EUROPEAN UNION ECONOMIC INTEGRATION AND DEVELOPMENT

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Abstract

At European level, the economic integration aims to achieve economic solidarity by forming a complex network of interdependent links between the economic agents of the participant countries.

The viability of European economic integration depends primarily on the sharing of European democratic and cultural values by a state, and then on its economic capacity and performance. To contribute to the European Union development, the economic integration contributes by developing mutual exchanges and interdependences of national economies.

Keywords: *integration, development, policies, economics*

1. Brief history the economic integration concept

The "integration" concept was used, from its first graphic attestation, in 1620, and the beginning of our century, exclusively in the exact sciences. It was subsequently taken over and used extensively in the last half century to denote phenomena, processes, actions or states that were taking place in the sphere of politics, philosophy, culture, and, as "the economy lives in society, cultural, political and social, and these are very difficult to be dissociated from each other, as long as the real is a globality, meaning what we consider to be "the assemblies assembly ", of economy, too. In an economic sense, the term" integration "was initially used to describe the combination of sectors of production and sales units by concluding agreements between competing firms.

2. What is economic integration? Definition and importance.

Economic integration is defined as the main factor in eliminating economic boundaries between two or more economies. An economic boundary in this case is defined as a demarcation over which the actual or potential mobility of goods, services and production factors, as well as of communication flows, is relatively low. On both sides of an economic border, we find that the establishment of prices and quality of goods, services and factors is only marginally influenced by the flows across the border.

Economic integration involves the elimination of economic barriers between two or more states, barriers which can be defined as any obstacles that prevent or distort the mobility of the production factors. In an ideal world, where there are no nation-states or governments, economic integration could remain a mere integration of the markets without suffering any political influence. In the real world, however, economic integration is influenced by political factors, and in the case of the European integration process this aspect is quite obvious.

By economic integration, we also understand the complex process characteristic of the contemporary stage of society's development, which consists essentially in the intensification of inter-dependencies between different states, process conditioned by a cumulus of factors, of which an important role belongs to the technical-scientific revolution.

The fundamental importance of economic integration is represented by the growth of actual or potential competition. Economic integration can be regarded in different ways, depending on the context in which it is used, and can demonstrate various degrees of economic cooperation in a number of fields, such as: labor mobility and capital, payments, fiscal and monetary policies, etc.

At the same time, integration involves the action of embedding, incorporating or harmonizing into one. We understand the concept of economic integration as the need to build more and more economic spaces for the maximum use of production capacities. Economic integration aims to reduce costs for both consumers and producers and to increase trade between the countries involved in the agreement. The viability of European economic integration depends first and foremost on the sharing of European democratic and cultural rights by a state, and then on its economic capacity and performance.

The basic principles of economic integration are:

- Formation of a common economic space;
- Free movement of capital, goods, services and people,
- Legislation harmonization in the economic, monetary, financial and social field;
- Creating common institutions to which the participating countries transfer some economic competencies.

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As economies become integrated, there is a lessening of trade barriers and economic and political coordination between countries increases

It can be said that in time, through integration, it is obtained the best structure of the international economy by removing the artificial obstacles, in order to optimize its operation, but also through the introduction of all stages and desirable elements of coordination and unification.

3. Stages of economic integration after B. Balassa

The complexity of economic integration and its depth radically different have led to the identification of several stages of the economic integration process. The stages approach was, in the first phase, outlined by B. Balassa, and its use is very wide.

The five stages and their characteristics, as identified by B. Balassa, are presented in Table 1. Of course that the initial Balassa stages need to be modified in different ways, but the approach is indispensable for understanding the studies and key aspects of the policy making.

Firstly, in the current world economy there are a number of preferential trade regimes whose objectives fail to reach even the first step in the table.

Secondly, the definitions of FEZ (FEZ = Free Exchange Zone/ZLS = Zona de Liber Schimb) and CU (CU = Customs Union/UV= Uniune Vamala) capture the essence of the GATT definitions, being widely used, but are not applied due to the absence of positive integration. In the case of customs unions, the absence of positive integration is deceptive, and it is possible to conceive a customs union only as a tariff union.

Thirdly, Balassa's PC suffers from a lack of positive integration, and if we interpret it, we notice that PC does not involve either the amortization of national economic regulations, nor any transfer of regulatory powers to the Union or or the harmonization of direct or indirect taxation.

Nr.crt	Stage	Definition	Characteristics/comments
1.	Free trade area (FTA)	*tariffs and quotas abolished for imports from area members *area members retain national tariffs (and quotas) against third countries	Essence of GATT definition; no positive integration
2.	Customs union (CU)	*supressing discrimination for CU members in product markets *equalisation of tariffs (and no or common quotas) in trade with non-members	Essence of GATT definition; no positive integration
3.	Common market (CM)	* a CU which also abolishes restrictions on factor movements	Is “beyond” GATT; definition should also include services; no positive integration
4.	Economic union	*a CM with’some degree of harmonization of national economic policies in order to remove discrimination…due to disparities in these policies	Positive integration introduces; extremely vague
5.	Total economic integration	*unification of monetary, fiscal, social and counter cyclical policies *setting up of a supranational authority where decisions are binding for the Member States	Centralist; vision of unitary state; Supranationality only introduced here

Source: B. Balassa, *The Theory of Economic Integration*, Irwin, Homewood, Illinois, 1961

Fourthly, there is a conceptual problem related to how to differentiate Balassa's common market (CM) from the economic union. In Balassa's acception, the economic union approaches the adapted definition of a CM, combining positive and negative integration.

Fifthly, there is no guarantee that the final stage is a total economic integration. The reference framework seems to be that of a unitary state, which is inappropriate for economic and political reasons. It is possible to imagine more partial unions beyond the economic union, for example, fiscal union, monetary and political union.Due to alternative political assumptions about willingness to share sovereignty, problems can be analyzed using the economic theory of federalism.

Sixthly, the introduction of supra nationality only in the final stage can not be justified by economic or empirical reasons.

4. Advantages and costs of economic integration at European level

The process of European construction - from an institutional, economic or social point of view, but especially from a philosophical point of view, is a unique process in the history of mankind, this process being able to offer to it on one hand, a difficult and contradictory feature, and on the other hand, providing it with an extremely wide range of innovation at all levels.

The expression "economic integration" can have different meanings depending on the context in which it is used, and can at the same time demonstrate different degrees of economic cooperation in areas such as commerce, labor mobility, social security, or the coordination of investment plans.

The process of economic integration was not born and developed on the basis of theoretical constructions, but emerged and developed from a historical necessity, in a well-defined economically and politically bounded framework, developing simultaneously with the development of this economic plan.

In the last decades, the world economy has been deeply marked by the phenomenon of internationalization, the deepening of the world labor division and the growing economic interdependence of countries, that having both advantages and disadvantages.

By following the route, we note that the European Union wishes to promote humanistic and progressive values and to ensure that man is the master and, not the victim of the change in the world. Although the European Union was created to achieve a pacifist objective, the economic aspect was the one that managed to dynamise this European construction.

In order to establish broadly the process of economic integration at European level, in the context in which the main objectives of the European Union are to ensure peace, freedom, equality, respect for human rights, etc., we note that integration involves a permanent dialogue between the participating states regarding the procedures on harmonizing interests, obtaining consensus, developing and applying new forms of economic conduct.

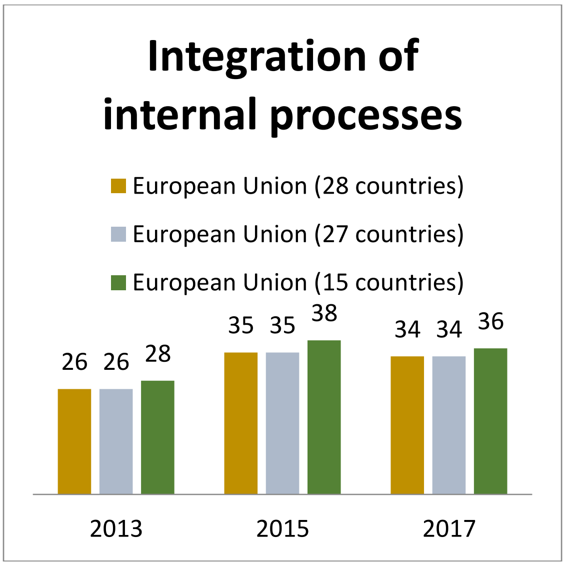
Among the advantages of economic integration, we could remember that this usually leads to a reduction in the trade cost, the availability improvement and a wider selection of goods and services, and the increase in efficiency leading to greater purchasing power, trade liberalization leads to market expansion, technology sharing and cross-border investment flows, and employment opportunities can be favored, and political cooperation between countries can be improved due to stronger economic ties that can contribute to peaceful resolution of conflicts and greater stability.

The question is: "What do the EU Member States gain if they integrate economically?" where the simplest and tangible answers refer to: raising real incomes, increasing national welfare, and immigration leading to poverty eradication.

Regarding to the costs of economic integration, the trade deviation and the national sovereignty erosion could influence the smooth running of the whole process, and goods and services can be harmful to host states, a phenomenon explained by the fact that each state has its own route through which it organizes and carries out its activities. At the same time, as a cost of economic integration at European level would be also considered the conflict of interests between different states.

5. Approaches to economic integration at EU level

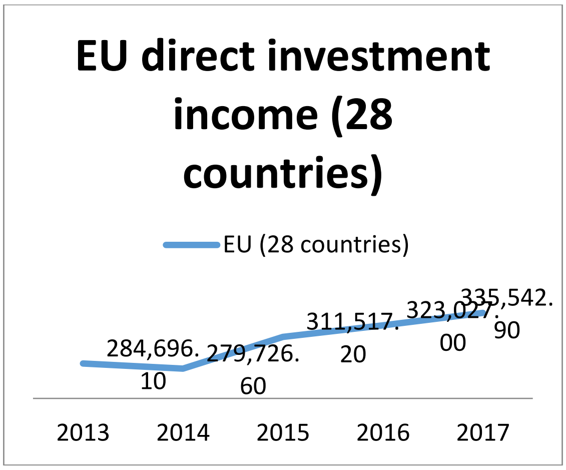
As regards the integration approach, we have identified the level of integration of internal processes at European level over a three-year period (2013, 2015, 2017), and we found that in the European Union consisting of 15 countries, which reflected the number of member countries in European Union before the accession of 10 candidate countries on the 1st of May 2004, the countries being: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom, integration of internal processes was higher than the European Union consisting of 27 countries or the European Union consisting of 28 countries, with a significant increase in 2015 compared to 2013 and a slight decrease in 2017.



Source: Eurostat

During the 3 years we notice that we have equality in the internal integration process between the European Union consisting of 27 countries and the European Union consisting of 28 countries, the difference being made only by the European Union consisting of 15 countries.

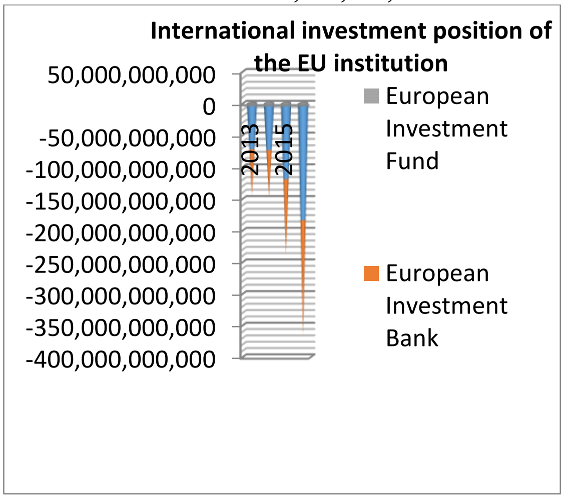
As for the development and the welfare of both the European Union and its citizens, in the process of economic integration the investments at European level are targeted.



Source: Eurostat

Following the analysis, we found that in the European Union direct investment revenue had a year-on-year growth trend. A slight decrease was recorded in 2014 as compared to 2013, but in the following years the growth was stimulated by a much higher value. If we were to explain in figures, we identify 2013, the year with 286,692.10 million and 2017 with a value of 335,542.90 million, which means that in just 4 years there was an increase of 48,850.8 million euros.

As regards the international investment position of the EU institutions, we have carried out a 4-year analysis and we have identified that the European Investment Fund has shown a year-on-year increase. If in 2013 it has a value of 1,119,370,665 euros, in 2016 it has reached the value of 1,672,777,975 euros.



Souce: Eurostat

However, following the European Investment Bank's track, we note that it has recorded the biggest losses. We have a loss in 2013 of -72,969,398,534 euros, an even higher debt in 2014, amounting to -74,831,917,604 and in 2016 it already reaches the amount of -184,726,027,800.

6. Conclusion

The European Union is the most advanced form of integration, it has an interstate and open nature, and it is favored by the existence of a relatively similar lifestyle due to the fact that it has the same type of civilization in most countries, to the existence of a strong political will to achieve integration and to the experience and confirmation of the possibility of advanced integration offered by other integrationist organizations for the creation of common markets in Europe.

The theory of economic integration followed the thread of the pragmatic development of the integrative process, analyzing the quantitative and qualitative transformations, the causes that determine it, the effects it is generates, the factors that favor it, but also the aims towards which it aims. The theory of economic integration is a reflection on the theoretical plan of accumulations where integration, in its various forms, has become an undeniable reality of our day.

Europe presents a unique combination of a high and rising degree of economic integration and the most volatile labor market. Adopting a single currency will remove the possibility of devaluing the exchange rate to boost competitiveness and create jobs at the risk of closing a door that might be convenient for the political system.

We talk about economic integration, and we note that precisely those countries that have not joined the Eurozone understand that they can not benefit from freely using the exchange rate to boost competitiveness.

Labor market institutions are designed to protect employees at the cost of economic efficiency, and directly, the most visible effects are poor employment, and perhaps growth reduction. Economic integration challenges these institutions by sharpening the conflict between social protection needs and economic efficiency. Analyzing things so, we find that, on one hand, each country can find that the general economic environment is more volatile, because there is also a reduced macroeconomic stabilization capacity. On the other hand, economic integration means more competition in Europe and favors countries with flexible labor markets.

We also see economic integration as a process involving a set of common policies in all sectors of the economy, free trade and free movement of people, services and capital, harmonization of legislation in the involved countries or areas, as well as the joint institutions on which the participating countries transfer some competencies of economic nature.

In order to achieve economic integration, it must be seen the fact that it also depends on certain factors such as: excluding discrimination, effective distribution of some competences, focusing on legitimate aspirations or collaborating in decision-making processes.

By economic integration, both the EU economy and the Member States' economies taken separately acquire increased dimensions, internally efficiency and robustness. Economic integration is achieved concurrently, progressively and gradually in all areas. As a result, there are more opportunities to ensure economic stability, accelerate economic growth and create more jobs, all of which bring improvements and direct benefits to EU citizens.

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