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Overview of EU economic cohesion process performance for new member states

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Abstract

The European Union's increasing international activity and significant role in the world economy attaches growing importance to the processes taking place in the economic life of the new Europe in the context overcoming the consequences of economic crisis. A variety of questions arise in the process. Why is it that some EU economies overcome the crisis more successful on their development, whereas other economies are in stagnation? What changes, both positive and negative, have taken place in the economies of old and new EU Member States? Is the enlargement of the EU economically justified? This process carries both new threats and opportunities for development. Whether the situation will be favourable for the sustainable and effective development of the EU economy depends on the implementation of the EU's cohesion policy and the response to the new challenges of the pursued cohesion policy in the future. The aim is to achieve balanced development throughout the EU, by reducing structural disparities among countries and regions, and promoting equal opportunities for all. Cohesion policy has a major impact on the economy Member States, reducing economic differences and promoting environmental and social development. EU Member States are characterized by the large disparity in development level – it can be said that EU is a multi-speed Europe: the EU old members' and the EU new members' social and economic development varies significantly. Moreover, EU countries show convergence and divergence processes of economic and social cohesion at the same time.

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1. Introduction

Sustainable regional development and cohesion problems renew after the EU expansion, foremost due to the increasing inter-regional socio-economic differences in appreciation of both national and international levels. The researchers studies were used to show the widening gap between Eastern and Western European countries and regions; between the central and peripheral regions: and that metropolitan areas (often capitals) polarization takes place. Empirical studies have shown that within the EU there are significant social and economic disparities that are clearly reflected in the most recent reports on the EU's economic and social cohesion, which emphasizes that the internal differences increased primarily due to the Central and Eastern European countries joining.

In fact, Europe is divided into two parts – Western Europe and Eastern Europe. One group of politicians having no doubts as to development of the EU supports the concept of development of a 'two-speed' Europe – let the new EU Member States continue integrating and attain the current level of integration, while the 'hardcore', or the most advanced Member States, must take the road of deeper integration, that is, a certain vanguard group will function within the EU confederation and will have to assume, in proportion to its economic weight, also an appropriate political responsibility for development of the entire EU. According to this view, the enlarged EU must be left as it is today, but the so-called euro-area Member States will move forward, i.e., will integrate in a comprehensive manner.

Another group of politicians has a different vision of the EU's future and claims that division of the EU into two unequal parts is impermissible. For all the countries to accept and develop trust in the project of a unified European Union, the economy of the entire EU must be oriented towards enhancement of competitiveness and aim at achieving a true equality between the states. In order to achieve a breakthrough in this field, a much deeper mutual understanding and co-operation between the new and old EU Member States is needed.

A particular problem is compliance with provisions of the EU Stability and Growth Pact and the Maastricht criteria with a view to entering the EMU. A debate about implementation of the Stability Pact under the conditions of the crisis became especially heated in 2008–2010. Presently, two directions are clearly visible and constitute double standards policy. In the old Member States of the EU (Germany, France, Great Britain), the overcoming of the crisis is linked with loosening of the fiscal policy, i.e., in aiming to promote economic growth and reduce unemployment, state expenditure is being increased and taxes are being reduced. In a number of weaker (Greece, Spain, Portugal, Italy) and new EU Member States (Lithuania, Latvia, Estonia), the EU fiscal policy reforms are being implemented during the crisis in an opposite manner – by increasing taxes and reducing the expenditure of the state budget. So far, it is not possible to claim that these countries are successful in combating the crisis and the economic decline.

The current economic problems in the world and Europe are forcing to pay more and more attention to the EU Member States and regional disparities. The EU 2020 Strategy underlines the role of structural economic policy and stated that the crisis has wiped out over the years sought economic and social progress and exposed structural weaknesses in the European economy. Drastic changes in the world economy take place; long-term problems appear: globalization, exhaustion of resources, and aging, social and economic inequalities.

2. EU cohesion policy concept and research methodology

In economics literature definition of *cohesion* is not a simple concept and can be interpreted in different ways (Calvo et al., 2004). For some, it means the territorial and social relations stability; for others, the process of convergence between regions and social groups, moreover, some scientists even narrow the concept till employment opportunities and preferred living standards. Cohesion policy's aim can be to equilibrate regional and social disparities within the transparent redistribution of GDP, employment, etc. Or *cohesion policy* can be directed to the maximal contribute from regions and social groups to the country's economic performance and so on. (Chan, 2006; Hulse and Stone, 2007)

Cohesion policy supports territorial, economic and social cohesion in the whole EU and its individual regions, in the countries' in macro-economic and micro-economic levels. Structural policy covers all EU countries and regions, all areas and sectors related to microeconomics. In our opinion, the cohesion policy is in a sense a broader concept for structural policy.

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