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EUROPEAN INTEGRATION AND BALKAN COUNTRIES

Abstract: *Integration of the European economies has affected and will continue to affect almost every aspect of both domestic and international affairs of Balkan countries. Growth of intra-European trade, massive international financial flows, and the activities of multinational corporations are tying national economies more tightly to one another, thus making integration an important feature of the EU. Almost all economists and other proponents of free markets believe that the EU promises a world of increasing prosperity and international cooperation for its members. Economists argue that no obstacles should be allowed to prevent the free flow of goods, services, and capital. Critics of integration on the other hand, foresee a very different future; they fear that increased trade, foreign investment, and financial flows are producing powerful negative consequences for their countries. Some people from the Western Europe believe that further integration lowers wages, causes unemployment, and has other serious harmful effects. Some of them are even more skeptical about economic integration.*

Both critics and proponents of the EU argue that the increasing integration toward East will lead to a decrease in the economic, political, and cultural autonomy of nation-states, or the end of their national sovereignty. Integration entails the end of economic independence, erosion of national integration political power, and a debilitating process of cultural homogenization. Economic integration of national economies means that domestic groups, and even whole countries, are losing control over their own destinies to powerful outside economic and technological forces. While some regret such a situation, others believe that the end of the national states is an entirely good thing that will ensure a more prosperous and peaceful Europe.

The European market has become much more important than states and national societies in the determination of economic affairs and even of national political affairs. National sovereignty has previously meant unlimited control by goverments over their economies. Now, economic affairs are determined by transnational market forces and multinational corporations. The increasing economic integration of national economies allegedly undermines national economic independence and reduces national economic policy autonomy. Intensification of trade competition and the need to reduce costs shift power from the state to the firm, because if its own government does not or can not take actions that reduce the costs of doing business, firms will simply shift activities to countries with lower costs. The policy options of candidate countries are limited by their desire to attract foreign capital and their fear of capital flight, and integration of national markets will undermine the effectiveness of macroeconomic policy (fiscal and monetary) in managment of the economy.

On the other side, the debate over the costs and benefits of economic globalization became highly acrimonious. Meanwhile, the increased openness of national economies, the enlarged number of exporters of manufactured goods, the more rapid increase in trade than in the growth of the global economic products, and the internationalization of services have greatly intensified international economic competition. Growth of the proportion of world output traded on international markets has been accompanied by a significant change in the pattern of world trade. Many less developed countries (LDCs) have shifted from exporting food and commodities to exporting manufactured goods and even services. Despite the limited nature of corporate globalization, multinational corporations (MNCs) and FDI are very important features of the global economy. The increasing importance of MNCs has profoundly altered the structure and functioning of the global economy. Economic globalization has been driven by political, economic, and technological developments. The compression of time and space by advance in communications and transportation has greatly reduced the costs of international commerce while, largely under the American leadership, both the industrialized and industrializing economies have taken a number of iniatives to lower trade and investment barries.

Economic expansion is limited by the "natural rate" of unemployment. The principal constrain on economic growth is the threat of inflation, which is determined by monetary policy and ultimately by supply and demand factors. While integration or openness to the outside world can obviously affect supply and demand, as it can in the European Union, the principal determinants of supply and demand remain primarily domestic. The intensified international competition, demands of economic efficiency, and the struggle for greater corporate profitability lead to the convergence of national values, institutions, and economic policies.

Economic and technological forces cause east European nations to leave outmoded economic systems and converge toward the common mold of the European economic model based on free markets and openness to the global economy.

All European nations converge toward a new order based on liberal values (free markets, individualism, freedom), spread global prosperity, and world peace. Integration is leading to convergence and homogenization of national economies. Integration is forcing the convergence of national economic institutions and private economic practices. Intensification of economic competition, expansion of trade, and foreign direct investment, along with interpenetration of national societies, require that societies adopt similar domestic institutions and economic practices. The purpose of the Treaty on the European Union, or Maastricht Treaty (1991), was to create a politically and economically unified European Union that would be competitive to Japan and the United States. The United States, Mexico, and Canada ratified NAFTA to create a strong North American integrated economy and perhaps eventually an entire Western Hemisphere one. In Pacific Asia, Japan has also attemped to strengthen its global position by creating a regional economy. These three movements toward regional integration and the relationships among the movements will have a profound impact on the nature and structure of the global economy.

Although Balkan countries have certainly adopted many common institutions, national differences continue to be fundamental and of determining importance in the functioning of capitalist or market economies. Market economies come in vastly different shapes and forms and are not converged to a single, uniform type. In fact, even within individual national economies, convergence is limited. In promoting market reforms, advocates of these policies often describe free market policies as liberalism – of the financial system, of labour markets and of trade. Transitional reforms suggest incremental changes but they are fundamental, both to social and political relationships. The three global reforms that make up the architecture of globalization and integration are:

- the removal of regulations and controls over capital, both national and international;
- the downsizing of government or the state;
- attempts by the G8 (through the WTO and other institutions) to create a single global market in goods and services.

The first reform is most important because it led to the second and third – marginalizing the state; removing policy autonomy from elected governments; and facilitating the creation of a single global market.
The removal of controls and regulation from capital is the most revolutionary of the economic doctrines promoted by neoliberal economists.The reason is straightforward: Removing controls over capital freed up the owners of money to move their funds to any part of the European market. Naturally, they moved it to where profits and capital gains were the highest. This can be a chance for new members of the EU. As these reforms have taken root, so the finance sector has come to dominate the European economy as a whole.
In 1970, 90 percent of international transaction was accounted for by trade and only 10 percent by capital flows. Today, despite a vast increase in global trade, that ratio has been reversed, with 90 percent of transactions accounted for by financial flows not directly related to trade in goods and services.
The impact of the European economy on Balkan economics and politics has drawn the attention that changes in international position can decrease (increase) the power and autonomy of particular states. The European economy can reshape domestic politics and economic affairs through its impact on domestic interests. Through these channels, this economy can change the behavior and institutions of national societies, but it is not clear whether, or to what extent, external developments associated with integration are in fact transforming national economies and leading to greater convergence. The increasing integration of the European economies and intensified international competition have certainly encouraged these countries to adopt particular institutions and practices that have proved to be especially successful elsewhere.
On the other hand, very little convergence has taken place at the level of national institutions. National institutions tend to be sticky or inelastic. Societal and economic changes are often very costly, strongly resisted, and exceedingly slow. Convergence of national economic institutions has been a subject of negotiations with the EU. It can seldom be identified as an automatic consequence of integration. The European affairs can certainly have a profound impact on Balkan countries and can even force important changes in some aspects of national policies and institutions. At the beginning of the 21st century, Western Balkan is being forced to change and to move toward the European market economy. It is certainly true that these countries in recent years have experienced a number of

noteworthy economic and instituional changes. This region has been strained by economic crisis and has been undergoing a number of modifications, reforms and deregulation that have changed a number of economic sectors and activities. Radical convergence has to be done. The EU in important ways is actually more integrated than it was earlier. Recent integration of all aspects of the European economy has been highly predictable and global, but limited considering labour force. The European integration means that goods, services and capital can flow without restriction across national boundaries. But there is no campaign for free migration of people. The same logic of global gains from trade that is used to justify free movement of goods, services, and capital applies with equal force to free migration by the EU. Why should people not enjoy the same rights and privileges that are extended to goods, services, and capital? If the European commision wants foreign capital to be able to go anywhere in the European countries and to have the same rights as domestic capital, why don't people have the right to find job anywhere in the EU? Why don't they have the same rights as the indigenous people? Free migration means deregulated, uncontrolled, unlimited flows as in free trade or free capital mobility. Radical structural reforms in Balkan countries, along with elimination of surplus capacity in economic sectors have been made necessary by integration. Adjustment will be painful and will result in large numbers of laid-off workers, especially low-or semi-skilled workers, who may find it difficult to find equally well paid jobs.

Conclusion: There is no country that could possibly survive without strong and wise leadership. Balkan leaders must promote the European cooperation to establish and enforce rules regulating trade, foreign investment and monetary affairs. Since the 2000s, Bulgaria, Romania, Macedonia and other Balkan countries have initated important reforms to reduce their trade, financial, and other economic barriers. More countries have pursued global economic strategies to take advantage of these developments. The concetrated effort to join together by peaceful means so many sovereign states into the EU, is a unified economic and political experiment. There are no historical precedents to provide insights into the process of peaceful economic and political integration on such a scale. As many economists have observed, since the collapse of communism, there has been universal agreement that no serious alternative to European economic integration exists as the way to organize international economic affairs for Balkan countries.

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