INTERNATIONAL ECONOMIC INTEGRATION AND THE COMPETITIVE MECHANISMS

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ABSTRACT: The motto of international economic integration is the gradual elimination of economic borders and barriers between participating member states as well as of discriminations between economic operators coming from those states. This international economic integration is achievable through edification of a common space, with no economic borders. This new culture of development is no longer based solely on the traditional economics but on a new economy based on the combination of the pillars of sustainable development (operator, goods, market, participants, resources). We argue that economic barriers artificially increase transition costs, fragmentise competitive environment, become obstacles against establishment of a relevant large size market and generate artificial competitive advantages which inhibit or deform competition and its functions.

1. INTRODUCTION

The international economic integration carried out through decisions of authorized factors is a normative construction performed in the spirit of the market and not against it. In an integrative structure, the possibility of market contestation increases, the number of economic operators is growing, the spatial and cross mobility of production factors are favoured; therefore, the structures and dimensions of demand and offer amplify, the economic barriers (obstacles) are reduced in the goods movement, capital and companies' residence and relevant geographical larger markets are formed with an increased number of participants and with higher economic resources. As a result, the logic of economic development is transitioned to a logical of multidisciplinary and multi-sectoral development, where the economy becomes a target among others, which ultimately raises the question of the role of economics in development. These are several potential and effective circumstances apt to increase competition. Competition amplifies on relevant markets of member states, between local and partner operators, being in principle non-discriminated. Competition increases in the relationship between central and local authorities of member states in order to offer public goods in a „tempting" volume, structure and quality so that large and effective economic activities shall be developed in the respective location by local and Community economic operators. Protection and promotion of correct, open and legally regulated competition, adoption of several actions toward anti-competitive practices represent referential components for all integrative structures.

Therefore, the Rome Treaty underscores from its very first articles that in order to accomplish the goals proposed through the Treaty, the Rome Treaty shall operate in view of „setting up the conditions which should ensure that the competition shall not be deformed in the common market" (Treaty from Rome, art. 3f). Starting from the need to carry out this basic principle stipulated into the Treaty of Rome, the development of a common culture regarding competition in the process of European integration has been imposed, which regards producers, consumers, middlemen as well as public authorities. Its rationale is to stimulate the competition put into the service of consumer's effectiveness and welfare. The common culture in the field of competition is called to favour competition and cooperation, economic and social cohesion and increasing transparency regarding the decisions of public administrations and Community authorities. Based on such a rationale, in the E.U., the first really supra– national policy was elaborated – the common policy in the field of competition (CPFC) – in which the Community structures have been most active. The CPFC principles and rules are registered as firm operations of all the Community and national structures, considering that the performing of the fundamental objectives aimed through the Treaties is conditioned by maintaining a free competition, undistorted – inclusively- through tax policies. Such a competition represents the best incentive for effectiveness and innovation provided by the companies and the most efficient path to work and specialization division, by all means profitable in the E.U. Competition isn't automatically carried out, rather it is solely achieved through the intelligent actions performed by economic operators which bespeak the place, role and official position of competition in the E.U.

The realism of integrative structures regarding their fundamental role in the increase of competition and its economic progress valence is also illustrated by the fact that competition has not started from the ideal schemes between operators, or recipients of prices; rather, contemporary markets, of increased sizes in the integrated spaces, are markets of imperfect competition with oligopolistic structures in general, a situation that exerts contradictory influences on competition. Implicitly, the attitude of the authorities toward these structures is contradictory, deriving from the effects which are being generated on the competition. By means of the economic force of oligopolistic structure, competition is reinforced and the structures have the capacity to stay in competition even when they register failures. On the other hand, these kinds of structures could take advantage of consumers through the dominant positions they hold, and agreements like „collusion" – confidential, against the law and against the normal functioning of markets and consumers' welfare, are achieved much easier and non-favoured effects upon consumers' welfare are higher.

Economic integration relations – economic borders – competition status

The achievement of the first objective of any integrative structure – the creation of relevant larger markets favourable to competition – is possible through gradual reduction (and to the possible extent - elimination) of obstacles, more specifically of economic and regulatory distortions which hinder new powerful inter-dependences between partner economies.

2. ECONOMIC BORDERS AND ECONOMIC BARRIERS

The primary documents of integrative structures specify, first and foremost, those direct losses which affect commercial exchanges between partners.

The Treaty from Rome stipulates that in order to realize a common market, the Community action should be geared towards the „elimination between member states of customs taxes and quantitative restrictions to the entrance and going out of goods and also elimination of all other equivalent measures". (art.3 a)…" establishing of a common custom tariff and a common commercial policy toward third countries" (art.3b)…„elimination between member states of all obstacles which stand against the free circulation of persons, services and capitals" (art.3 c). Among other things, the necessity to harmonize the national legislations wherever necessary is also emphasized so as the common market could function. Most specialists point out the elements which should be eliminated in a commercial barriers common market. (Richard Baldwin, 2006, D. Miron 2004, M.Coşea 2004, Dictionary of economy, 2001 p.58-60 etc., Jean-Pierre Faugere, 1992)

In turn, the Treaty of Maastricht establishes that the European Union has, as one of its main objectives, the „promotion of a durable and balanced social and economic progress, especially by creating a space without internal borders" (Title I Art..B). J. Pelkmans, a well-reputed specialist in economic integration, particularly the European one, also considers that „economic integration is defined as elimination of the economic borders between two or more economies„….and that an economic border represents "every democracy over which the effective or potential mobility of goods, services and production factors, as well as communication flux is relatively low" (J. Pelkmans, 2003, p.2).

Several studies in the field have pointed two tendencies I find worth discussing:a) the tendency to identify the barriers with the (economic) borders;b) the tendency to reduce the economic barriers to commercial ones. Most specialized dictionaries we have consulted show that the term „economic border" is quasi absent, and the one regarding „economic barriers" is mistaken for „commercial barriers" (except in the Dictionary of economy, 2001).We tend to consider that although there is a close relation between (economic) borders and (economic) barriers, they are not completely identical. In a certain sense, the relation between them is like the one existing between the whole and its structural elements which gives consistency, stability and credibility. „Borders delimit entities (states, regions, counties, organizational components–E.U. companies or economic structures) or the practicability limits of some provisions (agreements, conventions, any kind of norms). Borders can be (geographical) political – administrative, natural, economic, legal. A duty or a tax regulated by a local authority shall operate into a well determined zone representing the border which separates the practicability of the duty regulated by that authority from what other authorities are doing.

The economic borders represent the demarcation which stands against mobility – effective or potential – of economic resources (looked into in its broadest sense). When there are powerful, economic and solid borders between different economies, the economic flux between the states are difficult on both sizes of the border, the costs are high and the economic activity from each part of the economic border is only marginally influenced by neighbours. The international economic integration, as a volunteer interstate action, hasn't pursued the elimination of (political – administrative) territorial borders with its neighbours, but only those circumstances which create obstacles in the economic flux between partners.

The economic barriers represent the (tools) instruments which give support, consistency, maintenance and credibility to the economic borders.In this case, what we have in mind is the economic barriers considered legal to a limited sense and imposed by the authority of law. Some of them are initiated by the authority in the name of national interest. In other situations, the authority imposes (measures) provisions regarding economic barriers, on the pressure and in the name of some lobbying centres. From the vast array of examples, worth mentioning are the technical commercial barriers (TCB), or frictional (origin and quality certificates, requirements regarding pollution, additives, sound and environment protection etc) which artificially increase the cost of imported goods, diminishing their competitiveness. The role of these barriers has increased considerably, and they have become the main form of protectionism. In the motto: „consumer, environment and public security protection", the governmental authorities in charge of elaborating and applying TCB „are often „captured" by special groups of interests coming from regulated industries. Additionally, the companies from (importing) mother state, which are subject to standards, often play an important role regarding their establishment. For example, when the government issues provisions in a very technical field, such as elevators, it shall normally request for opinions from local producers companies. With an eye to the foreign competitors, these companies will naturally vote for standards which are increasing the cost of imported goods over the cost of the local produced goods". (R. Baldwin, 2006, p.132). The economic borders are thus legally confirmed and the credibility degree depends on the numbers and operational force of the barriers which are „behind" them.

Creation of a large size market and its subsequent gradual integration implies a reduction and gradual elimination (depending on the stage – phase of integration) of certain borders and implicitly economic borders. In the U.E. perspective, we argue in favour of a space without internal borders, not in the sense of an amorphous „superstate" in which any separation elements have disappeared (linguistic, cultural, inclusively legal delimitations – inclusively territorial administrative); in our understanding, the common space to be created shall have no economic internal borders, all „built" barriers are to be eliminated by national authorities, barriers consisting of differentiations and discriminations between operators, goods, production factories and „local" information as well as the ones coming from the Community partners. Such a space shows that sustainable development is also built through the exercise of innovative practices on a territory which may come in the new forms of cross-consultation among different sectors and actors (culture, society, social, economics ...).

3. INTEGRATION PROCESS AND ECONOMIC BARRIERS OF THE EVOLUTION

In general, specialized economic literature regards barriers as obstacles, restrictions, naturally objective and “built” obstacles created as difficulties for the free circulation of goods, capitals, information, etc. These barriers represent a factor of reducing market contestation (market of goods, labour force and capitals, currency, monetary and information market etc) and mobility: intra- and inter-sectorial (national and international) of production factories and good freight.

3.1. Typology of barriers

The number and typology of barriers is extremely different (Gavrilă, 2009, p.106-114, Dictionary of economy, 2001, p.58-60). We can have internal barriers (for residents) toward the entrance/exit from an activity, inclusively market and external barriers which stand against the international mobility of goods, services, human resources and capitals, coming from other states or non-resident organizational structures (such as pension funds, multi/trans/national companies), inclusively intra-community ones. In the process of analyzing the international economic integration phenomena, the key factor is represented by the external barriers. Once these are passed, the problem of confrontation with the (entrance/exit) internal barriers, wherever applicable, is taken into consideration. These barriers should normally be non-discriminated regarding the treatment of partners from the integrative Community.

Comprehensive and limited sense of the external barriers

In a broad and comprehensive sense, external barriers include all normative or non-regulation, formal and informal circumstances, which effectively or potentially could block or restrict the circulation of goods, capitals, labour force, services providing and currency-monetary tools between different states. These barriers include:

• *natural geographic barriers* which create difficulties but can also influence the production and movement costs of the economic flux, including the information between different states. Subject to newer technologies in the field of informatics and communications as well as in the field of means and infrastructure transport, their role is substantially reduced, however it cannot be cancelled.

• *cultural barriers* which depend on every people profile starting with habits, traditions, culture and religious cults, intra-community and intra-family relations quality. In addition to these, there are age structures grouped on sexes and mostly on training, education schedule structure (high school, college), foreign languages skills and general attitude toward what comes from abroad. Such barriers are very powerful in the states with lower level of training, in „closed” companies as patriarchal ones; there are durable barriers although in time the effect will gradually diminish – especially through training – and the intensified circulation of information and people, but numerous elements do not disappear, especially in the states with „a certain past”.

• *barriers which are present due to the human and economic level of development* (Grădinar, 2011) - which have specificity elements although they overlap to some point with the previous ones. We have in mind the following elements: the average level of incomes which generate a certain structure and dynamics of demand. When these are reduced, importation of certain goods is insignificant or blocked due to the inexistent market for those goods. In such states, a significant part of the needs is satisfied on the basis of auto-consumption, generating reduced fluxes of goods, capitals and trans-boundary technologies. Inevitably, the magnitude and role of competition are reduced in such companies. On the opposite side is the situation in the states where the level of development is high. Here also, due to a special structure and dynamic of demand and consumption, these becomes real barriers for importation of some „traditional” goods, with a lower possibility of transformation or with packaging modalities, rudimentary presentation and labelling – the level of economic development generate specific attitudes toward technology, toward the capital fluxes, depending on the way in which the competition culture is grown, risk assumption. The awareness of existence for such barriers between states with substantial differentiations regarding economic and human development has been definitely a significant factor which made the economic integration regional groups – at least in a first stage – to be constituted by states having comparable levels of development.

• *barriers especially created through authorities’ actions and decisions and institutionalized through legal provisions and economic policy instruments*. They circumscribe the restricted sense of barriers and we would name, as other authors did, economic barriers or regulation. They represent (rules) norms established by the authorities (Community authorities in some cases) with the scope – at least declared – to protect certain activities, markets and economic operators, categories, introducing – mostly – discriminations and distortions between goods, production factories and internal economic fluxes – favoured – related to what comes „from outside”. In the economic barriers category (limited sense of barriers) we include:

- actual tariff commercial barriers, non tariff, quantitative, of price, of constraint (J.Harrigan, 1993, p.97; Aurel Iancu, 2002, p.43). Taking account of other opinions (R. Baldwin op.cit) the actual commercial barriers can be: tariff, non tariff, direct (quantitative limitations), indirect non tariff (origin and quality certificates, respectively technical barriers) and barriers in the form of correct commerce laws (antidumping taxes, price currency limitations and others).
- currency barriers ;
- budgetary and tax barriers (of which some are also included in the a) category);
- monetary barriers.

We consider the last few categories above stated as being economic barriers (created) as far as through institution and applicability of those policies by a certain state, negative externalities are being generated for the partners from the integrative structure.

3.2. Reduction and elimination of the economic barriers – international economic integration motto

The primary documents used to create the International Economic Integration structures and the convergent actions of partners aim measures to dilute and even eliminate the barriers created, that generate separations between economies of participating member states, so as in time to become coherent and the Community space to be unitary regulated and as much as possible – and only in time – homogenous. Such sustainable economic policies can be delivered only by means of proactive work and across national economic portfolios Thus and so, specific provisions of the national political factor in the field of economy, will be reduced as regards the magnitude and importance – compared with the ones agreed in common or harmonized with those of other participants.

As far as the economic barriers between participants are reduced (or zero – ideal situation), mobility of goods, services, production factors etc. from the integrated structure are high. The demand and offer, the level and evolution of prices from every state, are strongly influenced beyond national borders, competition is high and transaction costs reduced. Premises are created for a powerful competition on relevant integrated markets. The actions of economic operators from a certain geographical area are – at least potentially – strongly influenced by the status of demand, offer, prices and circumstance from the entire area. The reciprocal fluxes become powerful – and preferential -, market reciprocal opening takes place, the prices (of goods, money and even of the labour work) tend to be convergent (not identical) as regarding the evolution and recording dynamics able to reduce the level of dispersal (toward average) and implicitly the relative levels.

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