

Andrej Kumar, Ph.D.

ECSA Slovenia, Ljubljana, Slovenia

andrej.kumar@gmail.com

Vinko Kandžija, Ph.D.

University of Rijeka, Faculty of Economics, Rijeka, Croatia

Libertas International University, Zagreb, Croatia

ECSA BIH, Mostar, Bosnia and Herzegovina

vinko.kandzija@efri.hr

THE NEED FOR AN ECONOMIC INTEGRATION IN THE GLOBALIZED WORLD

Abstract

EU is in the existential crisis. The question is why that is so and what are the facts which might help to resolve the problems that are part of the EU existential crisis. In the paper the economic position of the EU in globalized world is analyzed and used as the argument for a broader interest to support the future existence and success of the EU integration functioning. Theoretical explanations are introduced to support the notion of the needed further EU integration functioning. Use of the theory of economic integration and trade, leads analyze to the observations that are essential for the needed change and improvement of the solidarity and cooperation among the EU member states in the future.

States in the accession to the EU process or to be candidate states are especially disturbed with the present status of the EU integration crisis functioning. Based on the selected theoretical explanations and selected statistics the paper shows that the candidate countries undoubtable have interest and need to continue their efforts to conclude successfully the EU accession process. Continuation of the accession efforts among the accessing countries might create an atmosphere of specific positive support to the EU states that are straggling for reforms and improvements in the functioning of their

economic and general integration environment. The needed EU integration reforms will be further supported by the improved broad EU population's understanding of the economic impacts that have been created through the so called economic globalization process in last few decades. Some arguments for improved EU population's understanding of the EU advantages in the environment of the globalized markets are offered in the paper. The option of EU economic integration disruption, with creating small national markets that could be under the negative pressure from large global entities, is supposed to be nonacceptable.

Keywords: *EU existential crisis, economic integration impacts, globalization, candidate countries, technological progress, competition, market openness.*

JEL: F5, F6

1. INTRODUCTION

In words of the EU Commission's President Mr. Juncker »Our European Union is, at least in part, in an existential crisis«¹. The actual EU crisis has different layers and specifics. Starting with the uncertain consequences of the Great Britain decision to leave the EU (Brexit), following with the unsolved yet problems of the emigration and refugees crisis, including complex EU relations with Turkey and last but not least the long lasting and unresolved problems of the public debt crises of some EU members states, together with growing EU fragmentation on issues of cooperation and solidarity. The last but not least influential of the EU crises' layers is related to less and less transparent EU attitude towards its future enlargements especially in the direction of the Western Balkan countries and towards Turkey. All mentioned problems open a number of questions related to the future and sustainability of the cooperation and integration among present

¹ Juncker, J-C, State of the Union Address 2016: Towards a better Europe - a Europe that protects, empowers and defends, European parliament address, Strasbourg, 14 September 2016, on: http://europa.eu/rapid/press-release_SPEECH-16-3043_en.htm

EU member states. Unfortunately the EU functioning problems are actually negatively reflected further in its geopolitical surrounding space and even further towards total global political and economic environment. The economic globalization that increases interdependence of the EU member states together with the EU's impacts on the global economic and political developments require serious efforts to find proper solutions for the preset EU existential crisis.

2. THE ECONOMIC INTEGRATION, TECHNOLOGY, AND MODERN COMPETITIVE ADVANTAGES

The problems and dilemmas of the future functioning and sustainability of the EU concern its all member states and practically equally the Western Balkan countries that are candidates for the EU enlargement or are approaching to such status like Bosnia and Herzegovina. Next in the line of states interested in the EU functional efficiency is eventually² Turkey. At present Turkey has the agreement with the EU to control the refuge flows from Syria and from other troubled states of the Middle East and of other areas. In fact such activities are provided by Turkey in exchange for EU financial support and additionally in exchange for promises of EU visas elimination and of the continuation of the Turkey's accession process to the EU.

The outside negative impacts of the EU functioning crisis are not limited only to Balkan states and Turkey. Based on impacts created by the modern economic globalization, that require for business success free access to the large and open markets, the EU future successful functioning is in the first place the interest of the businesses from the EU countries. But additionally the EU stability, growth, and success are factually strongly in the interest of all nations and businesses globally too. Especially the future functioning and stability of the EU

² The political changes and actions taken by the president Mr. Erdogan, after the unsuccessful coup de etat, lead to democratic environment limitations in Turkey. More autocratic Turkey might have no further interest to join the EU democratic legal environment. Further Turkey might not be interested or able to accept the EU political requirements for the accession and membership.

is important to the states that are linked with the EU by different types of trade and integration agreements³. Trade in goods and services makes a significant contribution to increasing sustainable growth and creating jobs in the EU and elsewhere. More than 30 million jobs already depend on exports outside the EU. It is expected that 90% of future global growth will happen outside Europe's borders. Hence - trade is a growth vector and a key priority for the EU. Such EU orientation is realized by efforts to create large and open markets that offer environment for effective utilization of the positive impacts based on the economics of scale and scope implementation. Low production cost enabling lower and lower selling prices today are one of the major elements creating businesses' competitive advantages.

Low production costs are decisive for business success especially when production or trade is based on so called (market) standard types of products and services. Large open markets are additionally beneficial by creating improved environment for the more optimal capital allocation and increasingly accelerated invested capital turn over. The extremely fast contemporary technological progress that is based on IT advancements and on innovations in areas like Nano technology or Genetics, leads to necessity of growing investments into the new equipment and knowledge. To have enough capital for required growing size of investments realized in ever shorter periods pushes businesses towards required faster and faster capital turnover. Increased capital availability and faster capital turnover are both better provided in the environment of the larger and more open markets. Such markets in last two or more decades are mostly created through implementation of the economic integration treaties⁴. Today economic integrations, and EU is one of the largest and most complex among them, create environment for business success by enabling and utilizing the positive impacts of larger and faster investments into new technology solution, into accelerated innovation processes and into new knowledge. All mentioned elements together are contemporary

³ The EU trade and integration agreements see:
https://www.wto.org/english/tratop_e/region_e/regfac_e.htm

⁴ In 2017 the World Trade Organization registered the accumulative number of 270 RTAs – regional trade agreements, or economic integration agreement, among its member states. See: https://www.wto.org/english/tratop_e/region_e/regfac_e.htm .

“drivers” for business success based on the new type of the competitive advantages. Business success based on utilization of the mentioned modern competition “drivers,” to be sustainable and long lasting in all countries and especially among members of a specific economic integration agreement, should create improvements and satisfaction to all citizens in the environment of social sensibility in general wellbeing.

Unfortunately economic benefits that are created by the economic integration’s environment are not equally and proportionately distributed among the member states. Unfortunately additionally positive economic result of faster economic growth and increased national incomes, based on economic integration impacts, are not automatically proportionately distributed among individuals within each of economic integration’s member states. Such benefits distribution inequalities are in fact one of the major reasons for the present increasing dissatisfaction with the EU functioning and impacts among its member states and among their citizens. EU was not increasing the size and market openness just among its member states but was and is developing the market enlargement and opens on the global scale too. The EU has concluded and is negotiating a number of different, actual or in preparation, trade and economic integration agreements around the globe⁵ like FTA with Mexico, South Korea, Chile, or with Canda (CETA) and USA (TTIP). Additionally to such networks of open markets and global integration cooperation agreements the EU signed a number of preferential agreements with developing countries (an example is Cotonou Agreement)⁶. The EU activities to establish an open and large markets access creates rather unresolvable puzzle about the future ways and cooperation levels between the EU and its numerous global partners. The puzzle of the

⁵ The evidence of the EU agreements with non-member countries is on: https://www.wto.org/english/tratop_e/region_e/regfac_e.htm

⁶ The ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000, was concluded for a 20-year period from 2000 to 2020. It is the most comprehensive partnership agreement between developing countries and the EU. Since 2000, it has been the framework for EU's relations with 79 countries from Africa, the Caribbean, and the Pacific (ACP). See: http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm_en

EU global economic cooperation is increasingly complicated especially because of the EU present existential crisis impacts. The EU problems on the global scale can be summarized as:

- uncertainties about the Brexit impacts on global EU partners, especially in the cases of the developing countries which were ex GB colonies,
- problems with the EU functioning, its decreasing solidarity and unity of the member states, creating uncertainties in relation with the future success of the ongoing EU trade and other global negotiations activities,
- unclear EU policy objectives and visions about the process of the ongoing EU enlargement are evident in relation to the EU accessing countries in the area of the Western Balkan, adding Turkey and the states who are progressing to the EU accession candidate country status,
- and the dilemmas about actual implementation of the EU partnership agreements with countries like Ukraine, Georgia, Moldova.

Looking to different complex internal and global economic and political problems that are facing the EU at present the relevant questions are:

1. Is the EU, as an economic and partially political integration, actually still needed?
2. Does the EU in reality have feasible adequate potentials to resolve its present crisis?

The facts and arguments developed and presented further will try to offer some reasonable answers to the two major questions about the EU future. Following the positive impact of large and open markets on the modern competitive advantages of the businesses we might rather safely venture the conclusion that purely on economic rational bases the EU should be and needed to be able to solve its present problems. On the political and interstate relations levels the answer is unfortunately not so clear. Among EU member nations and among its citizens the negative impacts of the unequal distribution of the EU benefits are getting more and more evident and less and less acceptable. Such facts support negative reactions and often

increasingly nationalistic and populist attitudes on the EU members' states level.

3. AN ECONOMIC INTEGRATION AND ECONOMIC GLOBALIZATION

The modern economic globalization has been started in the eighties of the last century. Its theoretical introduction is attributed to Professor Theodore Levitt. He is widely credited with coining the term globalization in his article "Globalization of Markets," published in the Harvard Business Review, May/June 1983 issue.

Levitt's concept (in short) was that technology improvements have „proletarianized“ - simplified and lead to cheaper - communications, transport, and travel. More and more products were and are becoming standard, creating new commercial reality. The global market competition is being increasingly based on competing with the lowering of prices for the so called standard type of products. Today such standard type of products⁷ more and more include the increasing numbers of the manufactured and service products that are internationally traded. New global market competition, based on competitive advantages of companies and nations, has become decisive to secure businesses' and national development success. New global market competition has been characterized by the production cost reduction, allowing lowering of the selling prices. The low selling prices are becoming more and more the key or even the only competitive and market success factor for the increasing number of products and services. As already observed different forms of

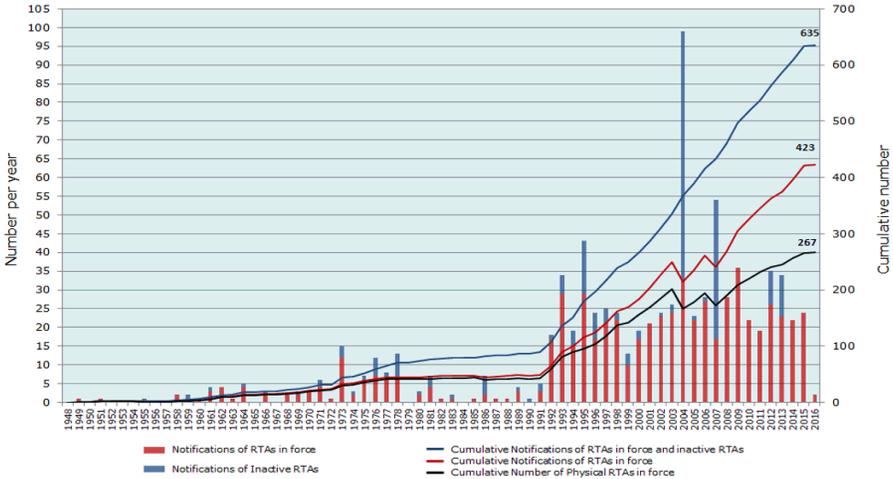
⁷ The concept of the products standardization in the market sense is explained in the International Product Life Cycle Theory of R. Vernon. By product market's maturing the production spreads from more advanced to less advanced economies. The competition success is more and more depending on the selling price lowering. New technological advancements of last decades and increase of FDIs towards less developed countries speeded up the process of products' market maturing. The result is that more and more products are produced where ever globally the production cost could be the lowest, so the products, even technologically advanced are becoming a standard type – everybody – nation or company - can produce them. See explanation of the theory on: https://en.wikipedia.org/wiki/Product_life-cycle_theory

economic integrations around the globe, and including the EU, create market conditions that offer a chance to reduce production and selling cost by utilization of the economics of scale and scope. Beside new specifics of the elements deciding the competitive success, according to Levitt; globalization has additionally considerably changed the characteristics of the consumers too. They were becoming all around the world more and more alike in habits and tastes and have been increasingly similarly informed by the new IT opportunities. Globalization created new characteristics of the global market competition for products and services, together with creating “standardized” global consumers – buying the same/similar products on world scale.

In the last few decades more and more governments have realized that larger, open, and more integrated markets create environment in which the businesses could profitably utilize the economics of scale and scope effects in a large scale. That offers to businesses chances to be price competitive and successful in the new global competitive environment. The prove of the states’ increasing interest to enhance competitiveness of the nation and of their business sector by concluding agreements to liberalize trade and to integrate on economic bases, in the period after the modern globalization has started, could be evidenced from the following chart. The chart (Fig.1) clearly shows that the number of all the GATT/WTO registered integration agreements (RTAs) has started to increase steadily only after the end of eighties of the last century.

Figure 1. Evolution of the number of the concluded and of the functional economic integration agreements among the World Trade organization members 1948-2016*

Evolution of Regional Trade Agreements in the world, 1948-2016



Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together. The cumulative lines show the number of notifications/physical RTAs that were in force for a given year. Source: WTO Secretariat.

* World Trade Organization (WTO) uses the term Regional Trade Agreement (RTA), to describe today's form and concept of the Economic Integration among different states. Reason for that is in the tradition (term was introduced after the WW II) and problems with changing wordings of the international agreements. The term RTA was in fact introduced and used continuously from the first General Agreement on Tariffs and Trade (GATT- 1947). GATT and its some outdated terminology become a part of the today's WTO Agreements in 1995.

Evidently this is the period when modern economic globalization has started and when new age of extremely fast and diverse (from IT to new bio and other technologies) technological progress has started. Both developments, combined by prevailing neoliberal economic and political approaches in a number of states around the globe, have created needs for governments to create economic environments where new elements determining global competition success could be developed and utilized. The often response of the governments in such global economic and political environment, according to Fig.1, was that they have successfully concluding different forms of economic

agreements. How big the interest of governments was to offer their business sectors access to the large and open markets could be illustrated by the figures from the data of the chart above. Before the beginning of the modern economic globalization, let say in 1985, GATT registered only around 40 economic integration agreements among signatories to the Agreement. In 2016 the situation is already tremendously changed. There were, according to data, 267 economic integrations active and registered by the WTO. Provided that there are around 200 states globally and that economic integration could be agreed at least among two states, then the figure of 267 registered agreements suggests that a number of states was so eager to open their and partners' markets to free trade that they were at the sometime members in different (overlapping) economic integration agreements. Such fact is evidenced for years already as well in the practice of the EU. The EU member states are in the integration named the EU, and they are at the same time in the integration agreement between the EU and EFTA. Further EU integrated member states are in Free Trade Integration Agreement (FTA) with Mexico, Chile, etc. (see foot note no.5).

The older economic integration agreements covered mostly only the liberalization of merchandise trade among just a few nearby states. That was in fact as well the case of the EU at its beginning. At that time (up to the eighties of the last century approximately) was normal and understandable for GATT to name such agreements as Regional Trade Agreements. Today such agreements evidently often do not cover only the liberalization of merchandise trade but they additionally include free movement of services, capital and sometimes (case of the EU) even free movement of people as labour force among the member states of the economic integration. In cases when economic integrations introduce conditions for free capital movements among member states, the effects of integration are even more supportive in increasing competitiveness of the business sector. Such is the case of the EU, where flows of the FDIs are liberalized. Today in the EU companies perform in the environment that offers a number of conditions that are vitally supportive for their competitive success on the EU and on the global market. The EU creates the following competitive environment advantages: large open and rich internal EU market, freedom of capital flows on internal EU market, free labour

force movements (with some unfortunate limitations) within the EU, free trade (goods and services are often included) access to a number of markets of the nations outside the EU, based on trade and other agreements. All this elements, if actually utilized in the businesses' practice, create competitive advantages based on possibilities of prices reduction by utilizing the economic od scale and scope effects. Such effects are enhanced by the possibilities for improved allocation of the invested capital, together with its faster turnover. Actual utilization of economic integration's potentials related to the improvements of the competitive advantage is not evenly accessible to all businesses in the all nations that are the members of the economic integration. Smaller companies and companies from smaller nations are having less potential, less knowledge and less ability to successfully utilize all advantages of the integration that could lead to their increased competitiveness and to creation of the business growth and success. Such unequal distribution of all potential integration's benefits is explained by the trade theory (classical and neoclassical). The trade theory shows that the net trade surpluses by their sizes realized in reality among freely trading countries are substantially different⁸.

In globalized world, the above relations make economic integration an effective tool to increase national and business competitiveness and to secure economic growth. Additionally if member states appreciate and accept such cooperation, the economic integration may offer even good solutions for the reduction of the inequalities in integrations' benefits distribution being caused by the economic differences among nations when they trade freely within the economic integration. Specifically agreed mechanisms in the integration may distribute part of the benefits from nations with higher benefits to the nations with the smaller integration benefits. From the EU's beginning the idea of balanced or 'harmonious development of economic activities' of all member states and regions was accepted. The cohesion policy⁹ is

⁸ See: Hrovatin, N., Kostevc, C., Kumar, A., Mrak, M., Rant, V., Šlander Wostner, S., Zajc Kejžar, K., *Ekonomika Evropske Unije*, pages: 45-82, Univerza v Ljubljani, Ekonomska fakulteta – založništvo, Ljubljana, 2017.

⁹ The cohesion policy (or regional policy) of the European Union provides a framework for financing a wide range of projects and investments with the aim of encouraging economic growth in EU member states and their regions. In 1957 regional policy finds its origins in the Treaty of Rome founding the European

aimed to reduce development differences and in essence it compensate for the differences in the distribution of the integration's benefits at list partially.

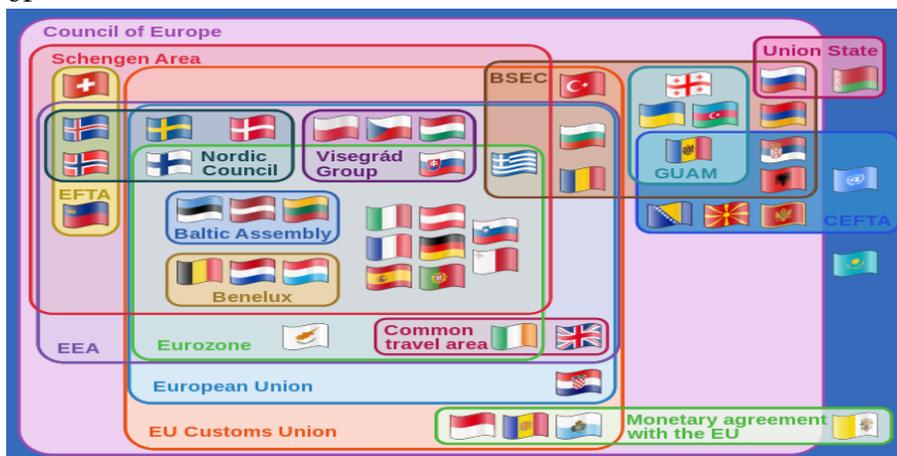
4. THE EU PROBLEMS AND SOME POTENTIAL SOLUTIONS

The EU is globally among the most complex, oldest and largest economic integration. The referendum decision of Great Britain on June 28, 2016 to exit from the integration is one of the most serious evidences that the EU is in functional and systemic crisis. The EU problems are of different nature and some exist for a long time and some are rather new. The problems of the EU could be divided into the traditional problems group and into the new problems group.

Among old and by that among the traditional EU problems is the different formal institutional or agreements' position of its member states. The following chart shows the differences among the EU member states based on their formal acceptance of different integration and other agreements. The discussion about the EU of different speeds, which is one of rather favoured scenario for the future EU reforms, is in fact nothing new. The Fig. 2 clearly shows that for years the EU operates with different integration speed of their member states. The EU member states are in different institutional or formal agreements positions, meaning that they have different obligations and different rights.

Economic Community. The policy is reviewed by the EU institutions once every seven years. See: <http://www.euractiv.com/section/regional-policy/linksdossier/eu-cohesion-policy-2014-2020/> . Problems and results of the regional/cohesion policy are presented in the paper: The turning points of EU Cohesion policy, Report Working Paper by Gian Paolo Manzella, European Investment Bank Luxembourg, 2009 source: http://ec.europa.eu/regional_policy/archive/policy/future/pdf/8_manzella_final-formatted.pdf

Figure 2: Structure of agreements that the EU members states are part of*



Source: https://www.google.si/search?q=eu+agreements&biw=1563&bih=695&source=lnms&tbm=isch&sa=X&ved=0ahUKEwjM6vfvqaXP AhWHyRoKHW-RDmlQ_AUIBigB&dpr=1#imgrc=TRxeq-jHkwFpcM%3A

*The scheme is from 2015, but similar situation goes back to 1999 when € was introduced and goes further back based on different sub regional groups that cooperate inside the EU. Among such groups which have long tradition like Benelux, one can see existence of some newer groups like Visegrad group which is becoming active especially after the EU refugee crises of 2015. Besides formal subgroups there are informal ones sometimes with even more influence like informal rather often coordination between Germany and France.

Further EU traditional functional and systemic problems are:

- The structural unemployment and big differences in that among the member states. Recently the EU unemployment is decreasing generally but structural reasons for it remain unchanged (7 members have unemployment over 10% and 3 close to 10% in 2016, Greece even 23,5%).
- Increasing complexity of the EU institutional system, and dilemmas about the qualified majority voting. Both problems are intertwining by the notion of the lack of democracy in the EU decision making process.

- Increasing diversity of member states by economic, cultural, historic and other specific aspects. The member's differences were enhanced after each enlargement, including the first one that included GB. The strongest diversity among members of the EU was developed after 2004, 2007, and 2013 enlargements.
- The problem of slowing down in the EU members "catching up process", together with remaining or even increasing internal regional economic development differences. The problem makes evidence of not effective EU cohesion policy. After 2008 the catching up idea and its realization has gradually disappeared from the EU agenda, from discussions and documents. (see Table 1)
- The increasingly visible problem of accelerated unequal distribution of integration's benefits among and inside the EU member states. Unequal integration's benefits distribution is the reflection of economic differences among member states and is accelerated by the already explained impacts of global competitive environment.

The EU abilities to correct increasing differences in the integration benefits distribution are not adequate. The data in Table 1, show large GDP/capita differences among member states. Such differences, without searching for the reason causing them, create dissatisfaction among citizens of the EU.

Table 1. Eight EU members were still under 75% GDP/capita threshold in 2015

Member state	GDP nominal billions € 2015	GDP/capita PPP 2015	GDP/capita % to EU average
BG	44.2	13,300	46.3
RO	160.4	16,300	56.8
HR	43.9	16,700	58.1
LV	24.4	21,100	73.5
HU	108.8	19,500	67.9
PL	427.7	19,700	68.6
EE	20.5	21,400	74.6
LT	37.1	18,500	64.5
SK	28.1	22,200	77.35
CZ	167.0	25,000	87.1
SI	38.5	23,700	82.6
EU	14,635.2	28,700	100.0

Sources:

<http://en.wikipedia.org/wiki/economyoftheEuropeanUnion>

Besides the long lasting traditional problems of its functioning and of its system the EU faces additionally a number of the newer problems. Among such problem are:

- Economic and even political instability based on large public debts; they exceed the 60% GDP limit in 17 member states of the EU. In the first Q of 2016 EU average was 84,8% public debt/GDP, and of Greece even 176,3%.¹⁰
- Next contemporary problem of the EU is less and less clear vision about the EU future enlargements. In the last time especially sever and problematic is missing vision of the Turkey's accession process options and realities. The problem is further complicated with non-clear EU vision about the real enlargement by the states of the Western

¹⁰ <https://www.statista.com/statistics/269684/national-debt-in-eu-countries-in-relation-to-gross-domestic-product-gdp/>

Balkans that have signed accession agreements already years or even decades ago. On top of enlargement uncertainties in region of the Western Balkans the EU has from political reasons signed additional cooperation agreements in East Europe with Ukraine, Georgia, and Moldova. Such agreements caused the economic regression in relations with Russia, after Ukraine crisis and annexation of Crimea.

- Unfortunately the EU is faced with another contemporary problem based on lacking of the general development and relations vision for the future after the Brexit decision was taken. The plan of reforms by Mr. Junckers eventually offers some solutions in the right direction.¹¹
- Among the “modern” EU functioning problems is increasing danger of the unrest among 27 member states regarding their further interest to stay in the EU membership. The problem is especially related to the initiatives of activating smaller groups of members as platforms for future cooperation – cases are: the Visegrad countries group, the initiative for Mediterranean countries cooperation, and unofficial coordination among selected largest and oldest EU member countries.
- The last but not the least complex and important problem of the EU development and functioning are the dilemmas about its future concept of the social/welfare Europe. The dilemmas include questions about the nature and orientation of the EU future asylum and the refugees’ policies. The last dilemma is further complicated by the large inflow of refugees and immigrants into the EU especially to Germany and Scandinavian countries from Middle East during 2015 and later.

¹¹ Mr. Juncker: „State of the Union Address 2016: Towards a better Europe - a Europe that protects, empowers and defends“; EP, 14.9. 2016. see: http://europa.eu/rapid/press-release_SPEECH-16-3043_en.htm and reform proposal by Mr. Juncker march 1, 2017, see: <http://www.reuters.com/article/us-eu-future-idUSKBN1684X0>

The potential actions to solve at least some of traditional and some of the newer EU functional and systemic problems could be based on the following reasoning:

First: The impacts of too large differences in the economic development levels of the EU member states, that further accelerate the unequal distribution of the integration benefits, should be substantially reduced.

Second: Totally new EU financial resource for investments into regional and national development projects should be introduced. Such investments should enable the closing of the development and related benefits of the integration distribution gap among the EU member states.

Third: Closing the development and distribution gaps among the EU member states require simultaneously reviving of the catching up process. The last two processes will create generally more appreciated EU among the citizens of the EU member states. Increased investments will bring the benefits of growth and employment as well back to the nation that will have to distribute portion of their GDP for the EU investment project.

The last two steps to improve EU functioning and stability are in fact not new. New resources for investments in the EU, especially in less advanced nations and regions, were already suggested by present EU Commission's President. When Mr. Juncker was appointed for the President of the Commission, he had proposed collecting of the 300 billion euro funds for the EU needed investments. Such increased investments would close at least partially the benefits of integration distribution gap. They would additionally increase economic growth and welfare; making people more interested in the future existence of the EU. And last but not the least; increased economic growth, created by the suggested EU investments, would help to bring down the long lasting problem of the structural unemployment in the EU. The money for such new EU structural investments, following the Mr. Juncker's proposal, unfortunately was not available and not collected. Where is the solution then?

Accepting that EU provides large market offering benefits (but not of the same size) to all member states and businesses, then their common interest should be to keep its advantage actual in the future too. In simple words it is high interest of all citizens and nations in the EU to keep the EU functioning in the new globalized environment where new forms of competitive advantage are depending on large and open markets.

If present EU crisis will go on, the new restrictions to internal and international trade are possible. To avoid such development the new EU tax of 1 % should be introduced and levied on all internal trade flows. The actual level of **the new internal trade tax** should be debated and eventually changed up or down. The amount of 1% tax collected in the EU budget would create around 30 billion¹² of new EU investment potential per year. Year after year it should be used for the EU financing of the projects solving the traditional EU problems and those of less developed areas, with a focus on compensating for non-equal distribution of integration benefits.

The cost of such new EU tax is much smaller as is the size of a danger that the EU internal market might collapse. And the cost of the EU trade tax is much smaller as the costs that could start to pile up if the EU as economic integration would collapse. The EU collapse would cause braking down of numerous EU agreements on free trade with the nations around the globe, with all negative implications of the reduced trade and other cooperation activities.

5. THE EU FUTURE ENLARGEMENTS AND B&H¹³

As already observed the EU enlargement process is in the difficult phase due to the EU functional and systemic problems. The EU membership for any nation is always a distant and demanding objective to reach. With present uncertain future of the EU position and enlargement interest it is getting even more distant and uncertain.

¹² Calculation is based on data from http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods . The amount of intra trade in 2015 was 3.070 billion of €.

¹³ B&H – the state of Bosnia and Herzegovina

For B&H the „standard“ EU accession problems are aggravated by its internal and external problems. Internally B&H has difficulties to follow the EU conditions to become a candidate country. The rest of the Western Balkan countries are in rather better position as B&H. They have a candidate status and are in a process of accession negotiations, although the dynamic and the EU interest for actual membership of this countries is not totally transparent at the present crisis situation of the EU.

Beside internal problems of the B&H to get the candidate status in the accession process to the EU there is an external problem too. External problem of B&H is that it is not yet the WTO member¹⁴ state. To start accession negotiations with the EU require unconditionally that a country has a membership status in the WTO. The Working Party for the membership of the B&H in the WTO was established already on 15. 6. 1999. Although it is long ago, still even during 2016 B&H was not having any active negotiations about its future WTO membership. Without WTO membership the EU candidate status of B&H is not possible even if it will be able to control and eliminate other internal accession obstacles and problems. Based on advantages of the EU integration B&H obviously has a large interest to join. In time of accessing to the EU B&H has options and needs to develop optimal utilization of its membership in the integration of CEFTA. Beside integration's positive impact on the economic growth in B&H, the efforts to be active integration partner in the CEFTA framework will help businesses from B&H to prepare better for larger EU competition after the realization of the B&H accession process to the EU.

6. CONCLUSIONS

In the globalized world economic integrations are used often as a tool to support economic success and growth of the nation. The EU, in spite of its successes in the past after 1957, recently experiences institutional crisis (2016) .

¹⁴ See: https://www.wto.org/english/thewto_e/acc_e/a1_bosnie_e.htm

There is a plan to overcome the crises of the EU presented by the President of the Commission Mr. Juncker. The plan gives some hope for positive solutions in the future. But on the other side it seems not sufficient in relation to the number and nature of the traditional and new EU functional and systemic problems. Among the major problems that must be addressed seems to be the increasingly large distribution of the Integration's gap between EU member states and their citizens. In such a light the helping solution might be focusing on compensating for and reducing of the enlarging integration benefits distribution gaps. To provide needed finances and to support compensation of dissatisfactory integration benefits distribution gap the introduction of 1% new EU tax on all internal trade flows might be introduced. The EU budget collected "trade tax" should be used to lessen the traditional EU development problems and to reduce the too large differences in the integration benefits distribution among the EU nations. If the "trade tax" would prove efficient, functioning problems of the EU will start to diminish.

Reduction of the EU functioning problems will open chances for reconsidering the EU enlargement policy objectives, especially towards the Western Balkan Countries. In this region B&H, as the most detached accessing country, should follow two tracks: pursue continuously the activities necessary to get into the WTO membership. The second track should be clarification and elimination of the internal obstacles to the obtaining of the EU accession candidate status. In relation to the both activities tracks more focused cooperation with partners in the CEFTA might create some additional positive impact in economic and political areas of the accession efforts. Based on above conclusions we may say the answers to the hypothetical two question at the beginning of this article are in both cases yes or positive.

LITERATURE

1. Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/International_trade_in_goods
2. EU Regional Policy: <http://www.euractiv.com/section/regional-policy/linksdossier/eu-cohesion-policy-2014-2020/> .

3. Gian Paolo Manzella: *The turning points of EU Cohesion policy*, Report Working Paper, European Investment Bank, Luxembourg, 2009 source:
http://ec.europa.eu/regional_policy/archive/policy/future/pdf/8_manzella_final-formatted.pdf
4. Juncker, J-C, State of the Union Address 2016: Towards a better Europe - a Europe that protects, empowers and defends; EP, 14.9. 2016. see: http://europa.eu/rapid/press-release_SPEECH-16-3043_en.htm
5. Hrovatin, N., Kostevc, Č., Kumar, A., Mrak, M., Rant, V., Šlander Wostner, S., Zajc Kejžar, K., *Ekonomika Evropske Unije*, pages: 45-82, Univerza v Ljubljani, Ekonomska fakulteta – založništvo, Ljubljana 2017.
6. Vernon, R.: The International Product Life Cycle Theory, see: https://en.wikipedia.org/wiki/Product_life-cycle_theory
7. Levitt, T., Globalization of Markets, Harvard Business Review, May/June 1983.
8. The EU trade and integration agreements:
https://www.wto.org/english/tratop_e/region_e/regfac_e.htm
9. WTO Regional Trade Agreements:
https://www.wto.org/english/tratop_e/region_e/regfac_e.htm
10. WTO report on B&H:
https://www.wto.org/english/thewto_e/acc_e/a1_bosnie_e.htm