

Macroeconomic stability of new member states of the European Union: Fifth enlargement

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Abstract. *The historical context of globalization as an organized process, which influenced the majority of national economies linked via international institutional mediators, led to the so called regional economic integration phenomenon. It is interpreted as the efforts of underdeveloped and developing countries to speed up their economic growth and more significantly impact the entire macroeconomic stability by means of some form of regional integration. Nowadays, regional economic integration is one of the pillars for proper functioning of modern economic relations. Experience of developed countries serves as an example to point out that integration processes inevitably contribute to more favorable environment for developing business sector in the countries striving for integration. In the context of global integrations, more frequent forms of regional changes and the establishment of trade blocks come as the consequence but also the overall need for obtaining trade balance among national economies. Within this context, the European Union is seen as one of the most important regional integrations and an imperative in economic, political and cultural segment, as it is the territory with significant economic growth and the region with high living standards.*

Keywords: regional economic integrations, macroeconomic stability, economic development, macroeconomic aggregates.

JEL Classification: B21, F02, F41.

1. Introduction

The primary goal of this paper is to define the role and importance of integration processes in macroeconomic stability and faster economic growth of the countries striving to be a part of such processes. The key question arises as to whether economic integration processes contribute to macroeconomic stability of transition countries, which is observed on the example of the countries within the fifth enlargement of the European Union (EU) based on the examination of macroeconomic aggregates before and after their accession to the EU. Consequently, the paper seeks to interpret recommendations regarding the benefit of regional economic integration for the countries striving for integration process, from the aspect of using available resources through various sources of financing, aimed at decreasing unemployment as well as increasing per capita income, foreign direct investment, which would have the overall influence on the socio-economic status of these countries. The issue of regional economic integration is specific all over the world. Furthermore, this research intends to examine the basic characteristics of regional economic integration and its impact on macroeconomic stability of the countries within such integration.

One of the specific operational goals of the research is the analysis of the present scientific knowledge and contribution in the field of economic policy and convergence, which will describe present theoretical and empirical findings in the segment of regional economic integration. We intend to show that macroeconomic stability can be sustained primarily through stronger export activities and inclusion into regional and global economic integration as well as through faster growth of public revenue over public expenditure.

The paper also seeks to highlight the importance of regional economic integration for reducing trade barriers among the member states and discrimination of trade with non-member countries. This can be done by emphasizing the process of regional integration as the model of safer approach to bigger market, with the aim of increasing efficiency as regards better prospects, stronger competition, access to modern technologies, as well as the fear of staying aside in the time of increasingly present policy of regional integration.

Through a carefully planned approach, the authors seek to emphasize the importance of regional integration as a definite path for all accession countries, bearing in mind the main macroeconomic indicators. The results might serve for better understanding of how important economic integration is and contribute to the creation of strategic decisions in accession to regional economic integration. The research into this issue, aimed at testing the postulated hypothesis and achieving the research goals, includes the answers to numerous questions.

In order to effectively analyze the specified research problem and fulfill the aforementioned goals, a hypothesis can be postulated: Regional economic integration has an impact on a significant increase in the medium-term gross domestic product (GDP) and it directly contributes to a total macroeconomic stability of the new member states.

2. Theoretical framework

As a conceptually defined term, macroeconomic stability is the research subject for many authors active in macroeconomic theory. Begg (2010) defines it as the main economic goal of every country demonstrated by the achievement of basic goals determined by economic growth, price stability, high employment rate and positive international trade balance. Taking into account theoretical principles, (Hodžić, 2007) points out that it is important to highlight the role and significance of economic policy in achieving macroeconomic stability. While macroeconomic theory includes the scientific study of economic activity of the society as a whole, which needs to stand as the framework for practice, economic policy uses the so called discoveries of macroeconomic theory as the tools to achieve the desired goals. In other words, it gives the operating mechanism focused on specific economic practice and improvement of economic welfare of the society (production growth, GDP growth, price stability, etc.). Economic policy is the backbone for the development of any society. Praščević (2004) emphasizes that macroeconomic policy as well as economic policy have their main aims indicated by the realization of high and stable rates of economic growth and employment parallel with maintaining macroeconomic stability.

The premise is that macroeconomic stability is the basic economic goal of every country. It is manifested in the achievement of basic goals determined by economic growth (percentage of annual increase of real GNP or GDP per capita in the long run), price stability, high employment rate and positive international trade balance.

Babić (2007) states that macroeconomic stability as a macroeconomic goal, seen through the prism of the relationship of the overall production, revenue, employment, prices and other variables, is significantly determined by various factors. Macroeconomic analysis examines the behavior of the entire economy and establishes the interdependence among its more important aggregates such as: national income, aggregate expenditure, savings, investment, export, import, etc. These aggregates are calculated by cumulating a large number of microeconomic variables whereby macroeconomic analysis is also called aggregate economic analysis. In this respect, Jakšić (2003) claims that macroeconomic aggregates are statistical data that show the current state of a country's economy depending on the specific field. As such, these aggregates constitute certain economic dimensions of a nation which are used to register its production capacities (total material and subjective resources) as well as its economic results. Hence, it is rather important to look at macroeconomic stability in modern processes of transition and deregulation.

Transition is essentially seen as a positive and desirable process of lowering country's violent interference into people's lives and increasing individual freedoms, prosperity, and welfare. As such, transition is determined by two basic components and includes political and economic dimensions. Political transition is the elimination of authoritative government and affirmation of democracy while economic dimension of transition is market liberation, meaning separation of economy and state. This dimension is decisive for the success of the entire transition from government control towards free society and it is a

sine qua non of long term stability. Political transition in the countries of Southeast Europe (SEE) has mainly been completed while economic transition has not been carried in the same way and has some negative characteristics. There are many critical views and discussions regarding economic and social consequences of transition.

According to (Mervar,2002), it is generally observed that successful transition countries that follow rapid and strait line strategy have already implemented far reaching changes at institutional levels and have been economically linked to EU markets. In their case, all further adjustment may be carried out faster and at lower cost than in the countries hesitant in implementing reforms. Within the theory of economic integration, Kenen (1975) sees institutional programming of economic stabilization as a commercial policy of discriminatory limitation or removal of trade barriers only for the countries that have been integrated due to mutual benefits. This is why a significant proportion of theoretical and empirical researches are focused on seeking answers to questions regarding economic integration. It needs to be mentioned that there is no unified definition of economic integration. However, in his flexible interpretation (Balassa, 1961) defines it as an infinite form of integration of different national economies through free flows of goods and production factors. With this definition, Balassa made significant theoretical contribution introducing a five steps concept of regional integration. Some authors claim that from the current perspective, Balassa's integration stages seem outdated but still important for the study of doctrinal, historical, economic and political views, reasons and motives for emergence of such large integrations.

According to Ibreljić (1994) political debates are nowadays particularly frequent in developed and underdeveloped countries and their intensity depends on numerous factors such as state's centralization and decentralization, its national structure of the population, level and dynamics of global development, etc. McCormick (2015) believes that the advantages of common policy are evident in two main fields. First, open economies grow faster than those with limited access. Trade opens new possibilities and new jobs, provides customers with a wider choice of goods and services at lower prices, increases competitiveness, creates pressure for the removal of regulatory flaws, and fosters efficiency and innovation. Prokopijević (2005) states that research methodology for studying economic effects of integration is a complicated task. He points out the lack of consistency regarding the measurement procedure, which is why the results of various measurements are controversial. In terms of the model used, the studies are generally divided into a priori and a posteriori. The former are conducted based on the model, regardless of the actual results of integration while the latter are based on attempts to observe and measure the actual results.

3. Review of previous research

Trade flows may be defined as intraregional if carried out within regional integration and extraregional if carried out with third countries, nonmembers of specific regional integration. The first attempt of the promotion of intra-ASEAN trade through institutional

integration within regional trade preferences was registered at the summit in Bali in 1976 when the preferential trade agreement was accepted. Despite the initial promises and enthusiasm, (Bilas, 2005) states that the agreement had little effect on intraregional trade. The suggested decrease of tariffs was too low so as to have any effect on trade flows. In addition, the preferential trade agreement was not adequate in terms of nontariff barriers that proved to be larger obstacles to trade than tariffs. As (Menon, 2005) states, intraregional trade (S_i) is most frequently measured by the share of the total intraregional trade (import and export included) in region's total trade: $S_i = t_{ii}/t_i$, where t_{ii} is intraregional trade of region i , while t_i is the total trade of region i . Menon further emphasizes that in 2008 the share of the total intraregional trade in the total ASEAN trade was 50.2%, with the largest share registered by Myanmar (56.8%) and Singapore (55.6%). However, if the total trade is divided into intraregional import and export, it is evident that the ASEAN extraregional export amount as much as 74.1%. This means that the ASEAN members mainly export outside their regional integration, meaning to the rest of the world while they mainly import from the regional integration member states. Laos seems to differ from the other members as it has high intraregional export and extraregional import.

Statistical reports indicate that unification of a market brings an expansion of EU domestic trade and increases its openness to the world. The value of domestic trade in goods and services is significantly above foreign trade, even though since the formation of a single market the EU has taken the role of world's first exporter from the USA. The openness of EU economy towards the world, when measured by the share of export of goods and services in GDP, increased from 10% to 12%, thus coming closer to the USA (13.5%) and exceeding Japan (9%). The goods marketed in the EU needs to be subjected to customs duties and to satisfy all other criteria specified by competitiveness.

Grgić and Bilas (2012) conceptually divide the effects of integration into static and dynamic. Static effects are those functioning in the short run and observed immediately after integration and include: trade creation and diversion, production allocation, consumption, and trade relations. Dynamic effects are manifested in increasing competition, reaching production optimum, investment effects, etc. and as such, they are usually evident in the long run.

In the EU context, static gains in welfare as a consequence of unifications amounted 1 to 2 percent GDP, while dynamic benefits were assessed as much higher. The responsibility for establishment and function of a single market lies with the EU Commission which annually reports to the European Parliament and The Council of Ministers. In recent years, the Commission has invested efforts to provide harmonization of business conditions for financial services, tax legislation, etc. The EU reached the status of common market at the beginning of 1993. According to Vojnić (1993), there are numerous potentially positive and negative effects of regional economic integration. However, under present conditions one of the most important options is to stay aside. Hence the main assumption of the paper is that in integration with larger and developed countries less developed countries can significantly prosper. In the context of the research problem, we need to point to potential negative effects as well. Deeper integration may turn less developed countries rich in

natural resources into an instrument of concession extraction, bearing in mind various forms of adjustment to the standards of large and developed countries. The essence of economic integration is the creation of more favorable terms of company's business activities within integration. These terms are mainly evident in the creation of common market in which member states perform their activities under different, more favorable conditions than non-member states.

4. Methodology of the Empirical Research and Discussion of the Results

4.1. Analysis of the effect of integration on GDP

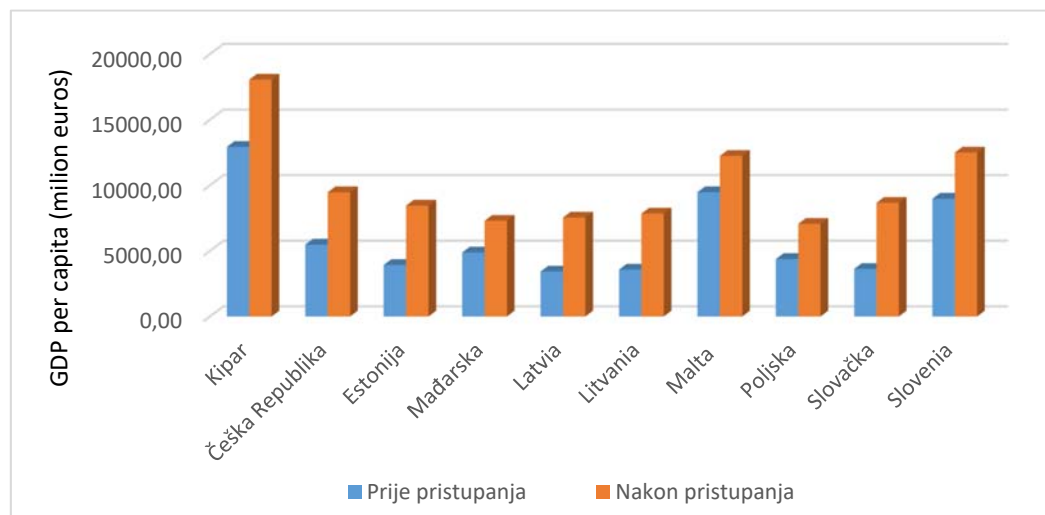
The most frequently used macroeconomic aggregate in economic analyses of a particular economy as well as its comparison to other economies is GDP. The following part of the paper brings the GDP per capita for EU member states within the fifth enlargement, for the five-year period prior and after their accession. The table shows the descriptive-statistical parameters for the analyzed variable (GDP per capita) for ten EU member states that joined the EU during its fifth enlargement in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. The data show the average GDP per capita after the accession compared to the average value during the five-year period prior to their accession.

Table 1. *GDP per capita*

Ordinal number	EU member state	Before the accession (1999-2004)	After the accession (2005-2010)
		$\mu \pm \sigma$	$\mu \pm \sigma$
1	Cyprus	12,925.00 \pm 846.07	18,050.00 \pm 1,569.89
2	Czech Republic	5,475.00 \pm 754.43	9,466.67 \pm 1,428.50
3	Estonia	3,925.00 \pm 556.03	8,450.00 \pm 1,805.30
4	Hungary	4,875.00 \pm 950.00	7,291.67 \pm 433.71
5	Latvia	3,425.00 \pm 350.00	7,541.67 \pm 1,706.38
6	Lithuania	3,575.00 \pm 427.20	7,841.67 \pm 1,788.58
7	Malta	9,475.00 \pm 250.00	12,233.33 \pm 1,490.17
8	Poland	4,375.00 \pm 330.40	7,058.33 \pm 1,322.85
9	Slovakia	3,625.00 \pm 512.35	8,666.67 \pm 2,057.06
10	Slovenia	8,975.00 \pm 607.59	12,491.67 \pm 1,257.31

Source: available at http://ec.europa.eu/eurostat/statisticsexplained/index.php/National_accounts_and_GDP/

It is evident that all the analyzed member states registered an increase in the average GDP per capita value when compared to the five-year period prior to their accession to the EU. The most significant increase after the accession was registered for Cyprus, Slovakia, the Czech Republic and Poland, Latvia and Lithuania, whose average GDP rates almost doubled in value (see the graphic presentation).

Chart 1. GDP per capita

The following Table 2. shows the results of testing the statistically significant difference in the average value of GDP per capita in the five-year period before joining the EU (1999-2004) and the average value of GDP per capita after joining the EU (2005-2010).

Table 2. Results of testing the statistically significant difference

Ordinal number	Accession	Before the accession	After the accession	P
		$\mu \pm \sigma$	$\mu \pm \sigma$	
1.	Fifth	4,460.00 \pm 2,829.39	5,165.00 \pm 1,178.88	0.000

Since $P < 0.05$ (5% significance or risk level), there is a statistically significant difference in the average value of GDP per capita before and after the accession for the ten countries that became members within the fifth enlargement. As previously showed, these member states registered a significant increase in GDP after their integration when compared to the period when they functioned as individual states in various bilateral and multilateral agreements. Economic development is usually expressed by means of GDP, which in the regional context may be used for measuring macroeconomic and growth and it may serve as the basis of comparison among regions. Hence, Cyprus, the Czech Republic and Slovenia registered a double GDP than before the accession while for Estonia, Latvia, Lithuania, Poland and Slovakia that growth was triple. It can therefore be stated that regional economic integration significantly influences the growth of GDP over the medium term and directly contribute to the profiling of macroeconomic stability.

4.2. Analysis of the effect of EU integration on unemployment rate

As Begg (2010) states, unemployment rate and its increase or decrease as a general indicator is seen as one of the most difficult consequences of any economic crisis. At times when production decreases there is less need for labor force. New unemployment does not occur, new workers are not hired but opposite tendencies appear and existing workers are fired. Okun's law shows precisely the key link between market output and labor market. It

describes the link between short term changes in real GDP and unemployment, whereby 1% increase in the unemployment rate, a country's GDP will be roughly an additional 2% lower than its potential GDP. Begg also states that unemployment is one of the key issues in modern economies. A high rate of unemployment with the tendency for further growth leads to resource dissipation, lower income and consequently general apathy and crisis. In order to understand country's economy, it is important to know the number of jobs opened or closed, the percentage of active labor force, and the number of persons that became unemployed.

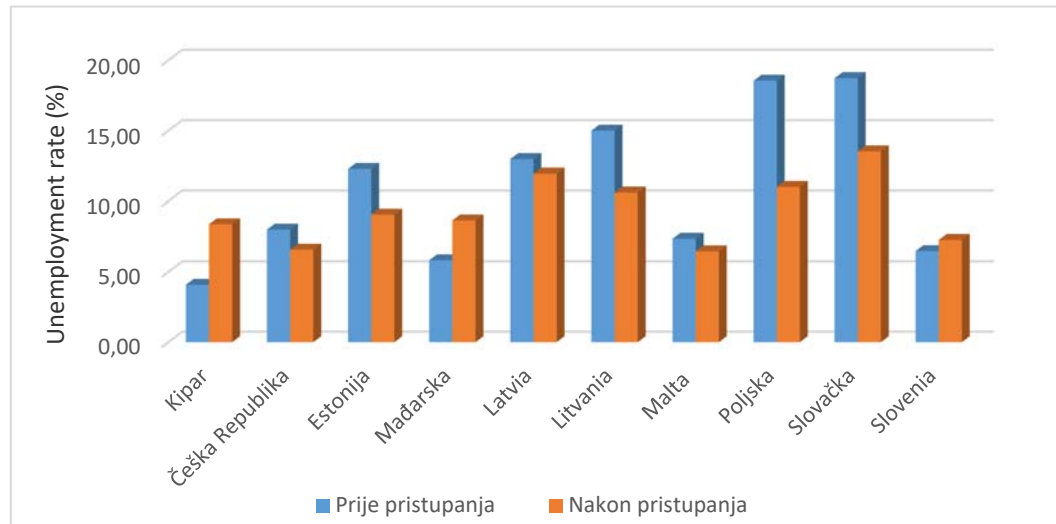
Labor force is made of persons who have a job or are registered as job seekers, while unemployment rate is defined as the percentage of labor force that is unemployed, provided that they are registered as job seekers. Unemployment is the concept under which a part of working age population cannot find an appropriately paid job in accordance to their competences and qualification. This concept also includes all the society members that are partially employed but their labor force is not used to the full; they do not work full hours and their income is insufficient for a normal life. The following table shows the descriptive-statistical parameters for the analyzed variable (unemployment rate) compared to the working age population among ten EU members states that joined the EU during its fifth enlargement: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

Table 3. *Unemployment rate in relation to working age population*

Ordinal number	EU member state	Before the accession (1999-2004)	After the accession (2005-2010)
		$\mu \pm \sigma$	$\mu \pm \sigma$
1	Cyprus	4.08 \pm 0.54	8.38 \pm 4.92
2	Czech Republic	8.00 \pm 0.63	6.58 \pm 1.16
3	Estonia	12.28 \pm 1.91	9.07 \pm 3.64
4	Hungary	5.83 \pm 0.33	8.66 \pm 1.87
5	Latvia	12.98 \pm 1.18	11.94 \pm 4.28
6	Lithuania	15.00 \pm 2.30	10.59 \pm 4.13
7	Malta	7.35 \pm 0.45	6.46 \pm 0.53
8	Poland	18.55 \pm 1.80	11.00 \pm 3.91
9	Slovakia	18.73 \pm 0.75	13.53 \pm 2.35
10	Slovenia	6.48 \pm 0.26	7.27 \pm 1.89

Source: available at http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics/

The table shows that the majority of the analyzed EU member states registered increased unemployment rate in relation to working age population after they joined the EU. The highest drop in unemployment rate was registered in Slovakia while Malta saw the lowest drop in unemployment. Cyprus, Hungary and Slovenia did not register this decrease. The following graph shows the average unemployment rates before and after the accession per the ten EU member states within the fifth enlargement.

Chart 2. *Unemployment rate in relation to working age population*

The following Table 4 shows the results of testing the statistically significant difference in the average unemployment rate in the five-year period before joining the EU and the average unemployment rate after joining the EU.

Table 4. *Unemployment rate*

Ordinal number	Accession	Before the accession	After the accession	P
		$\mu \pm \sigma$	$\mu \pm \sigma$	
1	Fifth	11.29 \pm 3.75	9.03 \pm 3.50	0.042

Since $P < 0.05$ (5% significance or risk level), there is a statistically significant difference in the average value of unemployment before and after the accession for the ten countries that became members within the fifth enlargement. As previously showed, the majority of these member states registered a significant decrease in unemployment in relation to working age population after their integration when compared to the average unemployment rate in the accession period. The largest drop in unemployment was registered in Poland, Slovakia, Lithuania, Estonia and the Czech Republic while the lowest drop was registered in Malta. This means that regional economic integration had a significant impact on business activities in the EU due to the access to a much larger market. This access created the potential for utilizing market's positive values by means of using economies of scale, making higher profit, and opening new jobs, which manifests in a significant drop in unemployment over the medium term in the countries after the integration, which contributes to the entire macroeconomic stability.

4.3. Analysis of the effect of EU integration on foreign trade

(Paspalj,2016) states that the creation of common market and independent administration of equally represented member states was aimed at preventing national and other types of monopoly, enhancing unity, increasing stable economic growth, creating positive influence on standard of living and good economic basis for the development of integration process.

(Salvatore, 2014) also states that foreign trade or import coverage by exports is a very important indicator of company's competitiveness. For developing countries export creates opportunities for employment and income needed to pay numerous products they are not able to produce as well as advanced technology required. In the long run, states strive to keep import and export balanced and they see foreign trade as one of the most important forces of economic growth. Countries with developed foreign trade have the so called open economy that enables them to specialize in the production for which they have most favourable conditions. It would increase their productivity and consequently the standard of living of their population. Open economy freely established relations to other economies worldwide while the so called closed economy does not cooperate with other world economies.

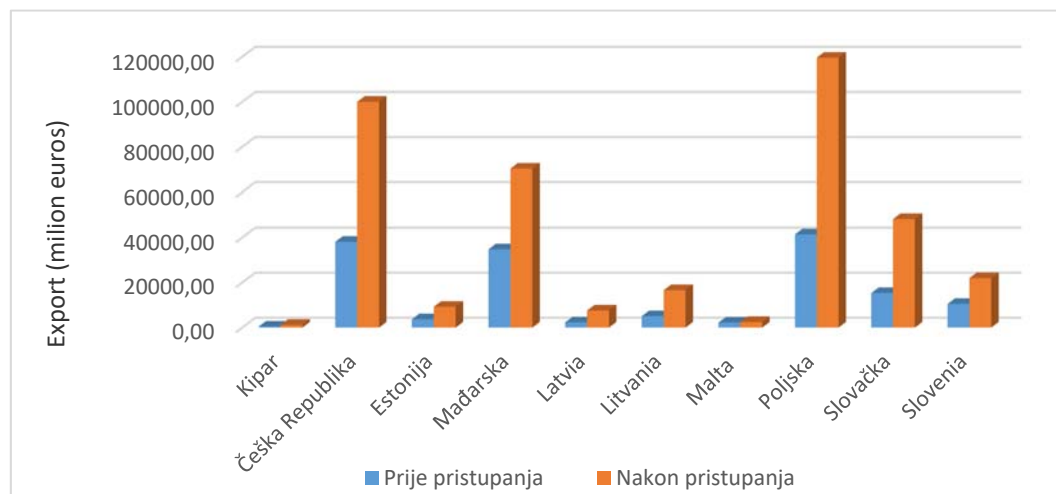
As the main flows of goods in international economy are export, import and net export, the following part of the paper brings the comparison of export in millions of euros (millions of ECU) as one of macroeconomic indicators among the new EU members for the five-year period prior and after their accession. The following table shows the descriptive-statistical parameters for the analyzed variable (export value) for ten EU member states that joined the EU during its fifth enlargement in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

Table 5. *Export value*

Ordinal number	EU member state	Before the accession (1999-2004)	After the accession (2005-2010)
		$\mu \pm \sigma$	$\mu \pm \sigma$
1	Cyprus	447.75 \pm 27.94	1,189.42 \pm 257.58
2	Czech Republic	38,117.00 \pm 5,022.11	100,015.58 \pm 27,929.72
3	Estonia	3,696.00 \pm 231.79	9,245.33 \pm 2,745.34
4	Hungary	34,776.75 \pm 3,301.76	70,330.08 \pm 13,999.94
5	Latvia	2,307.75 \pm 231.36	7,589.67 \pm 2,911.97
6	Lithuania	5,082.75 \pm 993.47	16,612.25 \pm 6,191.01
7	Malta	2,206.25 \pm 306.68	2,461.17 \pm 439.55
8	Poland	41,398.25 \pm 5,560.71	119,617.17 \pm 37,247.99
9	Slovakia	15,354.25 \pm 2,816.02	48,243.50 \pm 15,788.89
10	Slovenia	10,522.25 \pm 787.64	21,983.83 \pm 4,861.44

Source: available at http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext_it_intertrd&lang=en

The table shows that all the analyzed EU member states registered increased average value of export after they joined the EU when compared to the average value of export in the five-year period prior to their accession. The largest increase of export was registered in Poland (by EUR/ECU 78,218.92 million), the Czech Republic (by EUR/ECU 61,898.58 million), Hungary (by EUR/ECU 35,554.00 million), and Slovakia (by EUR/ECU 32,889.58 million). The graphic presentation is given below.

Chart 3. *Export value*

The following table shows the descriptive-statistical parameters for the analyzed variable (import) among ten EU member states that joined the EU during its fifth enlargement: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

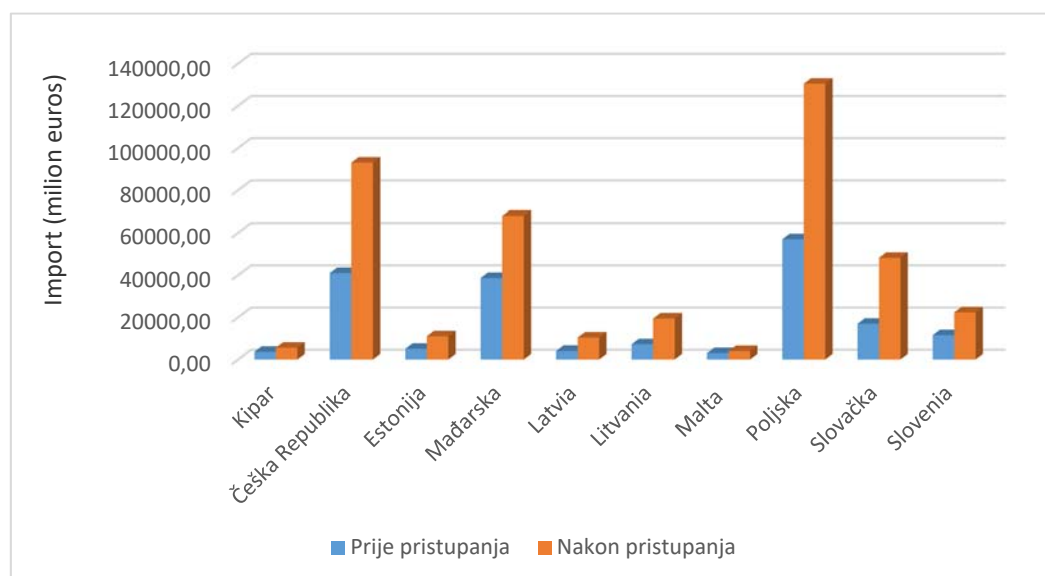
Table 6. *Import value*

Ordinal number	EU member state	Before the accession (1999-2004)	After the accession (2005-2010)
		$\mu \pm \sigma$	$\mu \pm \sigma$
1	Cyprus	3,653.50 \pm 220.40	5,615.50 \pm 814.47
2	Czech Republic	40,967.75 \pm 4,735.29	93,045.42 \pm 22,479.42
3	Estonia	5,052.50 \pm 481.44	10,990.25 \pm 2,621.67
4	Hungary	38,639.50 \pm 3,188.35	67,994.50 \pm 10,855.31
5	Latvia	4,071.75 \pm 497.58	10,386.50 \pm 2,772.76
6	Lithuania	7,233.75 \pm 1,267.62	19,401.00 \pm 5,774.72
7	Malta	3,043.50 \pm 435.56	4,009.25 \pm 867.68
8	Poland	56,988.25 \pm 3,146.40	130,430.08 \pm 33,774.46
9	Slovakia	16,937.00 \pm 2,535.04	48,183.58 \pm 14,011.75
10	Slovenia	11,536.00 \pm 527.23	22,298.17 \pm 4,130.42

Source: available at http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics/

The table shows that all the analyzed EU member states registered increased average value of import after they joined the EU when compared to the average value of import in the five-year period prior to their accession. The largest increase of average import was registered in Poland (by EUR/ECU 73,441.83 million) and the Czech Republic (by EUR/ECU 52,077.67 million). The graphic presentation is given below.

Chart 4. Import value



The previous tables and graphs were used to present the results of the average values of export and import in millions of EUR/ECU in the five-year periods before and after the accessions. The paper now brings the average values of foreign trade for the EU member states that joined the EU during its fifth enlargement. The table shows the descriptive-statistical parameters for the analyzed variable (foreign trade value) among these countries.

Table 7. Foreign trade value

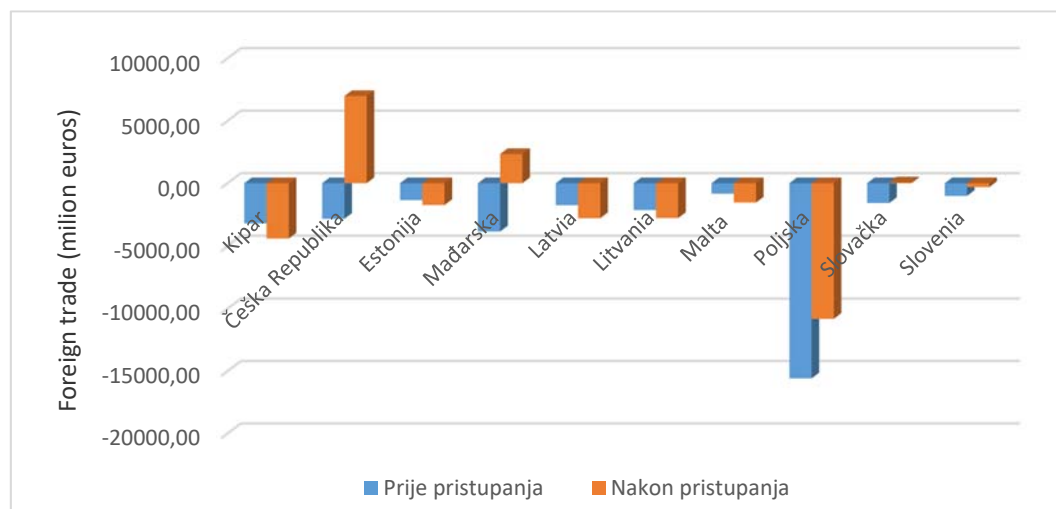
EU member state	Before the accession 1999-2004	After the accession 2005-2010
	$\mu \pm \sigma$	$\mu \pm \sigma$
Cyprus	-3,205.75 \pm 207.93	-4,426.00 \pm 894.59
Czech Republic	-2,850.75 \pm 461.38	6,970.17 \pm 5,945.09
Estonia	-1,356.50 \pm 277.88	-1,745.00 \pm 899.88
Hungary	-3,862.75 \pm 439.65	2,335.33 \pm 4,099.11
Latvia	-1,764.00 \pm 266.56	-2,796.83 \pm 1,113.85
Lithuania	-2,151.25 \pm 290.06	-2,788.83 \pm 1,356.31
Malta	-837.00 \pm 160.57	-1,548.33 \pm 703.88
Poland	-15,589.75 \pm 2,436.40	-10,812.75 \pm 7,927.12
Slovakia	-1,582.75 \pm 901.68	59.92 \pm 2,137.79
Slovenia	-1,013.75 \pm 361.93	-314.25 \pm 1,177.89

Source: available at <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

What is evident is that the EU member states such as the Czech Republic, Hungary, Poland, Slovakia, and Slovenia saw improvement of foreign trade or reduced imbalance between import and export. The highest improvement of foreign trade was registered in the Czech Republic (by EUR/ECU 9,820.92 million) and Hungary (by EUR/ECU 6,198.08 million). The research results lead us to conclude that the member states such as Cyprus, Estonia,

Latvia, Lithuania and Malta saw a decline in foreign trade and consequently increased imbalance between import and export. The most serious decline in foreign trade was registered in Cyprus (by EUR/ECU 1,220.25 million) and Latvia (by EUR/ECU 1,032.83 million).

Chart 5. Foreign trade value



5. Conclusions and recommendations

The experiences of the analyzed countries show that joining the EU is not only a foreign policy priority and goal alone. The basic macroeconomic aggregates, observed in the five-year period before and after their accession, indicate that the process of European integration (which should certainly be a common strategic goal) is important for macroeconomic stability as a whole. Macroeconomic stability within the framework of regional economic integration needs to be an imperative and a real chance for faster overcoming present limitation. It should be observed as a significant advancement in achieving country's interests and expected benefits evident in inevitable reshaping and modernization of economy, mobility and retraining of labor force from less competitive industry towards those able to equally participate in market competition. In addition, it allows for the access to common market, which opens the possibilities for placement of products and services, as well as the access to a wider market of capital, equipment and developed technological and innovative solutions. The profiling of macroeconomic stability is primarily the recommendation for the countries striving for regional integration. In that way they could reach improvement of other fields that need to go hand in hand with economic reforms such as harmonizing legislation through promotion of the rule of law, building democratic institutions, reforming public administration, and supporting regional cooperation. This guarantees the overall stability and trust as the prerequisite for capital transfer.

The examination of macroeconomic aggregates before and after joining the EU, as one of the most important regional integrations, allowed for the interpretation of recommendations regarding the benefit of regional economic integration for the countries striving for such process from the aspect of using available resources through various sources of financing, aimed at decreasing unemployment as well as increasing per capita income, foreign direct investment, which would have the overall influence on the socio-economic status of these countries. It can be concluded that the research hypothesis that by joining the EU new member states that constitute part of the fifth enlargement profile and achieve their macroeconomic stability has been confirmed.

The EU as a political, cultural, and economic area has clear goals of preserving and increasing economic advancement and growth based on free market for the welfare of all its citizens and strengthening and improving social security and welfare. As such, it imposes the process of European integration as a wide adaptation of policies, institutional framework and legal system aimed at reaching European standards in all fields.

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