Geoeconomics of transformation and economic bordering of Central and Eastern Europe

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Abstract

This contribution relates the process of economic bordering to the systemic and geo-economic features of Central Europe's post-socialist integration process. The major pattern that emerges is one of a high dependency on FDI, foreign multinational firms, European Union funds and exports to Western Europe. An innovative aspect of this contribution is the argument that long-term problems of capital accumulation in the context of centre-periphery dependency (and world systemic models) reflect bordering processes that are both structural as well as political in nature. The economic transition of Central Europe, and Hungary in particular, was fuelled by neoliberal ideologies and political agendas of "East-West convergence" that involved marketization and privatization. Both of these created a moral, legal and structural environment that rapidly cemented new modes of dependent integration into the EU and the global division of labour. At the same time, the most important historical dependencies of the CEE region, such as financial, technological and market ones, have remained constant (Gál and Schmidt 2017). This is complemented with the large energy dependency of CEECs on Russia. This not only further strengthens the external vulnerability of the region, but also makes re-interpretable the geopolitical and geoeconomic features of Central Europe as a 'buffer zone' situated between German and Russian spheres of interest.

We will first examine the geo-economic features of the externally managed and financed integration of post-socialist transition countries of CEE into the global economy and the European Union. We will also focus on the impacts of FDI and European Union structural funds on growth, gross fixed capital accumulation, per capita GNI and export in selected Central European countries. Preliminary results do not indicate a strong correlation between convergence and FDI, rather domestic savings and higher incomes are the most important factors. As a result, domestic policies based on wage competition and that give little support to small and medium-sized enterprises exacerbate core-periphery asymmetries and support an economic buffer zone narrative. In conclusion, we suggest that such economic bordering processes within the EU could have long-term consequences for political and economic cohesion in the EU as a whole.

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The Effect of a Free Trade Agreement with the United States on Member Countries' per capita GDP: A Synthetic Control Analysis

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Abstract

This article aims to evaluate the impact of signing a free trade agreement (FTA) on per capita gross domestic product (GDPPC). Although the immediate objective of a FTA is to increase trade between the signatory countries (Dür et al. 2014), from the perspective of evaluating public policy, it is important to evaluate its impact on citizens' well-being, and the GDPPC is a better measure of said impact than measures that pertain to trade alone.

In particular, we focus on the GDPPC of the 20 countries that have signed a FTA with the United States. This focus is motivated by the fact that the U.S. is the biggest, most developed economy in the world and has signed the most extensive trade agreements of any country. North-South agreements tend to be the most extensive, whereas South-South agreements tend to be the least far-reaching (Dür et al. 2014). Hence, this study helps shed light on the development effects of North-South agreements for Southern (developing) countries.

The United States has been an ardent supporter of trade liberalization. Since President Roosevelt's administration, the U.S. has assumed that trade openness guarantees stable economic growth. In that line, during the last century, the U.S. has traded with a variety of countries across the globe, becoming a leader and a role model on trade openness in this era of global economic integration.