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The Integration of the Visegrad Group Countries with the EU in the Conditions of Globalisation

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Summary

The suggested research subject concerning inclusion of the Visegrad Group Countries in the processes of integration within the European Union in the condition of globalisation of contemporary world economy is topical and important from a theoretical and practical point of view. A gradual integration of the Visegrad Group Countries with the European Union has provided opportunities for a faster development of this region. Both the processes of political systemic transformation in this part of Europe and diverse types of aids provided by the European Union in the 1990s have contributed to decreasing developmental differences between the East and West of Europe. A significant challenge to the Visegrad Group Countries was stimulation of economic policies and institutional changes so as to achieve macroeconomic stabilisation and to trigger the formation of structures facilitating economic development.

The main aim of the analysis is to demonstrate that the forces striving for integration of the Visegrad Group Countries with the European Union originate from a pragmatic approach to the processes of economic development in this part of the world. The main idea lying behind the forces is to sustain the current systemic transformation and, in consequence of the influx of commercial and financial aid, to link the countries to the main stream of the fast developing and stable industrialised western countries, including mainly the triad, i.e. the USA, the European Union, and Japan, which extensively contribute to the globalisation of the modern world and which benefit from it the most. In the case of a complete integration of the Visegrad Group Countries with the European Union, the former are likely to face similar phenomena and undergo socio-political processes that have appeared

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in the most economically advanced countries. At the same time in the Visegrad Group Countris, new conditions will evolve, more conducive to an enhanced development of transnational corporations stimulating globalisation processes.

Introduction

The regionalisation of economic co-operation is a kind of behaviour with which many countries react to the challenges posed by the deepening globalisation of the world economy. Strengthening of already existing regional groups, creating new agreements and new trade blocks causes a specific "fragmentarisation" of the global economy. The creation of such groups, however, is not the cause but rather a result of the globalisation of economic life.

The intensification of regionalising processes in recent years resulted from a certain definite policy of the governments of particular countries, as well as from the pressure exerted by the private sector. Many contemporary regional groups have become a useful institutional basis for the stimulation of economic growth on the territory of a number of thus associated countries, and for a specific preparation of the economies of those countries for a more competitive conditions on the world market, the conditions which are being created by the growing globalisation.

Globalisation and regionalisation are mutually complementary rather than competitive phenomena. Both cause similar changes in a global economy and in a given region. The evaluation of the most important positive and negative elements of globalisation and regionalisation depends, to a certain degree, on the accepted point of reference. The regionalisation of economic co-operation constitutes a specific framework, favouring political and economic stability, and it creates better conditions for accelerating the economic growth and for the adaptation of the economies of given countries, to new conditions of functioning on international markets, the conditions that result from the growing globalisation of the world economy.

In the conditions of growing international interdependence (globalisation and regional integration also influence each other), the participation in regional associations is being more frequently treated as the most effective method for the increase of economic competitiveness and for preparing oneself to the requirements of functioning on a global market. Less developed countries now also perceive the integration with highly developed countries as a good solution, seeing in it not the threat but the chance for the acceleration of their own economic development.

In the course of our analyses we have to distinguish clearly between the notion of global economy and the notion of world economy. The concept "global economy" serves to define the organic entirety of the world economic processes which posses certain specific features of entities behaving as wholes.

This is not an economic aggregate on a world wide scale, with particular national economies forming its constitutive parts, but a new economic organism with such overall behaviour regularities that require a certain form of global management.

1. The Visegrad Group Countries in the period of changes

The Visegrad Group Countries, before the period of their systemic transformation, had not been included into the general process of globalisation because they had been "fenced off" from the world economy by means of political and economic barriers. For these countries the system of central planning and the institutionalised international exchange within the framework of Council for Mutual Economic Aid (CMEA) possessed the key importance. As a consequence the gaps opened up – systemic, competitive and temporal – the remnants of which even now, make the incorporation of those countries into the general process of globalisation so difficult. The systemic transformation of the Visegrad Group Countries caused the elimination of basic systemic barriers, making the integration with the world economy less difficult.

However, there are still factors influencing unfavourably the processes of joining the world economy. These, among others, include: incoherent and unstable legal system, undeveloped transport- communication and institutional infrastructure, low level of the financial sector, weakly motivational tax system, ineffective social security system, shortage of the personnel with the highest qualifications, regional disproportion in development, bureaucratic administration and, in Poland, too unhurried pace of privatisation and the strong position of trade unions.

The situation of the Visegrad Group Countries is varied. This countries, are in a relatively advantageous position. Economic and political investment risk there still remains quite high, although it gradually decreases, along with the progressing transformation and the stabilisation of the economic and political situation. From the point of view of foreign firms, a general investment attraction – arrived at, apart from considering the localisation advantages, also through taking into account the investment risk – for the Visegrad Group Countries, is still not too high. That find the expression in the distant places which the said countries held in the international ranking of competitiveness: Czech Republic – 32, Slovakia – 35, Hungary – 46, Poland – 50 (Global Competitiveness Report, 1997).

This means that they find themselves not only behind the highly developed countries but also were outpaced by a number of developing countries, especially those from the South-East Asia.

A big inflow of foreign investments directly to the Czech Republic and to Hungary, in the first half of the nineties, was the result of two factors: better supply of advanced means (qualifications, technologies, infrastructure), but especially – a much more intensive privatisation.

In 1996, however, as a result of a restricted privatisation in the Czech Republic and in Hungary, the inflow of foreign direct investments to those countries decreased. At the same time the infusion of foreign capital into Poland increased – up to 2,74 billion US D – which, for the first time, made it possible to outpace Hungary as far as the volume of foreign direct investments was concerned ("Economic Survey", 1997). The strong increase of foreign direct investments, caused the strengthening of the Polish market as that market which most effectively attracts this kind of investments in the whole of the Visegrad Group Countries.

In spite of the big inflow of foreign capital, the average level of the foreign direct investment, per capita, in the Visegrad Group Countries remained rather low, and at the same time clearly diversified because of the considerable differences in the population numbers between particular countries. The highest average level of foreign direct investments was noted in Hungary (346,0 US D), then in the Czech Republic (242,8), and in the further positions, Poland (65,4) and Slovakia (46,7). Comparatively, in the European Union, an average inflow of foreign direct investments reached almost 550 USD (Zorska, 1998).

As far as the branch structure of foreign direct investments in the Visegrad Group Countries is concerned, the capital was mainly located in processing industry (60 – 65 %), especially in the following branches of industry: automobiles, machinery (particularly, electric machinery), food and chemicals. Less capital was invested in financial and trade services (25 – 30 %), while the share of mining and agriculture in these investments was insignificant. Infrastructure has a special place in the branch structure of foreign direct investments, since its share in invested capitals oscillates strongly because the investments in the privatised public utility firms (e.g., telecommunication and power plants) are lees frequent but, at the same time, much bigger in volume.

The main direction of investing expansion for the foreign firms in the Visegrad Group Countries in the future will involve two sectors: services (particularly financial services) and infrastructure, the development level and the international ties of the two being much lower than the world average.

The character of foreign direct investments should be regarded as that which is oriented, first of all, on satisfying the demand of particular Visegrad Group Countries markets, and to a lesser degree directed at utilising local resources and manufacturing capacities for the export production (Lankes, Venables, 1996). A deeper analysis revealed that utilising the local resources for the export production involves mainly the employment of local labour force and the use of local raw materials and energy (Witkowska, 1996). The structure of foreign direct investments, as well as the utilisation of local resources, determine the basic character of the export production for the multinational corporation branches, which could be described as traditional, and labour and material consuming (Erhlich, 1996; Wysokińska, 1966).

As far as the geographical structure of foreign direct investments on the Visegrad Group Countries markets is concerned, the Triad countries, with 90 % of those investments, dominate here. The European Union is the largest collective investor, while the Federal Republic of Germany the largest among the individual ones. German investors' share in all foreign direct investments, cumulated in the Visegrad Group Countries, reaches about 23 % (and about 25 % in goods imports), with not huge concerns but small and medium-size enterprises doing the job. Among the big ones one should mention the following: Volkswagen, Siemens, Deutsche Telekom, Henkel, Bosch and Daimler-Chrysler. German investments in the analysed countries reached altogether 11,5 billion DM, from which the biggest foreign direct investments were placed in Hungary (over 5 billion DM) and the Czech Republic (4,3 billion DM), and much smaller in Poland (2 billion DM). When one considers the fact that, apart from being involved in investing, the German enterprises in the said countries possess also strong co-operative ties (with independent sub-suppliers) and strong trade ties, one has but to agree with the opinion that the foreign co-operation of the Visegrad Group Countries is dominated by Germany (Cook, 1996).

An exceptionally important task for the Visegrad Group Countries, in the context of integration processes, is seen in the change of their export structure. In the present competitive situation on the international market, carrying out such changes is not easy. In spite of the change in the direction of exports from the East to the West, their traditional structure has not changed. It is still, in the countries of the Visegrad Group Countries, conditioned by the comparative overbalance of labour and material consuming production, and of mass production. There are unfavourable conditions in the Visegrad Group Countries for specialised – and particularly for technologically advanced production and exports, mainly because of lack of new technologies.

The goods from those countries still cannot compete with modern, western goods, and that is why, on the West European market, there is a big competition between the goods

So far, neither the efforts of local enterprises to increase their exported by the analysed countries (Trabald, 1996).competitiveness nor the direct involvement of multinational corporations have significantly influenced the level of competitiveness and the structure of the goods exported from the Visegrad Group Countries (Hoekman, Djankov, 1997; Puślecki, 1999). To a certain degree those multinational corporations may be interested in the preservation of such a traditional export structure, fearing the competition that more modern goods from the Visegrad Group Countries could create on foreign markets, especially on the European Union market (Michalet, 1997).

The change in export specialisation of the Visegrad Group Countries towards the more technologically advanced fields is very much desired, since it may bring more benefits resulting from the higher volume and higher dynamics in international exchange. Only the chances for an improved position in the international division of labour make those endeavours towards the integration with the world economy fully justified. Attaining such a position, however, requires long-term, complex and co-ordinated activities in macro- as well as in micro-economic scale, that is, it requires devising and effecting an adequate strategy. The key element of such a strategy should be seen in developing of technological capabilities in each particular country. (Zorska, 1998).

So far, the positive implications of the involvement of multinational corporations in the Visegrad Group Countries prevail, although the expectations concerning the modernisation of production and exports have not been fulfilled. This situation, however, may change in the future as a result of the employment of those factors that stimulate the inflow of foreign direct investments and allocate them in more modern and more internationally oriented branches of economy. Those factors include: further development of the market and of the private sector, preserving high economic growth rate and the opening up of economies, modernising manufacturing resources (along with the infrastructure), raising the technological and competitive capabilities of home enterprises, creating a friendly atmosphere for foreign investors (simultaneously, to a certain degree, controlling their activities), and the access to the European Union (Zorska, 1998). So far the direct influence of multinational corporations on the process of integration of the economies of the Visegrad Group Countries with the world economy was rather small. The reason for that could be seen in the fact that this region was not being used for the type of production which is realised within the framework of the global strategy of multinational corporations.

Bigger investments and also the evolution of the strategy of multinational corporations towards a more global character could become the factors assisting the Visegrad Group Countries in their wider participation in a general process of globalisation and in speeding up the integration of the Visegrad Group Countries within the world economy. Wider incorporation of the Visegrad Group Countries into the process of globalisation would require much more active involvement of multinational corporations in that region (especially the American and Asian ones), which would become possible through the future membership of those countries in the European Union.

2. The processes of integration the Visegrad Group Countries with EU and globalisation.

While approaching the considerations on the role of the integration in globalisation processes, one has to ask a question how to understand the economic integration in the globalisation situation. As J. Huber sees it, the economic regions, which are taking form nowadays, should not be treated as the reaction to globalisation, but as its driving force (Huber, 1995). E. Altvater and B. Mahnkopf, on the other hand, believe that for example the Western Europe, by integrating, forms a kind of "fortress", that is, it defends itself, in spite of the free trade theories, against undesired effects of the world trade, and further, that the integration of Western Europe is aimed at creating regional economic blocs (Altvater and Mahnkopf, 1997). Both approaches are acceptable. For our considerations, the first would seem more adequate, although the second is more realistic, since nowadays a free trade is basically developing in regional blocs, which can be seen most clearly in the European Union.

It can to distinguish three kind of globalisation: hegemonic globalisation, tripolar globalisation and multilateral/multicentric globalisation (Leslie, 2000). If globalisation is perceived or imagined in hegemonic terms, or is more or less equated with americanization, then regionalisation may be seen as a strategic response. In its plurilateral form, regionalisation becomes a means through which a number of relatively small players on the world stage can combine forces to dilute US power and to help edge globalisation from a hegemonic variant towards a multilateral/multicentric one.

For Samir Amin, globalisation and regionalisation are closely related to each other, although in potentially quite different ways, according to the form that regionalisation takes (Amin, 1999).

Unfortunately Amin does not expressly define either "globalisation" or "regionalisation". However, one may infer that he equates "globalisation" with the consolidation of world capitalism, as international flows of trade and investment intensify.

It is also evident that he regards "regionalisation" as an inherently political process, one consequenced of which (or perhaps, as with neofunctionalism, a contributing factor) is the intensification of economic relations among the states thus linked to each other.

If globalisation is perceived or imagined in tripolar terms, or as reflecting the power and the strategic moves of major TNCs with global operations, then regionalisation, especially hegemonic, may be seen as a means of creating counterweights to corporate power. In this context as well, regionalisation may be interpreted as a strategic response to globalisation, but important even for the largest and most powerful states, including the United States (Leslie, 2000).

The consolidation of regional systems may permit the regional hegemons to act together in an effort to provide a form of collective, state-led economic governance – but in which only the largest powers count. If there are three major regional systems – conceivably, smaller regional systems may be nested within larger (Mercosur within an "Americans" system?) – then globalisation is tripolar.

If Japan no longer counts, it becomes bipolar. If, in the longer run, China and Russia establish themselves as regional hegemons, but Japanese economic power has faded, globalisation could be quadripolar... and so forth. In this sense, a regionalized world (a small number of hegeminic regions) provides a basis for the governance of a globalized one.

If globalisation is perceived or imagined in multilateral/multicentric terms, regionalisation (by contrast with the two previous "images of globalisation") less of strategic response than an inherent feature of a world in transformation. Under hegemonic globalisation, regionalisation is a counter-movement or counter-balancing tendency; under tripolar globalisation, it may be seen either as an impediment ("stumbling-block") or as facilitating factor ("stepping-stone"); under multilateral/multicentric globalisation it is an integral aspect or outgrowth of the technological transformations that are creating an increasingly segmented, diverse, stratified world. In this context, it perhaps makes little difference whether regionalisation is hegemonic or plurilateral. That is because, in a world of competition states-part of the description of multilateral/multicentric globalisation – states may find advantage in linking up with others to enhance their competitive position. They may choose to participate in the global economy by linking up with others – on a plurilateral basis if the potential is there, or through developing closer ties with a regionally dominant economic power if that is what is available to them.

In these circumstances, regionalisation is a response to factors endogenous to the region, but is conditioned by global events and transformations. Development, or relative economic position is one but only one factor that may induce a regionalist response. Others may be security-related, or concerned with the management of a regional resource such as water. If regionalisation is motivated by such factors, the form of regionalism may be either hegemonic or plurilateral, depending on the motivating factors, the power structure within the region, and the global power structure as well. There are no simple cause-and-effect relationships in which regionalism induces globalisation or vice-versa (Leslie, 2000).

3. "The Puślecki paradox"

It is necessary to emphasis that establishing the institutional ties with the countries of the Triad (USA, European Union and Japan) and particularly with the European Union, has a special significance for the Visegrad Group Countries. The integration with the European Union is a chance for permanent ties with the group of Triad countries, the world's leading countries, as far as economy, technology and organisation is concerned, and also the countries which stimulate the flow of goods and manufacturing resources, and which activate the globalisation process. The economic integration with the European Union may, in an indirect way, initiate, speed up and generally make it easier, for the Visegrad Group Countries, to participate, on a wider scale, in the globalisation processes, and also to employ those countries as a "lever" for accelerating the economic development in the future.

The globalisation serves mainly the interests of the Triad, but it is necessary also to affirm that the interests of the Visegrad Group Countries are furthered by closer ties with the EU. This opinion was called in the scientific literature especially in the Canadian "the Puślecki paradox". Professor Peter Leslie from Queen's University in Kingston, Ontario, Canada writes about this in the work "Globalisation and Regional Systems" (Leslie 2000).

The Visegrad Group Countries want go into the regional system but some of the wealthiest European countries like Switzerland and Norway have declined to do. In some of the Visegrad Group Countries there seems also to be some ambivalence but keeping away from the analysed processes would create a kind of "a downward path", leading this countries to the position outside the world economy, with all the negative consequences for their long-term technological, economic and social development.

"The Puślecki paradox" has showed that faster incorporation of the Visegrad Group Countries, through the integration with the European Union, into the globalisation processes would result in their fuller participation in an integrating world system of interdependent economies. In accordance with this paradox that may imply limiting, to a certain degree, their – understood traditionally –

economic sovereignty, which means that some economic decisions could be made by outside entities. Nowadays, however, according to "the Puślecki paradox" that sovereignty is perceived in a different way, not in terms of the place where some decisions are being made, but in terms of the capability for development in specific conditions of a given outside environment.

A contemporary comprehension of an economic sovereignty is therefore determined by the economic potential of a country, that is, among other things, by a branch structure of production, stability and the strength of international ties, and by the ability of adapting to changing outside and inside conditions (Wierzbolowski, 1993; Puślecki, 1996). Thus understood economic sovereignty of the Visegrad Group Countries can be strengthened by including them into a general process of globalisation. That would involve modernisation, internationalising and the development of economies through their own efforts that condition the participation in that process.

"The Puślecki paradox" indicate also that integration of the Visegrad Group Countries with the European Union and with the world economy does not mean benefits only; it also means the costs (Puslecki, 1998). The benefits, however, are bigger than the costs, and the latter are relatively smaller for those economies that develop in a dynamic way.

Conclusion

There exists an opinion saying that globalisation, in its present form, constitutes the biggest obstacle on the way to attain a higher stage of integration processes (Petrelli, 1997). A universal drive towards bigger and bigger competitiveness weakens the European integration processes. In the end of the nineties, in the face of the crises on the financial markets, there was a general conviction that it is necessary, for a further harmonious development of the world economy, to introduce co-operation and a certain kind of management and control, on a global scale. That conviction was based on the fact that the international financial markets were being increasingly dominated by the transactions of the futures, swaps and options type, which often had a speculative character and therefore lead to financial perturbations.

The growing globalisation of management could prevent such a situation. In this context very important is also the problem of education, especially in the developing countries.

Through the use of international and multinational institutions, the political regulation – restoring the political ability for action, and at the same time democratically legitimate – becomes possible (Zuern, 1996). This would also favour the development of integration processes.

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