

THE OPENING – DEPENDENCE ON THE EUROPEAN UNION AND GLOBALIZATION

Sorica Sava*

Abstract

Globalization is the result, as well as the cause of the expansion of trade agreements and liberalization of capital flows. Regionalism is a side effect of globalization, of particular importance in EU. The article compares the opening and dependence of EU member states with that of similar regions in the world. It argues that the combination between free trade and regionalism is destined to evolve in time.

The 80's operate a reshaping of the global economy. Two powerful and closely bound forces have created conditions for the new tendencies.

The first one, the globalization of economy – resulting from the expansion of multinationals – accentuates the international interdependence to such an extent that the part of the production destined to trade increases and the direct foreign investments accumulate.

The second one, the resurgence of regionalism – a phenomenon better observable in Europe, but also existent in other regions – has important consequences either.

The increase of both regionalism and globalization leads to a certain number of matters: the expansion of trade agreements and a new relation between regionalism and multilateral liberalization of international trade. Globalization expresses the growing influence of this movement and of the competitive game affecting the economy as a whole.

This dynamics of international economic relations reveals the role of the regional integration process. The regionalization of the trade is distinctly more pronounced in the European Union. The European market has got a new physiognomy since the creation of the customs, economic and monetary union. So the EU has become a vast economic space, the most developed regional group and the biggest commercial entity. It is about a market of 309 millions of inhabitants (for countries members of the European Monetary Union). Therefore, Europe together with United States and Japan represents the biggest commercial triangle of the world.

Besides, the European market has been the market with the strongest growth in the world for the last several years, as a result of the beneficial effects determined by these changes of structures. Among certain arrangements of regional integration, the EU is by far the most important regional zone whose total of exports and imports represents more than 40% of the world trade in goods and services. Since exports to countries of the third world have progressed faster than their imports, the intra-EU weight of trade of the total trade itself stays at a pretty high level of about two thirds of the total trade.

The evolution of prices, the home demand and the monetary oscillations explain

* Sorica Sava is Professor of Economics at the Romanian American University in Bucharest.

variations of relative importance in the intraregional trade. But these trades between member countries contribute to themselves with more than a quarter of the world exports. Although the European Union represents a model of regional integration, it has become a component of the world free trade because of the commercial, financial and industrial interdependence and of the geographical, economic and political stakes.

This approach incites us to place the European Union stakes between the creation of an integrated economic space and the national extraversion stimulated by the globalization of activities.

The interaction between the liberal nature of the integration process and the national economies insertion in the globalization process expresses the specificity of this European economic space. This double liberalization submits the European Union to two types of forces, centrifugally produced by the globalization process and centripetally generated by the economic and monetary integration objectives. The creation of a general union including all sectors of the economic activity answered to an internal necessity, the opening of the economies through the development of four liberties: free circulation of goods, services, capital and labor. But at the same time it is about a simultaneous opening under the notable external influence.

The globalization – Europeanization relation was influenced by the involvement of the European countries in various multilateral negotiations of WTO (GATT) as well as in several agreements of association and other nature. The empiric analysis of the rates of commercial dependence and of the opening to the exterior can show us the impact of the constant interaction between the regionalization of trade and the advance of globalization.

The opening –dependence of the European Union in the period 1994-2004¹

Billions of dollars and in percent

	1994	2000	2004
Export²	770	792	1204
Import³	762	920	1281
GDP in value⁴	6806	6100	9500
Rate of dependence⁵	11,2	15,1	13,5
Rate of opening⁶ (%)	11,3	13,0	12,7
E+I/2/PIB⁷(%)	11,3	14,0	13,1

Source : Organisation mondiale du Commerce (1995 et 2005), Le commerce international : tendances et statistiques, Genève

Rates of commercial dependence and opening to the exterior of the European Union

¹ 1994: 12 countries, 2000 et 2004 -25 countries.

² Extra European.

³ Extra European.

⁴ Gross domestic product.

⁵ Import of the region/GDP of the region *100.

⁶ Export of the region/GDP of the region * 100.

⁷ Average of exports and imports brought back to the GDP of the considered area.

show the relative importance of the world insertion. Data show us the greatest opening - dependence of the EU (13.5% of the GDP in 2004) compared to that of other areas, for example the United States (nearly 10% of the GDP). There is a meaning in comparing the United States to the European Union, because these two big partners have the most important commercial and economic weight in the world. So, among the twenty leading exporters and importers of the world, eight and respectively twelve are EU member countries. As main part of possessions and commercial services world trade, EU had a considerable impact on the total trade and the international economic relation dynamics.

However, the commercial extraversion is accompanied by an increasing opening of the economies to the productive and financial capital flows. This phase of opening of the economies to the productive and financial capital flows accelerated the process of globalization.

Such an evolution is justified by the needs of the economic private or public agents as a whole to reach the world market of capitals. It is about the necessity to finance the diversification of enterprises and the improvement of the efficiency on the financial markets as well as to cover the macroeconomic unbalances.

In this perspective, for a better adequacy between the financing capacities and needs, the world financial system has become a big market through the permanent interconnections of national spaces. The European Union is not part of this movement, representing 54% of the world direct investments and reaching 42% of the foreign direct investments.

The EU has actively participated in this movement of globalization of the capital through the creation of a big market and through the globalization of the financial system. This world insertion of the EU member countries was achieved in several stages:

- Globalization of goods and services trade
- Globalization of production and financial capital flows
- Global strategies development of the companies

So, these are the characteristics of the international economic relations:

- On one hand, the increasingly important role played by the multinational businesses in the world environment has the tendency to reach an integration of the production processes.

- On the other hand, there is the acceleration of the world exchanges at an immaterial level (information, services...), these domains modifying the local/global, national/international ratios.

Nevertheless, the implication in this international relations dynamics since the middle of the eighties hasn't involved in any way slowing down the regionalization process, as attested by the tendencies of regional integration, which has stayed the most intense in the world, even if it does exist in other regions, either.

The regionalization of the intra-European trade stays the most intense in the world. Since the end of the sixties, goods trade in Europe and EU has known such a strong growth, that in 2004 it represented more than 40% world exports and imports.

The home market and the monetary union can explain the commercial and financial regionalization and its effect produces the distribution of FDI flows: an intra-European flows' intensification and the concomitant inflation of European origin FDI stocks. But the regionalization of capital and production movements, of alliances and fusions between companies is conjugated with the increasing opening of the European

economies.

In this way, EU has become a well integrated and also open economic space. These evolutions, justified by the need of private or public actors as a whole to reach the world economy, show us that the new axis of common cooperation has become “the co-regionalism free trade”.

Therefore, parallel to the geographical redeployment of various activities, the commercial arrangements sustaining different forms of cooperation of the EU with the rest of the world are the object of a structural reconfiguration. The European Union sustains an open and free trade regionalism, able to procure gains of competitiveness.

This combination between free trade and regionalism is destined to evolve. For instance, the relations of the Union with the developing countries are in resonance with the multilateral doctrine of the OMC and beyond, with the liberal representation of a global economy.

The possibilities that EU influence the relations reside in the fact that fifteen, respectively twenty-five member states provided in 2004 almost half of the world trade of goods and services. In fact, the economic action remains the fundamental dimension of the European Union foreign policy as international actor.