

УДК 339.92 (045)

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## **REGIONALIZATION OF THE WORLD ECONOMY**

*In the article is analysed regional of trade and economic relations, it is determined that the structure of the world economy, it is determined that in the structure of the world economy has already formed certain segments of spatial - regions as subsystems of the world economy, the main ones are the regions of the triad: the European, North American and Asia-Pacific.. The main criteria for the selection of these regions recognized propensity for intra interaction, its complexity, scope and duration of the economic relations.*

*Necessity for a comprehensive account of the direction and intensity of the impact of many factors (both internal and external) determine the feasibility of assess the potential of the integration process is integrated indicators that will generalizing comprehensive and quantitative characteristics of the process of regional economic integration taking place in the world economy at a particular time.*

**Key words:** *regionalization, region, world economy, integration interaction, global integration, integration association, potential.*

The process of the intensification of international differentiation of labor, and internationalization of production and capital adds up to the objective nature of regionalization which is an objective process, based on the hierarchical system of regions; it is related to the optimization of socio-economic structure of the territories through the network of development of relations within the framework of national economy, as well as the cooperation between regions of different levels and different countries which leads to the emergence of new regional taxonomic level. Consequently, *regionalization of the world economy* can be defined as the process of the formation of a new multisystem configuration of the global economic environment which results from the regional trend of global development which main system elements are regions. Their creation depends on the nature of the development of integrative interaction. Intensification and extension of the process of regional integration is a modern feature of global economic development which is evidenced by the emergence of a large number of various integration entities that are an important component of global integration. On the other hand, the process of regionalization itself has acquired global characteristics, as evidenced by the regional orientation and increased goods and service flow and increased production factors within a region.

The development of international economic integration is practically implemented through the complex of certain forms of cooperation not only between countries but also between regions. All these forms of cooperation will vary and have defined institutional framework and, therefore, react in a different way on the impact of globalization as they are different in terms of the scale and socio-economic level; on the other hand they will directly influence the development of global integration. Therefore, regionalization can be classified as the empirical process, which requires a multidisciplinary approach that will allow a research on the topic of regionalization obtain new results in terms of regional diversification and competitiveness in the context of global transformations occurring in the world economy.

Dynamic development of integration processes at the regional and global levels causes the need to study the regionalization process in two aspects, related to the development of internal regions (within a certain country) and the perspective of regional development which results from the integrative basis and brings together several countries (or their territories). Thus, the nature of modern development of the world economy within the

scope of the analysis of the region essence allows not only to define a territorial (or geographical) and a reproductive approach but also an integrative one which is based on the sustainable economic ties, and the high level of complementarity [1,2].

Region as a subsystem of the world economy serves as a space that creates a combination of countries of certain part / continent of the world with the highly intensified economic relations arising from common interests, resources provision, a level of development of productive forces and a pattern of specialization as well as trade complementarity especially through the format of integration association. The emergence of these regions is to some extent driven by the existence of a particular set of common interests that influence the interaction between the countries which in their turn are willing to become a part of certain association [3]. Therefore, the international region as a part of international economy includes both states and certain territories of these states; this fact proves the heterogeneity of its components [4]. Global regional associations form a current configuration of geo-economic and geopolitical map of the world with the spatial features [5].

Members of different levels are actively participating in the process of regionalization, which leads to the emergence of new economic regions, as the microeconomic nature of a region matches the macroeconomic interpretation of its hierarchy [6]. The interregional ties between one region and other regions of the country and regions of other countries form a "system of interacting regions" and every region's economy becomes a part of one or several regional systems [7]. Consequently, the modern world economy is complex, hierarchical and spatial in structure, which is defined by the multileveled taxonomic model which provides that the regions are becoming the level of the meso-organization system of the world that adds a touch of "globality" to the local transformations, bringing the integration and disintegration into balance [8].

From the historical standpoint, global trade relations have never been homogeneous and have always had a touch of regionality. In the course of a bilateral cooperation development, multilateral trade and economic relations have been actively developing within a particular region. The analysis of main trends and stages of international regionalization proves that the world economy structure has already formed certain spatial segments. This fact is evidenced by the existence of regions as subsystems of the world economy with the predominance of the "triad" regions which are European, North American and Asia-Pacific. The main regions structuring criteria were the propensity for intraregional interaction, its complexity, scale and longevity of economic relations.

Mutually beneficial regional cooperation (especially in trade and economy) is the first step towards the integration. The extension of trade cooperation in integration associations promotes the intensification of investment activities. In fact, investments are becoming a key element of economic development of integrating countries. That's why investment agreements have become an essential part of regional integration agreements. Today, the most powerful integration associations like the European Union, NAFTA, and ASEAN develop within the basic triad. Intra-regional cooperation between the associations becomes a rapidly developing and extended one; the associations confirm their status of relatively isolated part of the world economy.

Traditionally, the European Union and NAFTA demonstrate the highest level of intraregional trade (tab.1). More than half of intra-regional trade is accounted for the Free Trade Area of the Americas FTAA (55,4%); it is 25.5 for the ASEAN countries. The volume of intra-regional trade increases to 35.2% if China, Japan and South Korea (i.e. in the form of ASEAN +) are taken into account.

Quality changes happening in regional trade flows create the basis for sustainable development, as the focus is shifting to trade in final goods, as the final goods exchange is more defined and therefore more resistant to the non-cyclic price shocks. This is the case not

only of developed countries, where the processed products dominate the commodity pattern of export. Developing countries and countries with economies in transition are gradually changing their commodity pattern by the same lines. Among them, the highest percentage of the processed products in total export is accounted for Asian countries, thanks to the development of international factory area networks.

Regional integration processes development became more efficient under certain regional integration agreements, compared to the multilateral mechanism of the regulation of trade and economic cooperation [10] and regional trade agreements themselves (hereafter referred to as RTAs) became a dominant trend in terms of a diversified mercantile system.

**Table 1**

**The volume of intra-regional export within integration associations of triad regions**

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>EU (28)</b>										
Total export	4082,7	4606,1	5366,0	5954,9	4613,5	5183,9	6092,3	5812,6	6081,4	6162,2
Intra-regional export (bln \$)	2777,0	3159,2	3674,4	4029,4	3087,7	3390,0	3928,8	3648,7	3775,0	3900,1
Intra-regional export, %	68,0	68,6	68,5	67,7	66,9	65,4	64,5	62,8	62,1	63,3
<b>NAFTA</b>										
Total export	1475,8	1664,1	1840,7	2035,2	1601,8	1964,3	2283,4	2371,9	2417,9	2492,7
Intra-regional export (bln \$)	824,5	901,0	950,0	1012,5	767,9	956,7	1102,2	1151,2	1188,9	1250,7
Intra-regional export, %	55,9	54,1	51,6	49,8	47,9	48,7	48,3	48,5	49,2	50,2
<b>ASEAN</b>										
Total export	656,6	769,8	865,1	989,7	813,8	1050,1	1236,8	1253,7	1272,6	1295,3
Intra-regional export (bln \$)	164,9	191,3	217,9	251,4	201,1	264,8	312,9	324,9	330,8	330,6
Intra-regional export, %	25,1	24,9	25,2	25,4	24,7	25,2	25,3	25,9	26,0	25,5

**Note: the table was drawn up by the author based on the reference source [9]**

With this in mind, regional economic integration is often seen as a form of regional trade agreements. It can be referred to include any type of arrangement in which countries agree to coordinate their trade, fiscal, and monetary policies [11]. One can single out new salient features of regional integration development:

Firstly, countries are trying to make RTAs the key priority of national trade policy because of the failure to adjust trade relations in terms of the multilateral mechanism of the WTO;

Secondly, RTAs are becoming more complex, often setting regulatory regimes that go beyond the multilateral mechanism;

Thirdly, the conclusion of the regional agreements with key developing countries indicates the strengthening cooperation (such as the South-South cooperation);

Fourthly, the number of transregional PTAs is considerably growing compared to the total number of regional agreements.

The World Trade Organization experts distinguish several stages in regionalism process development [10]. The first wave of regionalism occurred in the late 1950s and 1960s. At its center was Europe's push for continental integration. Thus, GATT membership enlargement moved in tandem with tariff-cutting Dillon Round project (1960-1961), and later with Kennedy Round (1964-1967). During this period there were concluded seven intra-regional agreements. In 1970-1979, the number of RTAs (both notified and not notified)

implemented reached 28, with 20 agreements being interregional for the first time.

The second wave of regionalism has gripped not only the European countries but also North and South America, Asia and Africa. In 1980-1999, 177 regional trade agreements were implemented throughout the world; almost 60% of them were inter-regional. Developing countries started to take an active part in the conclusion of regional and interregional agreements. During this period, Europe's drive to expand and deepen its economic integration was a central impetus once again. Europe not only embarked on its "single market". A fundamentally new line of development was the extended cooperation between the countries of Central and Eastern Europe, which was aimed at enlarging EU membership to now existing. In the mid-1990s, the EU also concluded a number of bilateral agreements with countries in the Middle East – (with Israel, Jordan, Lebanon and the Palestinian Authority) and North Africa (with Algeria, Egypt, Morocco and Tunisia) with the intention of forming an open trade area similar to the North American Free Trade Agreement (NAFTA). This newest wave of regionalism had a demonstration effect of influencing the regionalization processes in other regions - North and Latin America (NAFTA, MERCOSUR, CACM, ANCOM), in Africa (COMESA, ECOWAS, SADS), Asia (ASEAN, APEC).

In the 00s there were concluded a record number of regional trade agreements were concluded -more than 350 RTAs – which is slightly more than half of the total number of existing RTAs. The major part of the agreements concluded during this period accounted for the interregional integration initiatives. The slow pace of the Doha Round contributed to the proliferation of regional initiatives around the world. From 1950 to 1990, the number of active preferential trade agreements increased to 70, but in the early 1990s, there was a rapid growth of the number of regional integration initiatives in the world. These years witnessed the growing number of regional trade agreements concluded.

A dynamic creation of regional integration projects together with the Doha Round negotiations inflamed the disputes which concerned the correlation and the potential of multilateral and regional approaches development in the world economy which are becoming more fragmented. The world economy provides that the countries are being a part of several regional trade agreements which are starting to overlap and create not only a complex mechanism of interaction but also increase the competition between several trade regimes. On December 2015 the GAAT and the WOT notified 619 regional trade and economic agreements, 143 of which came into force.

Together with the quality changes there were also qualitative changes in the nature of the regional integration agreements [12]:

1. The move to an open model of regional integration, which is aimed at boosting international commerce rather than controlling trade and economic cooperation (as it was inherent in endogenous concept of regional development which referred to the old regionalism).

2. RTAs not simply reduce tariffs and quotas but also removes other barriers which will contribute to deep integration of countries which is possible only with wide ranging policy (as it was in the European Union) that goes well beyond traditional trade policies

3. The emergence of trade blocs in which countries with different income and level of development are equal partners under the regional trade agreements like "North-South" (this process was started with North American Free Trade Agreement)

4. A growing number of RTAs concluded with remote countries, where cooperation is based on the principles of strategic which is not necessarily related to the factor of geographical proximity and common borders. The one-third of RTAs are concluded between the countries within a certain region, the others are of an inter-regional nature.

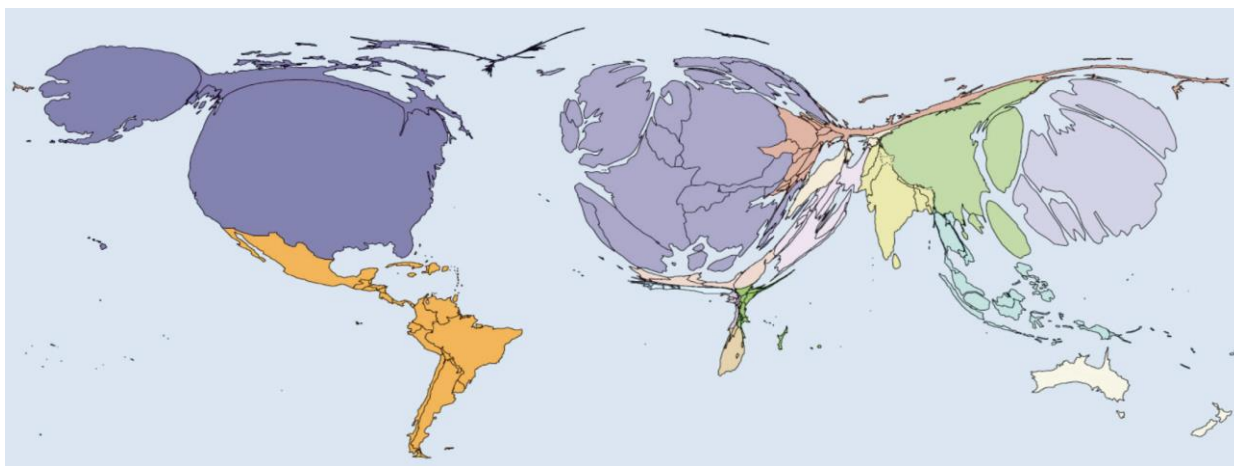
The assessment of the dynamics of RTAs conclusion in terms of their classification by

types allows noticing the following tendencies. On the one hand, there is a growing number of bilateral agreements being consolidated into a plurilateral agreement, on the other hand, existing regional blocs are boosting the regional integration process on behalf of its members. The dynamics of the bilateral and plurilateral agreements conclusion is almost the same. Bilateral agreements are more wide-spread than plurilateral ones.

Liberalisation on a regional basis encompasses the positive effects linked to the removal of barriers in trade, but also accounts for the discriminatory components associated with regional approach. Regional trade liberalisation is a process that can help or hinder multilateral negotiation efforts [13]. Regional free trade areas (FTAs) offer advantages in terms of scope and flexibility compared with global trade agreements. One specific risk to be addressed is the so-called “spaghetti bowl” effect of multiple regional FTAs, which refers to complex webs of preferences that are subject to different rules of origin [14]. Thus appears the need for providing the compatibility of regional agreements under the fundamental rules set at the global level. The transparency of the world trading system should be supported through various mechanisms, particularly those based on bilateral and multilateral approaches. The multilateral regulatory system rules should minimize any side-effect caused by the proliferation of regional trade agreements. And therefore, regional trade agreements and multilateral system of trade and economic regulation should complement each other.

Modern spatial development in terms of the world economy with integrational processes developing not only by regional lines but also by transcontinental lines determines the following factors: spatial concentration of population and urban agglomerations development (density); economic distance is related not only to the remoteness of markets, but also to the level of infrastructure development, which affects the transaction expenses (distance); institutional barriers that minimize the mobility of goods, factors of production, and limit the access to public services that develop human capital (division).

Based on the concept of new economic geography, the World Bank experts created a cartogram which showed the countries that have the most wealth when GDP is compared using currency exchange rates (Figure 1). The results obtained demonstrate not only a disproportion between the economic weight of the countries (by the index of GDP) but also their physical size as well as distinguish main global regions according to the index of GDP.



Source [15]

**Figure 1. The cartogram of the proportion of global gross domestic product of the countries and the regions**

The formation of new economic regions in the world economy is no longer limited by traditional geographic factors such as the availability of raw materials or proximity to the market. In terms of technological development they are likely to be caused by such factors as



a capacity to innovate and "dynamic activities of local communities that through the constant process of adaptation learned how to combine competition and cooperation" [16]. This also allows singling out such a line of integration process development, as transcontinental integration, which is a task-oriented process of creating interstate economic environment between countries which have no common borders and are located in different regions / continents, where a certain form (stage ) of regional integration is settled, the main objective of which is to promote international competitiveness of integrating countries.

The expansion of different integration processes within the main triad regions of the world economy (European, North American and Asia-Pacific ones) embraces the formation of sub-regional, continental, and transcontinental associations based on the principles of open regionalism. With this in mind, one cannot but notice that the strategy of integration development of the countries has two components which are focused on:

1. the features and ways of deepening integrative interaction right within the integration association created (intra-regional component)
2. identifying the directions of integration policy focused on other countries engaged in the integrative interaction within the framework of continental and transcontinental model (internal component).

The process of deepening and expanding integration will depend on balanced use of the development of potential of the integration process, which differ s considerably in the basic models of regional integration used. The need for a comprehensive consideration of the ways and intensity of the impact of many factors (both internal and external) determine the advisability of the integrated indices use for the assessment of development potential for the integration process; as these indices provide a generalizing, comprehensive and quantitative characteristics of regional economic integration process occurring in the world economy at a time.

Now it is safe to say that there is no unified general model of regional trade agreement in the world, because each country or integration association applies, in most cases, an integrated approach to the use of integration agreements in terms of the access to new markets, the increase of the number of investment opportunities, the reduction of transaction expenses, to creation of uniform technical standards and requirements, the protection of intellectual property rights, the creation of common competition policy and transparency of state regulation mechanism. Such a complex approach will contribute to the deepening integrative cooperation with partner countries and the establishment of predictable political conditions that influence the development of trade and economic cooperation with all regions within a certain interstate economic area, as well the expansion of continental and transcontinental integrative cooperation.

The deepening and the expansion of the most advanced models of regional integration existing in the world economy (European, North American and Asia-Pacific) will have the greatest influence on the regionalization of the world economy with further formation of the world global space. The engagement of other countries on a regional, continental or transcontinental basis and the establishment of free trade zones and other forms of "soft" integration will promote the "new regionalism" development and the emergence of fundamentally new integration entities which not of the regional but of the transcontinental nature that fall under the level of international meta-regions in the world economy. With this in mind, development, deepening and expansion of continental and transcontinental lines of regional integration are complementary lines of the world economy regionalization development. Countries choose their own strategy of participation in the processes of regional integration depending on the tasks that are defined by their level of social and economic development, real potential, nature of foreign relations and so on. Considering the integration component of further development of the world countries strategy one should pay attention to

two aspects. First one - the features and areas of deepening the integrative interaction right inside the existing integration associations; Second one - determining the directions of integration policy focused on other countries involved in interaction within the continental and transcontinental models.

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Стаття надійшла до редакції 10.10.2016.

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### **РЕГІОНАЛІЗАЦІЯ СВІТОВОЇ ЕКОНОМІКИ**

*У науковій статті досліджується об'єктивний характер розвитку процесу регіоналізації, що ґрунтується на ієрархічності системи регіонів і пов'язаний з оптимізацією соціально-економічної структури територій. Визначено, що регіоналізація світової економіки є процесом формування нової полісистемної конфігурації світового економічного простору, що виникає внаслідок регіонального тренду глобального розвитку, основними системними елементами якого стають регіони, чие формування визначається характером розвитку інтеграційної взаємодії. Доведено, що сучасною ознакою світогосподарського розвитку є поширення та поглиблення процесів регіональної інтеграції, про що свідчить поява значної кількості різноманітних інтеграційних утворень, що виступають важливою компонентою глобальної інтеграції. З іншого боку, сам процес регіоналізації набув глобальних ознак, підтвердженням чого є регіональна спрямованість та збільшення обсягів внутрішньорегіональних потоків товарів, послуг, факторів виробництва.*

*Проаналізовано регіональність торговельно-економічних відносин, визначено, що у структурі світового господарства вже сформовано певні просторові сегменти – регіони як підсистеми світового господарства, основними з яких є регіони-тріади: європейський, північноамериканський та азійсько-тихоокеанський. Основними критеріями виділення цих регіонів визнано схильність до внутрішньорегіональної взаємодії, її комплексність, масштаби та тривалість економічних стосунків. Доведено, що у рамках основних регіонів тріади розвиваються найбільш потужні інтеграційні об'єднання: Європейський Союз, NAFTA, ASEAN. Внутрішньорегіональна співпраця в рамках об'єднань розвивається більш прискореними темпами, і має значні обсяги, а самі об'єднання закріплюють свій статус відносно відособленої частини світової економіки.*

*У результаті поглиблення інтеграції на мікро-, мезо-, макро-, мега-, мета рівнях, що за ступенем та глибиною охопту національних економік, її секторів та галузей, між країнами утворюється особливий міждержавний економічний простір, що стає базовою основою регіоналізації світової економіки і має відповідний вплив на розвиток глобальної інтеграції.*

*Формування нових економічних регіонів у світовому господарстві вже не обмежується традиційними географічними факторами, що дозволило виділити окрім континентальної інтеграції й такий напрям розвитку інтеграційних процесів як трансконтинентальна інтеграція. У статті доводиться, що трансконтинентальна інтеграція представляє собою цілеспрямований процес створення міждержавного економічного простору між країнами, які не мають спільних кордонів та знаходяться в різних регіонах/континентах світу, в рамках якого встановлюється відповідна форма (етап) регіональної інтеграції, основним завданням якої є сприяння міжнародній конкурентоспроможності країн-інтегрантів. Поглиблення та розширення інтеграції залежатиме від оптимального використання потенціалу розвитку інтеграційних процесів, який суттєво розрізняється за основними моделями регіональної інтеграції. Необхідність комплексного урахування напрямку та інтенсивності впливу багатьох факторів (як внутрішніх, так і зовнішніх) зумовлюють доцільність застосування для*



*оцінки потенціалу розвитку інтеграційних процесів саме інтегральних показників, які надають узагальнюючу комплексну та кількісну характеристику процесів регіональної економічної інтеграції, які відбуваються в світовому господарстві на певний момент часу.*

**Ключові слова:** *регіоналізація, регіон, світова економіка, інтеграційна взаємодія, глобальна інтеграція, інтеграційні утворення, потенціал розвитку.*