SPECIFICITY OF SOCIO-ECONOMIC DEVELOPMENT OF CEE COUNTRIES UNDER CONDITIONS OF ECONOMIC INTEGRATION

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Abstract
The relevance of the problem is due to the need to develop strategies for the international development of the Central and Eastern Europe Countries (CEE), due to its current priorities, specific features and needs of the socio- economic development of the economic region. The experience gained by the developing countries of Central and Eastern Europe proves the diversity of national models of participation in economic integration processes, as well as to the ambiguous results of their implementation. The specifics and ambiguous consequences of the CEE countries development within the EU are of particular interest to developing countries located in close proximity to the borders of this integration association.

Keywords: *CEE countries, integration processes, the socio-economic dynamics, promotion of international development, labor productivity, unemployment, poverty.*

JEL Classification: *P4*

INTRODUCTION

Regional integration forms not only economic relations, but also many economic problems that can no longer be resolved by individual countries. As a result of the fact that the nature of the distribution of the additional gross product produced by the economies of the countries involved in the integration process favors, the accumulation of capital rather than the growth of consumption, the gap between the economically developed countries and the EU "periphery" states widens. Integration associations are increasingly influencing on the dynamics of the development of member countries, the groupings and on the global economy as a whole.

The toughening of competition in the world labor market creates problems in industrialized countries, which sometimes close production, transferring it to developing countries with a low labor price. And new jobs are created at new facilities of multinational companies (TNCs) where in general the working conditions leave much to be desired, despite its increasing productivity. With the growth of opportunities for improving the material situation of the world's population, inequality of access to them is the main obstacle to the transformation of economic growth into full-fledged sustainable economic development. Thus, under the influence of global competition, the social climate in even developed countries worsens, and the treat of unemployment increases.

PAPER BODY

The development of countries of such world region as Central and Eastern Europe (CEE), at the present stage, is characterized by the presence of many heterogeneous problems in the socio-economic and labor spheres (low in comparison with the average European level of labor productivity), overcoming of which becomes very important for the countries of this region in the view of their strategic course towards rapprochement in terms of the level of economic development with Western European states, adopted in order to deepen European integration. Within this region, there is great variability in living standards and economic development. On the territory of the European Union there has not been formed yet a single place with equal social conditions and opportunities for all groups of the population. This fact is a significant obstacle to the development of the EU as a whole country and of member states individually.

Despite the successful creation of a single domestic market and other events, the European Union is still far from becoming a truly single and homogeneous economic space in which member states move forward at the same speed and participate on an equal footing in the implementation of integration programs, although such an integration philosophy was originally laid the foundation for the creation of the Union.

On the whole, in terms of labor productivity, the countries of Central and Eastern Europe are inferior to developed Western European states, which, given the internationalization of economic ties across the European Union and the whole of Europe, and the industrial and investment expansion of the West to the East of Europe, exacerbates the gap in the level of nations well-being and contributes to the concentration created in Eastern Europe, the surplus value is not in the hands of the local population involved in its creation, but in the form of capital of funds owners from the Western part of it. Although, in general, the countries of Central and Eastern Europe stand out among the remaining regions of this part of the world and the world as a whole with relatively high rates of economic growth [1].

On the background of a general tendency toward the decrease in the unemployment rate, its surge was noted in 2009, when a ubiquitous rapid growth of the indicator began, the rate of which continued to increase in 2010 and slightly decreased only in 2011-2013. As a result of the crisis, the position of young people at the labor market has also worsened significantly. The growth rate of youth unemployment is 5 times higher than among the adult population, which is associated with the difficulties in moving from training to a specialty to work due to a lack of experience in conducting it, as well as the difference between the acquired skills and the employers' requirements.

Facing such challenges, limited by declining state budgets, national governments, while pursuing active employment policies, are not able to implement large-scale long-term employment programs and are forced to rely on part-time and temporary employment.

Intensification of technological modernization of national production and stimulation of labor productivity growth is a priority in promoting socio-economic development, focusing on an active employment policy that European governments calls for, by the international community will not give the best effect in terms of improving the welfare of the population and long-term employment in most countries of Central and Eastern Europe. A more effective means of increasing the level of population's income in the general case will be to facilitate the emergence of new industries with labor productivity higher than the national average in the country.

The revealed contradiction of the pan-European policy in the field of socio-economic development and the actual needs to promote such development in the countries of Central and Eastern Europe is due to the fact that often the current policy objectives of the national and supranational levels are determined solely on the basis of the generalized dynamics of statistical indicators of economic development, without taking into account regional specifics existing relations between them. Meanwhile, an analysis of these relationships allows us to identify the causes of the decline in the level of population incomes and economic growth rates, and not only to discover the consequences of their manifestation.

Table 1. Absolute indicators of migration in the world regions

	2002	2007	2012	2017
Eurozone	6731514	4671862	1929664	3318998
European Union	7257129	6281070	2939221	4320989
CEE	-804567	-993491	-553383	-243005
Japan	164199	277580	358133	250000
The USA	5206538	5033689	4500000	4500000

Source: https://www.worldbank.org/

However, it is too early to talk about a coordinated social policy on the territory of the Union, although it should be noted that the European Commission takes many measures to coordinate the measures of the EU member states in the field of social sphere. Currently, migration problems are relevant especially after the EU has expanded eastward (Table 1). According to statistics, the number of migrants illegally arriving in the EU ranges from 4.5 to 8 million people, and their number is growing by 350-500 thousand every year.

The countries development of such region of the world as Central and Eastern Europe (CEE), at the present stage, is characterized by the presence of many heterogeneous problems in the socio-economic and labor spheres (low in comparison with the average European level of labor productivity), overcoming of which becomes very important for the countries of this region in the light of their strategic course towards rapprochement in terms of the level of economic development with Western European states, adopted in order to deepen pan-European integration. Within this region, there is great variability in living standards and economic development.

Due to the efforts of the EU, it was possible to achieve a noticeable unity of its members in a common understanding of the so-called pan-European values, in pursuing a coordinated foreign policy, in creating a common market for goods, services and capital, in expanding mutual trade and economic relations. The countries of Central and Eastern Europe differed from each other in their economic potential even at a time when they were all socialist states. Czechoslovakia had a higher level of development when Hungary had somewhat lower.

With the process of rapprochement of the CEE states within the European Union, tendencies of their differentiation have emerged, which determine the current heterogeneity of the economic condition of the countries of this region.

Conventionally, two directions of differentiation can be distinguished:

- minimal reduction of differences between Central and Eastern Europe, integrating within the framework of the European Union, from Western;
- differentiation within the East European space, expressed in significant differences between integrating countries.

The position of the East European countries in comparison with their western neighbors remains multilevel. Almost 30 years after the start of socio-economic transformations, the CEE countries not only lag behind the average European level of GDP per capita, but also differ (also very significantly) among themselves. Romania, Bulgaria and Croatia are very different in this indicator from the Czech Republic, Poland and Slovenia.

According to Eurostat, the total GDP of the transforming CEE countries amounted to 8.5% of the EU's GDP for 2017. The largest contribution to the total EU GDP from CEE countries was made by Poland 3%, Czech Republic 1.3%, Romania 1.2%, Hungary 0.8%, which in general makes up two thirds of the total GDP of CEE. The remaining economies of this region are marked by shares in the total EU GDP: Slovakia 0.6%, Slovenia, Bulgaria, Croatia and Lithuania 0.3% each, Latvia and Estonia 0.2% each.

With regard to mass migration of labor from CEE countries to the western EU countries, its possible consequences were considered very uncertain.

Table 2. Dynamics of labor migration from CEE countries, thousand, people

	2002	*2007*	*2012*	*2017*	*Population for 2018, million*
Bulgaria	-85500	-83742	-24472	-24001	7024216
Czech republic	47402	250889	59997	59997	10625695
Estonia	-18406	-15151	-10516	-4999	1320884
Hungary	61589	25150	29999	29999	9768785
Lithuania	-99104	-150930	-146217	-25000	2789533
Latvia	-72490	-86594	-83325	-50000	1926542
Poland	-183471	-178456	-73997	-50002	37978548
Romania	-468204	-774651	-299997	-150000	19473936
Slovakia	1199	-8855	11346	4999	5447011
Slovenia	14998	39348	16571	6002	2067372
Eurozona	6731514	4671862	1929664	3318998	341783171
Croatia	-2580	-10499	-32772	-40000	4089400

Source: compiled by the author based on data from the World Bank http://www.worldbank.org

Short-term forecasts determined labor migration from east to west of Europe in the amount of 300-350 thousand people. in the early years of expansion. According to long-term forecasts, the total volume of labor migration was estimated at around 3 million people, that is, only 1.2% of the working population of the Eurozone in 2020, but this forecast is far from the truth if we rely on data from the World Bank [5]. Already the first years of CEE membership have shown that the percentage of labor in the EU-15 markets are steadily increasing, especially after a restraining three-year transition period, indicated by some Western European countries: Britain, Austria and Ireland.

The maximum outflow of labor (a little less than 775 thousand people) was noted in Romania in 2007, the year the country joined the EU. In subsequent years, emigration from Romania decreased, but keeps the country in the position of a leader by this indicator in the region (Table 2). A significant outflow of the population is also observed in the Baltic countries, especially in Lithuania and Latvia, if we take the analysis of the total population of these countries as a basis (Table 2). This situation is not observed in all countries of the region. The Czech Republic, Hungary, Slovenia and Slovakia became attractive for labor migration from European transforming countries. In Poland, there is a gradually decreasing outflow of labor resources, if in 2002 more than 183 thousand people emigrated. for the year, then in 2017 this indicator dropped to 50 thousand people (Table 2).

However, the volume of labor migration from CEE is insufficient to significantly affect of the structure and levels of wages in the EU labor markets. In most countries of the region, labor resources are declining due to aging, but also due to migration outflows. Over time, a growing number of retirees and shrinking labor resources will lead to lower economic growth and increased budget deficits.

Of major concern in European recipient countries is migration from third countries. At the present stage, the population of the European Union is growing due to the influx from third countries, on average by 1 million people in year.

Differentiation is also noted in terms of unemployment rates. But in this case, the unemployment rate in CEE countries is lower than the EU average. According to Eurostat, as of June 2019 the EU unemployment rate was 6.3%, in Germany 3.1%. This is the lowest figure since June 2008. In the transforming CEE countries, unemployment in the Czech Republic reaches 2.2%, in Hungary, Poland and Romania more than 3%, in the Baltic countries about 6%, in Croatia 7% [3]. Whereas in the Eurozone this indicator is higher not only in comparison with the CEE countries, but also in the EU as a whole, reaching 7.5%. However, this is the lowest unemployment rate in the Eurozone since May 2008. Eurostat notes that youth unemployment is stronger: in the EU - 14.2%, and in the Eurozone 15.4% [3].

All CEE countries, without exception, suffered from the global financial economic crisis in 2008, which was far from the same for them and strengthened their further differentiation. The crisis had a negative impact on the reproductive processes of CEE countries. The main reason for the slowdown in real production during the crisis was the lack of investment capital. This was reflected in a decrease in the added value of all three sectors of the economy, but the losses were uneven across countries. In general, the crisis caused an increase in the divergence of the economic development of the EU countries.

The process of differentiation continued during the period of post-crisis recovery, which took place at different speeds in individual countries. In 2017, almost all CEE countries exceeded the pre-crisis level in terms of GDP (Table 3.). Poland was the only country that did not experience a recession in 2009 and has shown steady economic growth over recent years [2]. Obviously, Poland during this period was ahead of other states in the region in achieving a higher level of economic development due to the relatively solid growth rate of its GDP.

Table 3. GDP growth dynamics in CEE and the Eurozone (%)

	2004	*2005*	*2008*	*2009*	*2012*	*2013*	*2017*	*2018*
Czech republic	4,9	6,5	2,7	-4,8	-0,8	-0,5	4,4	2,9
Hungary	5,1	4,4	0,9	-6,6	-1,6	2,1	4,1	4,9
Poland	5,1	3,5	4,2	2,8	1,6	1,4	4,8	5,1
Slovenia	4,4	4	3,3	-7,8	-2,7	-1,1	4,9	4,5
Slovakia	5,3	6,8	5,6	-5,4	1,7	1,5	3,2	4,1
Romania	10,4	4,7	9,3	-5,5	2,1	3,5	7	4,1
Bulgaria	6,4	7,1	6	-3,6	0	0,5	3,8	3,1
Croatia	3,9	4,1	2	-7,3	-2,3	-0,5	2,9	2,6
Latvia	8,3	10,7	-3,5	-14,4	4	2,4	4,6	4,8
Lithuania	6,6	7,7	2,6	-14,8	3,8	3,5	4,1	3,5
Estonia	6,3	9,4	-5,4	-14,7	4,3	1,9	4,9	3,9
Eurozona	2,3	1,7	0,5	-4,5	-0,9	-0,2	2,4	1,9

Source: compiled by the author based on data from http://www.worldbank.org

The different dynamics of economic growth mainly depends on internal savings, due to which there is an expanded reproduction in the country. Consequently, the level of economic development of CEE countries is largely determined by the value of the investment rate, which affects the subsequent economic and social dynamics. In the short term, the further differentiation of countries will largely depend not only on their rate of internal accumulation and inflow of foreign funds, but also on the progress of development accumulated by each of them.

Despite the relative economic activity in the region, convergence between Western and Central Europe will take longer than anticipated. This is because in the longer term, the growth potential (the most acceptable production growth expected in the economy) in most countries of Central and Eastern Europe is still significantly lower than before the global financial crisis of 2008 (Table 3).

In anticipation of the next planning period 2021–2027 the European Commission has prepared a new appropriation program called Cohesion and Values. It is planned to change the system of funds distribution between EU countries. It is supposed to apply an extensive system of criteria, taking into account, in particular, the unemployment rate among young people, the state of education, environmental protection, migration, innovation, and the fight against corruption.

CONCLUSIONS

So, purely quantitative data indicate that according to various important indicators, the process of differentiation of CEE countries is constantly ongoing. Some states temporarily overtake others, then slow down their growth, while others steadily accelerate economic development. Moreover, a more favorable starting position does not always guarantee further success. Practice shows that countries with large production potential, as a rule, achieve better results. This can be said about the Czech Republic and Slovenia, but not about Hungary, in which there was a degradation of agriculture and partly industry.

Between them, differentiation is increasing due to different adaptability to pan-European economic conditions and lack of competitiveness. The modern scenario allows the existence of concepts as "concentric circles" or "Europe of different speeds," that is, each country will choose the degree of acceleration for further integration. Differentiation of CEE countries will continue in the future, not only due to different levels of their development, but also due to the characteristics of cultures, mentalities, traditions, social relations.

The long process of integration of the countries of Central and Eastern Europe into the European Union is far from over. It takes place in a difficult international environment, amid instability in Europe and a premonition of a new wave of global crisis.

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