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THE EVOLUTION OF THE ECONOMIC FRONTIER

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The trade policy of a state is an important component of the economic policy and it influences the way in which the economic borders of that country are defined and developed. This is seen clearly through the roles it has: promotion of external economic relations, protection of the national economy from foreign competition, balancing the commercial balance and the balance of payment, as well as the increase of the state's currency reserves [1, p. 71].

The commercial policy uses three main instruments [1, p. 72–103; 2, p. 106–111]:

– Taxation (at the customs), through which a state's customs policy is established. The policy uses custom duties and other laws and regulations whose declared purpose is the attraction of income towards the state's budget. Moreover, the customs policy has protected throughout time the internal market from foreign competition, using the instruments it had as a means of negotiation in order to attain tariff reduction or to institute discriminating measures in relation to other states.

– Non-tariff instruments, which hinder or limit the international flow of goods, being politically or economically motivated. The declared purpose of these measures is to protect the internal market from foreign competition and to stabilize the balance of payment. The main forms of this instrument are: import quota, import license, agreements regarding the organized flow of negotiated license goods, import take-off tax, minimum and maximum

prices for imports, indirect tax and fiscal tax, technical barriers (sanitary, security, wrapping, marking and labeling standards, etc).

– Export promotion and stimulation instruments, which include the regulations used by the state and by companies in order to enhance the world-wide trade of that country – commerce and navigation treaties, commercial and payment agreements, international economic cooperation agreements, direct and indirect export subsidies, fiscal facilities for export, export credits, etc.

Therefore, the economic borders between states (defined by the totality of commercial policy of a country) have had strong fundaments throughout the time to exist and to develop. The nation-states have wanted to protect their interests, and their economies, and have used the instruments used by the commercial policy to do so. Thus came along the protectionism and the idea of a closed economy, which have increased the power and meaning of the economic borders.

According to Milton Friedman (head representative of the neo-liberalism), Adam Smith's *The Wealth of the Nations* was one of the first hits in the war lead against commercial restrictions in the relations between states – so a firm signal regarding the diminishing role of the economic borders. The British economist David Ricardo subsequently brought, through the theory of the comparative advantage, additional arguments in favor of free trade and the ability of international trade to create economic development for all its participants. However, even though most economists admit that free international economic trade is beneficial for both the participating states and the global economy as a whole, throughout the time, tariffs have been a rule. The only relevant exceptions, in Friedman's opinion, that have had a true free trade were Great Britain, during the century after the abolition of the "Corn Laws" in 1846, Japan's 30 years after the Meiji restoration and Hong Kong's trade [3, p. 65–72].

Starting with Ricardo's theory, liberal economists have been able to state that the elimination of barriers to commercial trade is beneficial for everybody, since it leads to an increase of wealth, both individually and globally. Such belief was the center of the liberal thinking throughout the 20th century, laying the bases of the modern commercial system [4] and of the progressive decrease of the economic borders' relevance as seen from the perspective of international trade.

The multitude of measures and instruments that governments had at their disposal throughout the time to protect their internal markets – and thus securing their economic boundaries – have made the creation

of an international organization that governs and promotes free trade between states imperious. In 1948, the General Agreement for Tariff and Trade (GATT) was created, which was a negotiation frame through which the participant states established a common international commercial framework for the first time. The negotiation rounds within GATT favored the leveling of international trade through the reduction or elimination of customs tariffs or non-tariff obstacles. In 1995, after the Uruguay round, GATT became World Trade Organization (WTO), the only international organization that defines commercial barriers, global trade and economic activity, thus favoring free trade and commercial cooperation – elements that lead to the diminishing of economic boundaries' role and strength.

The WTO's mission statement contains its guiding principles, which are the pursuit of open borders, the guarantee of most-favoured-nation principle and non-discriminatory treatment by and among members, and a commitment to transparency in the conduct of its activities [5].

It can be stated that WTO, as a leader of globalization, has greatly contributed to the reduction of the importance of economic borders at a global level, as "it has never really abolished commercial barriers, but it leveled them in a global setting in order to create a uniform field for all member states" [6, p. 127]. The consequences of the increase in economic freedom were and are visible: global trade has increased faster than production, the increase in the volume of international trade has outnumbered the increase of global production, crossborder transactions have increased greatly. However, the dissolution of the economic border through negotiations within the WTO is questionable, as there are many voices that state that the reduction of protectionist barriers was often done to serve the purposes of developed states. The USA and Europe are accused that in fact, they have negotiated agreements that protect them against imports from developing countries and that they want markets to be open only for those goods for which they have a comparative advantage. Therefore, some believe that even the era of multilateral liberalization of trade is coming to an end, due to the disappointment of developing countries [7, p. 77–79]. Wealth for the global market is seen as a 'naïve illusion' and free trade is just rule of law of the stronger ones [8, p. 229]. However, even if liberalization of trade implies by definition the elimination of barriers and the creation of an even field for economic development on the world market, protectionist barriers are still kept, the traditional ones, as well as other non-tariff forms, such as technical barriers, antidumping taxes and financial protection measures.

Besides the multilateral agreements referring to global trade, there are other trends that need to be mentioned, trends of transforming unbreakable economic barriers into reachable connection guidelines between states. These take the form of regional agreements (bilateral agreements, free trade areas, customs union and common market). The structure of these agreements is very complex, and many countries are nowadays part of several such agreements. Most such agreements are between developed states, especially the European ones (60%), while developing countries have a smaller share (15%). The rest are agreements that involve both types of states [9].

The effects of regional agreements on the liberalization of commercial trade and the economic increase (and the way in which they contribute to the elimination of economic borders) are not very clear, and the opinions of experts regarding their economic impact are often quite contradictory [4].

Conclusions

Throughout time, the importance, role and functions of economic borders have changed continuously, depending on more variables: the economic ideas that governed the international economic relations, the needs of the actors from the scene of the global economy, especially that of the strong ones, the states' incapacity to form and maintain their economic and commercial policies in times of pressure exerted by supranational organizations or multinational companies, the states and regions' need to integrate in the global economy in order to gain access to resources needed for development and growth.

The new economic border defines a new space, a regional one, that we can present as a dynamic entity, constructed around economic, social and political interactions between state actors and non-state actors with common goals, with a contoured regional identity and a high level of social and economic cohesion [10, p. 121–134].

In order to adapt to the new context created by globalization, borders have gained a more dynamic connotation, overtaking its own condition of a symbol of a past world, which was too little interconnected. Technology and bilateral and international agreements are the drivers that have generated and have allowed the integration of economies and markets, and the redefining of economic borders. The emergence of regional blocks as poles of global economic growth is just a new step in the defining and structuring of economic borders, especially in the era of instant communication and capital market liberalization, which have created serious problems regarding the governing methods of both states and organizations that assume global governance.

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