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Bachelor thesis

Economic and Political reasons Behind Regional Integration in European conditions

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BACHELOR THESIS ASSIGNMENT

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Thesis title

Economic and Political Reasons Behind Regional Integration in Europien conditions

Objectives of thesis

The review and analysis of countries regional trade agreements. Analyze to what extend trading blocs such as European Union, NAFTA, MERCOSUR, APEC and others are trading, or political blocs.

Methodology

The critical literature review and the evaluation of trading blocs' political and economic dimensions

Schedule for processing

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Credit ZS/ 2012 the theoretical section write up
Credit LS/ 2012 Analysis and conclusion

The proposed extent of the thesis

30 - 40 stran

Keywords

Regional integration, country groupings, Trading blocs, political and economic dimensions, EU, MERCOSUR

Recommended information sources

P. Krugman, M. Obstfeld
International Economics. Theory and Policy, seventh edition, 2006. Pearson
Jeffrey A. Frankel, Regional Trading Blocs in the world Economic System, Institute for International Economics

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Prague November 8. 2011

Affidavit

I declare, that I created my bachelor thesis „ Economic and Political reasons Behind Regional Integration in European conditions " by myself under leadership of Mr. Dittrich Oldřich Ludwig, PhDR., Ph.D. and with use of specialized literature and another informational sources, which are referenced in the text and stated in the List of literature on the end of my thesis. I declare as an author of this Bachelor thesis, that I did not violate copyrights of third persons by creating this Bachelor

In Prague day 03.11. 2012 ____________________

Thanks

I want to thank here to my wife and newly born son, who were despite their high level of pregnancy and sojourn in hospital my greatest source of support.

I want also thank to Mr Dittrich PhDr. Ph.D. for his advices and leadership during my work.

Economic and Political reasons Behind Regional Integration in European conditions

Ekonomické a politické důvody za regionální integrací v Evropských podmínkách

Summary

One of main reasons for writing this bachelor work was a wish to understand the current situation within the European Union. By "current" I mean situatiaon after the year 2010 and the economic crisis which began a few years ago (even now in 2012 it is not certain when it will end). I wanted to understand why European countries wished to integrate into a single union, when everybody had to know that a union would potentially suffer heightened crisis states than if they were single countries. I know that this crisis is not entirely an EU crisis, but rather a global crisis, yet I still wished to understand what the reasons behind integration into the European Union were.

The whole work is divided into two main parts, both Theoretical and Practical. In the theoretical section I decided to go through the historical development in Europe for almost the past 2000 years in an effort to try to understand Europe. In the practical part I decided to focus more on economic factors and I analyzed the economic situation in coupled countries (EU and NON-EU). Those countries were carefully chosen, because I needed countries which are historically, politically, economically and by size of population comparable.

Keywords

Europe, integration, economy, politics, comparison, history, statistic, regional integration, EU

Souhrn

Jedním z hlavních důvodů pro napsání této bakalářské práce, bylo mé přání porozumět stávající situaci v Evropské unii. Stávající situací mám na mysli dění po roce 2010 a ekonomickou krizi, která začala o několik let dříve (dokonce ani nyní v roce 2012 není jasné, za jak dlouho krize skončí). Chtěl jsem pochopit proč se Evropské státy chtěli integrovat do jednotné unie, když od začátku muselo být zřejmé, že jednotná unie může trpět horšími krizemi než samostatné státy. Vím, že současná krize není záležitostí pouze EU, ale celosvětovou, přesto jsem chtěl pochopit důvodu, proč se Evropa integrovala.

Celá práce je rozdělena do dvou hlavních částí, Teoretickou a praktickou. V teoretické části jsem se rozhodl zkoumat historický vývoj v Evropě za poslední skoro 2000 let s cílem pochopit Evropu jako takovou. Praktická část je soustředěná na analýzu ekonomický faktorů. Vybral jsem dvojice států (unijní a neunijní), které jsem následně zkoumal. Dvojice byly důkladně vybrány, protože bylo nutné zachovat politickou, ekonomickou a populační podobnost obou zemí.

Klíčová slova

Evropa, integrace, ekonomika, politika, porovnání, historie, statistika, regionální integrace, EU

1. Introduction

1.1. **Main question**

What are the reasons behind European integration and is it economically reasonable to integrate into higher units like the European Union?

1.2. **Thesis**

Theory says that bigger things are better and stronger. We can clearly see this even on a political level. In history the most powerful countries were the biggest, from the historic Persian Empire to the cold war's CCCP. Many of those super-countries were forged by military or religious force. But what happens if one tries to build a similar unity of countries and nations in a peaceful way? Will it be beneficial for everyone or just some, or in the worst scenario, disadvantageous for everyone?

I decided to find out through the comparison of economic factors which I see most accurate for my needs: Inflation rate, GDP growth, Unemployment and a few others. From these and from historical analysis I want to find out why European countries are trying to integrate into the EU.

1.3. **Used methods of work.**

As previously mentioned, the whole work is separated into 2 main parts.

The first part is primarily composed from historical data. I present this data because I want to determine if any long term tendencies which form European integration exist. I then focused on finding the strongest motives for European integration and the pros & cons of this process.

In the second part I chose coupled countries where one is, and one is not a member of the European Union. I describe these countries in detail to show that although the countries may have differences, they really are comparable. After selecting appropriately coupled countries I gathered statistical data from Eurostat and national statistical institutes. I decide to compare stability of development and trend of every country and parameter. I think that, indicator is stable when it looks like a line. And trend is also easier to define on line than on curve. For those reasons I used linear regression analysis and its parts as a method to show results of my work.

As a first step I have putted all date into graphs. I've worked in MS Excel and graph forms greatly simplified my work. Then I've calculated regression equation for curve of linear regression and determination index (Determination index shows level of similarity between regression curve and original curve composed by gathered data.) for each country and parameter. Stability of development is represented by determination index. When curve of original date is close to its linearized form, determination index is close to 1 (determination index is represented by values from 0 to 1) and parameter's development is stable. Trend is represented as a multiple of "x". If the multiple has a negative value, it means trend is in decline. And if it has positive value, trend is ascending. But value itself is important, not just the sign. Value define angle in which the line is shaped. If absolute value of multiple is close to 0, it is represented almost as a horizontal line. And as the value of multiple is growing, angle between X axis and regression line is growing as well. Bigger angle is a representation of higher speed of development. I define for our purposes this table of development speed:

Table number 1: Speed of development definition

Speed of development	slow	continuous	fast	very fast
Multiple	0 – 0,01	0,01 – 0,02	0,02 – 0,03	0,03+

2. Theoretical part

Economic integration is defined as the elimination of economic frontiers between two or more economies. In turn, an economic frontier is any demarcation over which actual and potential mobilities of goods, services and production factors, as well as communication flows, are relatively low. On both sides of an economic frontier, the determination of prices and quality of goods, services and factors is influenced only marginally by the flows over the frontier. (PELKMANS, 2006, p. 2).

2.1. <u>History of integration in Europe</u>

800 Emperor Charlemagne of the Holy Roman Empire initiated an attempt to recreate the Roman Empire. It's not without interest that the territory of this empire included today's France, Switzerland, northern Germany, Belgium, Luxemburg and The Netherlands. With the exception of Switzerland, they are five founding countries of the European community. Only Italy is missing. Charlemagne also introduced a *single currency* in his time, which was also established in those countries 1200 years later with the arrival of the Euro (KÖNIG, LACINA, PŘENOSIL, 2006, p. 13).

1462 George of Poděbrady, the Czech king, proposed creating a European confederation, which would have faced the advancement of the Turkish forces. Confederation organisation should have included a periodical meeting of countries. Each country would have a five-year chairmanship with regular rotation (the current rotation of chairmanship in the European Union is a half-year period; the Constitution contains a two-and-a-half year long chairmanship). The next authority should have been a Committee of permanent representatives. This committee would have the right to make decisions using a system of qualified majority (nowadays the system of qualified majority is the most common system of voting). Other authorities would have included a Council of kings and princes and courtyards solving disputes between members of the confederation (KÖNIG, LACINA, PŘENOSIL, 2006, p. 14).

1693 William Penn proposed the establishment of a European parliament which would have solved disputes between European countries using a system of three quarters qualified majority. In this specific system each country would have had a number of votes dependent on their economic strength: for example Germany would have had 12 votes, France 10, England 6; (active Congress in the 1950s during the integration process saw only six countries with this composition: Belgium 14 representatives, Germany 36 representatives, France 36 representatives, Italy 36 representatives, Luxemburg 6 representatives, The Netherlands 14 representatives) (KÖNIG, LACINA, PŘENOSIL, 2006, p. 14).

1795 Immanuel Kant suggested establishment of a European Constitution and the unification of a code of law. Kant saw the only way to a peaceful coexistence between European countries was in forming a federation of states (KÖNIG, LACINA, PŘENOSIL, 2006, p. 14).

1814 Henri de Saint-Simon proposed reorganisation of the European society by creating a political and economic union – a United States of Europe with a bicameral Parliament. The condition for creating this organisation would have been the point when every European country had a parliamentary democracy (KÖNIG, LACINA, PŘENOSIL, 2006, p. 14).

1897 Lord Salisbury, the British prime minister, considered a European federation as the only hope to prevent wars erupting on our continent (KÖNIG, LACINA, PŘENOSIL, 2006, p. 15).

1921 BLEU (Belgium-Luxemburg Economic Union) united a central bank and international trade, and fixed currency ties. In order to minimise mutual trade barriers, both countries joined the pact of Scandinavian countries in 1930 (KÖNIG, LACINA, PŘENOSIL, 2006, p. 15).

1923 Count Richard Coudenhove-Kalergi offered the European states a process which would create a European Union in four steps:

Conference of twenty six European countries.

Signing treaties that would solve European conflicts.

Creating a union tariff

Forming a federal European constitution

He considered English to be the second language of all European citizens (KÖNIG, LACINA, PŘENOSIL, 2006, p. 16).

1944 Benelux - Belgium, The Netherlands, Luxemburg agree to create a union tariff, which is established in 1948 (KÖNIG, LACINA, PŘENOSIL, 2006, p. 17).

1946 Winston Churchill urges the creation of a United States of Europe, with the major power being held by France and Germany. The United Kingdom, Commonwealth, USA and USSR would then become “friends and patrons of a new Europe and would stand up for the European right to live and be successful.” … As a result of the Hague Convention in 1948, the background for establishment of a European Council and acceptance of a Universal Declaration of Human Rights were created (KÖNIG, LACINA, PŘENOSIL, 2006, p. 17).

1948 Marshall Plan - After World War 2 the United States wanted to withdraw their forces from Europe as quickly as possible. However, the danger of Soviet expansionism forced the United States to change their plans. In direct contrast to the end of WWI, the United States did not withdraw from the international scene, remaining active after WWII and slowly taking a position as an “International policeman” defending Western Europe and South-east Asia. As a result US interests were alerted to Soviet danger. Post-war development in Europe was taken seriously by the United States due to their own economic and defensive interests, and as a result of this fact, the United States offered Europe significant financial and material support in the form of a European Recovery Program predominantly known as the Marshall Plan. The US secretary of state, George Marshal, presented the plan in June 1947. Its goal was to fight against “starvation, poverty, despair and chaos.” The plan wasn’t based on any ideology and was offered to all European countries affected by the war. Even Czechoslovakia should have been able to draw money from it. After a Soviet declaration distanced themselves from the Marshall Plan in August 1947, the rest of the Eastern- and Middle-European states must have withdrawn from the Marshall Plan as well. This act of withdrawal provided an example of how Europe was divided into Western and Eastern parts. Besides financial help, the Marshall Plan introduced another goal greatly surpassing standard post-war humanitarian and development support. The goal was to create a European Federation, the basis for US pressure on creating an international organisation which would coordinate and distribute help from beyond the Atlantic Ocean. The Organisation for European Economic Co-operation (OEEC), which was controlled by a council of ministers, came into existence in 1948. Each minister was from one member-state (there were 17 members). The OEEC had intergovernmental character with a unanimous voting system. However, for example, France tried to get a supranational model through. That would have given the OEEC more authority, but it would have also taken the same authority away from the member state governments. The OEEC should have started close cooperation between European countries and worked toward the next step of creating a federation on the European continent by eliminating trade barriers inside Europe. The road to federation should have begun through institutional and economic cooperation. (KÖNIG, LACINA, PŘENOSIL, 2006, p. 22)

1949 Council of Europe - the result of an international conference with participation by Belgium, Denmark, France, Ireland, Italia, Luxemburg, Nederland, Norway, Sweden and United Kingdom, who ratified the so called Treaty of London. Due to events in Middle- and Eastern-Europe an increased effort was made to find a compromise between followers of federalism and followers of an intergovernmental approach to European integration. These efforts were reflected in creating a Europe-wide organisation based rather on intergovernmental principle but with a key Council role composed from foreign affairs ministers. Although the Council of Europe should have helped with the progress in post-war Europe by coordinating economic, cultural, human rights and democratic support, many of these duties were gradually delegated to other organisations (human rights were specifically dealt with by the Helsinki Final Act from 1975, economic cooperation was adopted by the Organisation for Economic Cooperation and Development – OECD – in 1960; the OECD is a successor of the OEEC). The Council of Europe was only left with a mutual cultural understanding between European countries and support for new democratic countries (Eastern Europe). Although the Council of Europe is currently recognised as a weak organisation that failed to federalise Europe, mainly because of the unwillingness of the United Kingdom and Nordic countries to share sovereignty on a supranational level, it certainly was the first intuitive step on the road to European unification. An initiative of the Council of Europe was used to create the European Convention on Human Rights, which founded the European Court of Human Rights. (KÖNIG, LACINA, PŘENOSIL, 2006, p. 23)

2.2. **Milestones of EU**

Table number 2: Milestones of EU

1951	Treaty of Paris establishes the European Coal and Steel Community
1957	Treaties of Rome establish the European Economic Community and the European Atomic Energy Community
1962	Launch of the Common Agricultural Policy
1968	Completion of the customs union
1970	Launch of European Political Cooperation (foreign policy coordination)
1975	Launch of the European Council
1979	Launch of the European Monetary System
1986	The Single European Act launches the single-market program and extends Community competence in the fields of environmental policy, economic and social cohesion, research and technology policy, and social policy
1989	Extension of Commission responsibility for competition policy
1992	The Treaty on European Union sets the EU on the road to economic and monetary union, transforms European Political Cooperation into the Common Foreign and Security Policy, and launches intergovernmental cooperation on justice and home affairs
1997	The Treaty of Amsterdam extends Community competence over certain aspects of justice and home affairs and sets a target date for completion of “an area of freedom, security, and justice”
1999	Launch of a common monetary policy and a single currency (the euro)
2001	The Nice Treaty reforms the EU’s institutions and decisionmaking procedures
2002	The Convention on the Future of Europe begins
2003	The Convention submits a draft Constitutional Treaty
2004	EU leaders agree on and later sign the Constitutional Treaty

(DINAN, 2005, p. 3)

2.3. **Current Motives**

2.3.1. European unity as a way to counter destructive nationalism

What was the underlying and most distinguishable motive for European integration visible in almost every country trying to unify the European continent? The frightening results of WWI and WWII (30 and 38 million people deceased in Europe, millions of wounded and economic losses in billions) clearly magnified this need. Coudenhove-Kalergi (1923), on page 19, claims that "Europe as a political term does not exist. A continent called by this name is a chaos of nationalities and countries, a storage of gunpowder of international conflicts, a chemistry container of future world wars. The European question and European hatred poisons the world's atmosphere and constantly concerns even the most peaceful parts of the world… The European question is going to be solved in the moment of unifying European nationalities. This unification is going to happen willingly by the founding Pan-European federation; or forcefully by Russian victory over Europe. " (KÖNIG, LACINA, PŘENOSIL, 2006, p. 24)

2.3.2. European unity as a way to counter the political, economic, military cultural superiority of the USA over Western Europe

The USA rose from WWII as the strongest political, economic and military country of the World. As Faltus and Průcha (1999, p. 82) proves, almost 60% of the industrial production of western countries came from the USA. The United States dominated the world economy as the biggest exporter and at the same time, they hold a majority of the world's monetary gold. The USA was the only country in the world that had the knowledge to produce and use nuclear bombs, although just for a while. After WWII the countries of Western Europe did not have a natural competitor. The creation of a European competitor was in the best interests of the USA itself as the USA needed a stable Europe as a market for their goods. This need of the USA was reflected in the financial and material help offered to post-war Europe under the Marshall Plan. At the same time European countries felt the need to let the USA emancipate them and became politically, economically and military independent. In this case we cannot talk about anti-Americanism (even in France at that time this negation is not so strong), but about the effort to equalise itself with US dominance. (KÖNIG, LACINA, PŘENOSIL, 2006, p. 25)

2.3.3. **European unity as a way of finding influence and security in relatively small Western Europe countries in an unstable world**

European countries were at the beginning of the second half of the 20th century weakened not only by the direct impacts of WWII, but during the 1950s and 60s they had to overcome the loss of colonies and the resultant loss of their powerful position and influence around the globe. In comparison to the two post-war super-countries (the USA and CCCP) they farcically lost their former power at a global level. European countries saw integration as a way to strengthen their significance as a result of this situation, but as a Union, not as a single country. For example, meetings with non-European business partners started being attended by only one person deputising for six, nowadays twenty-seven member-countries. This strengthened their diplomatic power a lot. Prior to this act, European countries had to fight (economically) against one another, which damaged their options to push through their own interests. (KÖNIG, LACINA, PŘENOSIL, 2006, p. 26)

2.4. Evaluation of EU achievements

Next passage references to book *Pros and Cons: A Debater's Handbook.* This is written by British citizen and it is written from British point of view. When author write about (for example) “our industries” he means “British industries.” But I find his findings valid for whole Europe, although they are more than thirteen year’s old.

2.4.1. **United Europe**

The European Union has had great success in reuniting a continent shattered by the Second World War. Members get clear benefits from co-operation and avoiding confrontation. Trade and prosperity are promoted, and citizens have increased opportunities to travel and work abroad. Through demonstrating liberal democracy to Eastern Europe, it may also have helped win the Cold War. All of these benefits should be extended to others.

The EU in the past may have achieved these benefits, but its members are merely nation states acting in their own interests. If further expansion were to sacrifice these interests, then it should not be attempted. Given that all likely new entrants to the EU are relatively poor, formerly communist states, the advantages to current members of including them are doubtful. Cheap farm produce from Eastern Europe would hurt our agricultural sector, and cheap wages there undermine our industries. (SATHER, 1999, p. 129)

2.4.2. **Creating economic block of global significance**

The world is dividing into major trading blues and the time is right for the EU to expand. NAFTA and Mercosur are growing and a Free Trade Area of the Americas is proposed, as are deeper links with ASEAN. Europe needs to strengthen itself for future competition with these other blocs. A Union with twenty or twenty-four members would carry more international clout than with the current

The time is not right, even if the idea were good in theory. Huge changes are being undertaken by the current members (Single Market, Single Currency, Social Chapter, Schengen Agreement, etc.) and they need time to consolidate. Attempting to expand simultaneously could be disastrous. (SATHER, 1999, p. 129)

2.4.3. **Continuous integration of new countries**

Historically, the addition of new countries—whatever their circumstances —has worked because each country has contributed from its strengths (as the economist Adam Smith suggested, free trade works because it encourages everyone to specialize in what he or she is good at, rather than waste time and money competing in other areas). Britain's specialties lie in international finance, high-technology and creative industries, and the service sector. Greece, Spain and Portugal were all integrated without undue difficulty

The last expansion of the EU was uncontentious because it involved richer, north European countries such as Sweden and Austria. With the exception of Norway and Switzerland there are no such countries left; instead we would only be welcoming states that would take more from the EU than they could give, as Greece and Portugal currently do. The Union can bear a few poorer countries without problem, but not many. (SATHER, 1999, p. 129)

3. Main part

3.1. Introduction of used states.

3.1.1. Norway – Non EU

3.1.1.1. Background / History

Two centuries of Viking raids into Europe tapered off following the adoption of Christianity by King Olav TRYGGVASON in 994. Conversion of the Norwegian kingdom occurred over the next several decades. In 1397, Norway was absorbed into a union with Denmark that lasted more than four centuries. In 1814, Norwegians resisted the cession of their country to Sweden and adopted a new constitution. Sweden then invaded Norway but agreed to let Norway keep its constitution in return for accepting the union under a Swedish king. Rising nationalism throughout the 19th century led to a 1905 referendum granting Norway independence. Although Norway remained neutral in World War I, it suffered heavy losses to its shipping. Norway proclaimed its neutrality at the outset of World War II, but was nonetheless occupied for five years by Nazi Germany (1940-45). In 1949, neutrality was abandoned and Norway became a member of NATO. Discovery of oil and gas in adjacent waters in the late 1960s boosted Norway's economic fortunes. In referenda held in 1972 and 1994, Norway rejected joining the EU. Key domestic issues include immigration and integration of ethnic minorities, maintaining the country's extensive social safety net with an aging population, and preserving economic competitiveness. (CIA. The World Factbook - Norway)

3.1.1.2. Economy – overview

The Norwegian economy is a prosperous bastion of welfare capitalism, featuring a combination of free market activity and government intervention. The government controls key areas, such as the vital petroleum sector, through large-scale state-majority-owned enterprises. The country is richly endowed with natural resources - petroleum, hydropower, fish, forests, and minerals - and is highly dependent on the petroleum sector, which accounts for the largest portion of export revenue and about 20% of government revenue. Norway is the world's second-largest gas exporter; and sixth largest oil exporter, making one of its largest offshore oil finds in 2011. Norway opted to stay out of the EU during a referendum in November 1994; nonetheless, as a member of the European Economic Area, it contributes sizably to the EU budget. In anticipation of eventual declines in oil and gas production, Norway saves state revenue from the petroleum sector in the world's second largest sovereign wealth fund, valued at over $500 billion in 2011 and uses the fund's return to help finance public expenses. After solid GDP growth in 2004-07, the economy slowed in 2008, and contracted in 2009, before returning to positive growth in 2010-11, however, the government budget is set to remain in surplus. (CIA. The World Factbook - Norway)

3.1.2. Denmark - EU

3.1.2.1. Background / History

Once the seat of Viking raiders and later a major north European power, Denmark has evolved into a modern, prosperous nation that is participating in the general political and economic integration of Europe. It joined NATO in 1949 and the EEC (now the EU) in 1973. However, the country has opted out of certain elements of the European Union's Maastricht Treaty, including the European Economic and Monetary Union (EMU), European defense cooperation, and issues concerning certain justice and home affairs. (CIA. The World Factbook - Denmark)

3.1.2.2. Economy – overview

This thoroughly modern market economy features a high-tech agricultural sector, state-of-the-art industry with world-leading firms in pharmaceuticals, maritime shipping and renewable energy, and a high dependence on foreign trade. Denmark is a member of the European Union (EU); Danish legislation and regulations conform to EU standards on almost all issues. Danes enjoy among the highest standards of living in the world and the Danish economy is characterized by extensive government welfare measures and an equitable distribution of income. Denmark is a net exporter of food and energy and enjoys a comfortable balance of payments surplus, but depends on imports of raw materials for the manufacturing sector. Within the EU, Denmark is among the strongest supporters of trade liberalization. After a long consumption-driven upswing, Denmark's economy began slowing in 2007 with the end of a housing boom. Housing prices dropped markedly in 2008-09. The global financial crisis has exacerbated this cyclical slowdown through increased borrowing costs and lower export demand, consumer confidence, and investment. The global financial crises cut Danish GDP by 0.9% in 2008 and 4.7% in 2009 and held growth to about 1.7% in 2010-11. Historically low levels of unemployment rose sharply with the recession and have remained at about 6% in 2010-11, based on the national measure, about two-thirds the level of the EU; harmonized to OECD standards the unemployment rate was about 8% at the end of 2010. Denmark made a modest recovery in 2010 in part because of increased government spending. An impending decline in the ratio of workers to retirees will be a major long-term issue. Denmark maintained a healthy budget surplus for many years up to 2008, but the budget balance swung into deficit during 2009-10 and the new coalition government plans to deliver a modest stimulus to the economy in 2012. Nonetheless, Denmark's fiscal position remains among the strongest in the EU. Despite previously meeting the criteria to join the European Economic and Monetary Union (EMU), so far Denmark has decided not to join, although the Danish krone remains pegged to the euro. Denmark will occupy the EU presidency during the first half of 2012 and is promoting priorities involving a responsible, dynamic, green, and safe Europe. In addition, one of Denmark's most important objectives will be to help steer Europe out of its euro zone economic crisis. (CIA. The World Factbook - Denmark)

3.1.3. **Switzerland – NON EU**

3.1.3.1. **Background / History**

The Swiss Confederation was founded in 1291 as a defensive alliance among three cantons. In succeeding years, other localities joined the original three. The Swiss Confederation secured its independence from the Holy Roman Empire in 1499. A constitution of 1848, subsequently modified in 1874, replaced the confederation with a centralized federal government. Switzerland's sovereignty and neutrality have long been honored by the major European powers, and the country was not involved in either of the two world wars. The political and economic integration of Europe over the past half century, as well as Switzerland's role in many UN and international organizations, has strengthened Switzerland's ties with its neighbors. However, the country did not officially become a UN member until 2002. Switzerland remains active in many UN and international organizations but retains a strong commitment to neutrality. (CIA. The World Factbook - Switzerland)

3.1.3.2. **Economy – overview**

Switzerland is a peaceful, prosperous, and modern market economy with low unemployment, a highly skilled labor force, and a per capita GDP among the highest in the world. Switzerland's economy benefits from a highly developed service sector, led by financial services, and a manufacturing industry that specializes in high-technology, knowledge-based production. Its economic and political stability, transparent legal system, exceptional infrastructure, efficient capital markets, and low corporate tax rates also make Switzerland one of the world's most competitive economies. The Swiss have brought their economic practices largely into conformity with the EU's, to enhance their international competitiveness, but some trade protectionism remains, particularly for its small agricultural sector. The fate of the Swiss economy is tightly linked to that of its neighbors in the euro zone, which purchases half of all Swiss exports. The global financial crisis of 2008 and resulting economic downturn in 2009 stalled export demand and put Switzerland in a recession. The Swiss National Bank (SNB) during this period effectively implemented a zero-interest rate policy to boost the economy as well as prevent appreciation of the franc, and Switzerland's economy recovered in 2010 with 2.7% growth. The sovereign debt crises currently unfolding in neighboring euro-zone countries pose a significant risk to Switzerland's financial stability and are driving up demand for the Swiss franc by investors seeking a safe haven currency. The independent SNB has upheld its zero-interest rate policy and conducted major market interventions to prevent further appreciation of the Swiss franc, but parliamentarians have urged it to do more to weaken the currency. The franc's strength has made Swiss exports less competitve and weakened the country's growth outlook; GDP fell to 1.4% in 2011. Switzerland has also come under increasing pressure from individual neighboring countries, the EU, the US, and international institutions to reform its banking secrecy laws. Consequently, the government agreed to conform to OECD regulations on administrative assistance in tax matters, including tax evasion. The government has renegotiated its double taxation agreements with numerous countries, including the US, to incorporate the OECD standard, and in 2011 it reached deals with Germany and the UK to resolve outstanding issues, particularly the possibility of imposing taxes on bank deposits held by foreigners. These steps will have a lasting impact on Switzerland's long history of bank secrecy. (CIA. The World Factbook - Switzerland)

3.1.4. **Belgium - EU**

3.1.4.1. **Background / History**

Belgium became independent from the Netherlands in 1830; it was occupied by Germany during World Wars I and II. The country prospered in the past half century as a modern, technologically advanced European state and member of NATO and the EU. Tensions between the Dutch-speaking Flemings of the north and the French-speaking Walloons of the south have led in recent years to constitutional amendments granting these regions formal recognition and autonomy. (CIA. The World Factbook - Belgium)

3.1.4.2. **Economy – overview**

This modern, open, and private-enterprise-based economy has capitalized on its central geographic location, highly developed transport network, and diversified industrial and commercial base. Industry is concentrated mainly in the more heavily-populated region of Flanders in the north. With few natural resources, Belgium imports substantial quantities of raw materials and exports a large volume of manufactures, making its economy vulnerable to volatility in world markets. Roughly three-quarters of Belgium's trade is with other EU countries, and Belgium has benefited most from its proximity to Germany. In 2011 Belgian GDP grew by 2.04%, the unemployment rate decreased slightly to 7.7% from 8.3% the previous year, and the government reduced the budget deficit from a peak of 6% of GDP in 2009 to 4.2% in 2011. Despite the relative improvement in Belgium's budget deficit, public debt hovers near 100% of GDP, a factor that has contributed to investor perceptions that the country is increasingly vulnerable to spillover from the euro-zone crisis. Belgian banks were severely affected by the international financial crisis in 2008 with three major banks receiving capital injections from the government, and the nationalization of the Belgian arm of a Franco-Belgian bank. An ageing population and rising social expenditures are mid- to long-term challenges to public finances. (CIA. The World Factbook - Belgium)

3.1.5. **Lithuania EU**

3.1.5.1. **Background / History**

Lithuanian lands were united under MINDAUGAS in 1236; over the next century, through alliances and conquest, Lithuania extended its territory to include most of present-day Belarus and Ukraine. By the end of the 14th century Lithuania was the largest state in Europe. An alliance with Poland in 1386 led the two countries into a union through the person of a common ruler. In 1569, Lithuania and Poland formally united into a single dual state, the Polish-Lithuanian Commonwealth. This entity survived until 1795 when its remnants were partitioned by surrounding countries. Lithuania regained its independence following World War I but was annexed by the USSR in 1940 - an action never recognized by the US and many other countries. On 11 March 1990, Lithuania became the first of the Soviet republics to declare its independence, but Moscow did not recognize this proclamation until September of 1991 (following the abortive coup in Moscow). The last Russian troops withdrew in 1993. Lithuania subsequently restructured its economy for integration into Western European institutions; it joined both NATO and the EU in the spring of 2004. (CIA. The World Factbook - Lithuania)

3.1.5.2. **Economy – overview**

Lithuania gained membership in the World Trade Organization and joined the EU in May 2004. Despite Lithuania's EU accession, Lithuania's trade with its Central and Eastern European neighbors, and Russia in particular, accounts for a significant share of total trade. Foreign investment and business support have helped in the transition from the old command economy to a market economy. Lithuania's economy grew on average 8% per year for the four years prior to 2008 driven by exports and domestic demand. However, GDP plunged nearly 15% in 2009 - the three former Soviet Baltic republics were among the hardest hit by the 2008-09 financial crisis. In 2009, the government launched a high-profile campaign, led by Prime Minister KUBILIUS, to attract foreign investment and to develop export markets, and the government's steadfast commitment to broad economic reforms has been vital in Lithuania's quick recovery from a deep recession, although unemployment - at 16.2%in 2011 - remains stubbornly high. Lithuania in 2011 began to unbundle its energy networks in order to reduce its dependence on Russian energy. (CIA. The World Factbook - Lithuania)

3.1.6. **Croatia – NON EU**

3.1.6.1. **Background / History**

The lands that today comprise Croatia were part of the Austro-Hungarian Empire until the close of World War I. In 1918, the Croats, Serbs, and Slovenes formed a kingdom known after 1929 as Yugoslavia. Following World War II, Yugoslavia became a federal independent Communist state under the strong hand of Marshal TITO. Although Croatia declared its independence from Yugoslavia in 1991, it took four years of sporadic, but often bitter, fighting before occupying Serb armies were mostly cleared from Croatian lands, along with a majority of Croatia's ethnic Serb population. Under UN supervision, the last Serb-held enclave in eastern Slavonia was returned to Croatia in 1998. In April 2009, Croatia joined NATO; Croatia signed the EU Accession Treaty in December 2011 and ratified the Treaty in January, 2012. Croatia will become a member after all 27 EU members ratify the treaty, with a target date of July 2013. (CIA. The World Factbook - Croatia)

3.1.6.2. **Economy – overview**

Though still one of the wealthiest of the former Yugoslav republics, Croatia's economy suffered badly during the 1991-95 war. The country's output during that time collapsed and Croatia missed the early waves of investment in Central and Eastern Europe that followed the fall of the Berlin Wall. Between 2000 and 2007, however, Croatia's economic fortunes began to improve slowly, with moderate but steady GDP growth between 4% and 6% led by a rebound in tourism and credit-driven consumer spending. Inflation over the same period remained tame and the currency, the kuna, stable. Croatia experienced an abrupt slowdown in the economy in 2008 and has yet to recover. Difficult problems still remain, including a stubbornly high unemployment rate, a growing trade deficit, uneven regional development, and a challenging investment climate. The new Government has announced a more flexible approach to privatization, including the sale in the coming years of state-owned businesses that are not of strategic importance. While macroeconomic stabilization has largely been achieved, structural reforms lag. Croatia will face significant pressure as a result of the global financial crisis, due to reduced exports and capital inflows. The World Bank expects Croatia to enter a recession in 2012 and has urged the new government to cut spending, particularly on social programs. Croatia's high foreign debt, anemic export sector, strained state budget, and over-reliance on tourism revenue will result in higher risk to economic progress over the medium term. (CIA. The World Factbook - Croatia)

4. Statistical comparison and

4.1. GDP per capita in PPS

4.1.1. Definition

Gross domestic product (GDP) is a measure for the economic activity. It is defined as the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU-27) average set to equal 100. If the index of a country is higher than 100, this country's level of GDP per head is higher than the EU average and vice versa. Basic figures are expressed in PPS, i.e. a common currency that eliminates the differences in price levels between countries allowing meaningful volume comparisons of GDP between countries. Please note that the index, calculated from PPS figures and expressed with respect to EU27 = 100, is intended for cross-country comparisons rather than for temporal comparisons." (EUROPEAN COMMISSION, 2004, p. 121).

4.1.2. Calculations

Table number 3: GDP per Capita - Figure

Country / Region	Setting	Determination index	Multiple of “x”
Euro area (16 countries)		0,0636	0,0026
Non EURO area (11 countries)			
Non Euro area - former West block		0,5631	-0,0111
Non Euro area - former East block		0,0152	0,0015
Belgium	EU	0,8343	-0,0278
Switzerland	NON-EU	0,3868	-0,0074
Denmark	EU	0,803	-0,0251
Norway	NON-EU	0,3364	0,0142
Lithuania	EU	0,3313	0,0078
Croatia	NON-EU	0,5383	-0,0157

Table number 4: GDP per Capita – Averages

Country / Region	Determination index	Multiple of “x”
Average EU result	0,6562	-0,01503
Average NON-EU result	0,4205	-0,00297

Table number 5: GDP per Capita – Statistical data

geo\time	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995	1995
EU (25 countries)	105	105	105	105	105	105	105	105	104	104	104	104	104	103	103	103
Euro area (16 countries)	114	113	113	113	113	112	112	111	110	109	109	109	109	109	109	108
Belgium	129	126	126	123	123	126	124	125	124	121	120	118	116	115	117	119
Denmark	132	132	133	132	131	132	128	128	124	126	124	124	123	123	121	125
Lithuania	36	37	39	40	39	40	42	44	49	51	53	56	59	61	55	58
Norway	135	143	147	138	145	165	161	155	156	164	176	183	179	188	175	179
Switzerland	152	150	150	149	146	144	139	139	136	134	132	134	139	142	144	148
Croatia	46	50	51	51	48	50	51	52	55	56	57	58	61	63	64	62
Bulgaria	32	28	26	27	28	28	30	32	34	35	37	38	40	43	44	44
Czech Republic	77	79	76	73	72	71	73	73	77	78	79	80	83	84	84	82
Denmark	132	132	133	132	131	132	128	128	124	126	124	124	123	123	121	125
Latvia	31	32	35	36	36	36	38	41	43	46	48	51	56	56	52	52
Lithuania	36	37	39	40	39	40	42	44	49	51	53	56	59	61	55	58
Hungary	51	51	52	54	54	54	58	61	63	63	63	63	62	64	64	63
Poland	43	45	47	48	49	48	48	48	49	51	51	52	54	56	61	62
Romania		33	29	27	26	26	28	29	31	34	35	38	42	47	46	45
Sweden	125	125	124	123	126	128	122	122	124	126	122	123	125	123	119	123
United Kingdom	113	115	118	118	118	119	120	121	122	124	122	120	116	114	113	114
Switzerland	152	150	150	149	146	144	139	139	136	134	132	134	139	142	144	148
Non EURO area	79	75	75	75	75	75	75	76	77	79	79	80	82	83	82	83
Non Euro area - former West block	131	131	131	131	130	131	127	128	127	128	125	125	126	126	124	128
Non Euro area - former East block	45	44	43	44	43	43	45	47	49	51	52	54	57	59	58	58

4.2. **Real GDP growth rate – volume (Percentage change on previous year)**

4.2.1. **Definition**

The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes. For measuring the growth rate of GDP in terms of volumes, the GDP at current prices are valued in the prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate.(EUROSTAT. Real GDP growth rate - volume).

4.2.2. **Calculations**

Table number 6: Real GDP growth rate – Figure

Country / Region	Setting	Determination index	Multiple of “x”
Euro area (16 countries)		0,1874	-0,0018
Non EURO area (11 countries)			
Non Euro area - former West block		0,0017	-0,0001
Non Euro area - former East block		0,0007	-0,0002
Belgium	EU	0,0538	-0,0018
Switzerland	NON-EU	0,0509	0,0006
Denmark	EU	0,1492	-0,0013
Norway	NON-EU	0,357	-0,0016
Lithuania	EU	0,1377	0,0054
Croatia	NON-EU	0,2061	-0,0034

Table number 7: Real GDP growth rate – Averages

Country / Region	Determination index	Multiple of “x”
Average EU result	0,113566667	0,000766667
Average NON-EU result	0,204666667	-0,001466667

Table number 8: Real GDP growth rate – Statistical data

geo\time	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (25 countries)							1,8%	2,7%	2,9%	3,0%	3,8%	2,0%	1,2%	1,3%	2,5%	2,0%	3,3%	3,1%	0,4%	-4,3%	1,9%
Euro area (16 countries)							1,5%	2,6%	2,8%	2,9%	3,8%	2,0%	0,9%	0,7%	2,2%	1,7%	3,2%	3,0%	0,4%	-4,2%	1,8%
Belgium	3,1%	1,8%	1,5%	-1,0%	3,2%	22,9%	1,4%	3,7%	1,9%	3,5%	3,7%	0,8%	1,4%	0,8%	3,3%	1,7%	2,7%	2,9%	1,0%	-2,8%	2,3%
Denmark	1,6%	1,3%	2,0%	-0,1%	5,5%	3,1%	2,8%	3,2%	2,2%	2,6%	3,5%	0,7%	0,5%	0,4%	2,3%	2,4%	3,4%	1,6%	-1,1%	-5,2%	1,7%
Lithuania							5,2%	7,5%	7,6%	-1,1%	12,3%	6,7%	6,8%	10,3%	7,4%	7,8%	7,8%	9,8%	2,9%	-14,8%	1,4%
Norway	1,9%	3,1%	3,5%	2,8%	5,1%	4,2%	5,1%	5,4%	2,7%	2,0%	3,3%	2,0%	1,5%	1,0%	3,9%	2,7%	2,3%	2,7%	0,7%	-1,7%	0,3%
Switzerland	3,7%	-0,9%	0,1%	-0,2%	1,2%	0,4%	0,6%	2,1%	2,6%	1,3%	3,6%	1,2%	0,4%	-0,2%	2,5%	2,6%	3,6%	3,6%	2,1%	-1,9%	2,7%
Croatia							5,9%	6,5%	2,0%	-1,0%	3,8%	3,7%	4,9%	5,4%	4,1%	4,3%	4,9%	5,1%	2,2%	-6,0%	-1,2%
Bulgaria							-9,4%	-5,6%	4,0%	4,4%	5,7%	4,2%	4,7%	5,5%	6,7%	6,4%	6,5%	6,4%	6,2%	-5,5%	0,2%
Czech Republic							4,5%	-0,9%	-0,2%	1,7%	4,2%	3,1%	2,1%	3,8%	4,7%	6,8%	7,0%	5,7%	3,1%	-4,7%	2,7%
Denmark	1,6%	1,3%	2,0%	-0,1%	5,5%	3,1%	2,8%	3,2%	2,2%	2,6%	3,5%	0,7%	0,5%	0,4%	2,3%	2,4%	3,4%	1,6%	-1,1%	-5,2%	1,7%
Latvia		-12,6%	-32,1%	-11,4%	2,2%	0,5%	3,6%	8,3%	4,8%	3,3%	6,1%	7,3%	7,2%	7,6%	8,9%	10,1%	11,2%	9,6%	-3,3%	-17,7%	-0,3%
Lithuania							5,2%	7,5%	7,6%	-1,1%	12,3%	6,7%	6,8%	10,3%	7,4%	7,8%	7,8%	9,8%	2,9%	-14,8%	1,4%
Hungary							0,2%	3,1%	4,1%	3,2%	4,2%	3,7%	4,5%	3,9%	4,8%	4,0%	3,9%	0,1%	0,9%	-6,8%	1,3%
Poland							6,2%	7,1%	5,0%	4,5%	4,3%	1,2%	1,4%	3,9%	5,3%	3,6%	6,2%	6,8%	5,1%	1,6%	3,9%
Romania							3,2%	-4,9%	-2,1%	-0,4%	2,4%	5,7%	5,1%	5,2%	8,5%	4,2%	7,9%	6,3%	7,3%	-6,6%	-1,9%
Sweden	1,0%	-1,1%	-1,2%	-2,1%	4,0%	3,9%	1,6%	2,7%	4,2%	4,7%	4,5%	1,3%	2,5%	2,3%	4,2%	3,2%	4,3%	3,3%	-0,6%	-5,2%	5,6%
United Kingdom	0,8%	-1,4%	0,1%	2,2%	4,3%	3,1%	2,9%	3,4%	3,8%	3,7%	4,5%	3,2%	2,7%	3,5%	3,0%	2,1%	2,6%	3,5%	-1,1%	-4,4%	1,8%
Switzerland	3,7%	-0,9%	0,1%	-0,2%	1,2%	0,4%	0,6%	2,1%	2,6%	1,3%	3,6%	1,2%	0,4%	-0,2%	2,5%	2,6%	3,6%	3,6%	2,1%	-1,9%	2,7%
Non EURO area	1,8%	-2,9%	-6,2%	-2,3%	3,4%	2,2%	1,9%	2,4%	3,3%	2,5%	5,0%	3,5%	3,4%	4,2%	5,3%	4,8%	5,9%	5,2%	2,0%	-6,5%	1,7%
Non Euro area - former West block	1,8%	-0,5%	0,3%	-0,1%	3,8%	2,6%	2,0%	2,9%	3,2%	3,1%	4,0%	1,6%	1,5%	1,5%	3,0%	2,6%	3,5%	3,0%	-0,2%	-4,2%	3,0%
Non Euro area - former East block		-12,6%	-32,1%	-11,4%	2,2%	0,5%	1,9%	2,1%	3,3%	2,2%	5,6%	4,6%	4,5%	5,7%	6,6%	6,1%	7,2%	6,4%	3,2%	-7,8%	1,0%

4.3. HICP - inflation rate (Annual average rate of change (%))

4.3.1. Definition

Harmonised Indices of Consumer Prices (HICPs) are designed for international comparisons of consumer price inflation. HICP is used for example by the European Central Bank for monitoring of inflation in the Economic and Monetary Union and for the assessment of inflation convergence as required under Article 121 of the Treaty of Amsterdam. (EUROSTAT. HICP - inflation rate).

HICPs cover virtually all forms of household expenditure on goods and services (household final monetary consumption expenditure – HMFCE). HICP coverage follows the international classification Coicop (classification of individual consumption by purpose), adapted to the needs of HICPs. (EUROPEAN COMMISSION, 2004, p. 137).

4.3.2. Calculations

Table number 9: HICP - inflation rate – Figure

Country / Region	Setting	Determination index	Multiple of “x”
Euro area (16 countries)		0,0057	0,0001
Non EURO area (11 countries)			
Non Euro area - former West block		0,2441	0,0007
Non Euro area - former East block		0,1479	-0,0028
Belgium	EU	0,059	0,0006
Switzerland	NON-EU	0,1155	-0,0023
Denmark	EU	0,0005	0,00004
Norway	NON-EU	0,0032	-0,0001
Lithuania	EU	0,0004	0,0002
Croatia	NON-EU	0,1142	-0,0012

Table number 10: HICP - inflation rate – Averages

Country / Region	Determination index	Multiple of “x”
Average EU result	0,019966667	0,00028
Average NON-EU result	0,077633333	-0,0012

Table number 11: HICP - inflation rate – Statistical data

geo\time	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (25 countries)	1,7%	1,3%	1,2%	1,9%	2,2%	2,1%	2,0%	2,0%	2,2%	2,2%	2,3%	3,7%	1,0%	2,1%
Euro area (16 countries)	1,7%	1,2%	1,2%	2,2%	2,4%	2,3%	2,1%	2,2%	2,2%	2,2%	2,1%	3,3%	0,3%	1,6%
Belgium	1,5%	0,9%	1,1%	2,7%	2,4%	1,6%	1,5%	1,9%	2,5%	2,3%	1,8%	4,5%	0,0%	2,3%
Denmark	2,0%	1,3%	2,1%	2,7%	2,3%	2,4%	2,0%	0,9%	1,7%	1,9%	1,7%	3,6%	1,1%	2,2%
Lithuania	10,3%	5,4%	1,5%	1,1%	1,6%	0,3%	-1,1%	1,2%	2,7%	3,8%	5,8%	11,1%	4,2%	1,2%
Norway	2,6%	2,0%	2,1%	3,0%	2,7%	0,8%	2,0%	0,6%	1,5%	2,5%	0,7%	3,4%	2,3%	2,3%
Switzerland										1,0%	0,8%	2,3%	-0,7%	0,6%
Croatia			3,7%	4,5%	4,3%	2,5%	2,4%	2,1%	3,0%	3,3%	2,7%	5,8%	2,2%	1,1%
Bulgaria	0,0%	18,7%	2,6%	10,3%	7,4%	5,8%	2,3%	6,1%	6,0%	7,4%	7,6%	12,0%	2,5%	3,0%
Czech Republic	8,0%	9,7%	1,8%	3,9%	4,5%	1,4%	-0,1%	2,6%	1,6%	2,1%	3,0%	6,3%	0,6%	1,2%
Denmark	2,0%	1,3%	2,1%	2,7%	2,3%	2,4%	2,0%	0,9%	1,7%	1,9%	1,7%	3,6%	1,1%	2,2%
Latvia	8,1%	4,3%	2,1%	2,6%	2,5%	2,0%	2,9%	6,2%	6,9%	6,6%	10,1%	15,3%	3,3%	-1,2%
Lithuania	10,3%	5,4%	1,5%	1,1%	1,6%	0,3%	-1,1%	1,2%	2,7%	3,8%	5,8%	11,1%	4,2%	1,2%
Hungary	18,5%	14,2%	10,0%	10,0%	9,1%	5,2%	4,7%	6,8%	3,5%	4,0%	7,9%	6,0%	4,0%	4,7%
Poland	15,0%	11,8%	7,2%	10,1%	5,3%	1,9%	0,7%	3,6%	2,2%	1,3%	2,6%	4,2%	4,0%	2,7%
Romania	154,8%	59,1%	45,8%	45,7%	34,5%	22,5%	15,3%	11,9%	9,1%	6,6%	4,9%	7,9%	5,6%	6,1%
Sweden	1,8%	1,0%	0,5%	1,3%	2,7%	1,9%	2,3%	1,0%	0,8%	1,5%	1,7%	3,3%	1,9%	1,9%
United Kingdom	1,8%	1,6%	1,3%	0,8%	1,2%	1,3%	1,4%	1,3%	2,1%	2,3%	2,3%	3,6%	2,2%	3,3%
Switzerland										1,0%	0,8%	2,3%	-0,7%	0,6%
Non EURO area	22,0%	12,7%	7,5%	8,9%	7,1%	4,5%	3,0%	4,2%	3,7%	3,5%	4,4%	6,9%	2,6%	2,3%
Non Euro area - former West block	1,9%	1,3%	1,3%	1,6%	2,1%	1,9%	1,9%	1,1%	1,5%	1,7%	1,6%	3,2%	1,1%	2,0%
Non Euro area - former East block	30,7%	17,6%	10,1%	12,0%	9,3%	5,6%	3,5%	5,5%	4,6%	4,5%	6,0%	9,0%	3,5%	2,5%

4.4. **<u>Short-term unemployment rate</u>**

4.4.1. **Definition**

Unemployment rates represent unemployed persons as a percentage of the labor force. The labor force is the total number of people employed and unemployed. Unemployed persons comprise persons aged 15 to 74 who were: a. without work during the reference week, b. currently available for work, i.e. were available for paid employment or self-employment before the end of the two weeks following the reference week, c. actively seeking work, i.e. had taken specific steps in the four weeks period ending with the reference week to seek paid employment or self-employment or who found a job to start later, i.e. within a period of, at most, three months. (EUROSTAT. Unemployment rate by gender).

4.4.2. **Calculations**

Table number 12: Short-term unemployment rate – Figure

Country / Region	Setting	Determination index	Multiple of "x"
Euro area (16 countries)		0,0186	-0,0003
Non EURO area (11 countries)			
Non Euro area - former West block		0,1643	-0,0009
Non Euro area - former East block		0,0513	-0,001
Belgium	EU	0,002	-0,00008
Switzerland	NON-EU	0,2407	0,0006
Denmark	EU	0,4046	-0,0017
Norway	NON-EU	0,5884	-0,0013
Lithuania	EU	0,1193	-0,0039
Croatia	NON-EU	0,6645	-0,0066

Table number 13: Short-term unemployment rate – Averages

Country / Region	Determination index	Multiple of "x"
Average EU result	0,175300	-0,001893333
Average NON-EU result	0,497867	-0,002433333

Table number 14: Short-term unemployment rate – Statistical data

geo\time	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (25 countries)									9,5%	9,2%	8,7%	8,5%	8,9%	9,1%	9,2%	9,1%	8,3%	7,3%	7,1%	9,1%	9,8%
Euro area (16 countries)									10,2%	9,5%	8,6%	8,1%	8,5%	9,0%	9,2%	9,2%	8,5%	7,6%	7,6%	9,6%	10,1%
Belgium	6,6%	6,4%	7,1%	8,6%	9,8%	9,7%	9,5%	9,2%	9,3%	8,5%	6,9%	6,6%	7,5%	8,2%	8,4%	8,5%	8,3%	7,5%	7,0%	7,9%	8,3%
Denmark	7,2%	7,9%	8,6%	9,6%	7,7%	6,7%	6,3%	5,2%	4,9%	5,2%	4,3%	4,5%	4,6%	5,4%	5,5%	4,8%	3,9%	3,8%	3,3%	6,0%	7,4%
Lithuania									13,2%	13,7%	16,4%	16,5%	13,5%	12,5%	11,4%	8,3%	5,6%	4,3%	5,8%	13,7%	17,8%
Norway	5,2%	5,5%	5,9%	6,0%	5,4%	4,9%	4,7%	3,9%	3,1%	3,0%	3,2%	3,4%	3,7%	4,2%	4,3%	4,5%	3,4%	2,5%	2,5%	3,1%	3,5%
Switzerland		1,8%	2,8%	3,7%	3,9%	3,3%	3,7%	4,1%	3,6%	3,1%	2,7%	2,5%	2,9%	4,1%	4,3%	4,4%	4,0%	3,6%	3,4%	4,1%	4,2%
Croatia													14,8%	14,2%	13,7%	12,7%	11,2%		8,4%	9,1%	11,8%
Bulgaria											16,4%	19,5%	18,2%	13,7%	12,1%	10,1%	9,0%	6,9%	5,6%	6,8%	10,2%
Czech Republic									6,4%	8,6%	8,7%	8,0%	7,3%	7,8%	8,3%	7,9%	7,2%	5,3%	4,4%	6,7%	7,3%
Denmark	7,2%	7,9%	8,6%	9,6%	7,7%	6,7%	6,3%	5,2%	4,9%	5,2%	4,3%	4,5%	4,6%	5,4%	5,5%	4,8%	3,9%	3,8%	3,3%	6,0%	7,4%
Latvia									14,3%	14,0%	13,7%	12,9%	12,2%	10,5%	10,4%	8,9%	6,8%	6,0%	7,5%	17,1%	18,7%
Lithuania									13,2%	13,7%	16,4%	16,5%	13,5%	12,5%	11,4%	8,3%	5,6%	4,3%	5,8%	13,7%	17,8%
Hungary							9,6%	9,0%	8,4%	6,9%	6,4%	5,7%	5,8%	5,9%	6,1%	7,2%	7,5%	7,4%	7,8%	10,0%	11,2%
Poland								10,9%	10,2%	13,4%	16,1%	18,3%	20,0%	19,7%	19,0%	17,8%	13,9%	9,6%	7,1%	8,2%	9,6%
Romania								5,3%	5,4%	6,2%	6,8%	6,6%	7,5%	6,8%	8,0%	7,2%	7,3%	6,4%	5,8%	6,9%	7,3%
Sweden	1,7%	3,1%	5,6%	9,1%	9,4%	8,8%	9,6%	9,9%	8,2%	6,7%	5,6%	5,8%	6,0%	6,6%	7,4%	7,7%	7,1%	6,1%	6,2%	8,3%	8,4%
United Kingdom	6,9%	8,6%	9,8%	10,2%	9,3%	8,5%	7,9%	6,8%	6,1%	5,9%	5,4%	5,0%	5,1%	5,0%	4,7%	4,8%	5,4%	5,3%	5,6%	7,6%	7,8%
Switzerland		1,8%	2,8%	3,7%	3,9%	3,3%	3,7%	4,1%	3,6%	3,1%	2,7%	2,5%	2,9%	4,1%	4,3%	4,4%	4,0%	3,6%	3,4%	4,1%	4,2%
Non EURO area	5,3%	5,4%	6,7%	8,2%	7,6%	6,8%	7,4%	7,3%	8,1%	8,4%	9,3%	9,6%	9,4%	8,9%	8,8%	8,1%	7,1%	5,9%	5,7%	8,7%	10,0%
Non Euro area - former West block	5,3%	5,4%	6,7%	8,2%	7,6%	6,8%	6,9%	6,5%	5,7%	5,2%	4,5%	4,5%	4,7%	5,3%	5,5%	5,4%	5,1%	4,7%	4,6%	6,5%	7,0%
Non Euro area - former East block							9,6%	8,4%	9,7%	10,5%	12,1%	12,5%	12,1%	11,0%	10,8%	9,6%	8,2%	6,6%	6,3%	9,9%	11,7%

4.5. Long-term unemployment rate

4.5.1. Definition

Long-term unemployed (12 months and more) persons are those aged at least 15 years not living in collective households who are without work within the next two weeks, are available to start work within the next two weeks and who are seeking work (have actively sought employment at some time during the previous four weeks or are not seeking a job because they have already found a job to start later). The total active population (labour force) is the total number of the employed and unemployed population. The duration of unemployment is defined as the duration of a search for a job or as the length of the period since the last job was held (if this period is shorter than the duration of the search for a job). . (EUROPEAN COMMISSION, 2004, p. 89).

4.5.2. Calculations

Table number 15: Long-term unemployment rate – Figure

Country / Region	Setting	Determination index	Multiple of “x”
Euro area (16 countries)		0,5278	-0,0012
Non EURO area (11 countries)			
Non Euro area - former West block		0,6321	-0,001
Non Euro area - former East block		0,1891	-0,0013
Belgium	EU	0,3745	-0,0009
Switzerland	NON-EU	0,1293	0,0004
Denmark	EU	0,6893	-0,001
Norway	NON-EU	0,0637	0,0001
Lithuania	EU	0,3574	-0,004
Croatia	NON-EU	0,7075	-0,0042

Table number 16: Long-term unemployment rate – Averages

Country / Region	Determination index	Multiple of “x”
Average EU result	0,473733333	-0,001966667
Average NON-EU result	0,300166667	-0,001233333

Table number 17: Long-term unemployment rate – Statistical data

geo\time	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (25 countries)							4,5%	4,1%	4,0%	3,8%	3,9%	4,1%	4,2%	4,1%	3,7%	3,1%	2,6%	3,0%	3,9%
Euro area (16 countries)						5,5%	5,1%	4,6%	4,2%	3,8%	3,8%	4,1%	4,3%	4,2%	3,9%	3,4%	3,0%	3,4%	4,3%
Belgium	4,0%	4,5%	5,6%	5,8%	5,7%	5,4%	5,6%	4,8%	3,7%	3,2%	3,7%	3,7%	4,1%	4,4%	4,2%	3,8%	3,3%	3,5%	4,1%
Denmark	2,4%	2,6%	2,5%	2,0%	1,8%	1,5%	1,3%	1,1%	0,9%	0,9%	0,9%	1,1%	1,2%	1,1%	0,8%	0,6%	0,4%	0,5%	1,4%
Lithuania							7,5%	5,3%	8,0%	9,3%	7,2%	6,0%	5,8%	4,3%	2,5%	1,4%	1,2%	3,2%	7,4%
Norway									0,3%	0,4%	0,5%	0,6%	0,8%	0,8%	0,8%	0,5%	0,3%	0,5%	0,7%
Switzerland	2,8%	3,7%	3,9%	3,3%	3,7%	4,1%	3,6%	3,1%	2,7%	2,5%	2,9%	4,1%	4,3%	4,4%	4,0%	3,6%	3,4%	4,1%	4,2%
Croatia											9,0%	8,4%	7,4%	7,4%	6,7%	5,5%	5,3%	5,1%	6,7%
Bulgaria									9,4%	12,1%	12,0%	9,0%	7,2%	6,0%	5,0%	4,1%	2,9%	3,0%	4,8%
Czech Republic							2,0%	3,2%	4,2%	4,2%	3,7%	3,8%	4,2%	4,2%	3,9%	2,8%	2,2%	2,0%	3,0%
Denmark	2,4%	2,6%	2,5%	2,0%	1,8%	1,5%	1,3%	1,1%	0,9%	0,9%	0,9%	1,1%	1,2%	1,1%	0,8%	0,6%	0,4%	0,5%	1,4%
Latvia							7,9%	7,6%	7,9%	7,2%	5,5%	4,4%	4,6%	4,1%	2,5%	1,6%	1,9%	4,6%	8,4%
Lithuania							7,5%	5,3%	8,0%	9,3%	7,2%	6,0%	5,8%	4,3%	2,5%	1,4%	1,2%	3,2%	7,4%
Hungary					5,2%	4,5%	4,2%	3,3%	3,1%	2,6%	2,5%	2,4%	2,7%	3,2%	3,4%	3,4%	3,6%	4,2%	5,5%
Poland						5,0%	4,7%	5,8%	7,4%	9,2%	10,9%	11,0%	10,3%	10,3%	7,8%	4,9%	2,4%	2,5%	3,0%
Romania						2,4%	2,3%	2,8%	3,5%	3,2%	4,0%	4,2%	4,7%	4,0%	4,2%	3,2%	2,4%	2,2%	2,5%
Sweden	0,5%	1,4%	2,3%	2,3%	2,7%	3,1%	2,6%	1,9%	1,4%	1,2%	1,2%	1,2%	1,4%	1,0%	1,0%	0,9%	0,8%	1,1%	1,5%
United Kingdom	3,5%	4,3%	4,1%	3,5%	3,1%	2,5%	1,9%	1,7%	1,4%	1,3%	1,1%	1,1%	1,0%	1,0%	1,2%	1,3%	1,4%	1,9%	2,5%
Switzerland	2,8%	3,7%	3,9%	3,3%	3,7%	4,1%	3,6%	3,1%	2,7%	2,5%	2,9%	4,1%	4,3%	4,4%	4,0%	3,6%	3,4%	4,1%	4,2%
Non EURO area	2,3%	3,0%	3,2%	2,8%	3,3%	3,3%	3,8%	3,6%	4,5%	4,9%	4,7%	4,4%	4,3%	4,0%	3,3%	2,5%	2,1%	2,7%	4,0%
Non Euro area - former West block	2,3%	3,0%	3,2%	2,8%	2,8%	2,8%	2,4%	2,0%	1,6%	1,5%	1,5%	1,9%	2,0%	1,9%	1,8%	1,6%	1,5%	1,9%	2,4%
Non Euro area - former East block					5,2%	4,0%	4,8%	4,7%	6,2%	6,8%	6,5%	5,8%	5,6%	5,2%	4,2%	3,1%	2,4%	3,1%	4,9%

4.6. General government gross debt (Percentage of GDP)

4.6.1. Definition

General government gross debt is defined in the Maastricht Treaty as consolidated general government gross debt at nominal value, outstanding at the end of the year in the following categories of government liabilities (as defined in ESA95): currency and deposits (AF.2), securities other than shares excluding financial derivatives (AF.3, excluding AF.34), and loans (AF.4). The general government sector comprises the sub-sectors of central government, state government, local government and social security funds. The series are presented as a percentage of GDP and in millions of euro. GDP used as a denominator is the gross domestic product at current market prices. Data expressed in national currency are converted into euro using end-year exchange rates provided by the European Central Bank. (EUROSTAT. General government gross debt).

4.6.2. Calculations

Table number 18: General government gross debt – Figure

Country / Region	Setting	Determination index	Multiple of “x”
Euro area (16 countries)		0,0636	0,0026
Non EURO area (11 countries)			
Non Euro area - former West block		0,5114	-0,0131
Non Euro area - former East block		0,0152	0,0015
Belgium	EU	0,8343	-0,0278
Switzerland	NON-EU	0,3868	-0,0074
Denmark	EU	0,803	-0,0251
Norway	NON-EU	0,3364	0,0142
Lithuania	EU	0,3313	0,0078
Croatia	NON-EU	0,5383	-0,0157

Table number 19: General government gross debt – Averages

Country / Region	Determination index	Multiple of “x”
Average EU result	0,6562	-0,015033333
Average NON-EU result	0,4205	-0,002966667

Table number 20: General government gross debt – Statistical data

geo\time	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EU (27 countries)					65,7%	61,9%	61,0%	60,4%	61,8%	62,2%	62,8%	61,5%	59,0%	62,5%	74,7%	80,2%
Euro area (16 countries)	72,1%	73,8%	73,3%	72,9%	71,7%	69,2%	68,2%	68,0%	69,1%	69,5%	70,1%	68,5%	66,4%	70,2%	79,9%	85,5%
Belgium	130,4%	127,3%	122,7%	117,4%	113,7%	107,9%	106,6%	103,5%	98,5%	94,2%	92,1%	88,1%	84,1%	89,3%	95,9%	96,2%
Denmark	72,6%	69,4%	65,4%	61,4%	58,1%	52,4%	49,6%	49,5%	47,2%	45,1%	37,8%	32,1%	27,5%	34,5%	41,8%	43,7%
Lithuania	11,5%	13,8%	15,4%	16,5%	22,7%	23,7%	23,1%	22,3%	21,1%	19,4%	18,4%	18,0%	16,8%	15,5%	29,4%	38,0%
Norway							29,2%	36,1%	44,3%	45,6%	44,5%	55,4%	51,5%	49,1%	43,1%	44,0%
Switzerland	48,5%	51,0%	53,1%	56,1%	53,1%	52,2%	51,0%	54,4%	54,9%	54,4%	52,4%	47,0%	43,4%	40,9%	38,8%	
Croatia								40,0%	40,9%	43,2%	43,7%	35,5%	32,9%	28,9%	35,3%	
Bulgaria			108,3%	77,6%	77,6%	72,5%	66,0%	52,4%	44,4%	37,0%	27,5%	21,6%	17,2%	13,7%	14,6%	16,3%
Czech Republic	14,6%	12,5%	13,1%	15,0%	16,4%	18,5%	24,9%	28,2%	29,8%	30,1%	29,7%	29,4%	27,9%	28,7%	34,4%	37,6%
Denmark	72,6%	69,4%	65,4%	61,4%	58,1%	52,4%	49,6%	49,5%	47,2%	45,1%	37,8%	32,1%	27,5%	34,5%	41,8%	43,7%
Latvia	15,1%	13,9%	11,1%	9,6%	12,5%	12,3%	14,0%	13,5%	14,6%	14,9%	12,4%	10,7%	9,0%	19,8%	36,7%	44,7%
Lithuania	11,5%	13,8%	15,4%	16,5%	22,7%	23,7%	23,1%	22,3%	21,1%	19,4%	18,4%	18,0%	16,8%	15,5%	29,4%	38,0%
Hungary	85,4%	71,4%	62,0%	59,9%	59,8%	54,9%	52,0%	55,6%	58,3%	59,1%	61,8%	65,7%	67,0%	72,9%	79,7%	81,3%
Poland	49,0%	43,4%	42,9%	38,9%	39,6%	36,8%	37,6%	42,2%	47,1%	45,7%	47,1%	47,7%	45,0%	47,1%	50,9%	54,9%
Romania	6,6%	10,6%	15,0%	16,8%	21,7%	22,5%	25,7%	24,9%	21,5%	18,7%	15,8%	12,4%	12,8%	13,4%	23,6%	31,0%
Sweden	72,8%	73,3%	71,2%	69,9%	64,3%	53,9%	54,7%	52,5%	51,7%	50,3%	50,4%	45,0%	40,2%	38,8%	42,7%	39,7%
United Kingdom	51,2%	51,3%	49,8%	46,7%	43,7%	41,0%	37,7%	37,5%	39,0%	40,9%	42,5%	43,4%	44,4%	54,8%	69,6%	79,9%
Switzerland	48,5%	51,0%	53,1%	56,1%	53,1%	52,2%	51,0%	54,4%	54,9%	54,4%	52,4%	47,0%	43,4%	40,9%	38,8%	
Non EURO area	42,7%	41,1%	46,1%	42,6%	42,7%	40,1%	39,7%	39,4%	39,1%	37,8%	36,0%	33,9%	31,9%	34,6%	42,0%	46,7%
Non Euro area - former West block	61,3%	61,2%	59,9%	58,5%	54,8%	49,9%	48,2%	48,5%	48,2%	47,7%	45,8%	41,9%	38,9%	42,2%	48,2%	54,4%
Non Euro area - former East block	30,4%	27,6%	38,3%	33,5%	35,8%	34,5%	34,8%	34,2%	33,8%	32,1%	30,4%	29,4%	28,0%	30,2%	38,5%	43,4%

5. Results

Table number 21: Results

Country / Region	**Stability of development (Determination index)**	**Trend and speed (Multiple of "x")**
GDP per capita in PPS		
Average EU result	0,6562	-0,01503
Average NON-EU result	0,4205	-0,00297
EU result	**More stable than NON-EU**	Faster decline than NON-EU
Real GDP growth rate – volume (Percentage change on previous year)		
Average EU result	0,113566667	0,000766667
Average NON-EU result	0,204666667	-0,001466667
EU result	Less stable than NON-EU	**Is growing, unlike NON-EU**
HICP - inflation rate (Annual average rate of change (%))		
Average EU result	0,019966667	0,00028
Average NON-EU result	0,077633333	-0,0012
EU result	Less stable than NON-EU	Is growing, unlike NON-EU
Short-term unemployment rate		
Average EU result	0,175300	-0,001893333
Average NON-EU result	0,497867	-0,002433333
EU result	Less stable than NON-EU	Slower decline than NON-EU
Long-term unemployment rate		
Average EU result	0,473733333	-0,001966667
Average NON-EU result	0,300166667	-0,001233333
EU result	**More stable than NON-EU**	**Faster decline than NON-EU**
General government gross debt (Percentage of GDP)		
Average EU result	0,6562	-0,015033333
Average NON-EU result	0,4205	-0,002966667
EU result	**More stable than NON-EU**	**Faster decline than NON-EU**

6. Conclusion

As a main goal of my work I chose to find out the reason of European integration and find out if it is economically reasonable for single states to integrate into higher units.

From statistical analysis we can see, that being part of European Union doesn’t have higher amount of benefits compared to NON-EU countries. Each approach has it’s benefits and drawbacks. It is clear that, I would need much more data for definitive decision about economical advantageousness of membership in EU.

Integrating into higher economical union has it’s indisputable benefits like Free market, easier international cooperation, non-existing customs barriers and inspection. But it has it’s specific disadvantages.

What I see as a biggest disadvantage is, that your economy is affected even by things which aren’t directly connected to your country. Which may be good thing, because if you economy is connected to strong fast growing economy of another country it’s always better than being alone with your trouble (here I mean for example Structural Funds and Cohesion Fund of European Union). But in situation where one or more countries of union are collapsing, it affects everyone in union and it may affect them for a long time. We can see it on current Greece situation (2012), even the fact, that there are another more significant causes, it is a good example.

As we can see from historical analysis, everything about actual economic stability is almost meaningless. Because the most significant reason to create highly integrated structure of countries through all history is safety. And by safety I mean preventing war. Europe is filled with small countries and nationalities. Which often (as we can see from history) find reason to start a war. But wars mean destruction and general degradation of society. From my point of view, way to integrated Europe is way to equalized and linked Europe, where is no reason so big to actually starting a war.

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8. List of tables