Chapter 10

External Aspects of the European Union’s Competitiveness

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ABSTRACT

This chapter deals with application of Data Envelopment Analysis (DEA) method to multicriteria performance evaluation of the European Union’ (EU) Member States in the reference period 2000-2015. The productivity of the EU countries can be seen as the source of national performance and subsequent international competitiveness. International trade, as a major factor of openness, has an increasingly significant contribution to economic growth and thus for competitiveness. The aim of the chapter is to analyse level of productive potential achieved by the EU Member States. The results confirm the heterogeneity that exists among the EU Member States as well as in the trade area. While the calculations show that productivity growth of foreign trade was significant in the case of the entire EU, but the significance of productivity in foreign trade was not the same in the case of individual countries.

INTRODUCTION

In connection with the decline of trade barriers in international trade and the growing fragmentation of production, internationalisation and transnationalisation, the transportation and communication costs have been declining and there has been a spread of new technology, but also a growth of competition in the world market. It has caused singular press on all participants of the economic processes and states therefore cannot avoid the issue of competitiveness and comparative advantages. For this reason, it is important to put the topic of the export competitiveness of the European Union (EU) to the forefront and to find factors that influence the trade efficiency of the individual EU member states and also the

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possible sources of its increasing. Although on the one hand there is a growing number of EU member states, on the other hand the share of the EU as a whole (EU28) in world trade has gradually been declining. The process of the spreading of the EU creates new conditions for the old and new member states and also possibilities of their development in the frame of the European and world economy. On the one hand, the EU member states have to deal with a severe competitive environment; on the other hand, they get better possibilities in the open global economy. From this aspect, the following changes in the structure of the EU trade with variable comparative advantages of the individual countries are important for maintaining the leading position of the EU in world trade.

In this chapter, external competitiveness is considered as a synonym of the trade competitiveness or export competitiveness of a country. The research in this area was focused on the pursuance of the external competitiveness of the whole EU or selected EU countries from the aspect of export growth, diversification and sophistication until now. Cheptea, Fontagné & Zignago (2012) recorded the changes in the market share of the EU27 and selected non-EU member states that occurred in 1995–2009 under the influence of structural changes and the efficiency effect. Cheptea et al. (2013) explored the external competitiveness of the EU27 from the point of view of goods as well as commercial services in 2002–2010. Besides the traditional decomposition of the export efficiency in the area of merchandise trade, they analysed the exports of the EU27 and other countries from the point of view of the technological level and the specialisation of export with respect to the current fragmentation of the production process. Priede & Pereira (2015) stated that the EU competitiveness and export efficiency was negatively influenced by the political situation in the world, which was connected with the adoption of economic sanctions against Russia. Orszaghova, Savelin & Schudel (2013) focused their attention on the analysis of the external competitiveness of the candidate states of the EU, such as Montenegro, Iceland, Croatia, the Former Republic of Macedonia, Serbia and Turkey. They found out, among other things, that most candidate states increased their exports from the point of view of the number of trade partners and products and that all candidate states recorded a growth of export to the EU. In addition, the intra-industry trade with the EU member states became more important for countries with a bigger economy.

While the present research of trade or the export competitiveness of the EU was focused on the decomposition of export growth from the aspect of an intensive and extensive margin, our methodological approach is based on the evaluation of the trade competitiveness of the EU member states via the measurements of national productivity. It results from the presumption that productivity is generally considered to be one of the most important sources of competitiveness. We especially explore factors that contributed to the growth of productivity and in this way also to the trade competitiveness of the individual countries.

Unlike the previous studies, this chapter explores especially the export competitiveness of the EU individual member states that includes data about the total EU trade, i.e. intra-EU as well as extra-EU trade. The object of the chapter is the evaluation of productivity as the source of the export competitiveness of the EU member states in the period 2000–2015. The main methods of the analysis are the Data Envelopment Analysis and the Multivariate Statistical Methods. The trade analysis includes the total trade, i.e. merchandise trade and commercial services trade, with respect to the fact that the EU takes the leading position in world trade in goods as well as services that generally take on world significance. In a more detailed view of the structure of the EU trade, it enables us to evaluate the trade competitiveness of the EU28 and to identify the differences among the individual member states. The factors that have impact on the trade competitiveness of countries are trade-policy and the financial character as well as the technological character. The latest trends in the direction of the EU economic integration, which are
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