Impact of sweden's integration to the eu

The Geography of European Integration

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Category A

Sweden and its experience from the process of integration and enlargement

The enlargement process has been a top priority for the European Union during the first years of the 21th century. Sweden's accession was in 1995 along with Austria and Finland, when these countries became members of the European Union. However, even before this accession, Sweden –as well as the other two countries- followed a path of increasing commitment to the European integration process – from a free trade arrangement, via the European Economic Area (the EFTA states' affiliation to the Internal Market), to full EU membership. Moreover, Sweden's economy was highly internationalized, and at the same time quite similar to its EU neighbors when it came to income and structure. Keeping this in mind, joining the EU in 1995 was not an actual large step.

At the turn of the year 1991- 1992, Swedish economy –along with others- had been facing a downturn for about two years. The Maastricht negotiation was in its final stage but the Internal Market Program was also a central theme on the political agenda, in the European Community as well as in the EFTA (European Free Trade Association) states. In 1992 the Internal Market was formally accomplished and the EEA (European Economic Area) agreement was signed. It was after the collapse of the Communist bloc that made neutrality a problem and full accession to the EC had become a primary political objective. In the end of 1992, the Swedish currency fell dramatically, with a variety of consequences on exports (Central Bank, Sweden, 1996). Following the above, a period of low inflation began. In January 1994, Sweden entered the Internal Market through the EEA agreement. The same year, a referendum brought EU issues to the public debate, and in January 1995 Sweden became members of the EU.

While entering the European Union, notable expectations were held, both in positive and negative terms. Firstly, the situation for small and medium – sized enterprises (SMEs) and the people working for them could be of particular interest concerning the integration process. Secondly, from EU's point of view, as well as from Swedish policy makers', small firms were relied upon to create employment and a dynamic economy (Commission of the EC, 1995). At the same time, the Internal Market is a project of increasing scale, in markets and in production. However, when it comes to smaller firms they could be more vulnerable, as their capacity to detect and respond to environmental and societal change could be low or inadequate (d' Amboise and Muldowney, 1988). So in order for integration not to be beneficial for large firms only, measures have been taken aiming to improve the situation for SMEs in the Internal Market. In spite of smaller firms' resource situation being critical -having to do with distances, languages, cultural and administrative differences etc-, nevertheless, integration measures could also be beneficial for them as they can reduce crucial thresholds.

In the field of manufacturing, the actual degree of integration, for example measured as the importance of international transactions, is relatively high. Although numerous types of obstacles to transactions between member states of the EU are reduced, while preconditions for economic activity are harmonized, there is a strong potential for further integration that we can't overlook. Therefore, following a country's entry into a common market, trade was expected to achieve certain increase as well as competition would be able to reach new areas of the economy.

According to Bonnedahl's questionnaire, when it came to consequences from integration, more firms concerned competition more often as a threat rather than as an opportunity. Furthermore, distribution issues, including goods handling and certification were characterized as facilitated regarding business within the EU, whereas business with third countries had become more difficult or costly. In addition to the above, competition from low cost producers in Eastern Europe is an important issue with many firms tending to move their production in lower cost countries outside Sweden. The beneficial part had to do with the business interaction with the EU as it was after the integration more positive (Bonnedahl, 2004). Additionally, in 1996 –already- the firms had higher sales to EU markets, which means that when integration measures succeed in reducing differences between countries there a decrease is expected in the need for a successive build-up of resources and experience. Another consequence is that some of the possibilities for protection on the domestic market will be weakened. Last but not least the endurance of certain differences could be an advantage in smaller firms, whereas in large multinational firms is no problem at all as they can make more out of a single market.

In conclusion, although responses to the general question of whether consequences from integration suggest that the Internal Market's impact has been positive and negative at the same time and while economic stability difficulties have arise we should not overlook the main advantage which is the increasing commitment to foreign markets, of which some could be attributed to the formal integration process as well as the attitude to EU trade which has also become more positive.

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There is determinism in the integration experience of EU economies: less advanced will be affected negatively by competition, more advanced will be favored.

The phrase economic integration could be described as a way by which countries aim to increase their level of welfare. Regional economic integration may appear in different forms based on the degree of integration between countries. The four main types of regional arrangements are: free trade agreements, customs unions, common markets and single markets. Free trade agreement is a preferential trade arrangement in which taxes – fees among members do not exist. In a customs union, members additionally opt for a common external tax. Common market is about members permitting free, or at least, greatly increased, factor mobility within the market. The single market is the highest form of economic integration, stipulating that all producers and consumers are governed by exactly the same rules, implying that they must be treated equally in all parts of the market. An even deeper level of integration is reached if countries within a single market agree to coordinate their economic policies (Economic Union) or if countries within a single market agree to common policies in almost every sector (Political Union).

When observing the process of European economic integration the first thing that pops up is that cohesion countries have moved considerably closer to Community average in terms of per capita GDP and then -following the economic crisis moved away- again. Typically, the EU measures cohesion as inter-regional differences in labour market conditions and average income per head. This approach is not without its problems. Firstly, such a focus can overlook the extent of intra-regional inequalities (Collier, 1994), for instance, has pointed out that per capita income requirements for a region can be close to EU average but can hide quite marked intra-regional differences. Secondly there is a fundamental problem in defining and measuring cohesion by reference to " regional indicators": measures of interregional inequality depend on the regional boundaries which are selected (O' Donnell, 1993).

The economic performance of some regions improved significantly during the 1980's. However, there is no evidence proving there is a trend towards the elimination of disparities. Indeed, disparities between member states such as Spain, Italy and the UK have increased significantly over recent years. Regional inequality remains entrenched in Europe and seems to be growing rather than diminishing. The problem is to put into perspective when it is recognized that regional GDP per capita disparities in the EU are twice as high as in the US and unemployment disparities three times higher than in the US (CEC 1991).

These spatial disparities are supposed to be tackled by the EU's various Structural Funds, which grew in size and importance during the 1980s. The accession of the UK and Ireland extended the scale and nature of the regional problem within the EU. In particular the UK brought with it a number of crisis – hit industrial regions. The UK’s problems in this regard were particularly acute, but similar problems of concentrated industrial decline emerged in most northern member states during the 70’s and the problem of converting regions in industrial decline became an important task of the ERDF. During the 1980s the accession of Greece and later Spain and Portugal brought new concern with cohesion, as did intensifying problems in the declining industrial regions. The Structural Funds were reformed in 1979 and 1984 as the Commission sought to increase the available resources and to improve the effectiveness of the funds. A more far-reaching reform of the Structural Funds occurred in 1988. This reform differed from the previous ones in so far as it was one aspect of the renewed impetus to economic integration, represented by the signing of the Single European Act.

Another problem when it comes to EU’s approach to cohesion is the faith it places in market forces to stimulate growth and see to its “ trickle down” to the less developed regions. A wise expression of the EU approach to cohesion is the one given by Delors (1989) who rejected the idea that there are inevitable winners or losers in the process of integration. Peripherality, for instance, is no longer described as a serious problem on the terms that transport costs are becoming, gradually, less important regarding the location of industrial production. New developments in telecommunications and increased capital mobility are seen to represent an opening up of the firms’ choices relative to the aspect of location, with the implication that this may benefit the less favoured regions. Delors concludes that the most important factor determining the distribution of industrial activity is effective supply-side policies, and for this readon he rejects regional employment and capital subsidies. The former, he argues, may give the wrong signal to those responsible for labour comptetitiveness while the latter may encourage inefficient investment.

In conclusion, the question is not whether the proposals above are good or bad –few would oppose them- but whether they are good enough in order to close the regional gap in Europe. It has to be asked, also, whether any positive gains resulting from EU regional policy in facilitating cohesion are complemented by EU policy actions designed to enhance European competitiveness. In my opinion, the evidence until now shows us that larger firms and advanced regions are being favored. Let's hope that eventually the opposite will happen.

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European Cohesion Policy 2014-2020. European CommisionCategory B

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