

## THE ROLE OF THE CEFTA IN MEMBER STATES' EU INTEGRATION EFFORTS<sup>1</sup>

The CEFTA countries (Poland, The Czech Republic, Slovakia, Hungary, Slovenia) are situated in the semi-periphery of the developed Western European centre. With the exception of the Czech Republic, being in this **semi-periphery** (on the border of two different cultures and of two regions that are on a significantly different level in terms of economic development) has influenced or even determined the state of these Central Eastern European countries for more than a thousand years. This semi-peripheral situation is characterised by the fact that it may either lead to full integration with the centre or to shifting to the peripheries. For decades after World War II this region was the Western edge of Eastern Europe (we had intensive relations with the peripheries), whilst, from the changes of 1989-90 onwards we started to take steps towards becoming the Eastern edge of Western Europe.

For the Western European centre - the European Union - these semi-peripheral countries are of very little significance from an economic point of view. Their share in the EU's foreign trade is 5-6%, and these countries are not of decisive importance for one another either: their market share on one another's markets is 6-14% (the Czech - Slovakian relationship is more important but there are historical reasons behind this).

Because of their historical, geographical, geopolitical and strategic situation, the CEFTA countries form a **sub region** within Europe but the dimensions of their economic relationships do not reinforce this. **The gravitational centre of the region** is to be found outside the region: their main commercial and cooperation partner, the main capital exporter is the EU (out of which Germany, Austria and Italy are the most important).

All the countries have passed the **integration threshold value** - 50% EU share in trade (Slovakia and The Czech Republic less but Poland, Hungary and Slovenia are now approaching 70%). There is no doubt that the region's modernisational anchor is the EU but it can only fulfill this role if both the EU and the CEFTA gives the right answers to the new challenges at the right time.

The countries of the sub region are small countries, except for Poland, where the number of inhabitants is higher than that of the other four countries altogether. The fact that the countries are

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\* főiskolai tanár, a közgazdaság-tudomány kandidátusa

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neighbours -with minority and border problems- has political importance. The pace of economic development is different in the region's countries (the highest is that of Slovakia and Poland which are relatively the least developed). On the other hand, the countries have to face similar **modernisational, stabilisational and structural changes**. Modernisation has to be realised parallel with stabilisation in CEE: this is defined by the contradictory forces, rationalities and necessities of the short term and the long term. However, in every country, the basic aim of the changes is to become an EU member state.

The countries of Central Eastern Europe do not only face the challenges of macroeconomic stabilisation and establishing a market conditions, but also have to create a competitive economy that is capable of diminishing or at least decreasing the gap between East and West. In the first half of the 1990s, both politics, society and the economy went through an important restructuring process, which, despite its contradictory characteristics, points towards joining up. No matter whether the changes were in the form of a shock therapy or were gradual and evolutionary, they meant the beginning of a long-term process. In these countries, income and GDP decreased with about 20-40%, the crisis proved to be a lot more severe and complex than anyone would have imagined before. The change of regime was followed by the collapse of the CMEA and the Warsaw Treaty, so the institutions determining the relationships with the East ceased to exist. However, the small countries of the region needed -and still need- a centre which can dominantly influence their development (turning towards the EU is therefore not a coincident).

According to the comparative economic analyses<sup>2</sup>, **the countries of the centre and the periphery - semi-periphery may give different answers to the big structural changes**. Most of the rich countries of the centre of the world economy have managed to adjust to the new technical requirements, and managed to replace their out-dated, declining, previously leading branches and export sectors with competitive new ones. With this, after a short period of shock and slowing down, they have established the basis for a new period of development. On the other hand, the less developed countries of the peripheries did not possess the financial and intellectual resources that would have been necessary to make this difficult adjustment successful. In their deep crisis they could not strive for anything else but to find short-term solutions for recovery: to find protected markets for their devaluated, not competitive export products, and create jobs, even if this meant keeping out-dated sectors alive. Hungary, just like the peripheries outside Europe and most of the Central Eastern European countries, has within the past 1 - 1.5 centuries twice gone through the process of consolidation based on old technology and economic structures.

These analyses also reinforce the view that the characteristic of the semi-peripheral countries is that, with the answer they give, they will either get closer to the periphery or to the centre. The market establishment and privatisation after 1989 lead to a definite structural rearrangement in Central Eastern Europe: the importance of the industry and agriculture were declining again, and services were developing. The underdevelopment of services and infrastructure became the main obstacle in the region to economic development and catching up with end-of-millennium world economy.

The previously supported leading sectors of the state socialist industrialisation, such as iron and steel industry, or heavy engineering lost their markets and the government subsidies as well. The withdrawing state stopped investing into these industrial sectors. In a few cases, huge establishments were closed down, and whole sectors ceased to exist.

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2 Berend T. Iván: Variations for the third route (A harmadik út változatai), Népszabadság, 10 February 1996

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At the same time, Western investors made investments, created new industries and encouraged the evolution of new export sectors. Multinational companies played a pioneering role in the creation of the Hungarian car industry and in the modernisation of the Czech and Polish car industry. The same thing happened after the restructuring of the Polish chemical industry, in the Hungarian pharmaceutical industry and in the production of lighting apparatus.

The restructuring process had important results on both company and product level. Shifting exports from the CMEA to the Western European (EU) markets encouraged the improvements of the export products. The liberalisation of imports had a similar impact on products meant for local markets. As for the long-term changes in the economic structure, positive signs were mixed with negative tendencies as well. Foreign trade statistics of the CEFTA countries show that the structure of exports is now characterised by less processed and energy consuming products and materials instead of the previously dominant highly processed, more complex products. (We see this tendency in the case of Hungary as well, but the proportion of engineering products is still the highest in Hungarian exports.)

### 1. THE ACHIEVEMENTS OF THE CEFTA SO FAR

**One of the aims of creating the CEFTA was to stop the rapid shrinking of Central Eastern European countries' foreign trade, its objectives were clearly directed towards creating free trade.** The question of extending the agreement emerged (regarding the free movement of workforce, services and capital) - from the side of the Czech Republic and Poland - but finally every member state came to the conclusion that the CEFTA should not be developed to become an organisation similar to the EU. The overruling aim for the Visegrad countries is to join the European integration and improving regional relationships may be part of the healthy development. The cooperation may help to get access to the more developed integration but **CEFTA membership means no guarantee whatsoever for joining the EU.**

However, only few believed in the positive results of the four years between 1993 and 1997. In the CEFTA countries, **economic growth exceeds the EU average**, markets are growing fast, especially relationships within the CEFTA. The Hungarian foreign trade grew faster with the CEFTA than the total turnover as well, because growing trade is necessary (and useful too) with CEFTA countries showing a development that exceeds Hungarian growth. The positive effect of cutting down custom duties is that today the importance of CEFTA is approximately the same as that of Russia in the individual country's trade but the CEFTA is a bigger market with more perspective.

The Visegrad countries (the four founding members of the CEFTA) have showed great adaptability. Between 1992-95 they made up for 27% in the EU's external imports growth, and their share in EU imports increased from 2% to nearly 6% between 1989 and 1996.<sup>3</sup> The fast, dynamic growth up-points the figure which is relatively insignificant in absolute terms, since the Visegrad gained space from other countries on the EU's import markets. (The truth is that the growth rate in countries in the Far East and the Pacific region was even higher, but the fact that our region followed right after them certainly is a positive sign.) The positive results of the CEFTA are demonstrated in the fact that **3 of the member states have become OECD members** (The Czech Republic 1995, Hungary and Poland 1996). Interest in the CEFTA is shown by the joining of Slovenia, the most developed ex-Yugoslavian country in 1996, then the entry of Romania into the integration in April 1997 and there

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3 Inotai András - interview in Magyar Hírlap 17. January 1997

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are other countries in the region turning towards cooperation such as Bulgaria, Croatia, Lithuania and even the Ukraine has declared such intentions. It also proves the positive opinion on and results of the CEFTA that Austria - who always paid special attention to the Central European region - has already drawn attention to the ever increasing CEFTA competition and to the spectacular development of economic - commercial relationships. Davidov Russian Deputy Prime Minister criticised the CEFTA saying that it is disadvantageous for Russia to have customs duties on its products and it makes trade asymmetric.

Outstanding among CEFTA's results is the fast liberalisation of trade (which exceeds even the initial expectations). 90% of industrial trade between the member countries is done duty free since the beginning of 1997, the remaining 10% -sensitive products- will gradually become exempt from duty by 2001. (The timing is important because both in the EU Association Agreements and in the EFTA industrial free trade agreements this is the indicated deadline.) The question of the trading of agricultural products is more complex. Since 1996, a spectacular liberalisation has taken place in this field as well, and some kind of a preferential tariff applies to 80% of these products (the products were divided up into three groups: there is one without duties, there is one where all countries apply a common preferential tariff, and finally there is one where preferential tariffs are based on bilateral agreements).

**An important result of the CEFTA cooperation is the broadening of the integration's subjects (e.g. competition policy, rules on origins, etc.) the establishment of regulations that make the admission of new members possible, and the improvement of operations.** Measures have been taken to develop the trade in services, towards the liberalisation of the conditions for the movement of capital, and in the field of the common acceptance of the results of quality control examinations. All these results were achieved without CEFTA having an administrative apparatus, a seat. Currently, there are discussions going on regarding the establishment of a bank or customs union that could help and handle trade between member countries (only in the field of industrial products).

The most positive result of the CEFTA has, however, been that, according to the initial objectives, it **has facilitated the reorientation of foreign trade** and managed to eliminate the previously predominant one-sided dependence on the East (both from the input and the from output side). Trade between CEFTA member states makes up around 10% of their turnover on the average (the Slovakian - Czech figure is higher for historical reasons) and the most dominant part in the trade of every one of these countries is the 60-70% turnover from OECD (within that the EU) relationships.

Thus, the CEFTA does not lead to introversion, does not slow down the EU integration. The primary aim of each member country is EU admission. The organisation of CEFTA (e.g. the establishment of a Secretariat) would have weakened exactly this view (because this would have demonstrated the intention to turn inwards). The CEFTA is not an alternative to the EU but a facilitator of the European integration. It is not the „entrance hall” but the „training room” of the EU, where we get ready for union membership through cooperation.

**The CEFTA is the motor of regional cooperation,** and trade between member states is expected to grow further. So the integration has proved to be successful and the EU also agrees that it is useful for the 5 member countries' economies in their preparation for joining the EU. An important achievement of the CEFTA is the so-called **demonstration effect**, which means, on the one hand, that we show a positive picture of ourselves to the developed world, we prove that we are capable of cooperation without a dominant political power as well, and, on the other hand, the CEFTA is a good example for Eastern European countries since it gives evidence that cooperation stabilises and helps

the development of the economies. The efficiency of the CEFTA also shows in the fact that the countries' collective bargaining power is increasing, and they will have a better chance to safeguard their interests as well.

### 2. ARGUMENTS FOR AND AGAINST EU MEMBERSHIP

Europe's being torn apart distorted the structure of the division of labour between the two part of the continent. This did not only hindered the development of Central Eastern Europe but also lead to the worsening of Western Europe's position in the world economy. Since the USA established a close relationship for the division of labour with Canada and more and more with Mexico too, and Japan has built up an ever broadening system for the division of labour and a supplier - customer background in South East Asia, it has become indispensable for Western Europe as well to strengthen its competitiveness and widen its markets. The only region for this purpose is of course Central Europe. Central Eastern Europe's integration will enhance the importance of the EU in world politics and its role in security politics.

For the Central Eastern European countries, the most important gain from the joining is the integration into the EU's economic, political and security system. There are cultural arguments for the EU integration as well: the Central and Eastern European societies consider themselves as integral parts of the European culture and historical community, we are tied here with a thousand strings of culture and civilisation.<sup>4</sup>

Hopes regarding the EU can be grouped under two headings: political and economic.

Among the **political motives** most significant is the region's countries' fear against Russian expansionism. The region's countries count on the EU providing an objective forum for settling political conflicts within the area. Besides the internal institutions of the individual states, the legal framework of the community provides an additional guarantee against any anti-democratic deviation. Joining the NATO before admission into the EU would of course lessen the importance of the political motives behind EU integration but would not eliminate them entirely.<sup>5</sup>

For us, the greatest attraction of the EU is the **economic advantages** deriving from big regional integrations. These are the following:

- The more developed centre helps with the newly joined countries' comprehensive modernisation, technology transfer, facilitates their integration into the European international division of labour.
- The exports of the Central Eastern European countries would become internal, equal to the products produced and sold within the EU. With this, anti-dumping measures and the protection clause will cease to exist. With the elimination of border-crossing and customs procedures transaction costs related to trade would significantly decrease, which would make the exports of the region's companies more competitive.
- EU membership would improve the attractiveness of the region's countries in the eyes of potential foreign investors. New entrants so far, in the case of the Southern European countries for example, enjoyed an increased influx of foreign direct investment.
- The outward movement of labour would decrease the level of unemployment, easing the social tensions of the economic transition. Those working abroad would be able to gain experience in a

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4 Kornai János (1995): Looking at the EU enlargement form the East, Európa Fórum, December

5 Richter Sándor (1995): Advantages, Disadvantages, Dilemmas. Thoughts about Central Eastern European countries' EU integration, Külgazdaság, 12.

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technical and organisational culture that is considerably more developed than ours. After their return, these experiences could be used in the modernisation process of the home country.

- Those in favour of EU integration consider as major benefits all the subsidies that are allocated from the EU budget to the relatively less developed countries (Structural Funds, Cohesion Funds, FEOGA).

### **Most of the above-mentioned advantages have their disadvantages, threats, too:**

- As soon as the transition to free trade is over, the companies of Central Eastern Europe will suffer from pressure of an absolutely free, Europe-wide imports competition. When getting full EU membership, the countries of the region will lose their GSP status on developed overseas markets, so our position will worsen on these markets.
- The rapid inflow of foreign direct investment has its political and economic risks. Unlimited foreign access to local property, especially real estate, may cause problems in every country in the region. The sudden withdrawal of substantial foreign capital because of a political crisis or simply more profitable investment possibilities could destabilise the fragile economies.
- It is not obvious that those uneducated, unemployed persons will go to work abroad the leave of whom would be advantageous from an economic point of view. The outward movement is more likely to involve the young professionals for whom there would be a desperate need in the modernisation process of the region's countries.
- There is -although to a lesser extent- a reluctance towards giving up part of our national sovereignty. This is most likely to become stronger when the supranational organisations' being placed above national bodies will be demonstrated in regulatory proposals.

Defining advantages and disadvantages in numbers and precisely matching them is incredibly difficult but measuring these in the most careful way possible is indispensable for successful negotiations on the integration. The countries in the region must be aware that full EU membership would require further efforts to improve their performance, willingness to make sacrifices and cover expenses. The costs of getting mature for Europe coincide with the tasks of catching up. Costs would occur without EU membership as well, but without gains in that case.<sup>6</sup>

### **3. THE IMPACT OF THE EU ON CEFTA MEMBER STATES**

In the relationship between the EU and the CEFTA countries, the biggest impact of the EU has so far been the signing and the gradual realisation of the Association Agreements. When speaking about the impact of EU integration we may stress that, although in the field of trade politics the EU provides the Visegrad countries with positive asymmetry in terms of the extent of allowances and the pace of liberalisation, **the EU has so far gained considerably more from the opening up of markets than the CEFTA countries.** In the first half of the 1990s the EU could give the CEFTA countries any growth impulse for stabilisation and generating growth. Due to the long-term, high unemployment in the EU, the EU's labour market is almost closed for CEFTA countries. On the contrary, CEFTA countries' imports bought from the EU, their modernisational investments and cooperations have a net employment creating effect in the EU.<sup>7</sup>

The European Agreements signed by the EU and the CEFTA include no part on financial subsidies, unlike previous EU association agreements. Financial transfer from the EU's side is still

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6 Kádár Béla (1996): Schedule and consequences of the EU integration, Valóság, 1.

7 Kőrösi István (1996): The EU and the Visegrad countries, Challenges; MTA VKI, October

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handled through the PHARE. The highest amounts were given for the establishment of the institutional framework of the private sector everywhere.

The participation of the West in the privatisation process is very important in each country, the share of foreign capital is, however, far below the scale of investments before World War II. In Hungary, for example, 9% of industrial shares is in foreign ownership, whilst the corresponding figure was above 20% before World War II.

A significant disadvantage is that EU capital mostly buys existing establishments and property instead of new investments in the CEFTA countries.

**The major impact of the EU on CEFTA countries' foreign trade is that it diverts that towards itself.** After the change of regime and the collapse of the CMEA, Central Eastern European countries turned towards the EU, they redirected their competitively exportable products towards EU markets. The total income shrinking due to the decreasing GDP and the competition of Western, mostly EU imports outplacated considerable local production and imports coming from other CEFTA countries in the region. Parallel production capacities also restrict trade among one another.<sup>8</sup>

Despite the temporary asymmetry in their bilateral trade with the EU, the CEFTA countries managed to achieve a positive balance. After a temporary and short-term export upswing, as an impact of several internal and external factors, imports coming from the EU began to increase more than exports towards the EU. This was enhanced by factors like the EU's higher economic productivity, financial stability of its companies and governments, better marketing practices, to sum it all up: the higher competitiveness of EU companies.

General international experience suggests that **within the first years of economic modernisation the rapidly increasing deficit of the balance of trade cannot be avoided.** If part of the products available for exports is kept back from the market, the balance problems can get even more serious.<sup>9</sup> Thus, in the short run, the unavoidable consequence of developments in commercial relationships was the rapidly increasing deficit in every Central Eastern European country's EU trade balance. This was not nearly financed by the resource transfer coming from the EU into CEFTA countries (PHARE and EU originated foreign working capital).

In the relationship between the EU and the CEFTA region, the agricultural sector is a neuralgic point from many different aspects. The EU considered and still considers associated countries as potential markets for the heavily subsidised EU exports of agricultural produce and not as competitive exporters. Actually, this is where the „reverse asymmetry” was realised to the greatest extent, leading to fact that the EU agricultural trade balance of each Central Eastern European country -except for Hungary- shows a deficit. Considering the assets of the CEFTA countries, this situation is unnatural. In this sector, the main impact of the EU on CEFTA countries is that its agricultural exports towards this region restrains and outplaces the agricultural product and food trade among member states. As a result of mid-term development, the CEFTA countries could buy part of their EU imports from one another. This could have export increasing effects especially for Hungary. Looking at the current agro-economic situation of the CEFTA countries realistically, the EU's fear from the „Eastern agricultural competition” could hardly be justified. For several reasons, the agricultural sectors of the associated countries have become perhaps the most ailing sector in the past half decade of the transition. The contribution of the agricultural sector to the national produce has dramatically decreased.

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8 Kőrösi István (1996): The impact of the EU on the Visegrad countries, *Külgazdaság*, 9.

9 Inotai András (1996): From the Association Agreement towards full membership?, *Európai Szemle*, 4.

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### 4. FROM ASSOCIATION TO MEMBERSHIP: TOGETHER OR INDIVIDUALLY?

1989 made Central Eastern European countries face common challenges related to the change of regime and the integration. However, it would be unjustified to expect the same answers at the same time from the countries of the region. The state socialist system and the past 7 years' transitional achievements and characteristics created different levels of Europe-maturity in these countries.

It is very likely that no matter how many countries they are going to start negotiating with, only a few of those will be admitted in the close future. Therefore, although there are no clear economic criteria for integration maturity, we may assume that in the selection of the countries getting entry in the first round, certain factors will have to be taken into consideration and these cannot be separated from the question of deepening. Thus, it is not impossible that the Maastricht criteria will at least orient the EU-integration process of Central Eastern European countries. It must be emphasised that meeting the Maastricht criteria cannot be the prerequisite for admission. The prerequisite is that the constitution of economic policies and the direction of development should make it believable that, for example, a country joining in 2002 will be able to meet these criteria within the foreseeable future.

The admission criteria defined in Copenhagen are too general and mean no commitment from the community's side towards CEFTA countries' future EU membership. However, these criteria may give us a basis for investigating how mature CEFTA member states are to join the European Union.

**Enlargement is an integrational bargaining process** with several participants: besides the interests of integrations as organisations, the interests of the individual member states are also characteristically present in the bargaining processes. The Union's attitude towards external parties always shows the results of member states' internal bargaining processes. Therefore, the criteria for economic integration will also be defined as the resultant of internal forces. This means that in the bargaining between EU states and the members-to-be the non-EU members will be the last.<sup>10</sup>

The possible integration raises a **strategic question**: should CEFTA countries try to join the EU together or individually? The EU encourages the development of Central Eastern European countries cooperation considers this sub regional framework as an important stage in the process of getting closer to the Union. On the other hand, Central Eastern European countries have from the very beginning been against this approach. There were several reasons behind. First of all, they had mostly competing and not complementary production and exportation structures and had similar macroeconomic problems. Secondly, they thought that disguised protectionism was hidden behind the EU's efforts. Instead of letting the products of transitional economies appear on Western European markets, the EU would rather force competitive companies and products back into a sub regional frame.

At present **the EU uses double measurement**. On the one hand, it still insists upon „block mentality” in certain aspects, on the other hand, it strives towards very careful differentiation. That is, it cannot officially declare the region (Central Eastern Europe) divided. At the same time, any unifying effort would give rise to criticism from the more developed Central Eastern European countries' side. The EU's view on the Eastern enlargement has so far been characterised by hesitation. On the one hand, political commitment to admit the ex-socialist countries of the Central Eastern European region is without a doubt. On the other hand, the only thing that is not known about this compulsory promise

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10 Balázs Péter (1996): The EU as a bargaining process and negotiation party, *Külgazdaság*, 9.



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is which countries, when and with what concrete criteria are going to be admitted. The reason for this ambivalence is that the future of the Union is unclear (the process of transformation) and the Eastern enlargement is not urgent, it can be postponed, moreover, the EU has already got with the association the liberalised market for its products and capital. One thing is very likely: after the Intergovernmental Conference, in 1998 integration negotiations will begin with the 10 Central Eastern European associated countries involved.

Since only a few of the 10 candidates have a chance to get admission in the first round, negotiations can easily turn into competition between the applicants. This impression was reinforced by EU officials' fuss about the questionnaires: they sent out exactly the same questionnaires to all of the applicant countries, stressing that they have created equal starting grounds, the rest depends on the competing candidates.<sup>11</sup> And their intention to differentiate among the candidates is proved by the fact that they have indicated to - or whispered into the ears of - the officials of almost every country that their answers were the best.

To this twofold strategy of the EU, CEFTA countries also react with a special duality. The relationship between CEFTA member states is characterised with a unique mixture of cooperation and rivalry. The cooperation, the improving tendencies of political and economic relationships are requirements set by the EU, since every CEFTA country would like to become a member of the EU and good, improving relationships also demonstrate our maturity for integration. Rivalry also emerges in the context of EU integration: there is competition appearing to become the first (or to get into the first group at least).

We have already discussed the success of cooperation. In certain cases, rivalry, opposing candidate to candidate seems to be a conscious strategy on the EU's side. The Czech Republic used to be very skeptical concerning the opportunities in the CEFTA but after 1995 - due to problems with the Czech balance of payments - it turned to the CEFTA with redoubled efforts. However, the tone of rivalry and competition is often more dominant in Czech politicians' speeches than that of cooperation. Slovakia is preoccupied with its internal political problems and democracy, but the Czech and Slovakian relationship is not without problems either. Reacting to the EU's differentiating efforts (Slovakia is not going to be in the first round) they declared disposition to sign an agreement on free trade with Russia. However, the EU or rather its member states' answer to this was that no matter how beneficial the agreement would be, it would be a negative political sign of Slovakia's foreign affairs orientation. Between Slovakia and Hungary the Bos-Nagymaros water power station and minority problems cause serious tension.

We must see the difference between the economic competition among the CEFTA countries (which is healthy and helps countries catch up) and the competition generated by the EU. Making countries compete is harmful. The fact that there is almost always a „star country” (in the beginning of 1997 it is Poland) that is in every field better than the others (according to the international media) encourages rivalry and opposition between the countries of the region.

**It would be important for the CEFTA countries to coordinate their political and economic measures, placing the emphasis on the significance of cooperation. Beyond the above-mentioned demonstration effect, good political and economic relations would enhance the bargaining power of our countries on the integration negotiations.**

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11 KOPINT-DATORG (1996): Joining the EU: the current situation and tasks, Külgazdaság, 9.

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Most of the trade of CEFTA member states is already done with the EU and the countries depend on the EU as a centre. The small CEFTA countries situated on the peripheries have only marginal importance from the EU's point of view. **This asymmetry strengthens the opportunities of the centre and weakens the opportunities of the periphery. Therefore, it is advisable to strengthen the cooperation among the countries of the semi-periphery (CEFTA). This will decrease to asymmetric dependence of the periphery on the centre and will thus serve the interest of the small countries.**

For the successful elimination of the gap between the centre and the semi-periphery, a conscious economic policy is needed, a basis of which is the EU integration. It makes the situation of the CEFTA countries even more complex that they are in a transition towards a liberalised market economy. In other words, the states are destroying their own power, however, liberalism always helps the stronger and the market automatically leads to the further strengthening of the strong and the weakening of the weak. The CEFTA cooperation may help prevent this further weakening since competition is already tough within the CEFTA as well, people expect the good quality products and as a market we are similarly good as the EU.

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