EUROPE'S SMALL COUNTRIES, EU STATES

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Normally, economists take the size of countries as an exogenous variable. Nevertheless, the borders of countries and their size change, partially in response to economic factors such as the pattern of international trade. Conversely, the size of countries influences their economic performance and their preferences for international economic policies – for instance smaller countries have a greater stake in maintaining free trade. In this paper, we review the theory and evidence concerning a growing body of research that considers both the impact of market size on growth and the endogenous determination of country size. We argue that our understanding of economic performance and of the history of international economic integration can be greatly improved by bringing the issue of country size at the forefront of the analysis of growth.

Key words: *small country, economy, competitiveness, GDP.*

În mod normal, economiştii iau dimensiunea ţărilor ca variabilă exogenă. Cu toate acestea, graniţele ţărilor şi schimbarea dimensiunilor acestora, parţial ca răspuns la factorii economici, cum ar fi configuraţia schimburilor comerciale internaţionale. În schimb, dimensiunea de ţări influenţează performanţa economică şi preferinşele lor pentru politicile economice internaţionale – de exemplu, pentru ţările mai mici au o miză mai mare în menţinerea comerţului liber. În această lucrare, vom revizui teoria şi dovezile cu privire la un organism tot mai mare de cercetare care consideră că atât impactul dimensiunii pieţei asupra creşterii, cât şi determinarea endogenă a mărimii ţării. Susţinem, că înţelegerea noastră a performanţei economice şi a istoriei de integrare economică internaţională poate fi mult îmbunătăţită prin abordarea aspectului dimensiunii ţării în fruntea analizei de creştere.

Cuvinte cheie: *ţară mică, economie, competitivitate, PIB.*

Как правило, экономисты берут в качестве экзогенных перемен размеры различных стран. Вместе с тем, границы стран и изменения их размеров только частично отвечают экономическим факторам, например, изменение международной коммерческой конфигурации. Взамен, размер страны влияет на экономическое совершенствование для международных экономических политик – например, небольшие страны имеют большую долю в поддержке принципов свободной торговли. В статье рассматривается теория и доказательство растущего объема исследований, которые отражают не только влияние размера рынка на экономический рост, но и определяет эндогенный размер страны. Мы подтверждаем, что изложенное понимание экономической деятельности и истории международной экономической интеграции могут быть значительно улучшены с учетом подхода к размеру страны прежде всего за счет анализа роста.

Ключевые слова*: малые страны, экономика, конкурентоспособность, ВВП,*

JEL Classification: A1; F0; F15; F16

Introduction. The globe there are 42 microstates that are recognized by the the United Nations, but some territorial entities who claim the status of a sovereign state. Further the economies are considered the smallest European countries. Small European countries traditionally allocated category, and if we talk about the "privilege", it is more correct to designate this group of countries not on formal (size of the territory, population), and the more essential characteristics – the nature of the economy and social indicators (Table 1). For small countries include Austria in Central Europe; three Benelux countries; Scandinavian countries – Sweden, Denmark, Finland and Ireland, whose economy is the general background of the group looks weaker, but have the highest rates of economic growth in Western Europe.

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Table 1

The nature of the economy and social indicators

Area (km^2)	10 Small European countries	GDP per capita (Million USD)	10 small countries in the world	Area (km^2)	GDP per capita (Million USD)
0.44	1. Vatican City	25,500	1. Vatican City	0.44	25,500
1.95	2. Monaco	132,571	2. Monaco	1.95	132,571
61	3. San Marino	36,200	3.Nauru	21	6,954
160	4. Liechtenstein	152,933	4.Tuvalu	26	40
316	5. Malta	22,779.9	5.San Marino	61	36,200
468	6. Andorra	37,200	6. Liechtenstein	160	152,933
2,586	7. Luxembourg	110,697.0	7.Saint Kitts and Nevis	261	14,132.8
9,251	8. Cyprus	25,249.0	8.Maldives	300	6,665.8
10,887	9. Kosovo	3,877.2	9.Malta	316	22,779.9
13,812	10. Montenegro	7,106.9	10 Grenada	344	7,890.5
			Republic of Moldova	**33.843,5 (locul 139)**	**2,239.3**
Source: http://www.worldatlas.com /articles/the-10-smallest-countries-in-the-world.htm http://data.worldbank.org/indicator/NY.GDP.PCAP.CD					

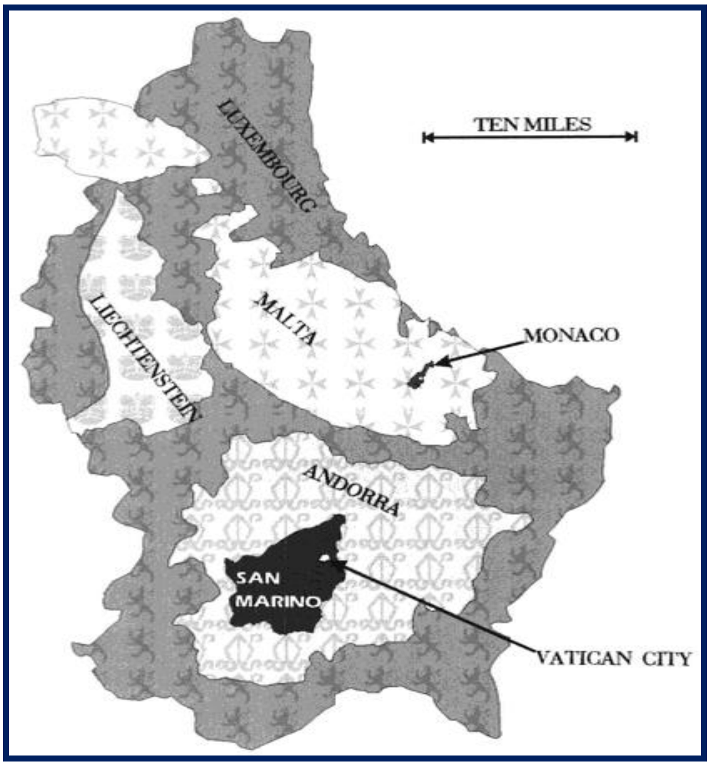

Fig. 1. The nature of the economy and social indicators
Source: http://www.worldatlas.com /articles/the-10-smallest-countries-in-the-world.htm
http://data.worldbank.org/indicator/NY.GDP.PCAP.CD

In the past, some of them have played a leading role in world politics (Austria times of Austria-Hungary, the Netherlands, Sweden), some were "privileged" to the robbery of the colonies (the Belgian Congo, a colony of the Netherlands in different parts of the world).

But for now their role in the other. Less large than in countries "Seven", the monopoly of these countries (highly specialized) occupied an important place not occupied by the largest monopolies – have themselves become TNK – in its rather narrow field.

The Dutch "Yuniveliver" ranks first in the hierarchy of TNK food world "Royal Dutch Shell" (the Anglo-Dutch company) – the second place among all the oil giants, the Swedish "Volvo" – car manufacturer of the highest class and reliability, the Swedish concern "Tetra Laval" among the top five in the pulp and paper industry.

Table 2

Main indicators of small European countries (member states EU)

Countries	Area (thous. sq. km)	Population (mln. people)	GDP (billion. dollars)	GDP per capita population (thous. dollars)	Share of raw materials exports (in%)
Austria	83,8	8,1	283,4	26,9	11
Belgium	30,5	10,1	269,1	24,7	20
Netherlands	41,8	15,7	395,9	24,0	37
Luxembourg	2,5	0,4	14,0	41,2	-
Sweden	450,0	8,9	228,6	23,7	15
Denmark	43,0	5,3	172,2	29,9	36
Finland	338,1	5,2	125,4	20,5	18
Ireland	70,3	3,55			

Combine small European countries high GDP per capita. It is clear that very different scales, even in the category of "small country" absolute values of GDP are very different: the 14.0 billion. In Luxembourg, to 395.9 in the Netherlands. But GDP per capita gaps are small: from 20,500 Euro. in Finland to 41.2 – in Luxembourg. It is essential that small countries are leading this indicator in the "elite" of the modern world, to take place in the top twenty. This is a clear indication of a "weight" than small countries in Europe.

Social protection is measured, in particular, such as wages. Salaries clockwise to counterclockwise in production, Belgium is ranked fourth in the world, Netherlands – fifth, Sweden – the sixth, before United States. Classification of countries in terms of life, compiled by the UN, gives the following result for the first ten: Finland – sixth, Netherlands – seventh, Sweden – the tenth.

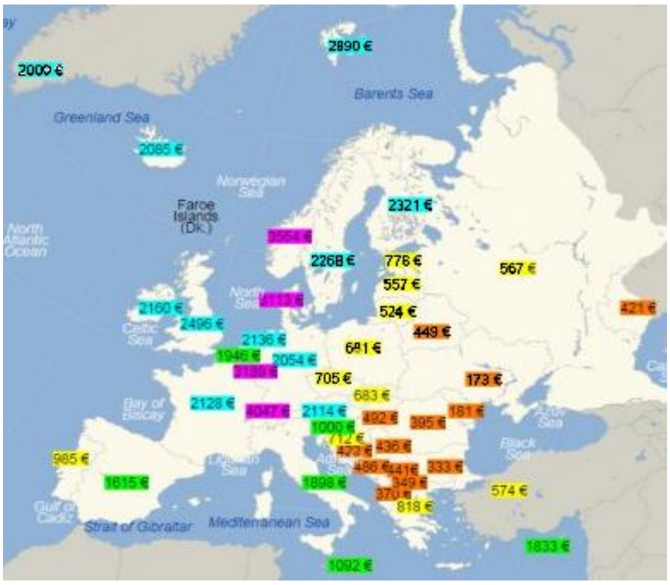

Fig. 2. Salary of the European countries

Source: http://www.timpul.md/articol/topul-tarilor-cu-cele-mai-mici

The country's financial strength is determined by the stability of the currency, balance of payments, inflation and other indicators. If you bring them to a kind of summary value (credibility, confidence in financial terms), taking 100 there is no risk to capital, the Netherlands' ranking list "ranked fourth with 89, Austria – sixth, with 86 etc.

We can say that the origins of the phenomenon of small countries are as follows. First, it is clearly a specialized economy based on knowledge-intensive industries. In economics, the term "niche production" – is not captured by TNCs industrialized countries. Look for these "niches" pushed weakness resource base and the presence of an education system model that provides such personnel are able to develop new work in the most advanced areas of production, with more funds allocated to R & D. There is no coincidence that many laboratories and research centers TNK large states are created in small countries. Secondly, the export orientation. Narrow domestic market would not give a clear opportunity for specialization in the production of high-tech high-quality rare. Pulse export oriented gave establishing a common market, reducing tariff barriers EEC market in Western Europe opened two orders of magnitude higher than inside.

When this position geopolitical of is the key small countries and gives additional opportunities; thus, the Netherlands, which entered the Europas, creates a strong refining hub "Texas-Europe" which provides chemical intermediates Germany and Northern Europe.

Geopolitical position in the Benelux countries is extremely profitable and now, because they are located in the center of mega-cities in Europe. This – the main area of dynamic growth in the EU. In the 1990s the share of small European countries in world industrial output was about 10% and about 20% of world exports. The share of exports in GDP of Belgium reaches 35-40%, Netherlands – 35%, etc.

Thirdly, strong position ofglobal market in the industry "niche". Lowering the icebreaker Finland ranked first in the world (up to 50% of all items in 80-90-ies.) According to Finland and Sweden pulp and paper accounted for 10-15% of world exports, and sometimes is an unique product (Swedish factories on one product, for example, an ultra-thin special paper for the European edition of the "New York Times" that, when dozens of pages can be easily put in your pocket). In Denmark with animal insulin well-known, providing the raw material for this to catch up to 1/3 of the global market is now dominated by the latest biotechnology.

All positions are becoming more important countries and small newest high-tech industries – robotics production of medical electronic equipment, equipment for wind power plants, etc.

Table 3

Dimensions of European countries by different criteria

Country	**PIL 2010 (millions of $)**	**GDP in 2010 per capita ($)**	**GDP in 2010 - per capita (in% of EU-27)**	**Inflation 2010**	**Area, sq**	**GDP growth (prev. 2011-13)**
Luxembourg	41.271	81.466	271	+2,5%	2.586	+1,6%
Netherlands	680.772	40.973	133	+0,9%	41.543	+1,1%
Austria	333.537	39.761	126	+1,7%	83.871	+1,9%
Ireland	176.555	39.492	128	−1,6%	103.000	+1,5%
Sweden	356.321	38.204	123	+1,9%	450.295	+2,5%
Denmark	201.702	36.443	127	+2,2%	43.094	+1,4%
Belgium	396.035	36.274	119	+2,3%	30.528	+1,5%
Germany	2.944.352	36.081	118	+1,2%	357.022	+1,8%
United Kingdom	2.181.456	35.059	112	+3,3%	243.610	+0,9%
Finland	187.696	34.918	115	+1,7%	338.145	+2,1%
France	2.134.941	33.910	108	+1,7%	643.801	+1,2%
Spain	1.372.720	29.830	100	+1,8%	505.370	+0,9%
Italy	1.778.832	29.480	101	+1,6%	301.340	+0,4%
Cyprus	23.259	28.960	99	+2,6%	9.251	+0,7%
Greece	318.670	28.496	90	+4,7%	131.957	−2,5%
Slovenia	56.663	28.073	85	+2,1%	20.273	+1,2%
Czech	262.144	24.950	80	+1,2%	78.867	+1,4%
Malta	10.423	24.833	83	+2,0%	316	+1,8%
Portugal	247.458	23.262	80	+1,4%	92.090	−1,3%
Slovakia	120.524	22.195	74	+0,7%	49.035	+2,3%
Poland	723.032	18.981	63	+2,7%	312.685	+3,1%
Hungary	188.677	18.841	65	+4,7%	93.028	+1,1%
Estonia	24.762	18.527	64	+2,7%	45.228	+5,1%
Lithuania	56.750	17.235	57	+1,2%	65.300	+4,4%
Latvia	32.609	14.504	51	−1,2%	64.589	+3,7%
Bulgaria	97.066	12.934	44	+3,0%	110.879	+2,5%
Romania	254.918	11.895	46	+6,1%	238.391	+2,4%
Eurozone	**10.848.470**	—	**108**	**+1,6%**		**+1,1%**
European Union	**15.203.145**	-	**100**	**+2,1%**		**+1,2%**
Republic of Moldova					33.851	

Source: http://www.worldatlas.com /articles/the-10-smallest-countries-in-the-world.htm
http://data.worldbank.org/indicator/NY.GDP.PCAP.CD

The ranking is done according to the size of each country that occupies all or part of the geographical territory of Europe. Russia ranked 1 presents a special case: even if only a small part of the eastern state is on European territory is enough to occupy first place in our rankings. Details of other special circumstances on the old continent found at the bottom of the article. Some of these countries are in Europe, the other part being on the Asian continent. These countries were included in the ranking of countries according to the area that they occupy part of European geographical space. Cyprus was included in our ranking as appearing as a state in the European Union and will be easier to spot. Cyprus is an island in the Mediterranean Sea, close to the geographical area of Middle East Kosovo has not been introduced in these rankings for its independence as a state was not officially recognized by our country, Romania. However, the statistics, the 10,887 sq busy Kosovo are transferred recognized state, Serbia. Therefore, no surface gathered Kosovo, Serbia would have ranked 24, with 77,474 sq.

Of course, it all comes down to "niche" research-based production and skilled labor in small countries. Some sectors of the economy associated with natural resource base, which has expanded in recent years. For example, Sweden has maintained its position as a major exporter of high quality iron ore (iron content – 60-64% is lower and we exporters in developing countries – Liberia, Venezuela), Netherlands came in first place in the export of gas to Western Europe.

However, industry structure, as part of the export of almost all small countries dominated by manufacturing, and within it – the new high-tech industry.

Fourth, the position of many small countries are connected not only with industry and the services sector, particularly banking. This – Luxembourg – "tax haven", which has become even more attractive as one of the EU capitals. The dwarf states are now more than 200 major banks.

Luxembourg – a typical example of an international financial center of modern times. Although the Luxembourg financial business volume often inferior to London gold market and not the foreign exchange market and the market for short-term loans and medium term are poor, it is the largest market in the world for long-term loans. This has contributed to the favorable geographical position near the headquarters of Western societies. He is regarded as the financial capital of the European Community. Here is the European Investment Bank, the European Monetary Cooperation Fund, etc.

The rapid growth means for Luxembourg as global financial center in the 60s. Also contributed to the low cost of credit and financial operations, no tax on dividends and interest on securities and similar financial benefits. International stock market values in Luxembourg is among the highest in the world. By sharing takes place over 60% of the total issued eurobonds.

Fifth, small countries is crucial for transport, tourism and business travel.

Rotterdam with its "Europort" – gateway for maritime trade in Western and Central Europe – continued global leadership role in freight traffic (more than 250 million tons.) The turnover of container. Scandinavian Airlines ("SAS") and Belgium-Netherlands ("Sabena", "CML") serves a number of European and international airlines. Unique transport projects in Denmark: is the longest in the "bridges tunnels" over the straits world. Denmark (especially after the construction) – a "bridge" the largest in Central Europe to the Nordic countries.

Scale tourism quietly, economically and environmentally safe, and political life of the country politically stable in recent years is increasing: Austria visited 18 million tourists and tourists a year, the Netherlands – 5 million pers. in Austria and Finland tourist business on the number of persons employed in it than many important branches of industry. Tourism revenues in Austria prevyshayut10-11 billion. Eur. per year. The Benelux countries were at the market. Three EU countries – Austria, Sweden and Finland – have a policy of non-alignment. Sweden's neutrality continues with the 1815 Congress of Vienna in Austria, this is due to the State Treaty in 1955, to restore the sovereignty after the Second World War, and in Finland "active neutrality" was proclaimed after World War II and is related to the political "Paasikivi- Kekkonen line" – then president of the country.

All these characteristics of small countries reflects their current position in the world but not in any way indicate no problems, or more – full economic and social welfare. The current situation of small countries made a tough competition when killed entire industries previously given work to hundreds of thousands. So shipbuilding Scandinavian countries were almost "crushed" in 70-80, competition in Japan and South Korea. In 1994, Japan accounted for 45.6% share of tonnage vessels Released share of South Korea – 21.8, while Germany was pushed into third place with a share of only 5.4%.

The difficulty of restructuring of the energy sector crisis and the collapse of the coal and steel industries in Europe have affected the entire "Rust Belt" (northern France, Belgium and Luxembourg, Germany) transformed foci in these industries in crisis areas. I was painful "wash" old industry.

Small countries have gone the way of the Swiss, who showed an advantageous combination of own and foreign labor when people "their" focused on the most complex industries, as "workers" and held low skilled environment. This led to an increase in non-indigenous population, racial clashes, the emergence of inter-ethnic problems.

If the entire small countries can be considered low unemployment rate (3.3%) in Belgium, the "coal and metallurgical heritage" to the past – more than 12% (1997) and Finland even 16-17%.

A special place among the small countries of the EU and Ireland – in the recent past, one of the most backward countries in Western Europe. Now Ireland is the European leader in terms of growth (GDP growth in 1995 was 10% and now stands at about 7% per year), the living standard of Irish is practically no different from UK.

The situation in the Irish economy in the 1990s significantly improved due to three main factors:

1.foreign direct investment;

2. skilled labor;

3. social cohesion policy in wage determination.

Foreign direct investment in the 1990s carried out mainly in the most progressive sectors of the national economy, high-tech industry, information industry and the semiconductor industry. In the first half of the 90s. investment growth rate amounted to 45%, but raised only about $ 7 billion. USA, Which is equal to 12% of GDP. The main investor in the Irish economy was the United States, which has contributed greatly to the creation of modern high-tech sector of the national economy. Based on US investments in Romania was created by the production of computers and processors to, semiconductor manufacturing, office equipment, Foreign investment in a poor country contributed equity competent economic policy of the Government of Ireland, to encourage foreign investment. In particular, Ireland has a preferential tax treatment for investors, set up special industrial zones, income tax, which is only 10%. In particular, the Shannon International Airport, which has one of these areas, has created around 300 industrial enterprises producing export goods and the IFSC in Dublin were about 400 foreign banks involved in offshore operations, products, pharmaceuticals, electronics and electrical engineering.

Availability qualified labor force also contributes to the rapid development of Ireland. Relatively small in terms of population, Ireland is second in Europe in terms of qualification of its human capital. Of particular value is the fact that school and university education in the country is almost completely meet business needs. In particular, highly skilled and better adapted to modern conditions change rapidly engineers have prepared the Irish higher education.

Social cohesion policy in salaries for also played an important role. Unlike the French or the Dutch social and guaranteed, the Irish are willing to live in a small wage increase, which ensures low inflation, there is little here and performances with the requirements of trade unions to raise wages. All this gives good results: the country's public finances are balanced and in 1993-1996. real income growth was 12%. Revenue growth creates strong domestic demand for real estate, consumer durables and travel, which is an additional factor in the economic growth of the country.

Based on three factors considered Ireland made progress in restructuring its economy. They surfaced high-tech industry, which creates 62% of Irish exports, including 29% of exports go to information technology. Productivity growth in high-tech industry is 10% per year. Due to the nomination of high-tech industries in the foreground old traditional industries of the national economy of the country, such as agriculture and mining, the loss of its former importance that translates agro-industrial discharge post-industrial countries Ireland advanced.

Favorable investment climate in the country to provide political stability, a skilled workforce, a favorable geographical position, English language (no language barriers in dealing with major investors – the US and the UK) and favorable tax conditions. A very important role played by the liberal market model of the economy, which has much in common with the UK and the US, all this creates a unique environment for future economic development of Ireland, which also has also a high potential for internal growth as filling sufficiently sophisticated country with domestic real income growth.

The EU Nordic countries are Sweden, Denmark and Finland. "Scandinavian model" means all common features of economic, social and political life of the Nordic countries and social development concepts and trends. This model assumes a very important role of the state in the economy, especially in terms of social protection.

The special characteristics of the Nordic model are based non-economic factors such as:

- an active part of the Social Democrats and other parties left the government and the legislature;
- a high degree of "syndication" (the share of union members among workers in different industries in the Nordic countries is 70-90%);
- high political and economic participation of women;
- special ecological Scandinavian mentality;
- specific job Scandinavian culture and business ethics.

The main economic functions of the state in economies the Scandinavian are to develop long-term strategies for economic development (development priorities for the development of national economy, investment policy, promoting research and development, foreign economic strategy) and legislative regulation of business.

Social Orientation Nordic model is:

- redistributive role of the state in the economy: the impact on the economy through the mechanism of taxation, the principle of "income equalization" by transferring part of the income entrepreneurs to workers in paid employment, social protection of population;
- business as a socio-economic processes: in practice, embody the principles of social partnership of workers, trade unions and employers;
- economic policies aimed at priority solution of social problems, such as reducing the number of unemployed;
- great work ethic and entrepreneurial culture, the highest ethical and moral standards of conduct inhabitants of the Scandinavian countries.

Financial base of Scandinavian social democracy is the state budget, which requires a relatively high level of public expenditure, which is set to finance a high level of tax burden. In Sweden and Denmark, the charges are 52-63%, in Finland – 33-36% of GDP.

The sectoral structure of the national economy of Scandinavia is fully in line with the current structure of the economy in other high-income countries (the share of agriculture and mining in GDP is about 2 to 4%, manufacturing and construction – 25-30%, services sector – 65-75%). Thus, the structure of the GDP of all the Nordic countries in the last decade is a change similar structural changes in the world economy, ie increasing the share of services, reducing the share of agriculture, the growing importance of new knowledge-based industries.

The national economy of the Scandinavian countries lead the two main branches of the complex: forestry, including wood and pulp and paper, and metallurgical complex, which includes metallurgy, metalworking and all branches of engineering, among which are the automotive, shipbuilding, manufacture of equipment for the entire complex of forestry and food production industries, communications equipment, electrical and electronic equipment. The food industry has reached a very high level of development in Denmark.

Labor force Nordic countries traditionally have high quality, ie high level of education and skill-training. Consequently, labor costs in the Nordic countries is quite high.

One of the main factors contributing to the dynamic growth of Scandinavia, became investment factor. The rate of accumulation of them is quite high – 25-30% in Finland, which is shared with Japan for second and third place on this indicator among all developed countries during the postwar period.

The Nordic countries have infrastructure excellent transport. However – maritime powers. Well-developed and rail connections, including high-speed line. There are many airports and air ports Scandinavian capacities are growing.

In the service sector, many social services (health, education) provided by the State almost entirely. In the production of goods and services in Northern Europe involves a large number of non-profit organizations that create socially useful products. Traditionally, development finance and tourism. The most powerful monetary system is Sweden.

Results and conclusions. Future prospects for the economic development of countries in Northern Europe are related to the process of European integration. Countries in the region that are not yet part of the EU (Norway and Iceland) with some advantages of its neutrality (the ability to have significant discretion their income from oil, gas, metals and fish), and bear some losses. In particular, the EU anti-dumping builds barriers Norwegian and Icelandic fish supplies to the EU relatively inexpensive. Waiting position regarding the introduction of the euro has occupied Denmark and Sweden. Traditional Scandinavian neutrality is still a major psychological obstacle to integration in the EU region, although most socio-economic indicators in the Nordic countries are willing to play a leading role in the process of building a common European home.

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