EFFECTS OF INTERNATIONAL TRADE AND GLOBALIZATION IN THE BOSNIA AND HERZEGOVINA

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Abstract

Globalization is a connection that goes beyond the framework of the nation state, the goal is to increase economic growth and wealth. The most successful developing countries have opened up towards the outside world, they were doing so slowly and gradually. These countries have taken advantage of the globalization process to enhance and expand its exports and as a result achieves faster growth. In practice, there are five dimensions of globalization related to: society, politics, economy, culture and environment, they cannot be strictly separated from each other, but are intertwined. The objectives of this study are related to: the level of understanding of the impact of globalization, determining a result of the impact of globalization on the socio-economic development of the country, while the subject of the work is: Globalization and the impact of international trade on Bosnia and Herzegovina.

Keywords: globalization, trade, economic growth

1. Introduction

Globalization is defined as a process of economic, political, social and cultural activities at the supranational level, globally changing the established political, economic, social and cultural relations. In the second half of the twentieth century, however, a new wave of so-called economic globalization. This connection not only between the actors, but also between regions is one of the main peculiarities of globalization and economic aspects of globalization is liberalization, privatization and attracting investments. The main role of the market are multinational corporations. This is a term in the broadest sense words means the process through which humanity is now passing. The term globalization does not mean the only political phenomenon of our time, but a whole characterized by the interdependence of life on earth in all areas of life. (Gligorić, 2011)
To the global interdependence of life on earth could work continues to develop the industrial revolution at the exit of the twentieth century stepped into a new era of so-called, post-industrial revolution - the information age. This era is characterized by the process of building a model of global governance disposal information. People no longer associate territorial affiliation, emerged near the society as a purely territorial concept. In the new era we live simultaneously in two intertwined worlds: local and global. (Pećujlić, 2002)

2. The process of globalization

The main characteristic of the present state of social life and the presence of interdependence of countries. «Interdependence and global distribution of a wide area known as globalization». (Klaić, 2007) «Globalization is the name for the conversion of the world in a unique space». (Berberović, 1996) Globalization as a process is impossible to avoid, given the large and rapid development of technology, especially information technology, which turns the world into a global village, which imposes very high standards of quality, efficiency, development capacity and competence. The process of globalization has begun industrial revolution and the capitalist mode of production, which, together with technological advances decreased production costs and allowed the creation of new products. The factors of production, natural resources, capital, technology, labor, information, goods and services in the global economy, the world freely. Speculators make money by transferring these factors to the places where the cheaper places are more expensive, and manufacturers locate their operation so where it is cheapest - in developing countries. With time, the domestic market no longer exists, it has become part of the global market.

The process of globalization in content in itself has an effort, to standardize the political, economic and legal systems of life and people, nation, country, region. Political globalization is closely linked to economic globalization, since the existence of the single market prevents the nation state to promote their own growth and development because it is a place of decision making is transferred from national to international institutions. Cultural globalization is a blend of different cultures and customs that are present throughout the world, because the flow of goods, capital and people is largely transmitted and the culture and traditions that follow them. Economic globalization means establishing a single world market with freedom of encouraging competition and development, however, the opponents argue that multinational companies are using to earn capital to disable the creation and existence of competition. This is a natural and necessary process of growth of international flows of goods and capital. »Globalization is the process of connecting to transcend the limits of the nation state, and their goal is to increase economic growth and resource«. (Vidovic, 8-10.04.2016)

3. Capital flows

The transition process involves privatization and turning the concept of efficient market economy, but other than that infers and democracy of the Western type. The transition involves the transformation of the national economy, and its starting points are in the world mega transition flows and they make the measure of all measures of the national program of transition. They are based on technological change and conditional form the basis of a new world order.
The European Bank for Reconstruction and Development has also produced the so-called Transition indicator by which because of certain indicators give an assessment of transitional changes.

This applies to: privatization, restructuring of enterprises, price liberalization, trade liberalization, competition policy, banking reform and development of the securities market. Basic assumptions for European companies are:

1. The stability of the currency;
2. Market institutions;
3. Relocation of the social spheres outside the company;
4. The introduction of a liberal labor market and flexible employment system;
5. Liberal regime’s international economical business.

In Bosnia and Herzegovina there are many obstacles to the realization of these assumptions, and some of them are:

1. Technological backwardness,
2. Reinvestment,
3. Re-capitalization,
4. The loss of positions on the international market and criminalized economy,
5. The disappearance of the middle class; - criminalized economy and society,
6. Supply lobby,
7. The high public debt,
8. Contaminated assets of commercial banks,
9. Noncommercial risks of investing,
10. The issue of political will to transition and so on. (Đordić, 2004)

Finances are becoming increasingly digital industry because financial markets exist within a computer network and there is no need for physical structures. The last few decades of the twentieth century was marked by a high mobilization of capital, international capital mobility and its concentration. A key role in the globalization process flows of goods are multinationals. Thanks to the effects of demonstration, effects one first globalized tastes, and patterns of consumption, which is sometimes good and sometimes bad, and then the production or consumption of only goods and services and their flows.

4. The technological revolution

The first and most tangible result of modern technology is reducing the distance that separates the country and the people. If from one end of the planet to the other people can reach in just a few hours instead of a few years, as the beginning of a new era, the modern world is transformed into a unique global space.

Electronic communications abolish the regime of time and space, continuously connect us with the people of the world. Electronic communication and co-author of the global economy. New levels of the globalization of production processes is inconceivable without electronic technology, the instrument current communication of transnational corporations, with a spider web of its branches on all meridians of the globe. Technology and globalization of the economy makes the irrepressible flow objective. Although the concept of globalization, closely, it sheds a bright light on the central transnational forces and their growing superiority over nation states.
5. International trade

International Economics, with its two main parts - the international trade and international finance - is one oldest area of study Economics. The first part, international trade, refers to the real issues of the international economy and is divided into two parts:

- A foreign trade theory, which analyzes the issues of positive economics (etc. Why countries trade, where goods and in what amounts, under any circumstances, exchange, etc.).
- Foreign trade policy, which analyzes the issues that are more normative character (etc. What the effects of tariff policy on the welfare of the country, the issue of optimal tariffs, which are the effects of liberalization, etc.).

International trade is the total volume of trade between countries around the world. International trade is actually the oldest, most widespread forms of economic cooperation with foreign countries. It includes two parts: visible and freight traffic (imports and exports) and the invisible or commodity services (imports and exports of services).

Characteristics of international trade are:

- International trade will regulate by international trade and payment agreements.
- International trade in all countries cause different economic and political restrictions that are carried out: the control of international trade, customs regime and the introduction of quotas.
- Own foreign exchange system, each country regulates payment transactions and credit relations with foreign countries;
- International trade is subject to a special system of control over take measures goods and services in international trade, and on it is kept private international trade statistics. (Hodžić, 2006)

6. The economic situation in Bosnia and Herzegovina – Scoreboard

In the period between the two wars, the Second World War and the 1991 economic growth in the country was on average 5% per year. Between 1991 had a per capita income was $ 2,400 excluding the service sector, which has been a common practice in former socialist economies. (Stojanov, 2001) Twelve big companies produced 35% of the total gross domestic product (GDP) and four of them generated more than 40% of total exports. Companies were organized as a self-managed companies of associated labor in accordance with the principle of a self, which was halfway between a centrally planned and a modern market economy. In 1990-1991. The most important foreign trade partners of Bosnia and Herzegovina were the former USSR, Germany and Italy. Trade with the countries of the European Economic Community in 1991, had a surplus. The most important exporting sectors were chemicals, heavy metallurgy, metal processing, leather footwear, electrical appliances, final processing of wood, timber and final processed textile products. According to the economic achievements of the year 2002 stood at 127 th place, according to the achieved GDP per capita. More than 20% of the Bosnia and Herzegovina population lives below the poverty line, and about 700,000 of them consumes less than two $. (Anon., 2003)
7. Effects of foreign trade of Bosnia and Herzegovina with foreign countries and regional developments

Bosnia and Herzegovina in 2015 has made imports worth 24.4 billion BAM, which resulted in a decline in imports compared to exports, where he achieved a negative balance of 6.8 billion in 2015, the rate of coverage of imports by exports was 56.7%.

In the following table provides an overview of the main indicators with reference to earlier reporting periods:

Table 1 Export and import in Bosnia and Herzegovina between 2012 to 2015.

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of trade</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
<th>The rate of coverage of imports by exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10.793.419</td>
<td>2.628.236</td>
<td>8.365.184</td>
<td>-5.938.949</td>
<td>29,9</td>
</tr>
<tr>
<td>2019</td>
<td>17.866.378</td>
<td>5.521.199</td>
<td>12.355.179</td>
<td>-6.823.980</td>
<td>44,8</td>
</tr>
<tr>
<td>2020</td>
<td>20.711.741</td>
<td>7.095.503</td>
<td>13.616.238</td>
<td>-6.520.735</td>
<td>52,1</td>
</tr>
<tr>
<td>2021</td>
<td>23.748.296</td>
<td>8.222.163</td>
<td>15.526.133</td>
<td>-7.303.970</td>
<td>53,0</td>
</tr>
<tr>
<td>2023</td>
<td>23.550.668</td>
<td>8.360.496</td>
<td>15.170.172</td>
<td>-6.799.676</td>
<td>55,2</td>
</tr>
<tr>
<td>2024</td>
<td>24.881.920</td>
<td>8.661.742</td>
<td>16.199.278</td>
<td>-7.537.538</td>
<td>53,8</td>
</tr>
<tr>
<td>2025</td>
<td>24.839.178</td>
<td>8.987.315</td>
<td>15.851.865</td>
<td>-6.864.548</td>
<td>56,7</td>
</tr>
</tbody>
</table>

Source: (BiH, 2016)

Observing the structure of foreign trade by industry, 5.2 mil., of foreign trade consists of semi-finished products and products with low added value (the so-called intermediate products), non-durable consumer goods have a share of 4.3 mil., while capital goods make up 2.8 million., power 2.3 million., of total trade in 2015.

Table 2 Exports and imports by main industrial groupings in the period from 2012 to 2015.

<table>
<thead>
<tr>
<th>GIG</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>7,858,340</td>
<td>8,880,496</td>
</tr>
<tr>
<td>AE (Energy)</td>
<td>728,623</td>
<td>976,305</td>
</tr>
<tr>
<td>AI (Intermediate goods except energy)</td>
<td>3,231,331</td>
<td>3,184,080</td>
</tr>
<tr>
<td>B (Capital goods)</td>
<td>971,870</td>
<td>1,092,998</td>
</tr>
<tr>
<td>CO (Durable consumption)</td>
<td>792,646</td>
<td>835,800</td>
</tr>
<tr>
<td>CN (Non products)</td>
<td>1,586,123</td>
<td>1,701,262</td>
</tr>
<tr>
<td>X (Unallocated)</td>
<td>527,749</td>
<td>549,051</td>
</tr>
</tbody>
</table>

Source: (Anon., 2016)
The most important import items are oil and petroleum products, machinery and equipment, base metals (predominantly aluminum, iron and steel) and articles of base metals, and food, while the most significant export positions are also based metals and their products, machinery and equipment, and spare parts for the automotive industry, and finished products such as furniture, clothing and footwear. When looking at the difference between imported and exported products, rare product categories in which Bosnia and Herzegovina has a surplus with its trading partners.

The Western Balkans, with around 24 million inhabitants and about $ 52 billion GDP, is facing similar consequences of the liberalization of the trade regime, as well as Bosnia and Herzegovina. The large trade deficit and high unemployment rate are just some of the similarities of all the countries of the region. The problem of the impact of international trade on the standard of living, employment and poverty occupies more space in the media and most of the passing path of development and transition, as well as Bosnia and Herzegovina. Given the specific organization of Bosnia and Herzegovina, trade liberalization will see through national and international experiences that are closely linked to the process of economic transition and increasing integration of Bosnia and Herzegovina in international trade.

Economic Sovereignty is one of the most important components of national sovereignty in general. Economic Sovereignty is the unlimited right of each to a decision on regulate of economic life within national borders and a way to establish economic ties with foreign countries. (Jovanović-Gavrilović, 2004)

The new stand-by arrangement for Bosnia and Herzegovina will affect create a new fiscal consolidation and austerity measures at all levels. But you will create new pressure on the overall economy. It will estimate that Bosnia and Herzegovina authorities need to carry out new austerity measures, reducing salaries and number of employees in the public sector, which will create more pressure on domestic consumption. At the same time, government investment will also be a significant reduction, which will be a positive GDP growth will be more difficult. Generally speaking, the overall economic growth of Bosnia and Herzegovina in 2016 will influence by the pace of recovery in the euro area on the one hand, and fiscal consolidation on the other.

8. Conclusion

The process of globalization has touched Bosnia and Herzegovina after 1995 because the earlier economic policy space has been relatively closed to the significant impact of globalization. The consequences of the war in Bosnia and Herzegovina will destroyed economic facilities, political disunity, large external debts and the lack of consensus on the economic and political profile of the country in the future, then the impact of external factors, which is the Dayton Agreement by a series of demands of inappropriate moment in which the country finds itself. In such circumstances, Bosnia and Herzegovina is quite unprepared entered the modern global trends. Bosnia and Herzegovina is in the process of transformation from a non-market, formerly self-governing, in a modern market economy. Become more liberal world trade and the growth of international trade have enabled a significant increase in international competition. Based on the research on international trade in Bosnia and Herzegovina come to some very important facts that point to a lot of negative operating Bosnia and Herzegovina with other countries of the world, and that in almost all observed periods Bosnia and Herzegovina achieved a foreign trade deficit. Competitive advantage of commercial companies in Bosnia and Herzegovina would be able to improve their internationalization, so that the environment of the country becomes a significant competitive advantage for foreign companies in our country to have transferred part of their job or
develop new businesses. For the successful continuation of the transition trade issues, it is necessary to continue the legal and political transformations that will result in better regulation of the market.

References
