118	127	122	126	123	127	115
Ireland	99	131	138	142	133	126	100
Denmark	125	131	128	125	123	125	113
Germany	120	118	114	116	116	124	119
Belgium	120	126	125	121	115	119	111
Finland	106	117	115	116	118	112	112
France	115	115	115	110	107	108	112
United Kingdom	111	119	121	123	115	106	118
Italy	116	117	112	106	104	98	102
Spain	88	97	100	101	103	95	94
Malta	:	83	82	77	79	87	83
Cyprus	86	89	89	90	97	86	95
Slovenia	68	80	82	86	91	83	81
Czech Republic	70	68	73	75	80	80	70
Slovakia	45	50	54	57	72	76	70
Greece	72	84	90	94	94	75	94
Portugal	73	81	80	77	78	75	82
Lithuania	34	39	45	50	61	74	66
Estonia	36	45	50	57	68	72	57
Poland	41	48	48	51	56	68	70
Hungary	50	55	61	63	64	67	61
Latvia	30	37	41	46	56	67	56
Croatia	38	43	54	49	63	61	56
Romania	:	26	30	34	47	54	47
Bulgaria	31	28	32	35	44	47	44
Max/Min value	6	9.4	8	7.4	6.3	5.6	3.4
Standard deviation (σ)	–	47.1	44.5	44.9	44.8	41.1	26.9
Coefficient of variation (k_v)	–	0.51	0.48	0.48	0.46	0.42	0.3

*EU-25 = 100

Sources: Eurostat (2014, 2012a, c, 2011, 2008, 2005, 2004); authors' calculations

fluctuating: being quite apparent initially, it gradually slows down or sometimes even makes a step backwards.

One of the crucial aspects in economic comparisons among countries is the level of labour productivity. Although demonstrating noticeable progress in this respect, most of the East European new EU member states still have relatively low levels of

Table 2 Labour productivity in the East European new EU member states, 2000–2012 (EU-27 = 100)

Country	Productivity per person employed			Productivity per hour worked		
	2000	2008	2012	2000	2008	2012
Slovakia	58	80	82	55	74	75
Slovenia	76	84	81	76	83	86
Croatia	62	78	81	:	:	:
Czech Republic	62	74	74	52	68	67
Hungary	58	71	71	49	59	62
Estonia	47	66	70	41	56	61
Poland	56	62	74	46	50	59
Lithuania	43	62	74	40	54	65
Latvia	40	55	66	31	46	56
Romania	24	49	51	22	44	44
Bulgaria	31	40	45	33	39	44

Sources: Eurostat (2014, 2012b)

productivity—with the same possibility that convergence with the EU average level may in some cases slow down or even stop (Table 2).

Huge differences exist between the EU member states in terms of such indices as Global Competitiveness Index, Gini index, Corruption Perceptions Index, Doing Business index, Innovation score etc. For instance, in 2013–2014 Global Competitiveness Index, Finland ranked the 3rd in the world while Greece was in the 91st place (World Economic Forum 2014). As concerns the East European EU members on the whole, their position in the index is not better than in 2006. Although ratings of Romania and Bulgaria have substantially improved, ranks of such countries as Slovenia, Hungary, Croatia and Slovakia worsened drastically; thus, the East European EU members still rank between the 29th and 77th places in the list (the 26th and 74th in 2006–2007) (Table 3).

History of the European Union demonstrates that the enlargement process of the EU is pushed ahead more rapidly than economic convergence of the member states can occur. A contradiction emerges between the development of integration "in breadth" (as embracing more and more of countries) and "in depth" (as cohesion of the countries). Experience of the EU and some other unions, including the former USSR, corroborates the conclusion that equalisation process in a heterogeneous group of nations uses to advance to a certain point but later may stop or even reverse (see data for Czech Republic, Spain, Cyprus, Slovenia, Greece, Portugal in Table 1). As concerns the EU new members, their lag from the most advanced EU countries is most likely to remain substantial in a foreseeable future, and equalisation with the richest countries seems to be a long-term and rather uncertain perspective.

Table 3 Ranks of the EU East European members in global competitiveness indexes, 2007–2014

Country	Rank in global competitiveness index						
	2006–2007	2007–2008	2008–2009	2009–2010	2012–2013	2013–2014	2014–2015
Estonia	26	27	32	35	34	32	29
Poland	45	51	53	46	41	42	43
Czech Republic	31	33	33	31	39	46	37
Lithuania	39	38	44	53	45	48	41
Latvia	44	45	54	68	55	52	42
Bulgaria	74	79	76	76	62	57	54
Slovenia	40	39	42	37	56	62	70
Hungary	38	47	62	58	60	63	60
Croatia	56	57	61	72	81	75	77
Romania	73	74	68	64	78	76	59
Slovakia	37	41	46	47	71	78	75

Source: World Economic Forum (2014)

4 On a Right Trail?

Putting aside general wording that the European Union is "a family of democratic European countries, committed to working together for peace and prosperity" (Mankiw et al. 2013, p. 524), we have to admit that in the modern world economic integration is used as a tool in international competition for resources and markets. Only few of the EU new member states proved prepared for that; some other seemed unable to successfully protect their economic interests in European structures.

In the East European countries, membership in the European Community was propagated to public since the last years of the Communist rule as an indisputable ultimate goal. Joining the EU was immediately put in the forefront of foreign policy after the change of political regimes in these countries. However, scepticism towards this political course always remained.

Integration is by no means a unanimously hailed process without opposition. As to recent history, one may remember that in the EU accession referendums carried out in 2003, substantial part of voters in the candidate states did not support joining the European Union. For instance, 46 % voted against in Malta, 33 % in Estonia and 32 % in Latvia (Fig. 4).

It is worth reminding also that, in the case of Estonia and Latvia, the voters eligible for participation in the referendum consisted only of population possessing citizen rights. In Latvia in particular, at the time of referendum the permanent residents deprived of voting rights (those officially called *non-citizens*) accounted for about 1/3 of total population. So, merely 2/3 of the country's population was given the opportunity to vote; out of them, only 71 % participated in referendum, and 67 % of the latter were in favour of joining the EU. It implies, in fact, that fate

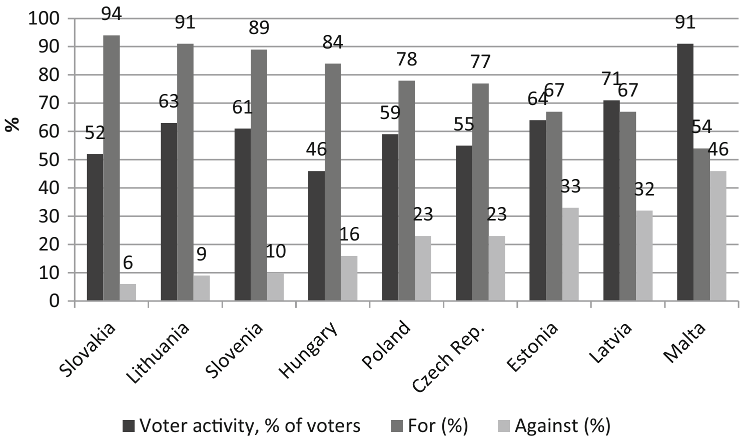

Fig. 4 Vote of the citizens of the EU accession countries in the EU accession referendums. *Source*: Republic of Latvia Ministry of Economics (2003)

of the nation's joining the European Union was decided by votes of hardly 1/3 of population. Number of "Eurosceptics" obviously grew all over the Europe during the years of global economic crisis. This was clearly demonstrated by results of the recent elections to European parliament. As concerns transition to single European currency, in Latvia, for instance, on the eve of introduction of euro on January 1, 2014, public opinion polls showed that opponents of euro outnumbered its supporters.

Further economic and political integration is being now actively promoted in Europe using full arsenal of political means. It can be argued, however, that integration process is carried out too hasty—both in terms of spatial expansion of the EU and strengthening of centralization. The process seems to be pushed ahead faster than the necessary economic and social preconditions have matured. The EU looks too aggressive in continuing its territorial expansion. One might interpret this as a search to remedy internal economic and social problems via territorial enlargement; but if it proves so, it is not a right trail. The point is reached at which there is almost no space for further expansion of the EU. Just several last remainders of former Yugoslavia and Soviet Union have left in the east and south-east of Europe. Hasty attempts to draw them into orbit of the EU will inevitably create new problems. Crisis in Ukraine has clearly proved that further peaceful expansion of the EU is hardly possible. Striving for new areas may face active resistance from both inside these areas and outside. Instead of acquiring new territories, more attention should be paid by the EU to solving problems of economic growth, employment and poverty.

Attempts of further political unification and centralization would also tend to face growing opposition. Struggle around approval of new European constitution and creation of post of the EU president not long ago, as well as strengthening protests against the austerity policy have already indicated this. Slogan of "the

United States of Europe" has at least a hundred-year history, but Europe can never be analogous to the USA. The point is that the United States of America from the very beginning was not made of sovereign nations having centuries of independent statehood tradition and heritage of national identity. Any project of a single European state does not look believable in foreseeable future.

Ideas of the EU reformation are gaining increasing popularity now. Possibly, at the attained level of economic development, an integration model with less degree of centralization and unification may work better and some other models (in Eurasia and North America) prove more appropriate for the dynamic modern world.

5 Conclusion

- Globalization, economic integration and cohesion are three different aspects of economic development which do not necessarily go hand in hand.
- It cannot be asserted that enlargement of the European Union had caused either equalization or greater polarization of economic development levels among European countries.
- A contradiction has emerged in the EU between the progress of integration "in breadth" (embracing new countries) and "in depth" (cohesion of the member states).
- Process of European integration is being pushed ahead too hasty and beyond economic rationality—in terms of both spatial expansion of the EU and strengthening of unification. If the EU tries to remedy internal economic and social problems via territorial enlargement, it is not on a right trail.
- Possibly, an integration model with less degree of centralization and unification may work better. The "United States of Europe" does not look attractive in visible perspective.

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