Paradox of economic boundaries and ways of its disappearance in the global world are analyzed in the article. On the one hand, the word “global” is defined as “world-wide”, “including the whole world”, “all-inclusive”, “being comprehensive” etc. Globalization is recognized as the whole complex of interrelated processes occurring world-wide. It means that reference to some kind of boundaries (or borders) in the era of globalization is at the minimum not scientific. On the other hand, it is evident that it is really difficult to find events or processes which could be defined as including the whole world. The global nature of banking services or the Internet is much spoken about. Nevertheless, comparing the occurrence of these in developed countries and, for example, in some African countries, the difference would be so distinct that it would be impossible to refer to the occurrences mentioned as “all-inclusive”. This means that there exist boundaries separating regions with differing intensity of various “global” occurrences. Question, how can the concept of economic boundaries be defined and in what features its’ evolution can be characterized is discussed in this paper. The aim of the paper is to reveal the content of the concept of economic boundaries in conditions of European integration and globalization.

The methods of the analysis of scientific literature, legal acts, and statistical data as well as the methods of synthesis of the information thus accumulated are used in this paper.

Paper consists of introduction, three parts, and conclusions. The nature of economic boundaries in the globalization era is discussed and the definition is offered in the first part: economic boundary is the one beyond which other conditions of activity prevail, or such activity is not possible at all. The economic boundary presently is more political rather than an economic concept. Formation of international administrative structures and activity of international corporations as two ways of disappearance analysis of economic boundaries are introduced in the second part. Changes of directions and volumes of Lithuanian foreign trade during last two decades as examples of disappearance of Lithuania’s economic boundaries are presented in the third part. Those changes are named as the proof of Lithuania’s economy as the whole and its subjects (enterprises) ability to react to the changes caused by integration processes in the conclusions.

Keywords: economic boundaries, disappearance, international structures, multinational corporations, foreign trade changes.

Introduction

The modern stage of economic development of the world is characterized by globalization processes. Globalization is understood as the integration of the economies of different countries into the world-wide system (or at least into the major economic part of the world) functioning according to the generally accepted rules. This is not an easy and fluent process, the main reason being borders between the countries.

For a long time state borders have represented boundaries between communities who speak different languages, practice different religious beliefs followed by holding different political views. In the 18th and the 19th centuries, the state borders acquired economic dimension. They became boundaries separating manufacturers from consumers, raw materials from processors, those willing to invest from those ready to exploit the investment. The states fenced themselves off by customs duties, quantitative exchange limitations and other measures, thus restricting economic cooperation, in particular, mutual trade relations. It was not until the second half of the 20th century that the processes known as economic integration started within Europe, i.e. merging of economies to a degree when they all get to function as a united whole. Throughout half of the century, economic unity of western part of Europe became a naturally existing state without which further development of not only Europe, but of the whole world was inconceivable. Gradually, the economic borders between the European states were brought down by agreements which currently serve as the basis for the management of the European Union. Similar processes, though not that much advanced, are under way in other parts of the world (North and South America, South East Asia), alongside with the establishment of regional integration groups. On the basis of these processes, such supranational institutional structures are being created, which, in accordance with respective agreements, tend to suppress the effect of the state borders on the economic and social development of the region.
Alongside with regional integration covering a particular region, the end of the last century saw the reinforcement of worldwide processes known as globalization. Economically, globalization is understood as a world-scale development of a product or service. The main actor of these processes is the transnational corporations which by organizing their activities in an adequate way ‘jump over’ the state borders. It could seem that under such situation, there is no sense to discuss economic boundaries; however, in the modern world they are considerably well-marked. Question, how can the concept of economic boundaries be defined and in what features its’ evolution can be characterized is the problem of this paper. The aim of the paper is to reveal the content of the concept of economic boundaries in conditions of European integration and globalization.

The tasks of this paper are:

• to reveal the nature of the economic boundaries and the reasons of their changes in the modern world;
• to establish the relation between legal acts (agreements) and the role of market mechanisms in the evolution of economic boundaries.
• to illustrate disappearance of economic boundaries of Lithuania in the last two decades period.

The methods of the analysis of scientific literature, legal acts, and statistical data as well as the methods of synthesis of the information thus accumulated are used.

Nature of Economic Boundaries in the Globalization Era

The modern stage of economic development of the world has seen a lot of paradoxes. One of them consists in the title of this section. On the one hand, the word “global” is defined as “world-wide”, “including the whole world”, “all-inclusive”, “being comprehensive”, etc. (Webster’s…, 1990) A.K. Sundram and J.S. Black (1995) also express a similar idea saying that globalization is a process consisting of world-wide actions and occurrences. Similarly, globalization defined by A. Zorska (1998): globalization is the whole complex of interrelated processes occurring world-wide. It means that reference to some kind of boundaries (or borders) in the era of globalization is at the minimum not scientific.

On the other hand, it is evident that it is really difficult to find events or processes which could be defined as including the whole world. The global nature of banking services or the Internet is much spoken about. Nevertheless, comparing the occurrence of these in developed North American, European or South East Asian countries and, for example, in Afghanistan, Iraq and some African countries, the difference would be so distinct that it would be impossible to refer to the occurrences mentioned as “all-inclusive”. This means that there exist boundaries separating regions with differing intensity of various “global” occurrences.

The majority of researchers are aware of this paradox and take care to formulate definitions of the phenomenon of globalization. For example, A.G. McGrew (1992) suggests that globalization is nothing more than a lot of links between countries and nations of the modern world. These links manifest themselves in that the factors in one part of the world affect the countries and nations in other parts. The definition given by the famous Lisbon Group (1996) actually agrees with these ideas and emphasizes that globalization is characterized by two dimensions: scope (space) and intensity (depth). B. Liberska (2001) maintains that globalization implies growing dependence among countries and rapid propagation of social, cultural, political norms and practices, in the world. Economically, globalization means development of international business and the growth of international exchange of goods, services and capital.

These and other similar definitions (their comprehensive analysis is preserved by R.J. Barnet and J. Cavanagh, 1994) fail to include “all-inclusive” or “global scale” occurrences. This point of view suggests that at least presently the world processes are restricted both in term of prevalence and of intensity.

It is common knowledge that human activity (at the moment becoming global) reaching beyond the borders of one state has a very long history. Globalization was not born all of a sudden, rather, it is the highest stage of internationalization and multinationalization of human activity (Stankiewicz, 2005). Economic, social, political and cultural occurrences with different intensity and at different time have stepped beyond the borders of the states for ages, however, they were not “global” at the start. To be understood, it was sufficient for them to occur at a slightly larger scale than just locally. It was when these occurrences started forming the trends of development of humanity that they became global.

Globalization is a dynamic process encompassing different areas of human activity. It has been noticed that these areas include the way of thinking, fashions, certain areas of culture and art (for example, cinema), etc. This is virtually a result of economic activity.

At this point another paradox crops up: however evident is the scope (space) of the mentioned areas of globalization, their intensity (depth) is difficult to measure. That is probably why the globalization of social or cultural phenomena is less noticeable, whereas the globalization of economic activity is more conspicuous; therefore, speaking about globalization in general terms, it is economic globalization that is implied. As a matter of fact, economic factors do not produce globalization, rather, economy is the most mobile and flexible area of human activity, therefore, it is the first to make use of new opportunities resulting from the progress of science and technology. Presently, the constituent part of economic globalization strongly prevails, therefore, very often the mark of equality is put between economic development in the world and globalization. However, this is not really true.

The driving forces of globalization at the moment are the following (Grupa Lizbonska, 1996):

• liberalization of products, capital, human and information mobility;
• privatization of economic activity, because private activists of the market, not the nation, tend to seek for optimal utilization of their resources;
• deregulation, in its broadest sense, is understood as the minimization of the role of the state in the management of socio-economic life.
• technological progress, especially in the areas of information technologies and telecommunications, owing to which the borders for free mobility of thought and information have been practically lifted.

These factors resulted in the changes of functioning conditions of economics and companies of different countries.
The principal changes according to M.J. Stankiewicz are the following (Stankiewicz, 2005):

- the new “division” of the world: the formation of the triad;
- the change in the role of the state: the policy pursued by the states or their groups was aimed at the assistance to the companies working their way to other countries’ markets;
- the birth of global economy: new global economy, according to M. Carnoy (2000) comes out with the tendency that the strategic core activities are carried out simultaneously throughout the world;
- market expansion: due to relative reduction of transportation costs, the products can (at least, theoretically) reach any place in the world;
- globalization in competition: in a specific market the interests of the manufacturers of not only local but also of international (even very far-away) companies might come into conflict.

The globalization consequences mentioned highlight the paradoxical nature of the existence of economic boundaries, also, they reveal their reasons, i.e. the intentions of the countries to protect their own manufacturers from foreign competitors and external pressure.

The basis of any economic activity is the market, local, international or global. The market can be perceived in two ways:

- as the totality of consumers in terms of geo-economics;
- as the territory of countries or their groups in terms of geopolitics.

The active members of the geo-economic market are companies. They see the market in macroeconomic categories. It means that the companies are solely interested in the profit obtained from sales of their production to the consumers of this market, rather than in social, ecological or other consequences of their activity. While the active members of the geopolitical market are the countries which perceive the market in terms of macroeconomics: the countries are in the first place interested in the outcomes of the overall activity. They are concerned both about the efficiency of companies and the satisfaction of consumers, however, not at any cost.

The companies dispose of everything necessary to produce goods, i.e. capital, labour, equipment, organizational structure, etc., including means of transportation to carry goods to whatever part of the world. In addition, they manage (at least, theoretically, to organize production in any country, therefore, it makes little sense to speak about economic boundaries in terms geo-economics. However, the companies do not dispose of the market in material terms, i.e. they do not share their own territory with the consumers. All this is the property of the state. The latter can afford not to open the door to its “own” territory (market) to the company’s products. This is the way how the concept of economic boundaries (borders) occurs: economic boundary is the one beyond which other conditions of activity prevail, or such activity is not possible at all. Mostly, economic boundaries are concurrent with the administrative borders of states.

In the modern world not only companies but, rather, the countries and their blocks compete for markets. Therefore, the definition of the economic boundary should be adapted to this situation. With a view to facilitate the way for their countries to get the foot in the market of other countries, the states negotiate for the cooperation principles. The more detailed the agreements are, the more areas of economic activity they cover, the fewer obstacles for economic cooperation remain, the more fragile economic boundaries are.

### Institutional structures versus international corporations

This part of the work briefly discusses two processes suppressing the effect of the state borders on their economic development. The first one is regional integration. This paper is limited to the analysis of European integration (in particular, Lithuania’s involvement in this process). The other involves actions of transnational corporations ‘jumping over’ the state borders due to their specific character.

As supporters of functionalistic theory of European integration state (Jovanovic, 2006; Misala, 2009; Molle, 2009) integration process occurs in the following sequence: first of all international legal basis to eliminate obstacles for economic cooperation is created (agreements, directives and other legal statements); then policies of particular countries and whole integration group are adjusted so that those changes (elimination of obstacles) occur as smooth as possible in order to cause less painful social, cultural, demographic and other consequences; finally “real” integration occurs while running market mechanisms when economic subjects using possibilities provided by international agreements develop their economic cooperation.

Though impact of EU integration to the development of Lithuanian foreign trade in the last decade of XX century is not estimated homogeneously (Morkeliūnas, Žiaunys, 2000; Vilpišauskas, 2000; Bražukienė, 1998 ir 2005), it is obvious that foreign trade directions and amounts of Lithuania as the member of EU are significantly influenced by single market and common trade policy (Žitkus, Žitkienė, 2011). For Lithuania gradually integrating into EU structures the strength of economic systems (trade exchange obstacles) changed as well: after corresponding agreements coming into force (Table 1) much favor conditions for mutual trade formed.

### Table 1. The deepening of Lithuania’s integration to EU

<table>
<thead>
<tr>
<th>Year</th>
<th>Agreement</th>
<th>Integration period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Trade, commercial and economic cooperation agreement</td>
<td>Concession of greatest favor status for partners</td>
</tr>
<tr>
<td>1994</td>
<td>European Treaty (came into force in 01-02-1998)</td>
<td>Creation of free trade zone</td>
</tr>
<tr>
<td>2004</td>
<td>Treaty of EU membership (01-05-2004)</td>
<td>Accession to EU common market</td>
</tr>
</tbody>
</table>

It should be noticed that deepening of EU integration of Lithuania and other MEE countries was going on much faster than mutual integration of EU countries (Fig. 1). This fact also increased the doubts about Lithuania’s ability to “absorb” integration consequences.
The globalization phenomena are diminishing economic boundaries even without interference of politicians. As it was mentioned, globalization stimulates changes in market boundaries because it strengthens both reactive and proactive motives of export. The export itself as the form of stepping beyond the economic boundaries loses its dominating position. Presently, market mechanisms are formed which operate beyond the economic boundaries perceived traditionally. Some of them are not new, but transformed under the new conditions both quantitatively and qualitatively, others are the product of globalization. M.J. Stankiewicz (2005) makes reference to the main of them:

- direct foreign investment as a specific form of capital mobility transferring not only capital, but also “know-how” technologies, ideas, skills;
- concrete creation of exchange products (goods, services) occurs in different places of the world. The products labelled “made in the world” are created;
- the network of global services, such as credit cards, reserved seats on the planes, world courier systems come into being;
- on the one hand, global products and services are the cause, on the other hand, the effect of certain global, unified consumption models which, in their turn, are the indication of the unification of the life style world-wide.

The unification of consumption models and life styles is a dynamic process: the requirements of the consumers constantly grow; therefore, unification reveals itself in ever rising quality of products and services. Of course, this occurs more rapidly in wealthier countries, where the wishes of the consumers are more in line with the opportunities than in less developed countries. This is, however, a general tendency (Ohmae, 1985);

- consumption models, life styles, accepted values (e.g. protection of natural environment) are formed under the influence of knowledge and experience. Knowledge and experience due to modern communication systems (telecommunications) and the expansion of the English language first become the global “product” of human activity;
- rising research opportunities not only for manufacturers and service suppliers (supply), but also for consumers. This is stipulated by the perfection of fast information transfer systems (Internet). It is because of the Internet that in the near future the boundaries for circulating goods and services are likely to disappear.

It should be stressed that disappearance of economic boundaries due to different agreements and the formation of new market mechanisms are not identical phenomena. The first leads to the formation of regional groups of the countries, i.e. regional integration, the best example of which is the European Union. The second phenomenon results in the emergence of international globally operating corporations. Despite these differences, the correlation between regional integration and globalization of the activity of individual companies can be noticed: integration is a specific reaction of the countries to the division of markets pursued by international corporations. The countries go out of their way to overtake these processes by forming relevant institutional structures. These structures are supposed to ensure that national economics affected by globalization, and the companies operating within, attain the opportunity to get the greatest possible benefit.

**Lithuanian foreign trade changes related with participation in international structures**

To illustrate the considerations presented in the previous parts of the work, we are providing several examples about the changes in Lithuania’s foreign trade during the recent fifteen years. This is because of two reasons. Firstly, the changes in the trends and volume of foreign trade best reflect the change in the ‘strength’ of economic borders between countries. Secondly, during the mentioned period Lithuania joined the main European and global institutional structures regulating the international exchange of goods, i.e. the European Union and the World Trade Organization.

Lithuanian economy is characterized by significant openness. The ratio of export and GDP between the years 1996 and 2007 grew up from 32,4 % to 43,7 % and that of import from 47,3 % to 62,3 %\(^1\). The figures show that Lithuanian economy is largely dependent on the possibilities of trade and cooperation with foreign partners. Integration processes created and keep those tendencies. It should be noted that the formation of integration group means not only the strengthening of cooperation with some partners, but also dissociation from other partners which do not fall into this group (Molle, 2006, p. 11). When the conditions of mutual trade provided by certain agreements change the volume of mutual trade also changes. Such changes are conspicuous in Lithuanian trading relations with the main partner groups, i.e. countries of EU and CIS (Union of Independent States) (Fig.2).

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\(^1\) Authors’ calculation on the basis of Lithuania’s Statistics Department data. It should be noted that during past few years (probably due to crisis) import slightly decreased while ratio of export and GDP was 44,5 % in 2009.
Within the period under discussion, the cases are distinguished when Lithuanian export to the countries of both groups and import from them faced dramatic changes. Between 1998 and 1999, when the European Treaty came into force, paragraph 3 of which “Free movement of goods” provided the establishment of free trade zone for industrial goods, the essential reorientation of Lithuanian export occurred. The so far dominating export to the East (CIS) succumbed to the export to the West (EU). Lithuania’s entering to EU (in 2004) didn’t cause the increase of trade diversion effect: the increase of export share to EU is explained by increase of member states of this group and decrease of export share to CIS was insignificant. Besides later this share grew up slightly probably due to the export increase of certain groups of the goods (most likely food and cars).

It should be noted that Lithuania’s accession to EU customs union eliminated the economic borders with the new Member States. As a result, trade exchange between them and Lithuania has been developing at an accelerated rate. Lithuanian export to as many as 9 new states, up to 2003 ranging around 18%, in the year 2004 amounted to 21.4%, and in 2007 − 26.6% of the total export. The import grew from 17.3% in 2004 up to 23.3% in 2007, respectively. In the year 2004, the Lithuanian exporters “discovered” Estonia, which led to the change in the tendencies of goods flow from Lithuania to this country (Fig. 3). In turn, Lithuanian market was “discovered” by Polish manufacturers (Fig.4).

A limited coverage of this paper prevents detailed analysis of the changes in Lithuanian trade exchange, the index of disappearance or emergence of economic borders. The analysis of trade with certain EU or CIS countries, or of the movement of certain goods groups, would, beyond doubt, provide a wider and more convincing picture of the phenomenon of the emergence, existence or disappearance of economic borders on the influence of integration processes.

Conclusions

- The globalization consequences mentioned highlight the paradoxical nature of the existence of economic boundaries, also, they reveal their reasons, i.e. the intentions of the countries to protect their own manufacturers from foreign competitors and external pressure. This is the way how the concept of economic boundaries (borders) occurs: economic boundary is the

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2 Though it was fixed in the treaty to create free trade zone until 2000, customs and quantitative limitations of export from Lithuania to EU countries have been repealed as soon as the treaty came into force (01.01.1998) following the principle of asymmetric
one beyond which other conditions of activity prevail, or such activity is not possible at all. Mostly, economic boundaries are concurrent with the administrative borders of states.

- The present globalization is virtually a process leading to disappearance of economic boundaries between countries or their groups. This process is pursued in two ways. First, the removal of economic boundaries or their weakening by means of intergovernmental agreements, when two or more countries agree on more favourable terms for foreign goods to enter their markets. Second is the creation and development of new market mechanisms operating “over” the traditional economic boundaries. The first way is a kind of a response of the countries to the “conquering” of markets pursued by international companies by means of the mentioned market mechanisms. This leads to the formation of regional integration groupings, such as the European Union. Such groupings can be regarded as a step towards the birth of real global economy.

- The existence of economic borders manifests itself together with changes in their strength when evident changes in international trade can be observed. During the last decade, such changes occurred throughout the world, including Lithuanian trade with other countries. Undoubtedly, the development of international trade in Lithuania was affected by its integration with western structures. This is the reason that the economic borders between Lithuania and other EU countries collapsed which led to changes in export of Lithuanian goods following the well-known integration developments, i.e. the signing of the European Treaty (1998) or Lithuania’s accession to the EU (2004). The latter event had a significant influence on the Lithuanian trade with other parts of the world. This influence is evident in trade relations with the USA. The changes in economic boundaries were slightly less influenced by Lithuania’s accession to WTO.

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