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## **CEFTA as a Proven Path to Accession to the European Union**

### **Abstract**

*At the beginning of the 1990s Poland, like the majority of the Central and East European countries (CEECs) undergoing transformations, overcame its initial distrust and began to recognize that the only path to regional stability and national economic growth was economic integration. The Central and Eastern European Free Trade Agreement (CEFTA), signed by the Czech Republic, Hungary, Poland, and Slovakia on 21 December 1992 in Cracow, provided for the elimination of a number of trade barriers and the growth in commercial exchanges between the signatory nations, aimed at facilitating their integration with the European Union at a later stage.*

*This article constitutes an attempt to assess the main effects of the implementation of CEFTA on the functioning of its member states as well as their further integration as Member States of the EU. It also presents the main provisions of the modernized CEFTA 2006, and the current problems related to implementation of the agreement. It also discusses the opportunities and prospects for Croatia, as a former CEFTA member state, upon its scheduled accession to the EU in July 2013. This article is intended as an introduction to further and deeper analysis in this area.*

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## 1. Introduction

Central and Eastern Europe cannot be viewed as a uniform area of Europe, neither from the economic, military, political, and demographic viewpoints, nor from the respective countries' ability to absorb FDI. For centuries the area has been treated as being on the fringes of Europe, not to mention the perception of it since ancient times as a socially and economically backward region. It is also a difficult area to define geographically, but the Polish literature on the subject today most frequently includes the following states: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. Despite its many differences, the area is linked by a common historical heritage, particularly post-World War II. Today it is considered by many experts to have enormous potential for economic growth, and as an inviting target for investment capital.

## 2. CEFTA as an example of a well-travelled path to EU accession for selected Central and East European Countries (CEECs)

At the beginning of the 1990s, when the majority of the CEECs began to undertake their post-communist (or socialist) transformations, a number of them, including Poland, established closer cooperation with the West as one of their major foreign policy aims, in particular increasing trade exchange through membership in EFTA and the EEC (Bożyk 1996, p.56). In addition, their actions aimed (mostly successfully) at joining NATO, the OECD, and GATT/WTO, with the later aim of becoming a Member State of the EU, which helped guarantee the irreversibility of their transformational changes, both in terms of political and economic structures. At the start of their transformations, however, the majority of the above-mentioned CEECs neglected the possibilities for regional integration, which could have been a basis for breaking down the remaining barriers to further regional development, despite the fact that they faced similar problems as a result of their former membership in Comecon<sup>1</sup>. The

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<sup>1</sup> The Council for Mutual Economic Assistance (Comecon) was an organization created in Moscow in 1949 with the aim of coordinating the economies of the bloc of 'socialist states' controlled by the USSR. The founding members were: Bulgaria, Czechoslovakia, Poland, Romania, Hungary, and the USSR. Later the following states joined: Albania (1949), NRD (1950), Mongolia (1962), Cuba (1972) and Vietnam (1978). Comecon's effect on economic integration was weak. The break-up of the communist system in the European satellite states after 1989 and the changes in the USSR itself led to the dissolution of Comecon in April 1991 in Budapest.

similarity of their situations arose from the fact the entire region was in a uniform phase of economic development, characterized, *inter alia*, by a low level of turnover in global trade, low ability to compete on the international market, similar economic structure, and inter-regional rivalry vis-à-vis both the Western and Eastern markets.

This situation could not last long, however. Already in the first months of 1990, despite their initial unwillingness and mutual distrust, some countries in the region began to recognize the need for trade cooperation in the region, with the aim of further integration and collective elimination of trade barriers with the West. In particular the newly-elected authorities of Poland, Czechoslovakia, and Hungary initiated activities aimed at harmonization of their political and economic systems. This process led, in effect, to the CEFTA agreement. The process may be divided into four stages (Molendowski 2012, p.89):

- the summit in Bratislava of 9 April 1990, which broke down the unwillingness and distrust with respect to mutual cooperation;
- taking the first common decision(s) in meetings in Budapest and Visegrad from 12-15 February 1991, which led to the signing of the Visegrad Declaration;
- agreement on the first provisions concerning the liberalization of mutual trade markets – the “Cracow Declaration” of 6 October 1991;
- the signing, on 21 December 1992 in Cracow, of the Central European Free Trade Agreement (CEFTA) by the respective ministers of economy and foreign trade of the four countries.

The CEFTA agreement entered into force on 1 January 1993 between Poland, Hungary, and the Czech Republic and Slovakia (Czechoslovakia having split into two states as of the same date). Other countries of the region joined CEFTA in the following phases: Slovenia (1996), Romania (1997), Bulgaria (1999) and Croatia (2003).

The aim of the Central European Free Trade Agreement, as set forth in Article 1 of the Treaty signed in Cracow, was as follows<sup>2</sup>:

- to support, via the expansion of mutual trade, the harmonious development of economic relations between the parties and, in such fashion, to promote economic development, improve the standards of living and work conditions, increase efficiency, and promote financial stability;
- to ensure fair competition between the entities in the signatory states engaging in mutual trade;

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<sup>2</sup> The Central and Eastern European Free Trade Agreement (CEFTA), signed by the Czech Republic, Hungary, Slovakia, and Poland on 21 December 1992 in Cracow.

- to contribute, by the elimination of trade barriers, to the harmonious development and expansion of world trade.

The chief aim and fundamental purpose of CEFTA was the development and restoration, between the signatory states, of trade relations which had collapsed together with the fall of communism, as well as mutual preparation for later integration with the countries of the EC. The CEFTA agreement established a free trade zone for industrial products and reduced tariffs on agricultural goods, which constituted a significant impulse to the subsequent growth in trade between the parties.

### **3. Trade exchange between CEFTA countries in 1993-2003, using the example of selected signatory states**

The creation of the CEFTA free trade zone led to a constant increase in trade turnover between the signatory members. This was a result of the improvement in trade conditions by mutual arrangements between the members, facilitating access to their markets as well as the territorial expansion of CEFTA. Two factors were of major influence: the incremental elimination of all barriers to trade in industrial products, and the liberalization of trade in agricultural-foodstuff products to the extent possible, taking into account the sensitivity of the members to their agricultural markets. The signatory parties in practice eliminated customs on products from 1 January 1997, with the exception of certain products mainly related to motor vehicles (gradual reduction in customs until 2002), as well as, similar to the EU, metallurgy products and fuel (Wysokińska 2011, p.124). As a result of this policy of trade liberalization, Poland's trade with the CEFTA states increased five-fold during the first ten years of its functioning in the group, a greater rate of increase than of its economy as a whole, attaining a level of 7.5 billion USD in 2002.

As a bloc, the CEFTA countries became an important partner in Poland's foreign trade in goods. In 2002 Poland's CEFTA trading partners accounted for 8.9% of its exports, and 7.3% of its imports, which put the CEFTA countries in third place in terms of Poland's main trading partners, behind the EU countries and the former Soviet countries. The dominant countries in CEFTA trade with Poland, both in terms of its overall trade and its goods trade, were and continue to be the three other founding countries: Czech, Hungary and Slovakia, which in 2002 accounted for 86.1% of Poland's exports to and 87.3% of its imports from the CEFTA countries (Office of the President of the Polish Council of Ministers. Archives).

In the initial stage of CEFTA's implementation, the Czech Republic was Poland's dominant partner, however after 1997 its share in trade with Poland began to diminish to Hungary's advantage, as well as Romania, whose share of Polish exports in the years 1997-2003 averaged approximately 14%. Similarly, Czech, Hungary, and Slovakia were the dominant CEFTA countries in terms of Poland's imports from the group, with Hungary playing the dominating role in the early phase of CEFTA's implementation. Between 1993-1997 Hungary's share in Polish imports from CEFTA countries averaged 54%, although it declined to 37% in the years 1998-2003 (Chmielewska – Gill 2004, p.7).

The trade structure looks different with respect to another original signatory country of the CEFTA agreement. In the case of Slovakia, the Czech Republic was its dominating partner both with respect to imports and exports. Slovakia's exports to Czech from 1993-2000 averaged 76% of its total exports to CEFTA countries. After 2000, Czech's share of Slovakian exports to CEFTA decreased somewhat in favor of Poland and Hungary (which accounted for 18% and 14% respectively), but its overall share of Slovakian exports still remained very high at 64%. In terms of Slovakia's imports from CEFTA countries, once again imports from Czech dominated, constituting 76% of its overall CEFTA imports. The remaining CEFTA countries had marginal shares, with Hungary averaging 12% and Poland 11% shares in Slovakia's imports from CEFTA countries (Ibidem, p.12). In the years 1996-2003 Hungary played the leading and growing role as a recipient of Romania's export. In 1996-1997 its share in Romania's export was 26%, but in the years 2000-2003 it grew to the level of 52%. The remaining important partners in Romanian export were Poland (26%) and Bulgaria (15%). In terms of Romanian imports from the CEFTA countries, Hungary also was the dominant partner, averaging a 54% share in the years 2002-2003, while imports from Poland during this period constituted 26% of Romania's overall imports (Ibidem, p. 17).

As can be seen from the above-cited examples from selected countries, the cooperation between the CEFTA countries significantly tightened during these years. However, it should be stressed that, with the exception of Polish imports, trade exchanges within the CEFTA framework were dominated by trade with adjacent countries. It can also be seen that increased cooperation concerned primarily the original signatory countries. Despite these reservations, many experts are of the opinion that alongside its role in facilitating trade exchange, CEFTA had a great influence in strengthening the overall trust and cooperation between its members and in contributing to the socio-political stabilization of the region, which was a significant aid in helping the CEFTA countries realize their fundamental aim – preparing for accession to the European Union.

#### **4. Former members of CEFTA in the EU. A brief assessment of selected aspects of their accession to the EU**

The original signatory states of CEFTA ceased to be members of the organization on the date they entered the EU, i.e. 1 May 2004. The same was true of the later CEFTA members Bulgaria and Romania on the date of their accession to the EU. The CEFTA agreement gave these countries the opportunity to work out certain cooperation procedures within the framework of their initial processes of transformation from a former Soviet economic model to a new free market economic system. The initial results of their respective transformation processes (which were not identical for each state) did not, however, cause an immediate or significant improvement in the socio-economic situations of the above-mentioned CEFTA members. It may fairly be posited that only their accession to the EU offered real opportunities for significant improvement in their economic circumstances.

Poland can be used as an example. It should be pointed out that when Poland embarked on its systemic transformation project, the distance between it and the EU countries was enormous. Its GDP *per capita* was estimated to be 6.9 times lower than the average GDP *per capita* of the EU (EU GDP *per capita* income averaged 14,890 USD according to official exchange rates, while Poland's GDP *per capita* was 2,155 USD). In 1997 the gap had still not closed significantly. Poland's GDP *per capita* still remained officially 6.2 times lower than that of the EU (21,664 USD in the EU vs. 3510 USD in Poland), although in terms of purchasing power Poland's GDP *per capita* was estimated to be between 7,000-8,000 USD in 1997. It should also be recalled that the technological gap separating Poland from the EU was huge. As a result, Poland had a low share in trade of high value added items, both in terms of production and goods. During the association agreement, Poland's exports to the EU increased slightly in 1995-1996, only to fall again in 1997. The only enterprises to experience steady export growth were those companies with foreign capital ownership shares (Wysokińska 2002, p. 123) With their accession to the EU, the CEFTA signatories automatically became members of the Single Internal Market. Their participation in this market carried with it both advantages and costs. The advantages which could be expected from the single market were primarily (Witkowska 1996):

- savings resulting from the elimination of trade barriers within the EU,
- savings resulting from the full liberalization of the EU financial market,
- increased internal competition,
- increases in the scale of production,
- elimination of restrictions in access to the public procurement markets.

The process of creating a single market sets in motion both macro- and micro-economic mechanisms, which on the one hand bring about significant advantages, but on the other hand can increase social and economic costs. Among such costs should be mentioned:

- the liquidation of numerous enterprises, and in some cases even entire industrial branches,
- special challenges for small and medium-sized enterprises,
- loss of jobs,
- possibilities of deepening developmental gaps in the integrated area.

After its eight years of EU membership, Poland has noted significant socio-economic development, which is reflected in its improved micro- and macro-economic results. Thanks to its accession to the single market Poland has, since joining the EU, noted significant economic growth, averaging 4.3% of GDP annually from 2004-2011, while the EU average for the same period has been 1.4% of GDP. In terms of accumulated GDP Poland's economy has grown by 43.18% during this time, while the EU average for the comparative time period is 10.76%. It should also be noted that during this time Poland is the only EU country to have noted constant annual economic growth, and its growth of 1.8% of GDP in the crisis crunch year of 2009 earned it the nickname 'green island'<sup>3</sup>.

Poland's integration with the European Union has brought about an unexpectedly rapid rise in its foreign trade in the agricultural-foodstuff product group, both in terms of exports and imports. This significant growth in trade exchange has been particularly visible in trade with the EU countries. In the years 2003-2010 the export of agricultural-foodstuff products to the EU-12 has grown by 365%, and imports by 213%. The overall effect has been to increase foreign exchange in this branch of products by almost six times with the EU-12 countries. This confirms the high competitiveness of Polish producers of foodstuff products in the EU-12 markets (Szczepaniak 2011, p.125).

Another significant effect arising from Poland's EU accession has been the near doubling of Foreign Direct Investment (FDI) in Poland, reaching an annual level of approximately 11 billion EURO, while in the years 1994-2003 it averaged around 5 billion. It should be noted however that incoming FDI to the EU as a whole continues to be heavily concentrated on foreign investment in the EU-15. Its share of overall accumulated FDI in the EU in 2009 reached 89%, with the share of the EU-12 barely reaching 11%. However, this was an

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<sup>3</sup> Ministry of Foreign Affairs Report: The socio-economic effects of Poland's accession to the EU taking into account the influence of expansion on the EU-15 (1 May 2004 – 1 May 2012).

improvement from the previous year, when the share of the EU-12 in overall accumulated FDI in the EU was 9.2%, and may reflect the fact that the EU-12 countries got noticed by world markets as a reasonably safe place for allocation of capital during the time of crisis, which is generally regarded to have peaked in 2009 (Witkowska 2011, p. 111).

Thanks to EU accession, former CEFTA countries began to modernize their enterprises, not only with respect to technical innovation but also in the context of increasing innovation into overall enterprise management techniques. This has brought about an increase in work effectiveness and transformed production from work-absorbent to capital-absorbent. While this has indeed led to a loss of jobs, thanks to investments in the framework of EFS as well as the opening of borders and, correspondingly, the opening up of new labor markets, these countries have gone through the period of enterprise modernization in a relatively painless fashion.

## **5. The new Agreement CEFTA 2006. The current challenges and problems**

In 2006, the CEFTA was reformed. The new agreement, which was signed in December 2006 and entered into force in July 2007 replaced the system of more than 30 bilateral agreements between the countries of South - Eastern Europe. The following new member states were added to the CEFTA agreement: Albania, Bosnia and Herzegovina, Montenegro, Moldova, Kosovo and Serbia. The new agreement has become a very important aspect of regional cooperation and strengthened relationships within the Stabilisation and Association Agreement signed with the Western Balkans (Kawecka – Wyrzykowska 2007, p. 186). Bulgaria and Romania, in accordance with Article 51 of CEFTA 2006, left CEFTA in January 2007 following their accession to the European Union. The agreement sought above all to implement, inter alia, the following main purposes: the development of trade in goods and services, the elimination of trade barriers (especially non-tariff) to support investments, fair, stable and predictable competition, ensuring adequate protection of intellectual property rights in accordance with international standards, and harmonization of the rules relating to contemporary issues of trade policy, such as rules on competition and state aid. Also included are clear and effective dispute settlement procedures. These measures are aimed at strengthening cooperation and the process of further integration within the European Union. The CEFTA 2006 is fully consistent with WTO and EU rules and constitutes a continuation of the main objectives of the founding members, which are now members of the EU (CEFTA.int).



The CEFTA 2006 agreement, which entered into force in 2007, embraced 90% of liberalized trade, including 100% of the turnover in industrial goods. It was expected to increase trade within the region and foreign investment in the area, mainly foreign investment by EU member states. Initially, the levels of foreign direct investment were low. Particularly alarming was the small share of foreign investment in the privatization process. An important challenge of economic cooperation within the region was the construction of a common energy and transport infrastructure. An Agreement on the Common Market of Energy of South East Europe was signed in 2005 between the EU and Western Balkan Countries. The basic objectives of the Energy Community are: the establishment for the whole of Europe of a uniform stable regulatory framework and market, security of supply, increasing environmental standards, increasing competition across the board, and promotion of economies of scale. The priority in the area of transport was to integrate the countries of the Western Balkans with the European road network connection system. Regional cooperation between countries of the Western Balkans also has a political dimension. It is an important element in reducing instability in the area, contributing to good neighborly relations, and helps overcome nationalism and intolerance (Kawecka – Wyrzykowska 2007, p. 189).

An important element in the implementation of the cooperation within the Central Free Trade Agreement (CEFTA) to derive its full benefits is the progressive elimination of Non-Tariff Barriers (NTBs). NTBs comprise all measures other than tariffs that restrict or otherwise distort trade flows. From an economic viewpoint, non-tariff barriers can be much more harmful than tariffs, and thus their reduction or removal is important for the facilitation of international trade. CEFTA 2006 recognizes this, and in addition to implementing traditional trade-related liberalizations such as tariff reductions, it obliges the parties to undertake commitments related to the elimination of NTBs (OECD).

Currently the EU plays a rather significant role in CEFTA trade with other countries. Also, the value of exports within CEFTA is more than 3 billion Euro, which is about 30% of the value of total exports to countries outside CEFTA and 40% of exports to the EU countries. The main sectors for export to CEFTA countries are:

- food and live animals (total of about 3.5 bln EURO)
- manufactured goods classified chiefly by material (total of about 3 bln EURO)
- machinery and transport equipment (total of about 2.7 bln EURO)
- mineral fuels, lubricants and related materials (total of about 1.5 bln EURO)
- chemicals and related products (total of about 1 bln EURO)

Serbia has the largest share of exports to CEFTA countries (36%), followed by Croatia (26%), Bosnia and Herzegovina (19%), Macedonia (12%), and other countries from 0 to 3% (CEFTA Trade Statistics 2012, p. 3)

The value of imports within CEFTA is more than 3 billion Euro, which is about 13% of the value of imports from countries outside CEFTA and 20% of import from the EU countries.

- mineral fuels, lubricants and related materials (total of about 5.7 bln EURO)
- machinery and transport equipment (total of about 5.6 bln EURO)
- manufactured goods classified chiefly by material (total of about 5.1 bln EURO)
- chemicals and related products, (total of about 3.7 bln EURO)
- food and live animals (total of about 2.8 bln EURO)

The most significant share of imports from CEFTA is attained by Bosnia and Herzegovina (29%), Serbia (18%), Croatia (15%), Kosovo and Montenegro (12%), Macedonia (9 %), with Moldavia at 0 % (Ibidem p. 3).

## **6. EU Policy towards the Balkan States. Croatia on the threshold of EU accession – selected aspects of macroeconomic analysis**

EU Policy toward the Western Balkan states is based on the concrete supposition that all the states in the region will eventually become EU members. This was established at the Council meeting in Salonika in June of 2003, and confirmed in Council meetings of 8 December 2008 and 7-8 December 2009. The prospect of EU membership has served as a strong impulse for these states to enact reforms, which in turn has contributed to peace and stability in the region. To date three former Yugoslavian republics have gained EU candidate status: Croatia, Macedonia, and Montenegro. The negotiations between the EU and Montenegro began in June 2012. The four remaining Western Balkan countries – Albania, Bosnia and Herzegovina, Kosovo, and Serbia – are also potential EU candidate countries, and Albania and Serbia have already applied for EU candidate status (Albania in April 2009 and Serbia in December 2010.) All four of the countries mentioned above will be able to become candidate countries when they meet the required criteria<sup>4</sup>. Croatia is on track to accede to the EU on 1 July 2013 and to become the 28<sup>th</sup> EU member state and the eighth CEFTA country accepted into the EU.

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<sup>4</sup> European Parliament. *States of the West Balkan region*,  
[http://www.europarl.europa.eu/ftu/pdf/pl/FTU\\_6.4.1.pdf](http://www.europarl.europa.eu/ftu/pdf/pl/FTU_6.4.1.pdf) Accessed: 03/01/2013 r.

Croatia is one of the countries that participated in the CEFTA based on both the old and the new agreement. The country is currently at a medium level of development. Its GDP growth rate until 2008 averaged 4.7%. According to the International Monetary Fund, Croatia's GDP in 2011 totaled 62.4 billion USD, a figure which was 3 billion larger than the previous year (a 4.8% increase)<sup>5</sup>. The prognosis for 2012 is considerably less optimistic; the IMF projects that the Croatian GDP will decline to 57.5 million USD. At the same time, however, it is envisioned that after 2012 the Croatian GDP will grow at a rate of 2.1% and should attain a value (based on current prices) of 70 billion USD by 2017. It should be pointed out that Croatian GDP *per capita* is, just prior to its EU accession, already higher than that of several EU member states (Romania, Bulgaria, Latvia, and Lithuania), and averaged 14,200 USD per capita in 2011, with an average of 14,150 USD for the years 2007-2011. (See Table 1).

A significant part of the Croatian economy (68.8% of GDP) is based on services, with a small industrial and agricultural share (19% and 5.5% respectively). In recent years the construction sector has been rising in importance, and currently accounts for 6.7% of Croatian GDP (Muš 2011, p.21).

**Table 1. Croatian GDP (in current prices) as well as GDP per capita (in absolute terms) for 2007-2011 and prognoses for the years 2012-2017**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total GDP (in current prices, bln USD)	59.4	69.0	62.2	59.4	62.4	57.5	58.5	60.9	63.8	67.0	70.5
GDP per capita (in 1000 USD)	13,3	15,7	14,0	13,5	14,2	13,1	13,3	13,9	14,5	15,2	16,0

Source: Own compilations based on data from the International Monetary Fund: World Economic Outlook Database, October 2012.

The high share of the service sector in the Croatian economy, and in particular services of a sensitive nature such as tourism and gastronomy, gives rise to Croatia's main economic problems, i.e. the low volume of exports and high trade deficit. It also has a high level of foreign debt, equal to 101% of its

<sup>5</sup> Based on the data of the International Monetary Fund. World Economic Outlook Database, October 2012. <http://www.imf.org/external/pubs/> accessed: 02/03/2013 r.

GDP. In addition, the Croatian economy is not very competitive, primarily owing to its high labor costs and low work effectiveness.

The value (in EURO) of Croatia's goods trade in 2012 was 25,772.9 mln EURO, which was 0.4% lower than in 2011. The value of Croatian exports totaled 9,609.2 mln EURO (a 0.3% increase from the previous year), while the value of its imports totaled 16,163.7 mln EURO (a 0.7% decrease from the previous year). Its trade deficit totaled 6.5 billion EURO in 2012, which was 144.5 million EURO less than in 2011. (See Table 2). Its export profile was characterized by a significant increase in crude oil products, grains and cereals, finished metal products (except for machines and equipment), metals, and pharmaceutical products. The largest declines in export were noted in the means of transportation sector, where the largest share in overall exports was the shipbuilding industry, which declined from 11.8% in 2011 to 7.8% in 2012 owing to a lack of orders for ships. The largest share of Croatian imports were of ships and airplanes designated for repair. The share in overall imports of foodstuffs, gas, and electrical energy rose significantly. The largest decline in imports concerned motor vehicles (25% fewer cars were registered in 2012 than in the previous year) (WPHI Zagrzeb, (1) 2013 p.10).

**Table 2. Croatia's foreign exchange of goods from Jan – Dec. 2011 and 2012, and Polish-Croatian foreign trade**

		EURO (in bln)	EURO (in bln)	%
		I-XII 2011	I-XII 2012	I-XII 2012 I-XII 2011
I	Croatian foreign goods exchange	25.9	25.8	99.6
	export	9.58	9.61	100.3
	import	16.29	16.16	99.3
	Foreign trade balance	- 6.70	- 6.55	X
II	Polish-Croatian foreign trade	0.44	0.435	98.3
	Polish exports	0.339	0.336	99.2
	Polish imports	0.103	0.098	95.2
	Polish foreign trade balance	+0.236	+0.238	X

Source: Own calculations based on data contained in the tables in the Information Bulletin of the Department of Promotion, Trade and Investment of the Polish Embassy in Zagreb. WPHI Zagreb; (1) 2013 p. 11.

The total value of Polish-Croatian foreign trade during 2012 totaled 434.6 mln EURO, which represented a decline of 1.7% from the same period in 2011. The total value of Polish exports in 2011 was 339 mln EURO, or 0.8% more

than in 2012, while the value of Polish imports fell from 103 mln EURO in 2011 to 98 mln EURO in 2012, a decline of 4.8% (Ibidem p. 12).

Another problem in Croatia is high unemployment. According to the Information Bulletin of the Department of Promotion, Trade and Investment of the Polish Embassy in Zagreb (Ibidem p. 3), as of December 2012 unemployment among all age groups, and regardless of education level, stood at 19.1% in all Croatian counties, up from 17.8% in 2011. The total number of registered unemployed in December 2012 was 358,214, however according to many experts the unemployment rate is expected to fall in the second quarter of 2013 as a result of the commencement of seasonal work, particularly in the tourist and gastronomical services sectors. Nonetheless seasonal work is not sufficient to significantly improve the systemic problem of unemployment in the Croatian labor market (Ibidem p. 9). The average net monthly wage in November 2012 was approximately 1000 USD. The highest average net monthly wage in Croatia during the first eleven months of 2012 was in the promotion and market research sector (1800 USD), and the lowest in the clothes production branch (505 USD)<sup>6</sup>.

## 7. Summary

A two-fold concept lay at the base of the creation of the Central European Free Trade Area (CEFTA): integration of the economies of the post-communist countries, and gaining experience in multi-lateral trade and cooperation prior to entry into the EU. The examples of the four signatory states – Poland, Slovakia, the Czech Republic, and Hungary) has demonstrated that such integration became a permanent part of multilateral cooperation, which in turn has led to a positive assessment of the CEFTA project, both in terms of trade cooperation and as a stabilizing factor in the Central and East European region.

Croatia, following its upcoming entry into the EU, will obtain great opportunities for economic growth, as well as to contribute to stability in the Western Balkan region. Croatia can draw on the historical lesson of cooperation within CEFTA as a path to EU integration, which will allow it to take full advantage of the opportunities offered and contribute to constant economic growth in the region. Proof of this can be found in the prognosis of the International Monetary Fund that Croatia's GDP will grow to a level of 70.5 bln

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<sup>6</sup> Own calculations based on: Information Bulletin of the Department of Promotion, Trade and Investment of the Polish Embassy in Zagreb. WPHI Zagrzeb; (1) 2013 p. 9 as well as data from the Central Statistical Office of Poland.

USD by 2017. which would reflect an absolute growth of 12 bln USD, or a growth rate of 20.5% in comparison to its base year of entry into the EU (2013).

In addition, it may be assumed that membership in the EU will increase FDI inflows into Croatia, which will stimulate growth in the following years. By gaining access to EU labor markets, it may also be assumed that the Croatian unemployment rate will rapidly decline, as was the case with other CEECs following their access to EU labor markets. This is an important indirect economic effect of accession to the EU, particularly important to Croatia with its current high unemployment rate (19.1% at the end of 2012).

It should be kept in mind, however, that in order to obtain the desired effects from EU membership it will be necessary to enact significant structural reforms, taking advantage of EU structural funds, which will lead, *inter alia*, to diminishing regional imbalances. Croatia at the threshold of European integration must strengthen its position in the international arena. The structural and economic changes currently taking place in the EU will present Croatia with important challenges. The EU of today, struggling to deal with an economic crisis while implementing significant institutional changes, certainly looks different than the EU of 2005, when Croatia began its membership path. Accession to this reforming institution and the indirect effect of EU policies on Croatia's national structures and situation constitute additional factors which will influence Croatia's economic development and act as motivation for it to enact the reforms necessary to advance further and deeper economic integration.

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## Streszczenie

### CEFTA JAKO WYPRACOWANA DROGA PRZYSTĄPIENIA DO STRUKTUR UNII EUROPEJSKIEJ NA PRZYKŁADZIE WYBRANYCH PAŃSTW CZŁONKOWSKICH

*Większość państw Europy Środkowej i Wschodniej u progu lat 90' XX w. w trakcie transformacji systemowej, pomimo początkowej wzajemnej nieufności, zaczęły dostrzegać konieczność integracji gospodarczej jako jedynej drogi prowadzącej do stabilności regionu i wzrostu gospodarczego kraju. Podpisanie przez cztery państwa Środkowoeuropejskiej Umowy o Wolnym Handlu (CEFTA) 21 grudnia 1992 w Krakowie pozwoliło na zniesienie wielu barier handlowych oraz podniesienie wymiany handlowej wewnątrz ugrupowania co w efekcie miało ułatwić integrację tych państw z UE. Po przystąpieniu państw założycieli oraz pozostałych członków pierwotnej umowy CEFTA do Unii Europejskiej, nowi członkowie porozumienia kontynuują współpracę w ramach zmodyfikowanej umowy CEFTA 2006.*

*Poniższy artykuł stanowi próbę przybliżenia głównych efektów funkcjonowania państwa w ramach struktur ugrupowania CEFTA oraz dalszej integracji gospodarczej jako członka Unii Europejskiej. Przedstawia główne postanowienia zmodyfikowanej umowy CEFTA 2006 i bieżących problemów związanych z realizacją współpracy w ramach powyższego porozumienia. Ukazuje analizę i dalszą perspektywę wybranych aspektów makroekonomicznych Chorwacji, członka CEFTA w przededniu przystąpienia do struktur UE w lipcu 2013 r. Artykuł ten jest wstępem do dalszych pogłębionych badań w tym zakresie.*