

THE ECONOMY OF THE EUROPEAN UNION. ECONOMIC PROSPECTS IN THE EU

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ABSTRACT

The European Union (EU) is a unique economic and political union of 27 European states. The history of the modern European Union has its roots in the agreements signed after World War II. The first steps taken after the war were aimed at strengthening economic cooperation. The idea was that countries linked to each other by trade relations become economically interdependent and therefore are likely to avoid confrontation.

Keywords. *European Union, foreign direct investment, economy.*

АННОТАЦИЯ

Европейский Союз (ЕС) – уникальный экономический и политический союз 27 европейских государств. История современного Европейского Союза уходит корнями в соглашения, подписанные после Второй мировой войны. Первые шаги, предпринятые после войны, были направлены на укрепление экономического сотрудничества. Идея заключалась в том, что страны, связанные друг с другом торговыми отношениями, становятся экономически взаимозависимыми и, следовательно, могут избежать конфронтации.

Ключевые слова. *Европейский Союз, прямые иностранные инвестиции, экономика.*

The Common Trade Policy is a dynamic trading bloc, based on a customs union, with a high level of openness towards third-country partners, both in terms of WTO commitments, bilateral/regional commitments and independent commitments (e.g. Generalised System of Preferences). The CTP also means protecting EU industry from unfair competition and barriers in third countries, in particular through trade defence measures. The way the EU works is also important. The Commission negotiates international trade on the basis of a mandate and rules approved by the EU Council of Ministers. The European Parliament has no role in defining the CTP, which I think is absurd, and in the Convention we are trying to change that. However, the Parliament is consulted and regularly briefed on trade matters. The EU after enlargement:

450 million people and 27% of world GDP around 18% of world trade in goods and 24% of trade in services.

Source of 46% of foreign direct investment (FDI) worldwide. The EU attracts 21% of FDI. The enlarged EU will remain an open trading partner. The table on page 13 shows that imports and exports account for more than 25% of the EU's GDP. This will continue after the new accessions. It is not just our desire to be open to world trade - we need it vitally, much more so than the other two major world economies, the US and Japan. This also applies to Russia - even more so than to the EU - that as part of the enlargement process and the implementation of Europe's agreements, the new member states have already been working for some time towards the full application of the relevant EU rules in these areas. It is therefore not a process that will only begin with enlargement: it should be a gradual, fairly smooth transition.

As for transit and transport tariffs, Russian counterparties are concerned that after the expansion of their costs for transit goods through territorial new EU member states enter into relations. This did not happen. After the expansion, the provisions of the PCA will apply to new member states. This means freedom of transit without customs duties or any other transit payments, i.e. goods organize customs clearance upon entry into the EU and freely circulate throughout its territory without additional transit or other payments. The only costs after customs clearance in the EU will be commercial and proportional costs, such as storage, etc. Against this background, the economies of countries that are being studied by many indicators today look more attractive than the American one. However, Europe is not yet in a position to take advantage of the weakness of the United States to strengthen its own positions. Europeans are mainly busy studying the problems. European officials and economists are concerned about immigration policy, security and market liberalization. The economy of the eurozone is still largely a political process. The continental zone economy, which often calls itself a global competitor among the States, cannot benefit from the current situation. It has other priorities now. The main task that several countries in the European zone have to solve is trade issues, not leadership in economic indicators. Until the problems of unifying legislation, creating a single labor market, and a single social security system are solved, there will be no single economy, says ES analyst Robin Bew. The euro exchange rate, which is being talked about so much today, is not based on the economy, but on political will.

The gradual strengthening of the euro, according to the ES analyst, does not mean anything special, since it is not the euro that is getting more expensive, but the dollar that is getting cheaper against the British pound, Swiss franc, yen, and euro. If the euro were to get more expensive against the pound and Swiss franc, then that would be a sure sign. Indeed, the strengthening of Europe is not really supported by economic indicators, most of the indicators are much lower than those of the USA.

And until the above-mentioned structural reforms are fully implemented, this situation is unlikely to improve dramatically.

Of course, Europe has some local advantages. For example, even the severe debt problems of European mobile operators or individual European banks by local standards are nothing compared to the collapse that was revealed after the end of the Internet boom in the USA. Sweden is known to everyone as a region for the development of high technologies, but we have not seen any revaluation of companies there, and unprofitable projects should pay off sooner or later. In a number of countries, for example, in Belgium and the Netherlands, we see relatively low unemployment and high production efficiency. This is what plays in favor of the eurozone. Nevertheless, there are no more compelling arguments in favor of the fact that the European economy will become a powerful engine of the global economy in the future. Charles Jenkins spoke about this, arguing that if the eurozone economy is better than the US economy, then this can only be said for sure in the sense that Europeans have a lower level of household debt and there was no stock bubble. The main problem is the lack of a truly single market.

In the Eurozone, politicians are still far from reaching final agreements on a number of vital issues: there are heated debates about access to national markets, taxes, labor laws, etc. Some EU countries have already declared their inability to continue to meet the requirements that were developed for those wishing to join the Eurozone (for example, Portugal). One should not underestimate the political contradictions that may worsen after the "recovery" on the continent has begun. In the next two or three years, both the United States and Europe will be busy searching for an optimal model of economic development that will ensure long-term and stable growth. After all, for example, tax cuts in the United States and a weakening dollar are rather temporary, auxiliary measures that will quickly exhaust themselves. So far, only one possible scenario for America is emerging. As a proven recipe for "accelerating" the economy, it seems that the state defense order will be used, which has repeatedly helped the United States in the past. Moreover, the state may even increase its influence on the economy. Federal Reserve Chairman Alan Greenspan, for example, has already urged large American companies, which play a key role in the US economy, to increase capital spending to stimulate economic growth.

For the eurozone, the problem is solved more easily. The main priority is domestic economic policy, which is currently absent. There are assumptions that the development of the eurozone in the coming years will be based on domestic demand. Economic growth will be possible simply by activating demand for goods and services in Europe, at least through more aggressive lending. In addition, in the

future, a single transport system and energy market, or at least uniform rules for working in different sectors of national markets, will provide so-called economies of scale.

The socio-economic ties between developing countries and industrially developed countries are constantly strengthening. However, despite this, the lag of developing countries behind developed countries is a significant problem not only for these countries themselves, but for the entire world economy. Strong disproportions between the levels of development of developed and developing countries have an impact on the structure and level of development of world economic relations. This is expressed in the following:

- developing countries are most sensitive to the effects of cyclical crises, currency inflation, etc.;

- occupy a dependent position in the world economic system on the influx of foreign capital;

- are characterized by a low level of development of productive forces, backwardness of industry, agriculture, production and social infrastructure (with the exception of certain countries);

- experience financial dependence on industrialized countries due to the debt crisis;

- lagging behind developed countries in scientific and technological development, which makes them technologically dependent on these countries;

- preservation of the dominant role of extractive industries, which, with a steady fall in raw material prices, remains an unfavorable factor for economic growth;

- a characteristic feature of developing countries is a stable trend of natural population growth, which creates demographic problems that affect the specifics of the economic development of these countries, that is, it has an impact on production, employment, and market structure.

Industrially developed countries occupy a dominant position in the world economy, ahead of other countries in terms of a number of key macroeconomic indicators. Developed countries are characterized by a high level of per capita income. In such countries, the majority of the population has a high standard of living. These countries are characterized by a socially oriented economy, in particular, support for low-income groups of the population and guarantees by the state of the necessary level of social protection. As a rule, there are large investments in science, significant expenditures on environmental protection.

But this does not prevent the emergence of contradictions and conflicts in the world economy. Along with the presence of demographic, food problems and the

problem of poverty and backwardness, generated mainly in the least developed countries, the mechanism of Western progress has led humanity to nuclear and environmental disasters. And the solution to these problems requires great attention and assistance from all countries of the world, which is one of the priority conditions for strengthening economic ties between developed and developing countries.

Economic growth in the European Union is slowing due to high oil prices and rising borrowing costs for both corporate and individual borrowers.

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