SEPARATION AND COHESION. THE EXAMPLE OF THE NEW EUROPEAN UNION MEMBER STATES. ECONOMIC LESSONS FROM INTEGRATION

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The aim of the report is to analyze the separation and cohesion of countries on the example of the new member states of the European Union (EU) with the main emphasis on the Baltic States. We observe the impact of European integration on the basis of the main economic indicators of one specific sector of the economy - transportation.

Pre-entry cooperation with the EU already improved the cooperation of the EU candidate countries with the old EU-15 countries having the developed economies. It promoted the economy and knowledge of the candidate countries significantly and thus also helped to improve the quality of life. A steep increase in the economic indicators of transportation companies, as well as other main sectors of the economy, however, occurred after joining the EU, in the common market conditions.

Global recession also left a mark on the development of these countries. After the crisis, however, the new EU member states, especially the Baltic States, have achieved the largest economic growth in the EU, just like before the crisis. This is evident from the economic indicators of their transportation companies.

The small Baltic States can be viewed as an economic model, on the basis of which generalizations can be made regarding other countries.

The success of the Baltic States, as well as the development of many other new EU Member States’ economies, expressively demonstrates the benefits of cooperation and cohesion of countries. However, it must be said that the development is not linear, but cyclic. They have developed differently and there have been problems as well.

Keywords: Baltic and CEE countries, integration, main factors of transport enterprises.

The aim is to introduce the integration of European nations, its lessons, for us to get to know the past as well as today better in order to shape a future better on the basis of this knowledge. We started with the expansion of the EU to the east, where the main emphasis is on economy (the common market) and the quality of life arising directly the reform.

1998th was began Estonia, Cyprus, Poland, Slovenia, Czech Republic and Hungary accession negotiations with the EU. Next year Bulgaria, Lithuania, Latvia, Malta, Romania and Slovakia. 2004th the three Baltic States and Czech Republic, Hungary, Poland, Slovenia and Slovakia in EU; 2007th Bulgaria and Romania, and 2013th Croatia joins the EU. [1-2]

The common market, which is based on free movement of goods, services, capital and people, is the greatest achievement of the EU economy. Customs restrictions between the Member States have been waived. The 18 member states use common currency, Euro. [1]

This is followed by an analysis of the real GDP growth of the Baltic States. We will also be viewing the number of transportation, storage and communication enterprises in the Baltic States, and the development of the turnover, gross operating surplus and number of persons employed since 1999, when the Baltic States were still EU candidate countries.

The theoretical base have been brought in more detail in the author earlier works [3-12].

The Statistical classification of economic activities in the EU, abbreviated as NACE Rev. 1; Rev. 1.1 and Rev. 2, is the nomenclature of economic activities in the EU. [13] The source data comes from Eurostat.

In the background we look at EU and the USA and Baltic States economic, gross domestic product (GDP) development. Real GDP growth rate, percentage change during the previous year in 2012: EU-28 = -0.4%; Euro area (17) = -0.7%; Germany = 0.7%; France = 0.0%; United Kingdom = 0.3%; Italy = -2.5%; Japan = 1.4%; USA = 2.8%. [14] This illustrates the global economic crisis and the impact of big countries on small countries.

Fig. 1. Real GDP growth rate. Percentage change during the previous year [14]

Source: the authors’ illustration
The trend line shows the cyclical development of the Baltic countries economy (GDP). In addition to the economic decline during the years 2008 – 2009, there was also a decline in 1999 (Estonia and Lithuania). If an annual real GDP increment of more than 10% can be considered excellent, then the results in 2009 was one of the largest in the world. In 2009, real GDP fell by 14.8% in Lithuania, by 17.7% in Latvia and 14.1% in Estonia.

The development of the Baltic countries economy before and after the crisis was one of the fastest in the EU. Yet, the crisis led to a very deep recession, which was one of the greatest in the world, as well as in the EU. A larger or smaller recession took place in 2009, which is called the crisis year. In the following years economy grew.

Thus, the country covered two extremes. On the other hand, it also shows that the reforms carried out in the past were successful and established a base that enabled exiting the crisis successfully. In particular, this meant creating favourable conditions for business. Again, GDP growth in 2011 and also 2012 are highest in the EU.

Before and after the economic depression, the Baltic States were successful. The Baltic countries had the highest in GDP growth rates in Europe between 2000 and 2007.

These complex trend lines characterize the cyclical development of the economy (GDP) in the Baltic countries, even after the economic crisis.

The figure shows that the Baltic countries are from 2010th end successfully outgoing from economic crisis. In 2011th was Estonia and in 2012th and in 2013th Latvia economic (GDP) fastest development in the Baltic countries as well as among all EU-28 countries. Below we analyze the main causes of the transportation company.

The main emphasis of this analysis is on how the transportation and storage enterprises of Baltic countries survived the economic crisis. What are the lessons learned from the economic crisis?

While the number of enterprises in the Baltic countries in 2008 was 16,512, the following year the number was smaller by 145, i.e. 0.9%. In 2011 was 16,990 (+0.03%). Estonia have had a steady increase.

Estonian total transport increased 1.92 times (2004-2008 1.41) and land transport (2004-2011) 2.37 times (2004-2011 1.59 times). The number of companies in Latvia increased steadily until 2008, the year of the crisis. Next year and in 2010, their number decreased even more, whereat by 2011, only 89.4% of the number of companies in 2008 remained. Total growth in the number of transport companies: Latvia 2.76 and Lithuania 1.58 times.

**Conclusion:** The number transportation companies, as the entire economic crisis took different courses in different countries. The general trend was that the number of enterprises grew until 2008, decreased in 2009 and experienced another increase during the following year that did not reach the 2008 levels. Estonia and Latvia, where the number of transportation companies continued to grow, also during the crisis, were an exception.

Thus, these indicators alone are not enough to draw conclusions on how transportation companies got through the economic crisis. Other key indicators must also be analysed, and at the same time, it must be taken into account that other European states experienced an economic (GDP) decline in 2012.

Estonian enterprises of transport, storage and communication (NACE R1) growth in turnover between 1999 and 2008 was a time 2.83, Latvia 3.42 and Lithuania 4.65. [15]

Estonian growth in turnover (NACE R2) between 2005 and 2011 was a time 1.47 and Lithuania 1.92 and Latvia between 2008 and 2011 was a time 1.07. The Baltic States experienced steep declines in 2009, –15.4%, –17.5% and -25.5%, respectively. The level of 2008 was only exceeded two years later, by 14.4%, 7.3% and 6.9%, respectively. [16]

Thus, of the Baltic States, Estonia exited from the economic crises the most successfully, and Slovakian enterprises of the CEE countries.

Estonian enterprises of transport, storage and communication (NACE R1) growth in gross operating surplus was to 1999 - 2008 1.39, Latvia 2.22 and Lithuania 2.41. [15]

Estonian enterprises of transport and storage (NACE R2) growth in gross operating surplus was to 2005-2011 1.62, Latvia 0.90 (-10%) and Lithuania 1.65.

![Fig. 2. Number of enterprises of transportation of the Baltic countries. Rev. 2](image)

*Source: the authors’ illustration*

<table>
<thead>
<tr>
<th>Year</th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
</tr>
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<tbody>
<tr>
<td>1999</td>
<td>2,223</td>
<td>2,286</td>
<td>5,405</td>
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<tr>
<td>2000</td>
<td>2,146</td>
<td>2,616</td>
<td>5,732</td>
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<tr>
<td>2001</td>
<td>2,330</td>
<td>2,717</td>
<td>6,398</td>
</tr>
<tr>
<td>2002</td>
<td>2,641</td>
<td>3,054</td>
<td>6,487</td>
</tr>
<tr>
<td>2003</td>
<td>2,808</td>
<td>3,871</td>
<td>6,901</td>
</tr>
<tr>
<td>2004</td>
<td>3,029</td>
<td>3,926</td>
<td>5,861</td>
</tr>
<tr>
<td>2005</td>
<td>3,240</td>
<td>4,191</td>
<td>6,226</td>
</tr>
<tr>
<td>2006</td>
<td>3,556</td>
<td>5,082</td>
<td>6,901</td>
</tr>
<tr>
<td>2007</td>
<td>4,137</td>
<td>5,585</td>
<td>8,213</td>
</tr>
<tr>
<td>2008</td>
<td>4,282</td>
<td>6,314</td>
<td>8,523</td>
</tr>
</tbody>
</table>

**Number of enterprises in thousands in the Baltic countries of transport, storage and communication. (NACE Rev. 1.1) [15]**
The general trend: continuous growth of Estonia during and after the economic crisis. Latvia experienced two years of decline, but 2011 remained considerably lower than the profit of 2008. There were several years of decline in Lithuania, but in 2011, there was record profit.

Comparing proportionally on the basis of the population, the Baltic State with the highest profit was Estonia.

The economic boom considerably increased the number of employed people. The following economic crisis decreased it again, whereas in 2011, the pre-crisis level had not yet been restored. This reveals an apparent economic contradiction: in order to increase labour productivity, the same amount of work must be done with a smaller number of people, which may however increase unemployment. Labour productivity can also be increased by better organization of work, by using more productive machines, etc. The problems of labour market have partially been analysed by the author in earlier publications [1, 3-12].

Taking into account this brief analysis and the findings of earlier publications [1, 3-12], can be do the following conclusions.

Discussion & conclusions

1. The economy (GDP) of the Baltic States and the CEE countries as a whole has developed strongly after integration with the European Union.

2. The economic growths of the Baltic States were the highest in the EU before and after accession.

3. The public sector debt and the state budget in relation to the GDP of Estonia is the best in the EU.

4. The decline during the economic crisis was the highest in the EU in the Baltic States.

5. Small countries are very sensitive to global economic crises.

6. Integration with the EU and the IMP helped the Baltic States and the CEE countries exit the economic crisis better. Struggling countries are supported thanks to the integration.

7. The economy of the EU Member States is not developing uniformly throughout the EU. For example, some EU countries, above all Greece, are in deep economic and financial crisis at this time.

8. The transport companies of the Baltic States and the CEE countries as a whole exited the crisis better than the industrial and construction sectors of these countries.

9. However, the transportation companies of the Baltic States and the CEE countries have not been developing uniformly.

10. A difference can also be observed in the development of the most important economic indicators.

11. All economic indicators of the Baltic States and the CEE countries had not yet exceed the pre-crisis level in 2011.

12. Compared to the EU-15 (the old, wealthy Europe), the transportation companies of the Baltic States and the CEE countries should increase their added value and profit.

13. In spite of the general economic success, a number of problems, primarily social problems, still require solving in the Baltic States.

14. Belonging to the EU has strongly increased the quality of life in the Baltic States, but it is still lagging considerably behind the richest countries in Northern and Western Europe.

15. As a whole, accession to the EU of the Baltic States and the CEE countries has been beneficial.

16. This and other publications help to create a better overview of the development of sectors of the economy in different in periods, equip it with theoretical basis and enable to make optimal decisions in the future.

This article together with earlier articles helps the public, entrepreneurs and politicians to shape their opinions on the usefulness of European integration.

References:


8. Tanning, Toivo; Tanning, Lembo (2013). The Baltic States Companies

Tab. 2.

<table>
<thead>
<tr>
<th>Gross operating surplus of Baltic countries. NACE Rev. 2 [16]</th>
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<tbody>
<tr>
<td>Estonia</td>
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<tr>
<td>Latvia</td>
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<td>Lithuania</td>
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The economies of the Baltic countries have developed strongly after integration with the European Union.


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