

# **PŘIPRAVENOST NA VSTUP A VÝHODNOST ČESKÉHO ČLENSTVÍ V EU**

## **THE PREPAREDNESS FOR THE ACCESSION AND THE ADVANTAGE OF THE CZECH MEMBERSHIP IN THE EU**

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### **Anotace:**

Hlavním cílem českých politiků v době naší transformace bylo stát se členskou zemí EU. Tento příspěvek se zabývá analýzou připravenosti České republiky a jejího národního hospodářství na plné členství v Evropské unii. Druhou otázkou je, jakým způsobem může Česká republika, reformující se země, přispět k rozvoji Evropy. Testována byla nejen připravenost kandidátské země, ale i její hlavní úloha po vstupu.

### **Klíčová slova:**

Česká republika, EU, rozšíření EU, přistoupení.

### **Abstract:**

It was the main goal for Czech politicians in the time of our transformation to become a member state of the EU. This study deals with the analyses of the preparedness of the Czech Republic and its economy for the full membership in the European Union before May 2004. The second question is how could the Czech Republic, as a reforming country, contribute to the European development.

### **Keywords:**

Czech Republic, EU, EU enlargement, accession.

## **INTRODUCTION**

Almost every step on the way from a central planned economy to a market one was connected with sentences like: "It is necessary because we are a part of Europe." or "This regulation is a part of our legislation harmonization with the EU." Or like: "We should more open our economy to our partners from the EU because it is only a question of some years when we will create one common market with them." Nowadays we stand almost at the end of our transformation and have to ask a question, if our effort has brought a right level of preparation for a full membership in the EU. A second question connected with the date of our accession is how useful could the enlargement be for the nowadays member states and for the new ones, and for the whole Europe.

## **LITERATURE SURVEY, METHODS IN USE AND RESULTS**

This study deals with the preparedness for the accession and the future role of the Czech Republic as a full member of the European Union after its accession to the EU and it analyses to such extent the vision of being an economic-political bridge is viable and whether the contemporary European situation provides these efforts with sufficiently appropriate conditions. The methods i use are: historical-logical, analysis and synthesis, induction and deduction, comparison in space and time.

The task to get ready to access the EU both politically and economically was a very ambitious

matter for each of candidate countries, when considering the historical development of the majority of these countries (transforming economies). As the preparation is connected with the complete transformation of all economic and institutional structures, the change in the national economies of these countries requires a lot of effort. Already after the enlargement there is a question arising what is waiting for these countries from a long-term point of view after their accession to the EU.

The accession to the EU and related pertinence to the common market does not mean the end of macroeconomic efforts and transformation activities in these countries; this will be the time when the potential of these countries will be subjected to strict tests. This was also the reason why the author had chosen one of the candidate countries for her dissertation<sup>1</sup> and had defined its future role in the EU in order to analyse and prove the advantage of its accession both for member and non-member states.

This study clearly showed that on the customer markets there are two completely different areas: on one side there is a saturated EU common market, on which the products have a very short life cycle and in order to remain competitive, they must be constantly innovated. On the other side there is a market of former socialist countries, which is far from being saturated and it has an enormous potential of growth when considering the future increase in the purchase power of population in these countries. This situation was recognized by foreign investors, which were and are interested in privatising and buying enterprises in transformation countries. The relative biggest amount of Foreign Direct Investments (FDIs) has streamed into the Czech Republic. (Compare Table 1.) In the private sector there is the transformation almost finished and the integration, too; the free market tools have connected the economies by investing, foreign trade and other types of international division of work. In the public sector there are some regulations from the former time period remaining until today and there are some problems to be solved – if not before our accession then closely after the 1<sup>st</sup> of May 2004. One of such problems is the proper preparation for the using of EU financial support from Structural Funds. The problems root in a delayed work on the institutional security and end by a weak ability to submit viable projects.

**Table 1:** FDI as Percentage of GDP in Selected Countries

FDI as percentage of GDP in selected countries in 2002 (in %)	
Czech Republic	12,5
Latvia	7,1
Bulgaria	6,5
Lithuania	5,8
Estonia	5,4
Slovakia	4,3
Poland	4,1
Romania	3,2
Hungary	2,9
Slovenia	1,3
<i>Source: Ročenka HN 2002, Economia 2002, Praha, S. 209.</i>	

In the production area there act production factors, which are considered as comparative advantages - both in the EU and candidate countries, as complementary ones. The current EU member states dispose of sufficient capital and technical know-how, which are used in non-member countries in form of FDIs, because they can offer a cheap, but very well qualified

<sup>1</sup> PARMOVÁ, D.: Die Aufgabe der tschechischen Industrie und des Außenhandels im künftigen Bezug zu EU-Mitgliedsstaaten und Nicht-EU-Ländern. Dissertation work. Linz 2002. 239 p.

work force and cheap land. The governments of reforming countries welcome these activities and support them not only by various tax advantages and institutional liabilities, but they also establish new industrial zones and logistic centres for foreign investors. This economic interconnection should bring and brings advantages to both parties and contributes to the real European integration.

Every year the Yearbook of Competitiveness<sup>2</sup> from the International Institute for Management Development (IMD Lausanne) brings an aggregated indicator compiled from macroeconomic and microeconomic criteria for competitiveness. It is also an indicator for which the level of fitness for the accession to the EU plays a great role, e.g. the position of Estonia on the 21<sup>st</sup> place. This indicator should clearly show how prepared are the states for the global competition – in which the EU preparedness is “only” a part. The Czech Republic occupies a position in the middle of the 50 countries. It could be favourable that there is a trend to score better every year since 2000.

The progression of globalisation and networking of global investments and production lead to a question, if in the time of globalisation the future development of the enlarged European Union will be a successful one or if there will be a lot of internal disparities and internal squabbles connected with them. We could hope that the first optimistic future will come into reality but we should also prevent our integrated Europe against the second development scenario – in the intentions of the founders of the European Coal and Steel Community. As DICKE and FODERS<sup>3</sup> say, the enlargement was ever a positive impulse for the growths and the former misgivings according to a population migration and high level of finance dependence of weaker economies on the EU (European Communities) could not be statistically confirmed.

To prevent the spontaneous and uncontrolled development, the idea of economic and political bridges was considered and the Czech Republic was chosen for this task due to its convenient geographical location in the central Europe and its historical development. From the analysis of its historical development of the central Europe and from the SWOT analyses of the Czech Republic (for this task) it clearly follows that the advantages of accession of this country to the EU predominate over the disadvantages, only if the Czech Republic plays an active role in the European integration and performs the function of the bridge between the EU and other non-member countries. As for the contacts through this co-ordination bridge the first considered would be the existing instruments like export or import agencies Czech Invest and Czech Trade, which would spread their domains from the national level to European-wide foreign business and international co-operation. Later, if this strategy turns out to be viable, this role could be played directly by the EU bodies or instruments, which would have its seat in the centre of process. These controlling measures will increase the potential of European economy, contribute to the more efficient use of sources and prevent the disparities between the west and east.

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<sup>2</sup> [www02.imd.ch/wcy/](http://www02.imd.ch/wcy/) (25.2.2003)

<sup>3</sup> DICKE, H. – FODERS, F.: *Wirtschaftliche Auswirkungen einer EU-Erweiterung auf die Mitgliedstaaten*. Mohr Siebeck, Tübingen 2000, p. 87 - 210.

**Table 2:** Pros and Contras of the Czech Republic in the Context of its EU Membership

DISADVANTAGES	ADVANTEGES
<u>FINANCIAL LIMITATIONS</u> <ul style="list-style-type: none"> <li>- Financial burden of Structural Funds</li> <li>- Financial burden of the agricultural budget</li> <li>- Potential misuse of support finances</li> <li>- Investment risks (Venture Capital, etc.)</li> </ul> <u>LABOUR MARKET</u> <ul style="list-style-type: none"> <li>- Increased unemployment in the „old“ member states because of new employees and migration from the new EU member states</li> <li>- Potential shrinking of wages according to regional disparities in the enlarged Europe</li> </ul> <u>PERMEABILITY OF THE EU BOARDERS</u> <ul style="list-style-type: none"> <li>- Restrictions and elimination thanks to the strong observance of the Schengen Treaty</li> </ul> <u>CHEAP PRODUCTION IN THE NEW MEMBER STATES</u> <ul style="list-style-type: none"> <li>- Dislocation of the production into the countries with cheaper production costs (temporarily)</li> </ul>	<u>FOREIGN TRADE WITH THE EASTERN COUNTRIES</u> <ul style="list-style-type: none"> <li>- Well-known firms from the former times (FDIs, engineering)</li> <li>- High familiarity level of the Czech products</li> <li>- Connection with the members of trade networks</li> <li>- Relatively small language barrier</li> <li>- Historical experience of the Czech Republic with the transformation and the association</li> </ul> <u>HUMAN CAPITAL</u> <ul style="list-style-type: none"> <li>- Relative cheap work force</li> <li>- Well qualified work force (school system on a high level)</li> <li>- Flexible and innovative work force</li> <li>- Relative high R&amp;D level, first of all in technical branches</li> </ul> <u>INFRASTRUCTURE IN THE CZECH REPUBLIC</u> <ul style="list-style-type: none"> <li>- Transport and transit (north-south, west-east)</li> <li>- Thick railway network</li> <li>- Motorway building</li> </ul> <u>REFORM AND TRANSFORMATION OF THE CZECH INDUSTRY</u> <ul style="list-style-type: none"> <li>- Transformation of the heavy industry into a light and processing industry</li> <li>- Industrial zones and parks (Philips, Citroën, Toyota etc.)</li> <li>- Location for the FDIs</li> </ul>
Source: Author	

The use of western standards of the environment protection, which are being introduced into the enterprises established due to foreign direct investments, can be also considered as a positive aspect.

## CONCLUSION

It is also possible to assume that the accession to the EU and harmonisation of legislation of candidate countries with that of the EU will result in the improvement of social situation and living standard. The differences in the starting position between the current EU member states and reforming countries, which are very marked in the production instrumentation, can never cause that one group of countries or the other would consider its position as superior. By contraries, the different starting positions should lead to the symbiosis with synergistic

effects, which is possible only if the European nations live in peace. This synergistic economic interconnection will finally lead not only to the so called "Win-Win-Situation" for both groups of European countries, but it will also form a sound basis for growth of economic potential of this area in comparison with the other national economies that are on a similar level (U.S., Japan). This should always be born in mind and if any country, which has potential and ability to understand both groups of countries and to give a helping hand in the integration effort and is willing to act as a bridge between these two parties, then the integration will proceed faster and more efficiently than as if was left to its spontaneous development.

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