

Ulcinj in the global economy and its development paradigm

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Abstract:

Cities are the location of the great majority of economic activity in the global economy, and produce a disproportionate share of output. It is thus critical for the economy's long term growth that cities operate efficiently. Progress and development require initiative which does not fall from the sky! The initiatives always have obstacles. Today, those countries which overcome the obstacles of new initiatives are called developed countries. Major initiatives have mostly been directed to private property and the strengthening of institutions based on private ownership. Private property is a means to limit the power of rulers and their despotism. Improved competitiveness, as we all know, is the path to economic nirvana. Link in amongst the science of economics and physics is very closely. It can be explained through quantum physics and the "invisible hand". It is very important for development in the global economy. As cities increasingly engage in competition with one another at different levels, the determinants of competitive advantage are coming under intense scrutiny. Many an economic development strategy – whether at national, regional or urban level - starts from the premise that 'something can be done' to make an economy more competitive. Economic growth at any level of aggregation is determined by a combination of growth in resources devoted to production and the growth in the productivity of those resources.

Key words: global economy, Ulcinj, development, paradigm, tourism

DEVELOPMENT PARADIGM OF GLOBAL ECONOMY

"The essence of the research on the new development paradigm, in particular within the institutions tasked with the international development, is focusing on the links between poverty, protection of human rights and development" (Civici, 2007, 77).

There are four mega changes occurring in the world today important for understanding the development of cities:

- 1) Development of a global economy;
- 2) The weakening of the nation-state;
- 3) A New economic theory;
- 4) A new view into the world

The development of a global economy- Western countries are based on the development of an economy being integrated into a unified system. The cities of these countries also follow the theories of global economy development based on the increasing of competition amongst the cities not only in the state where they are located but within a broader regional district. Today there is the competition of foreign investment absorption and openings of enterprises from outside amongst the cities in the region of *Emilia Romagna* best known as an industrial region in Italy and Bavaria in Germany and not among the cities within a state. A development of the global economy in this way increases the circulation of enterprises and develops cities that cannot be developed within the state capital. The same thing should be applied in the Western Balkans because no city can achieve a rapid economic development unless it competes in the market to absorb the global economy at putting their activity in their city.

The weakening of the nation-state- Today in the global world we are dealing with integration and the removal of state borders. This leads to the emergence of cities shown as carriers of all economic activities. The XXI century can be called the century of cities, because all crucial decisions of economic development are being agreed at the local level. This is mainly because the previous centralized system was not efficient in this area and cities were not carriers of important economic activities. With the decentralization of powers in the field of economy the decisions makers are closer to the population and development strategy of each city which is planned on the basis of a real potential.

The new economic theory- Each period has its own current economic theory. Economic theories that have been present to a certain period of time cannot be applied in every period. After the application they remain a theory known for economy, which were implemented in a certain period, such as Adam Smith with his book "The Wealth Of Nations" which is characterized by the "invisible hand"; David Ricardo who spoke about the comparative advantages in the period when England was the world superpower. The Keynesian theory has emerged as a result of giving great response to the economic crisis! Hayek and Mises have given a response to the power of the welfare state!

It is very important to understand that the changes of circumstances have also changed the economic theories!

There are two approaches: (a) stay on the dream of our great economic thinkers in the past; (b) open our eyes and see the heart of an economy that is going on around us.

Today the current theories for the development of cities in the global economy are: local economic development, the theory of creative cities and intelligent cities. Regarding theorists of these areas we can mention: Charles Landry, Edward de Bono, Richard Florida and Michael Porter.

A new view into the world- People are imprisoned within conceptual frameworks. These are usually inherited. We accept many things without asking why is that so! The conceptual framework in recent history has a deep entrenchment in scientific thinking. Thus, the current view into the world was formed about 400 years ago and under the influence of mechanical Newtonian paradigm forecasting the world. However, architects of mechanical view of the world, Newton and Francis Bacon, mocked with Plato and Aristotle arguing that their teachings were "plain stupid"; and Rene Descartes who found the key to the development of world in mathematics. Newton using the teachings of Descartes came to the law under which the planets rotate and the reason "Why the apple falls to the ground".

Mechanical appearance is associated with the cause-effect mechanism, the laws of nature, or security and determinism. This is an "objective" world of tangible, visible and material. A view into the world has had an impact on the thinking of economists. We can observe such coincidence between Newton's invisible power of gravity which implies the solar system and Smith's invisible hand (competition) which implies the economic system. Competition is understood as gravity! Or the basic postulates of Keynes economy: if the interest rate rises, employment falls; or if unemployment increases, inflation decreases and so on.

However, the study of atomic and subatomic world in the twentieth century revealed the unexpected limits of classical idea to make the necessary radical revision of many basic concepts.

"The notion of matter in physics subatomic for instance is completely different from traditional ideas and materialistic life of classical physics. The same is applied to concepts such as: space and time, or cause and effect. These terms are, however, the basis of our perception to the world, and their radical change also changes our entire world view." (Capra, 2006, 5)

The world is much more complex than shown in classical physics. Quantum physics has revealed this complexity (Capra, 2006, 5). Physicists of quantum physics such as Hawking, Heisenberg and Pine are compared to theories of global economy in the new development paradigm.

But what happened with the emergence of quantum physics? Have we entered a world of ambiguity?

World chaos! The world of anarchy! Is there any similarity between the complex world of quantum physics and global economy? In the sphere of global economy the world is full of interdependent variables. This is a system which is dynamic and not always predictable! In this world of complexity a small change in one variable can have major and unexplained changes in another country (the theory of chaos known "butterfly effect").

Can the global economy be called "quantum economy" because of the similarity with quantum mechanics?

This new view takes into account the chaos and uncertainty of the world and the way which explains a better understanding of the global economy.

Why some nations are rich and others poor? This issue was discussed by David Landis (1998) in his detailed study "Wealth and Poverty of Nations"!

ULCINJ IN GLOBAL ECONOMY

Which way should Ulcinj choose at the practical level in its development paradigm?

They are two important facts to me:

- 1) The existence of the global economy
- 2) The size and economic power of Ulcinj, i.e. € 80,897,109.56 of annual turnover of enterprises and 19,921 citizens.

The new system of economic development of Ulcinj is based on contemporary economic theory popular in the global economy that enables an accelerated and sustainable economic growth.

The new concept of development is based on the local economic theory and the theory of "creative cities", where the basis of the development will be the tourism industry.

The new concept will be directed to development and not maintaining the current economic situation. It is a concept which is linked to the entrepreneurial system and not to the system of a social economy. It is a concept where the economic development is primarily related to business and private capital investment and not to state institutions or public enterprises. This is a concept where the economy of Ulcinj tends to be globalized so as to become part of global and competitive economy.

Is this a suitable concept for Ulcinj and will it lead to a path of prosperity and welfare of citizens?

What is LED? It is a continuous and planned process in which besides local governments participate actors (the public sector, the business sector and citizens) in order to create favorable conditions for economic growth, economic development and improving the quality of living of the population.

So, local authorities are obliged to create the best conditions for the improvement of the business environment to attract new enterprises to operate in the city, to attract foreign investments, to do the drafting of the development strategy, to do the application of the instruments of local economic development and creating a more favorable fiscal environment, in order to increase the standard of living of the population and a rapid and sustainable economic development.

Based on instruments of local economic development this is possible to be achieved. The most developed cities in the global economy have based their activities on this theory and their success has not been forthcoming.

Business entities result in an increase in activity and in its annual turnover. The application of this theory would affect these parameters grow larger, because commercial entities operate in countries where the conditions for the exercise of their activities are more affordable.

Based on the report of UNCTAD (2010), where the creative economy is one of economic branches, which has had a steady increase of double digits throughout the period from the beginning of the XXI century and also during the global financial crisis, we can also mention that Ulcinj has a very strong foundation for the development of the industry based on the theory of "creative cities". Nowadays around 9% of the population works in this field. "A creative industry liaisons with tourism industry and culture through an urban regeneration following the example of European cities such as: Rotterdam, Bilbao, Manchester." (The Municipality of Kotor, 2012, 13).

Ulcinj is rich with untapped wealth of natural and cultural heritage which has been protected since Illyrian time, with two old towns (Old Town of Ulcinj and the Old Town of Shas). A combination of their urban regeneration for the function of the tourism industry can be the basis of linking this triangular cooperation. As a result there can also be developed other branches of creative industry for the function of tourism and film industry, big international concerts etc. These can be the means to encourage the economic development, therefore achieving the best identity in a wider environment, especially in synergy with tourism.

A city should recognize the strength of the global economy as a means to revive and enrich its country. A city must also avoid the evil tumors that endanger the society and economy (corruption in administration, reduction of state bureaucracy, removal of failed public enterprises, etc.).

The world is not a place where one can escape, but it is a source of opportunity and prosperity. For this reason, Ulcinj should attract a lot of immigrants with higher education. We must change the way we look in the countries of the world, to

open the global economy in order to encourage foreign investors to begin to invest in the area of Ulcinj. When the city works with the rest of the world it will less feel the crisis which could hit the country in which the city lies.

Will there be enough people in Ulcinj to realize their dream? The population of Ulcinj knows that the solution to the problem is not in Ulcinj. The chance of presenting them differently on the global stage is natural and necessary.

How can the financial capital be retreated? The excess of capital in developing countries requires the expansion of opportunities. We need to understand the logic of the global economy, so that we can attract companies, consumers and the capital in our region. According to the global architect of economy Kenichi Ohmae in his book *The Next Global Stage: Challenges and Opportunities in Our borderless World* states that: "The withdrawal of foreign capital, telecommunications, corporations and consumers compose 4 factors that enable the emergence on the global stage" (Ohmae, 2005, 24).

Today after oil and automobile industry, tourism has become the strongest economy in the world. The development of tourism in the world is closely linked to industry and urbanization processes with technical and technological developments. It is also linked to social ways of living and cultural and recreational needs of urban contemporary man. The tourism industry can be the basis for the development of any country. According to the World Tourism Organization (UNWTO) in 2012, tourism is expected to increase to 1 billion visitors. Tourism economy represents a great economic branch with over 221 million employees worldwide and gross sales exceeding to \$ 3 trillion (Moutinho, 2000, 35-37). According to the World Tourism and Travel Council (WTTC) the tourism industry represents nearly 11% of GDP of the world.

According to the research published by the World Tourism Organization in its edition of *Tourism Highlights 2009*, it provided further and constant growth of the tourism industry in the world especially in Europe, to nearly 4.1% per

year. So it is estimated that in 2020, the total number of visitors will grow to even 1.56 billion of which only 717 million on the European continent (UNWTO, 2009, 11-13).

According to some citations of UNWTO in 2009, the specialized agency of the United Nations and the leading international organization in the field of tourism is expected that in the future tourism will give an important contribution to global economic growth. This organization, which acts as a global forum for tourism policy issues, estimates that tourism will grow at an average rate of 4% per year. It is also expected that in the decade ahead will also come to an increase in movements when it comes to major tourist destinations.

Based on projections forecast for the growth of tourism in the long term, taking in consideration that Ulcinj has especially this industry as a basis for its activity development, we can conclude that Ulcinj in the paradigm of its development should focus on the development of this industry which will bring an increased welfare development.

CONCLUSIONS

For all questions about this issue we have to answer in the context of the global economy which means that the new paradigm of Ulcinj in the global economy should be based on successful theories of economic development that are applied in practice for a successful and a rapid economic development. To understand a city as a whole it should be limited to economic and less political issues, because as mentioned above the global economy borders are disappearing. With the loss of power of the state in the economic sphere and the transfer of powers to local institutions and its integration in the global economy we are dealing with the loss of power of the state, where competence is transferred to the economic development of cities. Now, it appears only a power, that of a global economy i.e., the power of the market (capital). This is a power that does not force anyone, where each city can compete amongst mutual provisions to

absorb the capital as much as it can. Cities that will not come to the capital will be dedicated to destruction.

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