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The edition is developed to provide maximum learning through the updated structure of the textbook. In the book "International Economics" the authors consistently highlighted the issues of economic development in the conditions of world globalization and integration processes.

The textbook will be useful for students who are interested in the international economic activity of our country, and the students studying at English-speaking courses.

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Видання має на меті забезпечити максимальний рівень засвоєння матеріалу завдяки оновленій структурі підручника. В підручнику «Міжнародна економіка» авторами послідовно розглянуті питання розвитку економіки в умовах світових глобалізаційних та інтеграційних процесів.

Підручник буде корисним студентам, які вивчають та цікавляться проблемами міжнародної економічної діяльності нашої країни, а також студентам, які навчаються на англомовних проектах.

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ABOUT TEXTBOOK

In conditions of globalization and integration, there is a need to increase the competitiveness of the economic sectors, which is ensured by the investment-innovation processes taking place in the world. International economic activity is manifested in concrete forms of co-operation, the emergence and development of which are conditioned by the nature of socio-economic progress, real challenges and problems that face humanity, individual countries in their multifaceted life.

The processes of diversification are connected with the interpenetration of the economies of different countries, including in the part of the types of foreign economic activity, causing an increase in the level of training of specialists in the field of economics that would ensure the quality management of the country's economy, therefore, the creation by a team of authors the textbook in Ukrainian, and English, will contribute to the formation of the system of economic knowledge in students.

The authors express their sincere gratitude for the cooperation to the reviewers of the textbook: Doctor of Economic Sciences, Professor O. Galenko, Doctor of Economic Sciences I.Guzhva, Doctor of Economic Sciences, Professor K. Shaposhnikov.

ПРО ПІДРУЧНИК

В умовах глобалізації та інтеграції виникає необхідність підвищення конкурентоспроможності галузей економіки, що забезпечується інвестиційно-інноваційними процесами, які відбуваються в світі. Міжнародна економічна діяльність виявляється у конкретних формах співробітництва, виникнення та розвиток яких обумовлюються характером соціально-економічного поступу, реальними завданнями та проблемами, які постають перед людством, окремими країнами в їх багатогранному житті.

Процеси диверсифікації пов'язані з взаємопроникненням економік різних країн, у тому числі і у частині видів зовнішньоекономічної діяльності, обумовлюють зростання значення рівня підготовки спеціалістів в області економіки, які б забезпечили якісне управління економікою країни, тому створення колективом авторів комплексу підручників, як українською, так і англійською мовами, які будуть сприяти формуванню у студентів системи економічних знань.

Автори висловлюють щиру вдячність за співпрацю рецензентам нашого підручника доктору економічних наук, професору Галенко О.М., доктору економічних наук Гужві І.Ю., доктору економічних наук, професору Шапошнікову К.С.

TOPIC 1

WORLD HOUSEHOLD AND INTERNATIONAL ECONOMY

1.1. The essence and characteristics of the world economy
1.2. International economic system
1.3. International economy and its structure

Keywords and concepts:

international division of labor
national economies
internationalization
regularity
world
sphere
systematization
economic system
world economy
economic contracts
International Economics
International Economic Relations

1.1 The essence and characteristics of the world economy

The world economy is a system of national economies that are connected and interact according to the laws of the international division of labor. The interaction of national economies takes place on the basis of a variety of industrial, economic and political relations, which are realized through trade, service provision, capital flows, the exchange of scientific and technical information and cultural achievements, and through the migration of labor force.

Before reaching the modern level of economic interaction, the world community has undergone a difficult and problematic path, which has been undermined by the economic separation of individual countries, hampering progress. There are four main stages of this development:

Stage I. Large geographical discoveries of the XV-XVI centuries – the industrial revolution (the end of the XVIII – the beginning of the nineteenth century).

Stage II Industrial Revolution – the end of the nineteenth and early twentieth centuries.

Stage III. The end of the nineteenth and early twentieth centuries – 60th years of the twentieth century.

Stage IV 60th years of the twentieth century – present.

Throughout history, society has had to overcome not only geographic space, natural and national barriers, but also political dogmas and obstacles to political competition on the path to world unity. However, in today's world there is a sharp differentiation in the levels of development of individual countries. The economic opportunities of countries of different types are uneven, and the goals to which they aspire, more precisely seek their business circles and the political elite. And if the main economically developed countries compete for economic and political spheres, developing countries are struggling for sustainable existence, and countries in the transitive (transitional) economy are going through a difficult restructuring of their economy on the basis of the market.

The common regularity is that economic ties between different types of countries are becoming more diverse, inclusive and mutually beneficial. It is trade in goods, raw materials and services, the creation of joint ventures, cooperation in the scientific and technical sphere, the growing international capital and labor movement, tourism exchange, etc. Strengthening economic ties between countries of different levels of development creates the foundation for a new relationship of good-neighborliness, promotes mutual understanding. The constant improvement of economic systems of life in the world economy is a prerequisite for the development of society, neglecting this leads to economic backwardness and aggravation of social problems.

Characterizing the economic system of the world, one can notice an essential feature in the placement of countries with indicators of economic development higher than the average world - they form several territorially close groups. And this is not just an economic fact, but one of the important regularities of the modern world economy: a polycentric system of its territorial structure is formed. Today's global community, while in a state of globalization, at the same time creates certain systems of integration groups that influence the formation of the structure of the world economy.

The world economy is a system that has many complex structures. The structure is an internal structure of the system and a set of stable ties in it, ensuring its integrity.

Each system has a large number of structures. For example, modern farms distinguish such simple structures as sectoral, social, political, functional, territorial, etc., as well as complex structures - socio-economic, functional-economic, territorial-economic and others. Among the many structures of the world economy, the most important are the socio-economic, functional - economic and territorial.

The socioeconomic structure is understood as the ratio of economic structures and property systems, the nature of the interaction of the state and private capital, the alignment of political and economic forces in the states and in the world as a whole.

The ratio of economic structures and property systems determines in whose hands in one or another country there is wealth and real power. In the world still there are regions where there are pre-feudal arrangements, the influence of the tribal community remains there, and the power belongs to tribal leaders. This, for example, is typical for most countries of tropical Africa, the island territories of Oceania, and others like that. In dozens of countries, feudal property systems are of great importance. This is especially true for the Muslim world. In the countries of Southeast Asia and South America, a landlord economy (farm of latifundia) plays a significant role. However, in some countries, the combination of state and cooperative forms of ownership and the influence of the respective party elites continues to play an important role. These are countries of a centrally managed economy and post-socialist countries of a transit economy.

But most of the economic potential of the world is concentrated in countries where ownership and power are in the hands of private and state-corporate structures. Property and capital concentrate in the hands of big firms. They are the main owners of fixed assets, land and other natural resources, and their financial strength grows. The state also basically provides the legal and organizational and managerial base of the functioning of firms. State-corporate structures directly or indirectly manage production, control politics, influence the sphere of culture, education and science. The development of farming in countries with powerful state-owned corporate structures inevitably goes beyond national markets. The internationalization of economic life has stimulated the development of a variety of international forms of economic activity, such as transnational corporations (TNCs).

The functional and economic structure of the country or world economy depends on the current state of development of the social division of labor in all its forms, including the state of the international division of labor. At the moment, analyzing the state of the economy not only of economically developed countries, but also of developing countries, is not enough to be limited to considering only industries. Almost everywhere is the process of forming interbranch systems, and within countries - and inter-industry complexes. This process is due to the development of technological connections, investment activities and the requirements of modern management and marketing. At the beginning of the twenty-first century. In various regions, world-wide inter-branch systems of energy, materials production, machine building, agribusiness, transport, etc. were formed in different regions.

In economically developed countries, in addition to the listed entities, cross-sectoral systems have been formed that cover national markets and acquire the features of complexes. These are complexes: military-industrial (especially the USA, Germany, France, China); scientific research and design work, or scientific and production (the most developed ones - in the USA, Japan, Germany, Great Britain, France, as well as in Ukraine, China); atomic energy (in all economically developed and largest countries of the transitive economy); aerospace (especially in the USA, Russia, Japan, France, China, and such a complex is also being formed in Ukraine); industrial and environmental. Other interdisciplinary entities are formed, for example, the international tourism industry, the international information industry, etc.

The territorial structure of the world economy is geography of socio-economic, functional and sectoral orientation. For the modern period of international economic development, the wide involvement of countries in international interconnectivity is characteristic. This is due to the fact that the scale of modern production has expanded the national framework. On an international scale, not only goods, but also factors of production, primarily capital and labor, are moved. Covered area was not only the sphere of circulation, but also the sphere of production. For the normal maintenance and development of national production, it becomes necessary to interact with other countries, participate in the international division of labor and exchange. The internationalization of production and of all economic life, which became the basis of the formation of the world economy, is intensified.

Thus, the world economy is an integral part of an integrated system with fairly clear boundaries, qualitative and quantitative parameters. He does not need to be identified with the world economy, which concerns mostly productive forces, their national and regional peculiarities. The difference between the world economy and the world market is that it manifests itself first and foremost through the international movement of factors of production and goods. For the world market is characterized mainly by international movement of goods, international trade. The world economy combines all the basic parameters of the world market and complements it with new essential features connected with the international mobility of factors of production.

Characteristic features of the modern world economy are:
• development of international movement of factors of production, especially in the forms of import - export of capital, labor and technology;

• growth on this basis of international forms of production at enterprises located in several countries, especially in the framework of TNCs;

• economic policy of the states in support of the international movement of goods and factors of production on a bilateral and multilateral basis;

• the emergence of an open-ended economy within the framework of many states and interstate associations.

The peculiarities of the current stage of development of the world economy are:
- liberalization of foreign economic relations of countries, removal of barriers to the transfer of capital, labor, goods between states;

- the tendency towards unification and standardization in various branches of international socio-economic life is actively emerging, and standards common to technology, the environment, activities of financial organizations, accounting and statistical reporting, and the unification of tax policy requirements, to policy in the industry are increasingly being applied. employment, etc.;

- development of the process of transnationalization of production. Economic activity is increasingly concentrated in transnational, multinational enterprises, which largely determines the direction of the international movement of factors of production, international trade; affects the economy and policies of individual countries;

- further development of the process of globalization of economic life. The processes of liberalization, the opening of national economies leads to increased competition between domestic and foreign producers, bankruptcies of domestic enterprises; changes in relative prices and structural shifts. Not always the liberalization of foreign economic relations with the world economy leads to an increase in the efficiency of the functioning of the national economy.

Regulate the world economy with measures of national and interstate economic policy. Within the global economy, the economies of individual countries are becoming more open and oriented towards international economic cooperation.

The beginning of the twenty-first century is the period of formation of a new system of world economy with its inherent hierarchy of national economies in the international division of labor and in the international market of factors of production. The main feature of it is, for the most part, not a contradiction, but a tendency for cooperation and mutual understanding. The economic levels of development of different countries converge.

The internationalization of production under scientific and technological progress creates a situation where it is already unprofitable for countries to have exclusively all their "production". Integrating into the world economy, countries seek to find and find their niche there. The study of the patterns of formation of interstate ties, their development makes it possible to conclude that the desire to create a single planetary market of capital, goods and services, economic convergence and association of individual countries into a single economic complex is the general trend of development of the world economy.

The leading direction of world economy development in recent decades is the gradual transition of many countries to an open-ended economy. It provides for the elimination of the state monopoly of foreign trade, the use of various forms of joint venture, the organization of free movement of goods and services and entrepreneurship, the integration of the economic complex into the world economy and the world market. One of the most important criteria for this transition is the favorable investment climate of the countries. The domestic market of the country is available for such revenues. However, an open economy requires an active state regulation of the export and import structure; capital movement; customs, currency, tax, credit and investment policy, etc.

1.2. International economic system

The international economic system (IES) is a set of elements of the world economy with the characteristics of each of them; in the process of action of elements of the world economy there are integrative qualities, characteristics, regularities of the functioning of this system.

The main elements of the IES are individual countries, groups of countries. It is possible to divide the IES into groups such as highly developed countries (the G7 countries, the European Union, the Organization for Economic Cooperation and Development), middle-income countries, developing countries, and countries with a transitory (transitional) economy.

At the present stage, the functions of the core of the global economy go to a number of the most developed countries that are distinguished by developed socio-market economies; the greatest exhaustion of sources and factors of industrial development; a leading role in the global economy, which makes it possible to actively attract domestic and foreign resources to economic circulation.

In addition, MES consists of subsystems of various international markets and subsystems of national and international institutes that regulate the MES; subsystem of international economic relations. There are different relations between countries: political, scientific, cultural. Countries cooperate in various fields: organize international cultural exhibitions, exchange artists, scientists, experience in the field of technology, environmental protection. International Economic Relations (IER) is one of the forms of international relations. IER mediate the implementation of other forms of international relations. For example, for the normal functioning of scientific and technical ties between countries, an international market for scientific and technical products is necessary. In addition, the IER is a system of economic ties for the production, distribution, exchange and consumption of products that have gone beyond national boundaries (Fig.1).

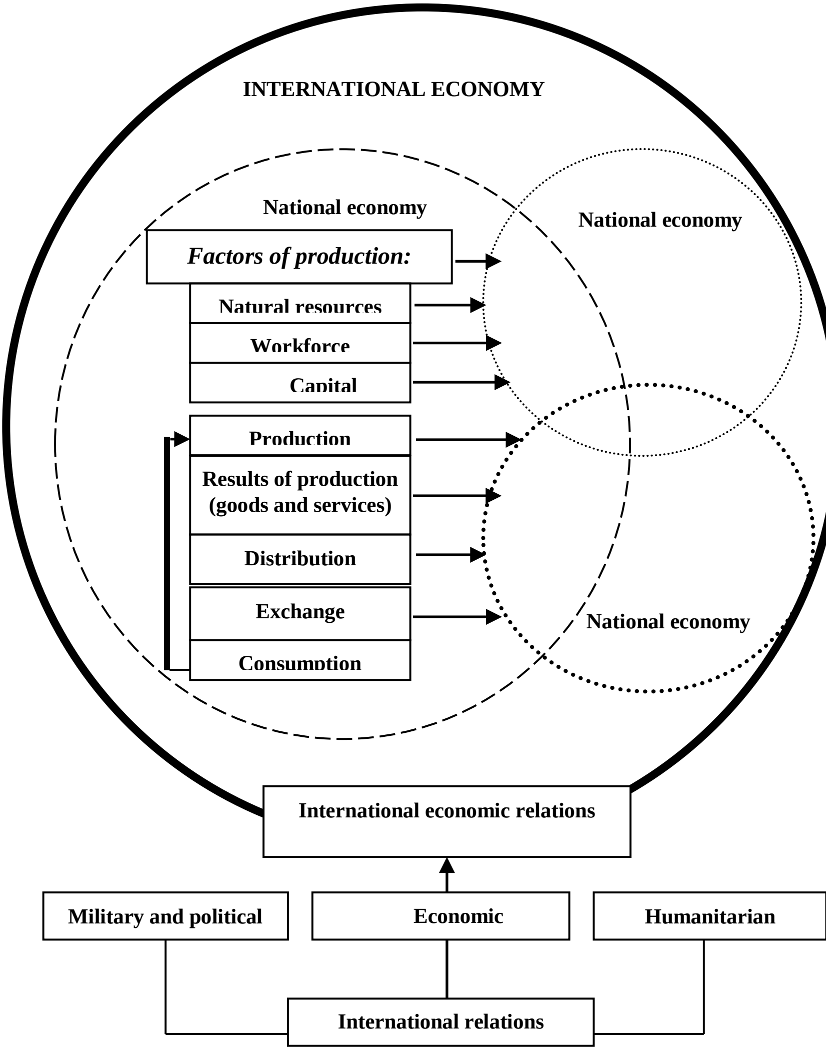

Fig. 1. Formation of the system of international economic relations

The product can be produced on the basis of the co-operation of production resources of two or more countries. Subjects from different countries can exchange goods, resulting in the production and consumption of a particular product will be located in different countries. International distribution relations are relations that arise in relation to (a) the distribution of factors of production (means of production, labor) between countries; b) the distribution of products of economic activity among actors from different countries; c) distribution of revenues between participants of the IER.

Depending on the object of the IER, they are divided into trading, monetary, financial, industrial, scientific and technical, etc. In more detail, these relationships will be considered in the following lectures, and now we note that all of them together form a system. One of the system characteristics of this system is the interconnection of its individual elements.

For example, the joint production of complex equipment by economic agents from different countries (industrial relations) may be accompanied by trade in separate components, details between them (trade relations), scientific and technical exchange (scientific and technical relations).

The IERs between individual European states, as well as within individual regions (Europe - North Africa, Europe - Middle East, etc.) arose relatively long ago. These relations were initially exclusively bilateral, narrowly regional. Indeed, international economic relations are the emergence of a world economy, the emergence of interdependence of national economies.

In the process of development of the international economic system there is an expansion and deepening of economic relations between the countries; groups of countries; enterprises and organizations located in different countries. It is characteristic that the processes of interaction of countries, their cooperation are controversial nature. The dialectic of the IER lies in the fact that the aspiration of states for economic independence, the strengthening of national economies, ultimately determines the increasing internationalization of the economic life of countries. The core of modern IER is the international economic activity of economic actors, primarily enterprises. The activity of the latter is aimed at obtaining certain economic results, first of all profit.

There are enterprises whose activities are mainly oriented to the national market. Foreign economic relations for such enterprises in the system of priorities of their activities are of secondary importance. Other enterprises consider foreign-economic activity as a necessary factor of its normal functioning. Some of them focus on the world market as the starting point for their activities. And, finally, there are firms that "work" exclusively on the external market.

The activity of enterprises in the international market is carried out in the following forms:

1. Export and import of goods and services. This is often the first foreign-economic operation of the firm. This operation involves, as a rule, minimal obligations and the lowest risk for the company's operating resources, requiring relatively small expenditures. For example, firms can increase their exports by loading their excess capacities, which minimizes the need for additional investment.

2. Contractual, cooperative agreements (licensing, franchising). When licensing, the firm (licensor) enters into a relationship with a foreign firm (the licensee), offering the right to use the production process, trademark, patent, know-how in exchange for a license fee. Franchising is one of the ways of cooperation (first of all international) in the sale of goods and services of a well-known firm (franchisor) through a specially created sales organization (franchisee) with its participation due to the franchisee's right to use the trademark and know-how of the franchisor.

For example, the well-known manufacturer of copier equipment, "Xerox" company, with a reliable reputation, creates a network of sales companies in different countries for the joint promotion of various services on copying of printed materials on the market. "Xerox" demands from the national partners strict implementation of the technology of providing services; finances the purchase or lease by partners of the premises; trains local staff; controls the proper use of brand name partners.

The franchising of goods and services is also used by well-known firms: Mc Donalds, Singer, Coca-Cola, Hilton. The greatest application of franchising is in the field of services: tourism, home appliances service, fast food, car repair.

Often companies purchase foreign licenses and apply for franchising after they have succeeded in exporting their products to the foreign market.

3. Economic activity abroad (research, banking, insurance, subcontracting, leasing). Contract manufacturing involves the conclusion by the company of a contract with a foreign manufacturer who can manufacture goods, which can be carried out by the said firm. The lease is provided by the lessor for the temporary use of the tenant of the property for an agreed rent for a certain period in order to obtain a commercial benefit.

The range of goods leased is quite wide: cars and trucks, aircraft, tankers, containers, computers, communication facilities, standard industrial equipment, warehouses, ie movable and immovable property, which relates to fixed assets.

In international practice, there are three types of rent depending on its duration:

- short-term lease - rental, which can range from several hours to one year;

- medium-term lease - hiring, which provides for the lease of property for a term of 1 to 3 years;

- long-term lease - for a period of more than three years.

4. Portfolio and direct investment abroad. Investment activity abroad may be related to the establishment of an enterprise of its own production branch; investing in shares of an existing foreign firm; investing in real estate, government securities.

The above classification of forms of international business is quite conventional. For example, economic activity abroad (3) is almost always accompanied by investment there (4).

At various stages of the development of the IER, one of the forms of international economic activity prevails. At present, for many developed countries, the leading form is the transnational production activity, which is based on the foreign investment activity of enterprises.

The whole set of national economies in the world is about 200 countries. The United Nations, the World Bank, give the most complete description of this population. At the same time, the UN focuses on the social and demographic aspects of country development. For the World Bank, it is important to assess the degree of economic development of countries.

To understand and assess the differences between national economies, determine their place and prospects for development in the world economy, an urgent problem in the theory and practice of IEC is their systematization on various grounds (Fig. 2).

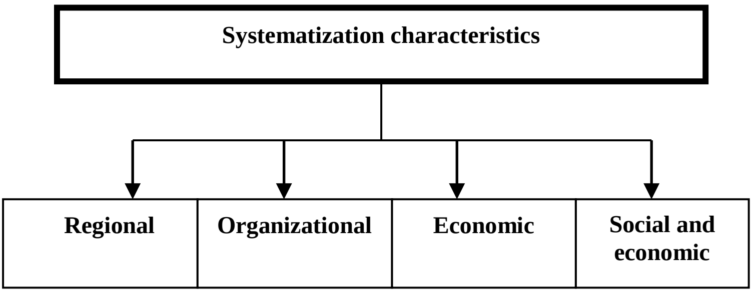

Fig. 2. Systematization characteristic of the country

Countries can be systematized on a regional (geographical) basis: European (western, eastern, southern, northern); North American (USA, Canada, Mexico), South American, Middle East, East, South-East and South Asia, African (north, central, south, west), etc. But such systematization makes it quite diverse in the composition of the group of countries.

Systematization of countries on an organizational basis distributes countries by groups depending on participation in international organizations, conferences, meetings, etc. The most influential organizations are:

• The Organization for Economic Co-operation and Development (OECD), established in 1960, brings together 34 high-income countries and developing countries (most of the EU, USA, Australia, Switzerland, Norway, South Korea, Japan, New Zealand and others). The goals of the organization are to achieve rapid economic development, maintain financial stability, free trade and provide favorable conditions for the development of the Third World countries;

• The World Trade Organization (WTO) is an international intergovernmental organization established in accordance with international law on the basis of the General Agreement on Tariffs and Trade (GATT). The GATT 1994 as a commodity trade agreement is one of the main WTO agreements. It is complemented by the General Agreement on Trade in Services and the Agreement on Trade-Related Aspects of Intellectual Property Rights. WTO brings together more than 160 countries of the world, the main goal of which is the development of trade liberalization. Since the beginning of the operation of the GATT in 1947, international tariffs have been reduced from 40% to 4%. The WTO has been operational since 1995 as a more structured structure for regulating international trade;

• The Bretton Woods Institutions - the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) ensure the functioning and development of the modern world monetary system since 1945. The IMF has the status of a specialized agency of the United Nations, with its membership of 188 countries. IBRD is one of the five institutions of the World Bank Group. The bank's participants include 188 countries; Ukraine is a member since 1992.

The most important is the principle of classification of countries, their groups at the level of socio-economic development. Fruitful is the approach of B. Havrylyshyn, when the types of socio-economic systems are characterized by their comparison on a number of such features: the main motive of the main economic entity, the nature of property, the nature of the market, the role of government in socio-economic life, the root cause and the main purpose of functioning socio-economic system (Table 1):

a) an increase in the production interdependence of economic agents from different countries;

b) use in the production process of foreign factors of production;

c) expansion of production at the national borders (construction of a new plant in a foreign country).

Table 1. Types of social and economic systems

Main features	Types of the systems			
	Free enterprise (capitalism)	Agreed free enterprise	Administrative-command system	Market socialism
1. Main motive and / or criterion of activity	Maximize profits	Maximizing growth and profit	Maximization of production	Viability
2. Nature of property	Private	Private	State	Collective
3. The nature of the market	Free	Free	Operated	Controlled
4. The role of government	Limited by the above-mentioned characteristics	Harmonize economic activity	Decision-making; planning, management	Defining goals; coordination; regulation
5. The root cause and the main goal	Economic: efficient production	Economic and political; improvement of the situation of the country, satisfaction of individual needs	Political; creation of the material basis of communism	Socialist; economic democracy through self-governance

Internationalization of capital is the process of interconnection and the unification of capital from different countries; use of foreign capital for the development of national enterprises, national economy as a whole. This process is manifested in the export / import of loan and business capital.

Internationalization of capital contributes to the growth of the world economy. Capital crosses borders in search of favorable areas of its use. The influx of foreign investment for most capital-recipient countries helps to solve the problem of a shortage of production capital, a deficit necessary for investment development.

Mutual exchange of capital between countries strengthens economic ties between them, promotes deepening of international specialization and cooperation of production. Internationalization of capital is a prerequisite for the process of internationalization of production and vice versa.

The basis of the internationalization of economic life is the international division of labor (IDL), as the exchange between countries of factors and production results in certain quantitative and qualitative ratios. IDL is a direct extension of the social division of labor by type of activity and its spatial differentiation. Forms of IDL are international specialization and cooperation. Distinguish the subject, part-time and technological specialization of individual countries, groups of countries or regions of the world. The development of international specialization causes the development of types and forms of international cooperation - inter-branch, intra-industry, and individual enterprises. MPP by the nature of activity develops in two directions: vertical and horizontal. Vertical - observed when different manufacturers form a one-line process chain and perform a series of successive production operations. The horizontal division of labor involves the production by individual manufacturers of components that are combined in a technologically and technically complex product. The horizontal and vertical international division of labor at the international level is realized as a general (between large groups of industries), partial (separation of large groups of industries into less aggregate branches and sub-sectors) and single (intra-divisional and intra-enterprise) (Fig. 3).

Thus, IDL is an interconnected process of specialization of individual countries, enterprises and their associations in the production of individual products or parts thereof, with the co-operation of producers for the joint production of finished products.

Historically, IDL arises as a system, the main structural element of which were the national economic complexes.

At the initial stages of development, world economic relations were reduced to the relations of circulation, primarily commodity, and later - the migration of capital and labor. Thus, international economic relations have emerged as derivatives secondary to the development of the social division of labor within countries.

The emergence and further development of IDL is influenced by a number of different factors that can be systematized on the following grounds:

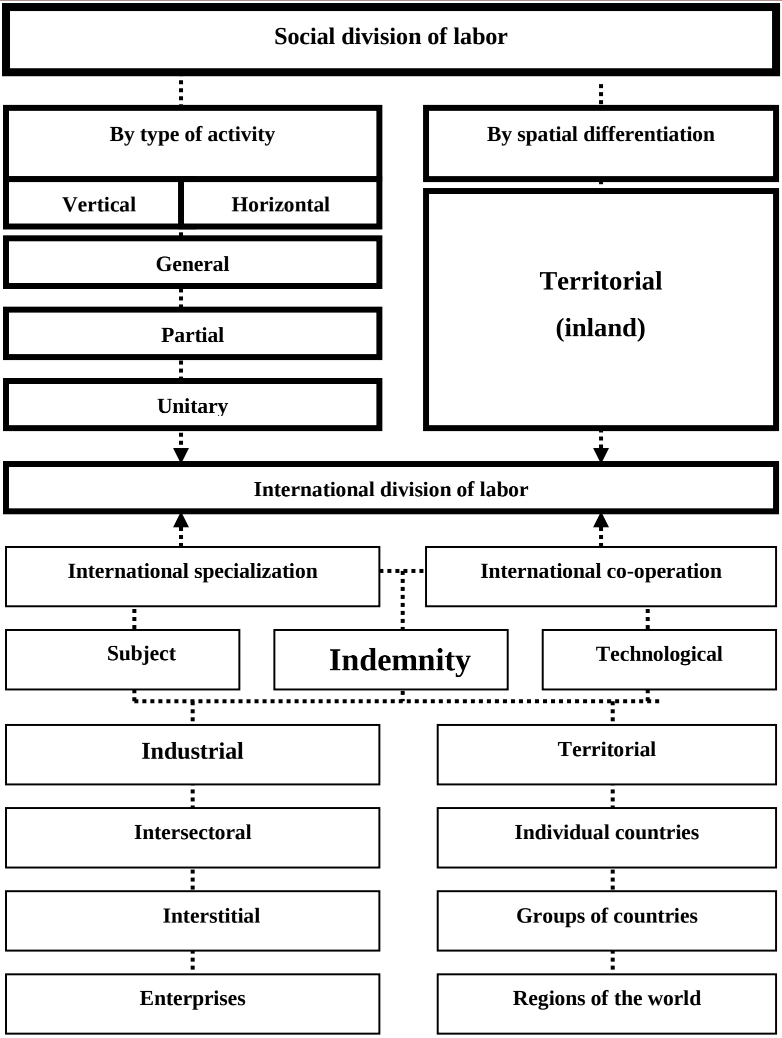

Fig. 3. International division of labor

- Natural-geographical - differences in climatic conditions, economic-geographical position, availability of natural resources;

• Socio-economic - characteristics of the labor force, scientific and technical potential, production equipment.

Scale and seriality of production, the pace of creation of objects of production and social infrastructure, features of historical development, production and foreign economic traditions, socio-economic type of national production and foreign economic relations, political factors of countries; scientific and technological progress - expansion and deepening of research and development works, acceleration of the rate of moral wear, increase of optimal sizes of enterprises, technological diversification.

The interaction of various factors in the conditions of civilization development determines the role of the country in IDL and its place in global economic relations. The significance and role of certain factors at one or another stage of global development may have a multidirectional influence or a different effect of this influence.

For MPPs, political stability is important, the achievement of which is a rather complicated task. Therefore, IEC members may face a variety of risks. The study of the factors of the economic environment requires the attention of the IEC subjects to the general level of development of the economy of the country concerned, its political situation, the assessment of the level of risks, the nature of the costs and savings of the population, etc.

1.3. International economy and its structure

International economics, as a scientific category, can be interpreted in a broad and narrow sense. In the broad sense, it is a theory used to study the economy of the modern interconnected world (world economy). The worse interpretation defines it as part of the theory of a market economy, which studies the regularity of the interaction of subjects of different states in the international exchange of goods, the movement of factors of production and the formation of international economic policy of states.

The basis of the international economy is the theory of market economy, micro - and macroeconomics. Combining them with applied economic disciplines, such as international marketing, finance, accounting, etc., has allowed us to create a universal theory of an international open economy that is applied in most countries of the world and in the field of their economic interaction. On this basis, we can state that the subject of the theory of the international economy are:

– regularities of the functioning and development of an international market economy system in the international economy;

– patterns of formation of aggregate demand and supply of goods and factors of production, which are in international circulation;

– tools of analysis and programming of an open national economy, in particular its real, budgetary, monetary and external sectors in the conditions of their interaction with the economy of other countries;

– tendency of development of international financial markets and mechanisms that serve the functioning of the international economy;

– institutional structure of regulation of the international economy, principles of its formation, trends of development and methods of improvement.

The key concepts of the theory of international economics are: commodity; international macro and microeconomics; international cooperation of labor; international trade; international division of labor; international division of factors of production; world farms; aggregate demand and aggregate supply; markets (domestic, national, world); factors of production (labor, capital, land, technology) exports; imports; trade turnover, trade balance, etc. The above categories are considered at the highest national level. In particular, in the international economy, aggregate demand and supply are treated as abstract values that characterize the volume of aggregate production of all goods nationally and internationally, depending on some of their generalized world prices. At the same time, the world economy is considered inextricably linked with national economies

Business entities (enterprises, businesses) produce goods and sell it to individuals (households, people), who, when buying a product, pay for it and bear costs. At the same time, people sell to their enterprises the factors of production available to them - their labor, land, capital, technology and receive income from it.

This, in general terms, is the principle of the national economy. But since it is closely linked to the outside world, and the factors of production are located both inside the country and abroad, then the scheme appears the upper shell - the international economy. Direct and inverse relations reflect the connection of the national economy with the world. So, we get the scheme of the international economy. Under this scheme, enterprises can sell their products not only in their own country, but also abroad, for which they receive a payment from a foreign buyer.

At the same time, an entrepreneur abroad can hire foreign workers, rent land and build an enterprise, paying for the use of foreign factors of production. On the other hand, people have the choice - to buy goods within the country or abroad. But at the same time, they can sell their due factors of production abroad - to rent land to a foreigner, to work abroad or to allow foreign investment in his company and receive income from it.

Signs of the international economy are:

- the sphere of international exchange of goods on the basis of international trade is developed;

- the sphere of international movement of factors of production, first of all in the forms of import -capital of the capital, labor force and technology, is developed;

– international forms of production at enterprises located in several countries, primarily through transnational corporations (TNCs);

– an independent international financial sphere not related to servicing the international movement of goods and the movement of factors of production;

– a system of international and supranational, interstate and non-state mechanisms of international regulation that ensures the balance and stability of economic development;

– economic policy of the states, guided by the principles of an open economy. It should be noted that the first sign is characteristic of the world market; first, second and third time - for the world economy, all of them in general characterize the international economy as a whole.

From the above we can conclude that the international economy is studying the patterns of interaction between economic entities of different countries in the international exchange of goods, the movement of factors of production, financing and the formation of international economic policy.

The existence of the international economy is manifested through its specific forms and patterns. The conditional structure of the international economy can be depicted in the form of tables and diagrams (Table 2).

Table 2. Structure of the International Economy

<table>
<tr><td colspan="3" rowspan="2">International regulation and supervision</td><td colspan="7">Economic</td><td>Financial</td></tr>
<tr><td colspan="8">International organizations</td></tr>
<tr><td rowspan="2">Forms of international economic relations</td><td>goods</td><td>services</td><td>capital</td><td>labor force</td><td>technology</td><td>currency</td><td>securities</td><td>derivatives</td><td>loans</td><td>international settlements</td></tr>
<tr><td colspan="2">International trade</td><td colspan="3">International movement of factors of production</td><td colspan="5">International trade in financial instruments</td></tr>
<tr><td rowspan="2">State regulation</td><td colspan="2">Regulation of foreign trade</td><td colspan="3">Regulation of the movement of factors production</td><td colspan="5">Currency and financial regulation</td></tr>
<tr><td colspan="5">Microeconomic policy</td><td colspan="5">Macroeconomic policy</td></tr>
<tr><td rowspan="3">Basic concepts</td><td colspan="10">World economy</td></tr>
<tr><td colspan="10">World market</td></tr>
<tr><td colspan="10">International division of labor</td></tr>
</table>

The structure of the international economy can be divided into four levels: basic concepts; state regulation; forms of international economic relations; international regulation and supervision.

At the first level, conceptual basic concepts are laid down, based on the fact that the modern economy is inherently international and based on IDL and the division of factors of production between countries. International division of labor and its international cooperation became the basis of the emergence of the world market.

The development of the global commodity market has led to the intensification of international economic exchanges not only goods but also the movement of factors of production, first of all, capital and labor, which led to the emergence of a world economy. The economic policy of the states, the mechanisms of regulation of the economy as a whole and its external aspects in particular are important for the international economy. The international economy has a pragmatic approach to the choice of theory, models and tools of economic policy. It uses the achievements of various schools of economic thought (neoclassical, neo-Keynesian, schools of rational expectations). Theoretical developments led to the conclusion about the need for state intervention in the economy and its regulation in one form or another. The question of the degree of state interference in economic development is relevant today. The main forms of state regulation at the micro level are the regulation of foreign trade and the movement of factors of production, and at the macro level - currency and financial regulation.

The international economy is manifested in concrete forms of international economic relations, namely: international trade in goods and services; international movement of factors of production - capital, labor force, technology; international trade in financial instruments - currency, securities, derivatives, loans; international settlements.

International regulation and supervision are carried out by international economic and financial organizations. They are intended to observe world economic development, to prevent imbalances and to provide countries with comprehensive support. Among them are the United Nations and its IMF, IBRD, etc.

Interconnections in the above table 2 are complicated. Separate forms of IEC intertwine and do not exist in their pure form. But this table makes it possible to understand the essence of the structure of the international economy.

Functionally, the international economy is divided into micro - and macroeconomics.

International microeconomics is a part of the theory of the international economy, which studies the laws of the interstate movement of specific goods and factors of their production and market characteristics - demand, supply, price, etc.

International macroeconomics is part of the theory of international economics, which studies the regularities of the functioning of open national economies and the world economy as a whole.

The objectives of the international economy as a fundamental discipline are: to formulate on the basis of the provisions of modern economic science, its theoretical developments and tools, the integrated concept of the development of the global economy of the third millennium and, with its help, to determine the preconditions and trends of the transformation of the world economy and interconnections between countries;

Using this concept to analyze short-, medium- and long-term trends in the world economy and relationships, identify the most important changes that can have the greatest impact on the transformational processes taking place in the global economy and national economies as its components; generalize the causes of the global transformation of the system of trade and economic, investment-innovation, scientific and technical, monetary and financial interconnections between countries of the world, and to determine the possibilities for building a system for their effective regulation with the aim of both securing from the devastating effects of global influence and strengthening the positions of the national economy. in the world markets.

The study of the international economy as a system is impossible without an analysis of the state of development of the economies of certain countries and regions. Only an analysis of specific areas of development of national economies and their integration groups gives an opportunity to fully study the course of the international economy.

TOPIC 2

WORLD MARKET OF GOODS AND SERVICES

2.1. Modern trends of the world market of goods and services

2.2. Methods of international trade

2.3. Regulation of international trade and economic relations

2.4. Ukraine at the world market of goods and services

Keywords and concepts:

International Economic Relations
methods of international trade
international trade
regulation
auctions
goods
tender
export
imports
trends
division of labor
international commodity exchanges
World Trade Organization
world market for goods and services

2.1. Modern trends of the world market of goods and services

For many decades, international trade remains the main and one of the most dynamic forms of international economic relations. Structurally, the world market for goods and services is 80% consisting of trade in goods and 20% - in the exchange of services. Since the conclusion of the GATT (1947), the volume of world commodity exports has increased by 230 times, with each decade there was at least a doubling of this figure, and in the period 1963 - 1983 - more than tripling.

In recent years, significant changes have also taken place in the regional structure of world export flows. So, if in the early 1950s the United States was the undisputed leader with a share of world exports of almost 20%, equal to the total exports of Asia and Africa, today the share of the country has fallen to 8.7%, which is even lower than that of the PRC - 8, 9%.

In the modern world commodity market, there are clearly two types of regions: with a share in growing and decreasing international trade. The first group includes: Europe - the region-leader in world trade (almost 41,2%); The Middle East - an increase in the share in the world market from 2 to almost 6%; Asia - doubling the share of world market for 60 years from 14 to 29.2% (almost a third of the proposal). North, South and Central America, as well as Africa, are characterized by a decline in the share of regional exports in the world. This process is especially dynamic in North and South America. So, if after the Second World War these regions supplied almost 40% of the world market to the world market, now only 17%.

The positive dynamics is characterized by exports from the CIS countries: in the period from 1993-2010, the share of the world commodity market in these countries increased from 1.5% to 3.7%, which corresponds to the index of the former USSR in 1973 (also 3.7%).

The structure of regional commodity markets according to the criterion of geographic origin of imports is rather heterogeneous but has several common features and features. The first such feature is the significant volume of intra-regional trade: in Europe - 71.2%, that is, demand in the European market is more than 70% satisfied with exports from European countries; in Asia - 57.4%; in North America - 37.8%; in other regions - from 10 to 27%. The second feature is the strong presence of European and Asian exporters of goods in all regional markets, with a market share of 18% to 48%. As for European goods, they account for almost half of imports in the CIS and Africa.

As a third feature, the Asian countries (mainly China, Japan, and South Korea) have a uniform presence in all regional markets: North America - 30.1% of the market; Middle East - 31.2%, Africa - 25.7%, North America and CIS countries - more than 20%.

During the last decade, world trade leaders are the United States of America, China, Germany, Japan and France. These countries, traditionally leading the list of major exporters and importers, sometimes changing their order. Today, their share in world exports is 35.7%, and in imports - 36.8%. The largest exporters of goods in 2010 were China, Germany, the USA, Japan, the Netherlands, France, Italy, Belgium, the Republic of Korea and the United Kingdom. The top ten countries account for more than half of world commodity exports (52.8%).

The leading importers of goods in 2015 were: USA, China, Germany, France, Japan, the United Kingdom, the Netherlands, Italy, Hong Kong and Belgium. The top ten of these countries account for 54% of global commodity imports.

The commodity structure of world exports clearly distinguishes three main groups of goods:

1) agricultural products and raw materials, 2) fuel and products of the extractive industry, and 3) industrial goods. At the same time, the share of the first and third groups has a pronounced tendency to decrease, while the share of the second group is significantly increasing - from 13.3% in 2007 to 19.5% in 2015. In the structure of the world market of industrial goods only such a commodity position, as "chemical products" shows an increase in 2001-2009 from 2010 to 2015 - the fall. This includes semi-finished products, cars, office and telecommunication equipment, textiles and clothing. The world's most competitive commodity is the trade in

mechanical and engineering products: 80% of world exports of machine building products are concentrated in ten industrialized countries (Japan, Germany, USA, France, Great Britain, Italy, Canada, Belgium, the Netherlands, Switzerland, Sweden, Korea), with 50% of world exports accounted for Japan, Germany and the USA; Concerning the concentration of imports of machinery and technology in industrialized countries, over 60% is attributed to the United States, Germany, the United Kingdom, France, Canada, Italy, the Netherlands, Belgium, Japan, Spain and Switzerland, and the leaders in the import of machinery, equipment and vehicles are USA, Germany and the United Kingdom - more than 35% of global purchases.

World trade in goods also tends to reduce the share of commodities, with the peculiarity of the world's export development being the lower growth of trade in food and agricultural raw materials compared to fuel and raw materials of mineral origin, today it has decreased to 10%, and agricultural raw materials - up to 3 % At the same time, the share of mineral raw materials and fuel remains almost unchanged at the level of 15-20%. As a result of high export, the share of mineral raw materials in world commodity exports is 19%, of which half of the supplies come from fuels, primarily oil and petroleum products.

The regional structure of world agricultural exports is very uneven: three regions provide 93% of agricultural supplies to other countries, namely Western Europe (44%), North America (20%) and Asia (18%). In addition, Western Europe and Asia are also powerful importers of agricultural products, with import volumes far exceeding exports. The top five exporters of agricultural products include the European Union, the USA, Canada, Brazil and China. Their share in world exports of these products is 65%, and along with the other ten leaders - 83%.

Developed countries play a leading role in global food trade and agricultural production: producing 50% of agricultural production, they provide 72% of world exports and 69% of food imports (excluding fish). Among the countries of the world, the largest exporter of food is the United States (14% of world exports), France - about 7%, the Netherlands - 6%, Germany - about 6% and Canada - 5%. The largest importer is Japan, with an import share of more than 8%, as well as

Germany, Great Britain, France, Italy. The commodity structure of world food and agricultural products is dominated by fruits and vegetables, grain and products of its processing, fish and seafood, meat and dairy products, butter, seeds, tropical products and sugar, etc.

Under the influence of the processes of liberalization, integration and globalization in the modern world economy, there is an active development of the services sector in most countries of the world. As practice shows, it is one of the most important and fast-growing components of the world economy. Thus, in developed countries, the share of services in the structure of GDP exceeds 70%, it employs about 65% of the able-bodied population of the planet (in the US - up to 75%). According to expert estimates, international trade in services is doubling every 7-8 years, compared to the 15 years required for a similar increase in the volume of exports of goods.

International trade in services has a number of specific features compared with the traditional trade in goods. First, services are provided and consumed mainly at the same time and are not stored, and therefore the provision of most types of services is based on direct contacts between their producers and consumers (this requires a greater presence abroad of direct service providers or the presence of foreign consumers in the country of service production) . Secondly, international trade in services is closely linked to trade in goods: these sectors have a stimulating effect on each other (market analysis, marketing consulting, transportation, advertising, pre-sale and after-sales services). Thirdly, the service sector is generally more protected by the state from foreign competition than the sphere of material production, in addition, transport and communications, financial and insurance services in many countries are traditionally in full or partial ownership of the state, and is strictly controlled as a result, in international trade in services, there are more protectionist barriers and competitive barriers than trade in goods (although recently, due to GATS, there is a significant liberalization of trade in such services) Fourthly, not all types of services, unlike goods, can be suitable for widespread involvement in international exchanges (this primarily concerns household and utility services).

Today the service sector is developing in all regions of the world. The triad countries play an important role in international trade in services, which is confirmed by data from the regions of the world: the share of Western Europe, Asia and North America exceeds 85%. Europe is a leading region in the world of trade in services, which accounts for almost 50% of world exports and imports of services. The second and third places respectively fall into regions such as Asia and North America. The share of other regions is about 10%. The regions that show growth in international trade in services in recent years are the countries of Europe, Asia, the CIS and Africa. At the same time, the countries of Central and South America are losing their positions on the world markets of services, both in exports and in imports.

Ten world countries account for 52% of global exports and about 50% of commercial services imports. The main positions in the ranking are highly developed countries of the world (first of all, the United States, Great Britain, Germany and France), but the top ten are also developing countries - for example, China. The share and role of these countries in the export of services in the world market is increasing annually. Thus, according to the WTO, with an average annual growth rate of 12.5% in exports of commercial services, Katay and India showed an increase of 28% and 23% respectively.

Today, in the specific structure of international trade services, the main groups are distinguished: transport, tourism and other commercial services. Approximately 20% of international trade in services involves transport services, another 25% is tourism. Recently, the importance of other commercial services, namely, information and telecommunication services, e-commerce, etc., is growing rapidly.

2.2. Methods of international trade

The international trade method should be understood as the organizational form and procedure for foreign trade operations. There are two methods of international trade (Fig.4).

The first method - direct sales - is the sale of products by manufacturers through the system of its own foreign trade vehicle.

Among the advantages of foreign trade organization, the following should be singled out:

• the possibility of saving financial resources by reducing the cost of the commission fee to the intermediary;

• Reducing the risk and dependence of business results on possible unfairness or lack of competence of an intermediary organization;

• the benefits of direct contact with consumers and the possibility of obtaining information on the state and trends of market development through the organization of marketing activities in the foreign market.

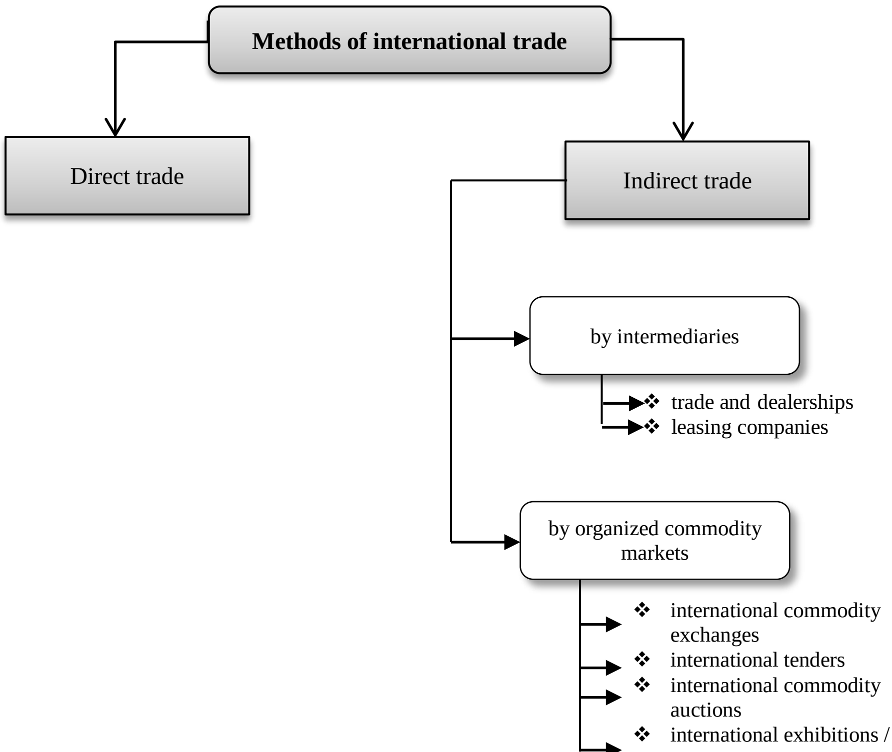

Fig. 4. Systematization of methods of international trade

At the same time, the application of this method of trade implies the existence of a high commercial qualification of staff and the trading experience of the campaign as a whole. Otherwise, the financial costs of the company will not only not be reduced, but they can also increase significantly.

The second method is indirect trade, or trade through intermediaries, which may serve: trade companies and other intermediary firms; international commodity exchanges, tenders (auctions), auctions, exhibitions and fairs.

Depending on the nature of the interaction between the exporter and the reseller and the functions performed by the reseller, distinguish: resale, commission, agent and brokerage.

Distribution in international trade acquired commission operations, with counteragents in which are the commissioner (intermediary) and the commission. In conducting such operations, commissioners get the right to search partners and sign contracts with them on their own behalf, but at the expense of the seller or the buyer (commissary) who assumes commercial risks.

Agency transactions in international trade consist in the assignment by one side of the independent agent from the other party - the realization of the actual and legal actions connected with the sale / purchase of goods in a certain territory at the expense and on behalf of the principal. Commercial agency agreement - the easiest and most common way of organizing sales of goods in foreign countries.

Brokerage operations are carried out by professional intermediaries, which facilitate the conclusion of agreements between contractors. Such intermediaries are involved in the sale and purchase of goods, but do not themselves act as a party to the deal; they only provide the necessary information to the parties to the agreement. Unlike the agent, the broker is not in contractual relations with the parties but acts on the basis of separate orders. His main task is to find the buyer for the seller (and vice versa), as well as to facilitate the signing of a contract between them.

Trade and intermediary companies (trading houses, export and import companies, chambers of commerce and industry, etc.), which are legally and economically independent of the producer and consumer of the goods, operate in order to receive a profit, the sources of which are either the difference between the prices purchases of goods by exporters and the prices at which these goods are sold to buyers, or remuneration for services rendered for the promotion of goods to foreign markets. The role of commercial intermediaries is carried out by state organizations and trading companies of developing countries, which carry out operations on procurement and export of goods.

Trade through organized commodity markets also belongs to indirect trade, but there are organized commodity markets such as international commodity exchanges, international tenders (tenders), international auctions and international exhibitions as intermediaries between exporters (producers, intermediary companies) and importers (consumers, other intermediary firms) / fairs These are specially created (organized) markets of certain goods, where in a predetermined time they realize their trade interests by sellers, forming a supply of goods, and buyers, presenting demand for it.

International commodity exchanges belong to organized commodity markets. Classical definitions treat the commodity exchange at the same time as a special type of permanent market in which deals on the sale of mass, raw and food products with common generic qualities, qualitatively homogeneous and interchangeable, and as a market mechanism, the task of which is the implementation of a number of stabilization functions in the economy, namely: liquidity and optimal distribution of the most important commodity goods. Almost all of the stock market turnover on the world commodity market, namely 98%, is ensured by the activity of fifty exchanges, of which 84% of turnover is on the US stock exchange, 8% - Great Britain, 6% - Japan and 2% - other commodity exchanges countries. The volume of the world's exchange turnover annually is estimated at 3.5-4 trillion. Dollars

From other institutional intermediary’s commodity exchanges distinguish the following features:

• the presence of a clearly defined subject of trade;

• bidding on a regular and regular basis;

• availability of developed industrial infrastructure;

• lack of the right to enter into sales transactions from his / her person;

• Specificity of the subjects of trade - on the stock exchange they are not end consumers and manufacturers of goods, and their representatives - brokers and dealers who are members of the stock exchange;

• the possibility of concluding an agreement not only for the purchase and sale of goods, but also for the purpose of insurance against future changes in prices on the market;

• lack of influence of direct actions of the state on the bidding process;
• Publicity as an opportunity to receive all interested persons information on the number and prices of concluded transactions.

International exchanges, in which operations are carried out by representatives of different countries. Price quotes on such exchanges represent world prices for goods sold to them. The signs of international commodity exchanges are:

servicing specific world commodity markets;

Participation in stock exchanges of representatives of business circles of different countries;

ensuring the free transfer of profits derived from stock transactions;

Arbitrage transactions (speculative deals with the purpose of obtaining profit on the difference of prices quoted on the exchanges of different countries);

the relevant currency, trade and tax regimes of the countries where the exchanges are located.

The following main types of transactions are concluded on international commodity exchanges: real commodity deals, urgent (futures) agreements, speculative transactions and hedging transactions, executed by the relevant agreements.

The next institutional intermediary - an international commodity auction, as well as an international commodity exchange, by its nature is a public auction. But from the exchange it distinguishes the following features: at the auction, trade is only available goods; auction goods differ in that they are often not subject to standardization, including quality parameters; The rules of all auctions provide for a preliminary acquaintance of buyers or their representatives with the auctioned parties of approximately the same quality of goods (lots). International commodity auctions are specially organized, periodically operating in certain places in the markets, where by means of public bidding in a pre-determined time and in a specially designated place, the sale of pre-inspected by the buyer of goods that are transferred into his property under the terms of the highest bid.

The main subjects of the auction at international auctions are fur products (in the form of raw materials and already processed goods), non-wool, bristles, tea, tobacco, vegetables, fruits, flowers, fish, tropical species of forest, livestock, spices, antiques, works of art etc.

The technique of holding auctions for individual goods has its own specific features, which are determined primarily by the nature of the goods. However, the very procedure for holding auctions is roughly the same and includes four stages: preparation of the auction, pre-auction demonstration of goods, auction, registration and execution of the auction.

International tenders (trades), like commodity exchanges, auctions, fairs, are a kind of organized markets as a result of the fact that at a certain time and in a certain city there is a comparison of an organized offer with pre-determined and well-characterized demand. At the same time, the intermediary functions between the buyer (importer) and the seller (exporter) is performed by the tender committee established by the importer.

An international tender is a method of international trade, the essence of which is the competitive selection of foreign suppliers and contractors through an organized commodity market through the involvement of a predetermined date of the offer from foreign and domestic suppliers and contractors, conducting the competition (comparison) of the submitted projects (conditions) and the conclusion a contract with those of which the proposals most fully meet the needs and requirements of the importing customers (Table 3).

Table 3. Stages of an international tender

I. Preparation the tender	**II.** Representation suggestions	**III.** Choice the winner	**IV.** Stacking agreements
❖ Definition of the tender organizer Formation of the Tender Committee Development of a package of tender documentation ❖ Matching documents with the customer-importer ❖ Preparation and publication of an advertisement in open bidding ❖ Invitation of predetermined participants in closed bidding ❖ Distribution (sale) of tender documentation	❖ Preparation of offer by the offerer: ♦ filling out the blank (if there is a complete bundle of tender documentation); ♦ Submit proposals independently ❖ Sending documents to the Tender Committee before the specified date ❖ Making an offer by a provider of "reliability"	❖ Open Envelopes: ♦ in the presence of the participants of the auction (loud bargaining); ♦ without the presence of participants in the auction (non-voice auction) ❖ Analysis of proposals based on selected criteria and methodology ❖ The winner's choice	❖ Concluding a formal agreement ❖ Official signing of the contract

The most common objects of tenders in international trade are: contracts for the construction of enterprises, buildings and structures of production and non-production purposes, including those constructed "turn-key"; execution of complexes of building and assembly works and their separate kinds; execution of a complex of commissioning works; supply of complete equipment; concessions for the development of minerals; import purchases; projects based on enterprises with foreign investments; provision of state loans; development of projects and implementation of activities in the field of environmental protection activities; involvement of experts and consultants; supplies, contracts, purchases for the creation of national economy objects.

In terms of international trade, trading is one type of transaction using the offer and acceptance mechanism. Unlike bilateral agreements, where these two acts are not only necessary, but also sufficient for the conclusion and implementation of an agreement, the practice of conducting international tenders includes four stages, each of which is the preparation and signing of relevant documents.

For bidding, customers create a tender committee, which includes technical specialists (depending on the subject of trade), commercial experts and representatives of the administration. The departmental or regional tender committees consist of permanent members (chairmen, members of the committee and secretary) and consultants (experts) who are engaged on a temporary basis. On the basis of an agreement with the customer, the tender committee carries out the functions of: organizing and conducting the tender.

In the world of practice, such tools as exhibitions and fairs are used by almost all companies involved in international activities, or those that are planning to enter the world market. The first step in this direction, which will give the company new business contacts, development prospects, ideas, a new vision of the market, make it known to partners, and participate in international exhibitions / fairs.

In recent decades, the institute of exhibitions and fairs has been gradually transformed from a means of presenting a product and displaying its range with the help of copies and samples for direct sales in a means of global communication. Contemporary international exhibitions / fairs should be considered as an effective symbiosis of marketing tools and the method of international trade. In this aspect, exhibitions and fairs represent not only the mirror of the technical development of the industry and the channel of product sales, but also the economic and political forum for forecasting conjectural changes, communication with the economic, political, socio-cultural context.

2.3. Regulation of international trade and economic relations

The system of regulation of the international exchange of goods and services is a set of interrelated principles, norms, rules and procedures for influencing the formation of regional and commodity structures of export and import with the help of political, economic, financial, legal and administrative instruments. In its modern format, there are five levels (corporate, national, intergovernmental, supranational and global) that are characterized by specific mechanisms and tools for influencing the pace, proportions and structure of world trade (Figure 5).

The level of influence on international trade is a national priority, which is explained by the corresponding priority of the state among other subjects of international economic relations, since compared with them the state: is the main administrative formations in the world; has the sovereignty and the right to independently determine its foreign and domestic policies; its foreign trade policy affects the objects of regulation of foreign trade (commodity flows), which have a national origin; may directly and indirectly participate in foreign economic activity carried out by other entities; has a greater opportunity to implement the principles of international economic relations, in particular trade and economic.

At the corporate level (mainly TNCs), international trade regulation was called restrictive business (or trade) practices.

Restrictive business practice is a set of actions, measures, techniques that shape the market behavior of enterprises or their associations in order to achieve and maintain a leading position in the market by limiting or weakening the competitive struggle. It can be implemented in several forms: individual or group; organizational or operational.

The national level of regulation of international trade is distinguished by the existence of state-owned national economies of countries whose governments direct their activities to achieve national interests - political, economic, and social. The content, structure and directions of foreign trade policy are determined by the following components:

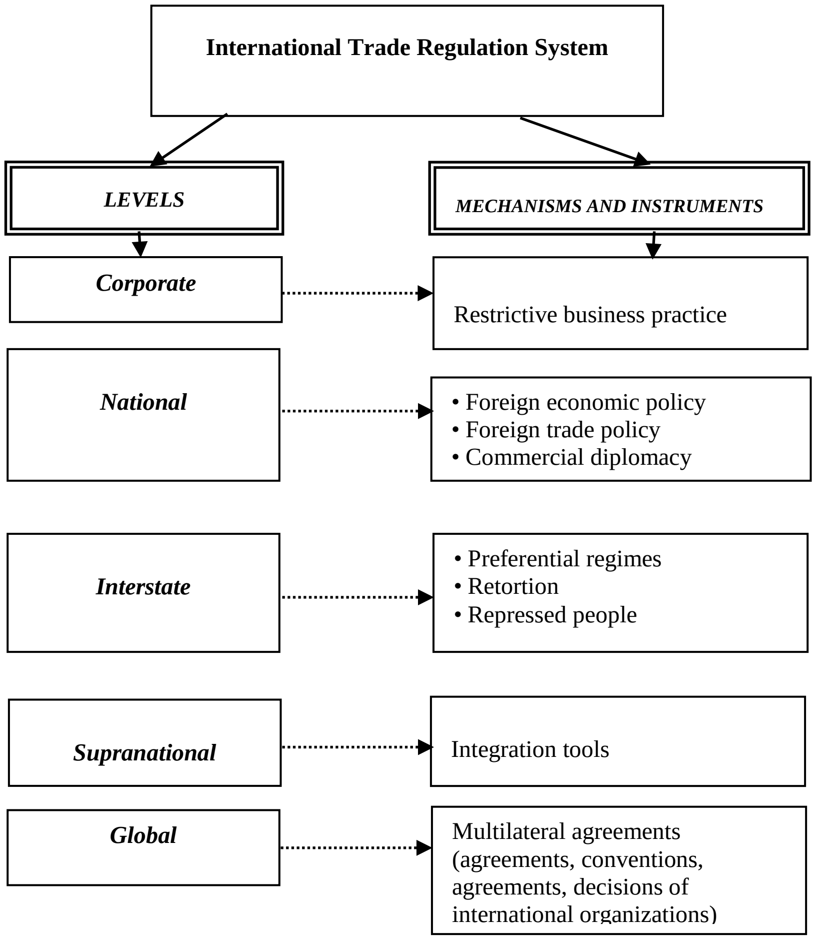

Fig.5. International Trade Regulation System

– export and import (commodity and regional structures, volumes, ratios, dynamics);
– customs and customs taxes (elements of the customs tariff, tariff classification system, tariff structure, methods of determining the country of origin of the goods, types and level of duties, composition and level of customs duties);

– quantitative restrictions (species, contingents, level);
– non-tariff methods of regulation (technical barriers, administrative formalities, currency and credit regulation, etc.);
– support for national exports (financial, credit, tax, monetary, organizational and technical, etc.).

The national level is characterized by an extensive system of international trade regulatory instruments that are used in the implementation of foreign economic and foreign trade policies.

All instruments for regulating international trade relations can be classified into two groups: tariff regulation and non-tariff regulation.

As far as customs duties are concerned, then it is understood as the obligatory monetary fee levied by the state through the network of customs establishments for goods at the time of crossing the customs border.

Customs tariff is a list of goods, which are systematized in accordance with the commodity nomenclature of foreign economic activity, indicating the duties they are charged upon crossing the customs border of the state. Customs tariffs are developed on the basis of commodity classifiers, the most common of which is the Harmonized Commodity Description and Coding System. It was adopted in 1983. and replaced the Brussels customs nomenclature, which operated since 1978. Most states began to apply the Harmonized System from 1988-1989, Ukraine - from January 1991. The customs tariff of each country is the specific customs duty rates.

In accordance with its nature, the duty has the following functions:

– protectionist – protection of the domestic manufacturer from foreign competitors;
– fiscal – formation of the revenue part of the state budget;
– balancing – regulation of exports and imports.

Systematization of types of customs tariff is carried out according to the following classification features:

➢ by object of collection:

– export – the duty set for the export of goods;

- import - the duty, which is established for the import of goods;
- transit - a customs duty levied on goods crossing the customs territory of the country, without being an object of purchase there;
- ➢ by accrual method:
- advalorem - the rate of duty is set as a percentage of the customs value of the goods (20% of the customs value);
- specific - the rate of duty is fixed in monetary units to the physical volume of the goods (40 euros per ton of wheat);
- combined - the rate of this mat contains elements of ad valorem and specific duties (5% of the customs value, but not less than 100 euros);
- ➢ for the term of validity:
- permanent - permanent duty rate;
- temporary – duty imposed for a certain period;
- seasonal – duty imposed on seasonal goods (as a rule on agricultural products, validity period – up to 6 months);
- ➢ by trade regime (rate):
- full – the rate of duty applicable to ordinary trade;
- preferential - the rate of duty applicable to trade with developing countries (lower than full);
- preferential – the rate of duty applicable to trade with countries with which a free trade agreement has been signed;
- ➢ by the specifics of regulation (special types of duties):
- special - the rate of duty on goods from individual countries (for example, in response to the increase of export duties to this country);
- compensatory – increased rate of duty on imported goods, in the manufacture of which were used export subsidies;
- anti-dumping – increased rate of duty in response to dumping.

With regard to non-tariff regulation, it is dominant in the current regulation of international trade relations. They distinguish non-tariff instruments such as quantitative leverage (quotas, voluntary export restrictions, licensing), as well as financial (for state export regulation) and concealed measures (for regulating import deliveries).

With regard to quantitative restrictions, they are an administrative form of regulation of trade turnover by establishing the quantity and nomenclature of goods allowed for export or import. The most commonly used quantitative instruments for regulating international trade are licensing and quotations.

Licensing – regulation of foreign economic activity through a permission issued by the state authorities for export or import of goods in a certain quantity for a certain period of time.

There are the following types of licenses:

- ✓ one-time - written permit for import (export) issued by the government, a certain firm for the implementation of one foreign trade agreement for a term up to 1 year;
- ✓ general - permission to import (export) a particular product within a year without limiting the number of transactions;
- ✓ global - permission for export (import) of a certain product in any country of the world for a certain period of time without limitation of quantity or value;
- ✓ automatic - permission issued immediately after receipt of an application from an exporter (importer) which cannot be rejected by a public authority.

Quota (contingent) is a restriction on the value or quantity that is imposed on the import or export of certain goods for a certain period.

Classification of types of quotas is carried out:

by the direction of their action:

- ✓ export – are introduced in accordance with international stabilization agreements, which determine the share of each country in the total export of a certain product (export of oil from OPEC countries), or the government of the country to prevent the export of goods that are scarce on the domestic market;

- ✓ imported – introduced by the national government to protect local producers, achieving a balance of trade balance, regulating supply and demand in the domestic market, as well as responding to discriminatory trade policies of other countries.

by volume:

Global - are established on the import or export of a particular product for a certain period of time, regardless of the country from which it is imported or to which country it is exported; Individual - is set within the global quota of each country that exports or imports the product.

Among the non-tariff methods of regulation, an important role is played by hidden methods, which are also called hidden protectionism methods. Despite their number (and according to some data, there are up to several hundred), the main ones are: government procurement, internal taxes and fees, technical barriers and requirements for the content of local components.

The above methods are designed primarily to restrict imports. Therefore, the logic of further study of this topic involves clarifying and disclosing the nature and financial methods of trade policy that are used to stimulate exports. The most important ones that need to focus on are subsidies, export lending and dumping.

Subsidies are monetary payments aimed at supporting national commodity producers. By the nature of the payments, they are divided into: direct (direct payment to the exporter of the difference between its costs and income immediately after the export transaction), indirect (hidden subsidization of exporters through the provision of tax incentives, preferential terms of insurance, loans at rates lower we are marketable, etc.), internal subsidies (budget financing of products that really compete with imported ones) and export subsidies (budget payments to national exporters, which allows them to sell goods to foreign buyers fens for prices lower than domestic prices).

As far as export lending is concerned, considering this method of stimulating exports, which involves state financial support for national commodity producers, it is necessary to focus on such forms as:

• lending to national exporters by state banks at preferential lending rates lower than market rates;

• state loans to foreign importers, subject to their obligation to buy goods only from firms of the country;

• insurance of commercial and political export risks of national exporters.

Another method of subsidizing exports is dumping, which is understood as the export of goods at prices lower than in the domestic and world markets, at the expense of state subsidies to exporters or at the expense of interested firms. When studying the dumping it is expedient to focus on such forms as: sporadic (episodic) (occasional sale of unproductive goods to the foreign market at low prices); expedient (export of goods at prices lower than the prices of the domestic market, or even lower than the cost of production); constant (constant export of goods at sub-prices); reverse (overpricing of export prices in comparison with prices of these goods on the domestic market); mutual (counter trade of two countries by one and the same product at low prices).

One of the non-tariff instruments for regulating international trade is legal instruments, the most important of which are trade agreements, which are concluded between governments of the countries for the most part for 5-10 years, ratified by parliaments, and legal regimes.

The international level is the third in the system of regulation of international trade. Trade and economic relations between countries that are not members of the integration group can be based on the principles of trade liberalization and protectionism. In the event of a liberalization of trade relations, a preferential regime is established, and countries, on a bilateral basis, or unilaterally grant trade preferences to one another. At the international level, the protectionist manifestation is the discriminatory trade regimes that are being implemented through measures called retorts and reprisals.

At the supranational level, regulation of international trade is carried out through joint measures of the member countries of integration agreements. In recent decades, integration associations have become an organic element of the system of international economic relations. Joint actions of integration associations have a dual nature: on the one hand, they promote trade liberalization among the participating countries, and on the other, create protectionist barriers for access of goods and services of other countries to the markets of the countries-participants of the association. On an economic basis, instruments of supranational regulation are identical to those of national foreign trade policies, but their singularity is a collective, coordinated character and joint action to achieve the coinciding economic, social and political interests of the participating countries.

The global level of regulation of international trade includes a wide range of principles, rules, international treaties and agreements developed by international organizations whose sphere of activity is to promote the development and regulation of international trade and economic relations. Central to these organizations is the World Trade Organization (WTO).

In accordance with the Agreement Establishing the World Trade Organization, this organization "provides the general institutional basis for the implementation of trade relations between its members".

As a regulatory system, the WTO has its own goals, principles, functions, elements and structure. The main objectives of this system, in accordance with the Marrakesh Agreement Establishing the World Trade Organization, are:

- promoting the living standards of the Member States, ensuring full employment and a significant and sustained increase in real income and effective demand, increasing the production of goods and services and trade, while ensuring the optimal use of world resources in accordance with the objectives of sustainable development, protection and environmental protection;

- ensure increased participation of developing countries and, in particular, the least developed countries in international trade, in line with the needs of their economic development;

- reduction of tariffs and other barriers in trade and elimination of discriminatory regime in international trade relations;
- creation and development of an integrated, sustainable multilateral trading system.

The main principles of the WTO are contained in its agreements and extend to trade in goods and services, trade aspects of intellectual property rights, trade dispute settlement, trade policy review mechanism, negotiation.

The principle of non-discrimination is realized through the application of the most-favored-nation regime, in which the country provides the same terms of trade for all WTO members, and the national regime in which imported goods cannot be discriminated against in the domestic market of the country. Thanks to the rounds of multilateral trade negotiations with the aim of eliminating existing trade barriers, conditions for more free trade are created, that is, the implementation of the second principle. Ensuring the predictability principle is achieved in the WTO in two ways: linking tariffs on tariff positions and ensuring transparency of national trade policies. WTO rules and mechanisms, including the obligations of the national regime and the most favored nation regime, are aimed at creating conditions for fair competition between countries. Membership in the WTO creates conditions for the use by member governments of the potential benefits of participating in the international trading system for development and economic reform, but the issue of social and economic growth of member countries is solved directly by the governments of the participating countries.

In order to achieve its main objectives, the WTO performs the following functions: promotes the implementation, application, functioning and achievement of the objectives of the WTO agreements; is the forum for negotiations between its members on their multilateral trade relations; directs the application of the Understanding on the rules and procedures for settling disputes; directs the application of the mechanism for reviewing the trade policy of the member countries; cooperates with the International Monetary Fund and the International

Bank for Reconstruction and Development and its subdivisions in order to achieve greater unity in the conduct of global economic policy.

In the WTO regulatory system, two interrelated elements can be distinguished: the organizational-institutional mechanism as a system of bodies and procedures for the implementation of the functions of the organization on the defined principles and the legal basis (agreements, agreements, decisions of the WTO, etc.), which forms the modern rules of international trade and economic relations.

The main agreement among the WTO agreements is the General Agreement on Tariffs and Trade 1994 ("GATT 1994"), because it, firstly, involves "coupling" the most-favored-nation (MFN) concessions, that is, determining the maximum import tariffs that can apply to goods of WTO members. The binding of import tariffs is important in terms of ensuring the predictability of foreign trade regimes of the countries in terms of customs tariff protection and access to markets of other countries. Secondly, it provides for a reduction of customs tariffs as a result of negotiations between the members.

GATT's norms and rules are directed against all types of protectionism, except customs tariffs. However, there are cases where countries can apply quantitative restrictions for both import and export. Such exclusive use of quotas imports or export licenses, as well as other measures of non-tariff regulation may be associated with a critical shortage of food or other products, the application of standards or rules of classification, the need to temporarily restrict the production and sale of similar domestic products, problems with the balance of payments etc.

The WTO allows the use of import licenses and permits. However, the licensing country should, at the request of any country interested in trade in goods subject to restrictions, provide all necessary information on recent import licenses and the distribution of such licenses between the supplier countries.

The General Agreement on Trade in Services (GATS) regulates the use by Member States of WTO activities in the field of trade in services. The basis of the GATS is: general obligations (extended to all WTO members and all services); Several applications (covering specific sectors, such as telecommunications, financial and air transport services or trade-related issues, such as the movement of individuals) and specific commitments (specific commitments made by countries negotiated).

Unlike GATT for goods, the GATS do not have a general obligation to provide the service provider with an unconditional right to enter the market. Market access conditions are determined by countries, depending on the sector and mode of delivery of the service. In this case, the country is obliged to provide access to the market to the extent that it is provided for in its schedule of obligations.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Annex 1C - requires WTO members to ensure effective protection of copyright, trademarks, geographical indications in product names, industrial designs, patents, integrated circuit topographies and confidential information (e.g. trade secrets). Like other WTO agreements, TRIPS require the introduction of principles of transparency, national treatment and non-discrimination, as well as ensuring at least a minimum level of protection of intellectual property rights, as defined in the major conventions on intellectual property rights.

An important point of view of the principle of non-discrimination of WTO member countries is an agreement on rules and procedures for settling disputes. Settlement of disputes plays a leading role in the international trading system, where the preference is given to solving disputed issues in the consultation mode between the parties. If this fails, then the parties may use a clearly defined step-by-step procedure, which provides for the possibility of solving problem issues by a panel of experts. In addition, it has the right to appeal against decisions taken with the appropriate legal justification of its position on this issue. Multilateral trade agreements with a limited number of participants are obligatory only for those WTO members that have signed them. These include the Civil Aviation Trade Agreement, the Government Procurement Agreement and individual sectoral agreements and initiatives.

2.4. Ukraine at the world markets of goods and services

According to the World Trade Organization, in 2015, according to the list of the world's largest exporters and importers, Ukraine accounted for 0.4% of the world commodity market, ranking 54th in the export (USD 39.8 billion) and 46 in imports (45.5 billion USD). And without taking into account export-import deliveries within the EU, our country occupies respectively 37th and 28th place in international trade.

In general, in recent years, the volume of export supplies from Ukraine has increased almost 2.5 times - from 23.1 billion dollars. in 2010 to 51.4 billion dollars. in 2015. At the same time, imports of goods to Ukraine grew by 2.6 times - from 23 billion dollars. in 2010 to 60.7 billion dollars. in 2015

However, the dynamic growth of exports and imports is accompanied by a negative tendency as an increase in the trade surplus of Ukraine (2014: 11.3 billion, USD 18.5 billion in 2015, less in crisis years: 5.7 billion in 2014 and 9.3 billion in 2015), which requires state measures to support national producers of exporters and rationalize the structure of imports. The commodity structure of Ukraine's exports is based on commodity products, primarily the products of metallurgy, chemical industry, mineral products, as well as products of the machine-building complex.

According to the data of the International Trade Center, for 2014-2015 Ukraine has strengthened its positions in 7 commodity markets of 14; 4 positions remained almost unchanged. A significant reduction of Ukraine's share in world markets was due to minerals, chemical products and clothing. Today's national exporters have the best positions in the markets of heavy industry (1.4%), unprocessed food (0.97%), processed food and food products (0.85%), wood products (0.51%).

Today, Ukraine's main target markets for trade in goods are CIS countries (36% of exports) and the EU (about 25% of exports), as well as volumes to Asian and African countries. For 2010-2015, the regional priorities in the national export of goods took place. Thus, the share of the CIS countries has increased from 26% to 36%, while the EU countries have decreased - from almost 40% to 25%, which to a certain extent is due to the quantitative enlargement of the EU and the strengthening of trade relations between the countries of the integration group.

Import flows of Ukraine also have two key regional sources - CIS countries and Europe. Each year, volumes of supply of goods from Asian countries increase: in 2010 - 2014 their share has almost doubled (from 9% to 16.5%).

In the structure of national exports, services account for 27-29%, but transport (67.1%) and "business, professional and technical" (12.7%) services predominate in their specific structure, while the rest are negligible: travel and services communications - about 3%, financial services - 4,1%, computer services - 2,9%, all other types of services - about 1%.

The type structure of the import of services is more diversified. The largest share in the total volume of Ukrainian import of services was made by transport (21.1%), financial (19.9%), various business, professional and technical (15.7%), public services not included in other categories (11, 3%). As in commodity trading, the export of services to the world market is characterized by targeting two regions: Europe (28%) and the CIS (47.7%). In the import - the undisputed leaders are European countries - 44%, the CIS countries accounted for almost 17%, while in the Asian countries - 22%.

Every year Ukraine gains experience in international trade and economic relations, expands its markets, establishes long-term relationships with its partners. Ukraine's accession to the WTO should become another constructive step towards deepening Ukraine's integration into the world economy.

TOPIC 3

INTERNATIONAL SETTLEMENTS & BALANCE OF PAYMENTS

3.1. Essence and basic forms of international settlements

3.2. Balance of payments of the country

3.3. State regulation of the balance of payments

Keywords and concepts:

risks of international payments
Bank for International Settlements
international settlements
Bank account
financial centers
exporter
letter of credit
contract
accent
bank
checks
collection
payment
bills of exchange
importer
lending
the balance of payments
state regulation
foreign trade agreement

3.1. Essence and basic forms of international settlements

International settlements and their main forms

International settlements - a system of organization and regulation of payments in the field of international economic relations.

Subjects: Importers, Exporters, Banks.

«Loro» - foreign correspondent accounts in a bank.

«Nostro» - bank accounts in a foreign bank.

The basis of international settlements is the movement of Documents of Title (covering warehouse receipts, bills of lading and other documents of title) and operational payment processing.

The main factors that express the state of international payments are:

1) conditions of foreign trade contracts;

2) currency legislation;

3) peculiarities of banking practice;

4) international rules and practices, and so on.

The currency and financial conditions of foreign trade agreements (contracts) are crucial in the practice of international settlement operations.

Foreign Economic Agreement (Contract) is a materially executed agreement between foreign economic entities and their foreign counterparties aimed at establishing, changing or terminating their mutual rights and obligations in foreign economic activity.

The currency and financial conditions to be covered by the agreement (contract) shall include the following:

1. Price and total cost of the contract (agreement). In this section of the contract the price of the unit of goods and the total value of goods or the value of the work performed, the services provided, is determined according to the agreement (contract) and the currency of payments.

2. Payment terms. This section of the contract defines the way, procedure and timing of financial settlements and guarantees of execution by the parties of

payment obligations. Depending on the conditions chosen by the parties, the terms of payment in the text of the contract indicate: the terms of the bank transfer before (advance payment) and (or) after shipment of goods, or the terms of a letter of credit or collection (with a guarantee); the terms of the guarantee, if any, or when it is necessary (type of guarantee - "on demand" and "conditional", terms and conditions of validity of the guarantee, the possibility of changing the terms of the contract without changing the guarantee).

The correctness of the definition of currency and financial conditions in the conclusion of a foreign economic agreement is a guarantee of the effectiveness of foreign economic transactions.

Currently, there is no single, enshrined multilateral agreement, a universal mechanism of currency settlements between countries. Only within certain economic and financial groups of countries there can be unified settlement mechanisms. In the modern system of world economic relations, settlements for trade and non-trade transactions are governed by the basic principles enshrined in the Geneva Convention on Checks and Bills, as well as in the formulation of the resolutions of the International Chamber of Commerce (Paris).

The most common terms for international payments are:

♣ direct (full calculation) - full payment of goods up to the moment or at the moment of transfer of goods or goods-handling documents to the disposal of the buyer;

♣ credit calculation (with installment) - providing an exporter to the importer of the loan in commercial form (for the importer).

Types of international settlements.

1. National currency:

• trade, credit and payment agreements between countries;

• directly.

2. International Collective Currency (SDR, Euro):

• trade, credit and payment transactions within the integration of countries.

3. Clearing settlements:

• international clearing payment transactions - an agreement between governments of two or more countries with a mandatory mutual offset of international requirements and commitments.

4. Gold:

• Used in international settlements indirectly in the gold market.

Types of international payments depend on:

Firstly, the specifics of the subject:

• between specific contractors;

• between banks;

• between the bank and the counterparty;

• between the state and the bank;

• between states.

Secondly, the interaction of subjects:

• direct;

• through intermediaries.

Thirdly, from the object:

• trade operations;

• investment operations;

• non-commercial operations.

Fourth, the terms of the settlements:

• cash;

• with the provision of a loan.

Forms of international settlements (in the direction of downgrading the utility for the exporter):

1. 100% advance or down payment (prepayment). Rare phenomenon in normal international currency settlements. In Ukraine - in export - post payment, with import - prepayment.
2. Advance payment

1. The importer independently or through his bank or bank-exporter pays for the goods at the moment when the order is sent to the exporter. Used only in case of

an unsatisfactory loan status of the importer or in the presence of difficulties in obtaining the exporter the funds necessary for the production of goods ordered by the importer. But in any case, the final settlements will depend on checking all the documents by the bank-importer.

2. Letter of Credit - an agreement in which the bank undertakes, at the request of the client, to pay the documents to a third person (the beneficiary-exporter) in whose favor the letter of credit has been opened, whether to pay the acceptance of expenditure, which was put forward by the beneficiary, or the negotiation (purchase of documents) exhibited to him by the exporter (beneficiary) in accordance with certain conditions.

Letter of credit is in form:

• money (paid in the indicated currency, or in the currency of the country where the letters of credit are presented, at the rate of the day payment

• merchandise (documentary) - assumes that the buyer gives instructions to the serving bank to open a commodity letter of credit, which specifies the name of the goods and the documents that must be presented for payment.

In settlements for a documentary letter of credit take part:

• the importer (the issuer) who applies to the bank with a request to open a letter of credit;

• the bank of the importer (the issuing bank), which opens the letter of credit;

• the advising bank verifies the validity of the letter of credit and informs the exporter of the opening of a letter of credit in his favor and submits to him the text of the letter of credit;

• the beneficiary-exporter, in whose favor the letter of credit is opened;

• reimbursement bank, if there are no correspondent links between the exporter's bank and the importer's bank;

• carrier and freight forwarder.

DESCRIPTION OF THE LETTER OF CREDIT SCHEME (A).

1. Conclusion of an agreement between the exporter and the importer.

2. Application for the opening of LETTER OF CREDIT.

3. Opening by the issuing bank and sending LETTER OF CREDIT to the beneficiary through the bank.

4. Advising (notification) to the beneficiary about the opening of LETTER OF CREDIT in his favor.

5. Shipment of goods.

6. Registration and delivery by the beneficiary of a complex of documents for payment by LETTER OF CREDIT.

7. Shipment by the issuing bank, documents of the issuing bank.

8. Verification by the issuing bank of the received documents and their payment.

9. Issuance by the issuing bank of the paid documents, the issue of LETTER OF CREDIT.

10. Entry by the advising bank of funds to the beneficiary.

LETTER OF CREDIT FOR IMPORTER:

1. High Commission;

2. Bank credit is used;

3. Immobilization and spraying of its capital - the opening of a letter of credit before the receipt and sale of goods.

LETTER OF CREDIT FOR EXPORTER:

1. There is an obligation of the bank to pay.

2. Reliability of payments and guarantee of timely payment of goods, as it is carried out by the bank.

3. The speed of receipt of payment.

4. Receipt of the importer's permission for transfer of currency to the country of the exporter when issued by a foreign currency letter of credit.

Types of letters of credit are diverse and are divided:

1. From the point of view of the possibility of changing or canceling the letter of credit by the issuing bank:

• non-refundable

• touching

2. From the point of view of additional obligations of another bank on a letter of credit:

• verified

• unconfirmed

3. From the point of view of possibility of renewal of the letter of credit:

- rollover (revolving, upgraded

4. From the point of view of possibility of using the L / C by the second beneficiary (direct supplier of the goods):

• transferable (transferable)

5. From the point of view of existence of currency coverage:

• covered

• uncovered

6. With possibilities of realization of the letter of credit:

• letters of credit against payment of documents;

• accepted letters of credit, which stipulate acceptance by the bank - the issuer, subject to fulfillment of all requirements of the letter of credit;

• letters of credit with deferred payment;

• letters of credit with negotiation of documents.

1. A revolving letter of credit may at any time be amended or canceled by the issuing bank even without prior notice from the beneficiary. The promotional credit does not create any legal payment obligation of the bank. Only when the issuing bank or correspondent bank has paid the payment of the documents, the return of the letter of credit remains unenforceable. Consequently, a revocable letter of credit does not normally provide the beneficiary with sufficient collateral.

An irrevocable letter of credit - gives the beneficiary a high degree of certainty that his deliveries or services will be paid as soon as he fulfills the terms of the letter of credit, which, in the event that all submitted documents are submitted and all its conditions are met, is a firm commitment to pay the bank- issuer To change or cancel the conditions for a letter of credit with an irrevocable letter of credit, you need the consent of both the beneficiary and the respective banks.

2. Non-revolving unconfirmed letter of credit - the correspondent bank only informs the beneficiary of the opening of the letter of credit. In this case, it does not accept any payment obligation and, therefore, is not obliged to do it on the basis of documents submitted by the beneficiary. Irrevocable confirmed letter of credit - if the correspondent bank confirms the letter of credit to the beneficiary, then it undertakes to make payment on the documents corresponding to the letter of credit and filed in due time.

3. Revolving letter of credit - if the buyer orders to place the ordered goods with certain parts at certain intervals (a contract for delivery by lots), payments may be executed using a revolving letter of credit, which, accordingly, covers the cost of partial supplies.

Settlements using revolving letters of credit may be made on a cumulative or non-cumulative basis:

• A cumulative version means that the amount of unused or incompletely used particles can be added to the remaining fractions;

• In non-cumulative variant, on the contrary, the period of use of timely unsolicited partial amounts disappears.

A certain advantage of revolving letters of credit is that every time you need to open (renew) a new letter of credit, in addition, we have savings on office and other expenses.

4. Transferable (transferable) letter of credit - grants the beneficiary the right to give instructions to the bank, pay, accept or purchase a payment (documents), transfer the letter of credit entirely or parts to one or more third parties (other beneficiaries). Other beneficiaries do not have the right to further transfer the transferable letter of credit. The letter of credit may be transferable only if it indicates the issuing bank that it is "transferable". The terms "fractional", "passerable", "transferred" should not be used.

5. Covered - letters of credit, at opening of which the issuing bank provides in advance to the executing bank currency funds (coverage) in the amount of the letter of credit for the validity of the obligations of the issuing bank, subject to the

possibility of their use for payments under a letter of credit. Coverage can be provided in several known ways:

♣ lending to the amount of the letter of credit of the correspondent account of the executing bank in the issuing bank or another bank;

♣ to grant the executing bank the right to write off the entire amount of the letter of credit from the issuing bank's account at the time of receipt of the letter of credit;

♣ the opening by the issuing bank of insurance deposits or deposits in the executing bank.

The use of coverage leads to the actual freezing of the importer's funds for the period from the opening of the L / C to payment of funds on it.

6. Letter of credit against documents – the most widely used. Settlements with the Beneficiary are made immediately upon presentation of the prescribed documents and the expense (if necessary), if the conditions of the L / C are met. In doing so, the time taken to check documents by the bank is considered accordingly. To perform the calculation, the payer's bank (executor) must have access to the funds intended for payment under the letter of credit.

Letter of credit with acceptance of the draft – the beneficiary may require that, upon fulfillment of the terms on the letter of credit, the draft, which he placed on the buyer, was returned to him by the issuing bank that opened the letter of credit or correspondent bank, is provided with an acceptance. Instead of payment, the acceptance of the draft (translated bill) is executed. The beneficiary may transfer the accepted bill to his bank or to pay on the day of the expiration of the term, or, if he wants to immediately dispose of the money, for discounting.

Letter of credit with a delayed payment - the beneficiary receives a payment not at the filing of documents, but at a later date, provided in the letter of credit (without an extract from the bills of exchange). When submitting documents in accordance with the letter of credit, the beneficiary receives a written consent of the authorized bank to make a payment on the day of the relevant payment deadline. Thus, the importer takes possession of the documents (and thereby the goods or services) before it is debited by the sale or purchase price.

Letters of credit, executed by way of negotiation, are a commodity letter of credit issued by the issuing bank in its national currency and addressed directly to the beneficiary of the letter of credit.

Negotiation of tract - the sale and purchase of bills of exchange or other securities in demand on the market.

3. Collection - a banking operation through which the bank, on behalf of the client, receives a payment from the importer for the goods and services shipped to him, including these funds to the account of the exporter in the bank.

In the form of cash payments are involved:

1) the principal - a client who entrusts the collection operation to his bank;

2) the remitting bank, to which the principal entrusts the collection operation;

3) an incoming bank receiving foreign currency;

4) a bank representing the documents to the importer-payer;

5) the importer-payer.

1. The exporter concludes a contract with the importer about the sale of goods on the terms of payment for the documentary collection and sends him goods.

2. The exporter sends to his bank collection orders and commercial documents.

3. The exporter bank sends the collection order and commercial documents of the bank that represents (or the bank of the importer).

4. The bank representing them shall provide these documents to the importer.

5. The importer pays for documents of the bank which collects (or its bank)

6. The collecting bank transfers the payment to the remitting bank (or the bank of the exporter).

7. The remitting bank shall transfer the transfer amount to the account of the exporter.

Advantages:

• for the importer - there is no need to divert the funds from its circulation in advance;

• for the exporter - retains the legal right to dispose of the goods for payment by the importer.

Disadvantages for the exporter:

• the risk associated with a payment waiver;

• a significant period of time between the receipt of currency by collection and shipment of goods.

Additional conditions to prevent collection defects:

1) the importer pays against the telegrams of the bank of the exporter on receipt or dispatch for the collection of the commodity documents (telegraph collection);

2) on behalf of the importer, the bank issues a payment guarantee in favor of the exporter, while accepting the obligation to the exporter to pay the collection amount on the terms of non-payment by the importer. Aval (guarantee of payment) - bills of exchange guarantee;

3) the exporter uses a bank loan to cover the immobilized resources.

4. An open bank account

♣ Sale on credit terms agreed between the exporter and the importer. The form is not favorable to the exporter, but very beneficial for the importer. The importer receives the opportunity not only to receive the goods, but also to sell it before payment) - a payment method by which the seller simply sends an invoice to the buyer who has to pay at a specified time after receipt (no documentary confirmation, is used only with affiliates and other units)

5. Bank transfer is an order sent (usually by e-mail) by a bank of one country to a bank of another country. It uses an instruction to debit the deposit account of the first of them and to lend to the account of a certain person or institution.

When making a transfer, the bank sells foreign currency to the client for the national currency. (SWIFT – electronic money transfer system)

An alternative to a wire transfer is a postal transfer. In this case, instructions are sent by mail or the banker gives the buyer a bearer bill, and the buyer sends it to the seller by airmail (the payee).

6. Settlements using bills and checks

A bank note is a security document that certifies the unconditional monetary obligation of the debtor (the drawer) to pay, after the due date, a certain amount of money to the promissory note holder (the bill holder).

A bill of exchange is:

• simple;

• transferable.

Commercial bill (commercial bill of exchange) - contains a written order of the promissory note holder (drawer), addressed to the payer (drawer), to pay a third party (remittent) a certain amount of money in a certain period.

Documentary bill of exchange for collection - the exporter, after importing the goods, presents a bill and documents to his bank. The bank transfers them to the importer bank for collection. The exporter receives a guarantee that he will receive payment before the documents are transferred to the importer. And the importer gets the guarantee that all documents will be in proper condition.

Bank check - written order of the bank-holder of the holdings abroad to its correspondent bank about the transfer of a specified amount from its current account to the holder of the check. Exporters, having received such a check, sell it to their banks.

A monetary document of the established form, which has an unconditional order of the owner of the account in the credit institution about the payment of its holder of the specified amount.

The bank usually writes checks in the foreign currency that it has abroad in accounts with correspondent banks.

7. Consignment means that the exporter transports his goods to the importer but retains ownership of these goods until the importer sells them and does not pay the exporter (consignee). It is so unprofitable for a seller that is rarely used in international trade, as in the case of an open account; the sale of goods using consignment takes place when it is shipped to an exporter's foreign office.

Risks arising from international payments.

1. The value of the local currency in the future payment in foreign currency depends on the exchange rate between the two currencies (especially when exchange rates are exposed to market forces).

2. The risk of lack of convertibility: the inability of the currency holder of a given country to convert it into another country's currency due to a government-imposed restriction.

3. Risk of non-fulfillment of obligations or non-payment (more likely, since the violation of a lawsuit against a debtor who breached obligations in another country requires more money and time, and success is less likely than with a local debtor).

The role and place of world financial centers in international settlements

The leading international monetary and financial organizations and central banks of individual countries play a key role in the formation of the international payment system.

In particular, the Bank for International Settlements (BIS) is one of the central elements of the international banking supervision and regulation system. The BIS created in 1930, its members are the Central Banks of 41 countries of the world.

The key goal is to strengthen international financial stability.

Main features:

• carries out a wide range of banking operations in order to assist central banks in managing their currency reserves, that is, BIS is a bank of central banks;

• serves as the forum (organizer) of international monetary and monetary cooperation, in which periodically the heads of central banks meet;

• serves as an information and research center on monetary and monetary and financial relations;

• serves as agent and trustee for implementation of international financial agreements, including until 1994 within the framework of the EU.

In tables 4 and 5 the main financial centers are represented by different classifications.

Table 4. Top 10 Global Financial Centers by Global Financial Centers Index, Long Finance

Financial Center	Rating,, **2014**	**Marks, 2015**	Rating,, **2014**	**Marks, 2015**
London	1	775	1	772
New York	2	769	2	770
Hong Kong	3	759	3	760
Singapore	4	722	4	728
Shanghai	5	694	6	693
Tokyo	6	673	5	697
Chicago	7	665	7	678
Zurich	8	659	8	669
Geneva	9	658	9	661
Sydney	10	658	10	660

Table 5. Top 5 most successful financial centers according to different criteria

Stable increase of the role in the system of international payments	Shanghai, Singapore, Seoul, Hong Kong, Beijing
Most promising for the development of a new business	Hong Kong, Shanghai, Singapore, Seoul, Beijing
The largest centers of Europe	London, Zurich, Geneva, Frankfurt, Paris
The largest centers of North America	New York, Chicago, Toronto, Boston, San Francisco
Asia's largest centers	Hong Kong, Singapore, Shanghai, Tokyo, Shenzhen
The largest centers of the Middle East	Dubai, Bahrain, Qatar, Riyadh, Istanbul

3.2. Balance of payments of the country

Balance of payments is a balance sheet account of international operations as a value for the whole complex of world economic relations of the country in the form of the ratio of revenues and payments.

The balance of payments is an aggregated reflection of the economic relations of the country with the rest of the world for a certain period of time. Balance of Payments - a statistical report, in which systematic summary data on foreign economic operations of this country with other countries of the world for a certain period of time are given.

By economic content, the balance is distinguished for a certain date and for a certain period. A balance of payments for a certain date exists in the form of a ratio of payments and earnings that change from day to day. The state of the balance of payments determines the demand and supply of national and foreign currency at this moment and it is one of the factors of the formation of the exchange rate.

The balance of payments for a certain period (month, quarter, year) is based on statistical indicators in the course of implementation of foreign economic activity during this period and allows to analyze changes in the international economic relations of the country, the scale and nature of its participation in the world economy.

From an accounting point of view, the balance of payments is always in balance. However, according to the results of its main sections, there may be a surplus, if the income exceeds payments, or passive when payments exceed the proceeds. The balance of payments uses the principle of double entry, each transaction has two sides - debit and credit. In accordance with this accounting system, the total amount in the debit must always be equal to the total amount on the loan.

A loan is a departure abroad for payments that must be made to payments in a particular country (increase of liabilities, decrease in assets) (bring foreign currency).

Debit is an inflow of valuables from abroad to a given country for which its residents have to pay abroad (increase in assets, decrease in liabilities) (related to the cost of foreign currency).

Balance of payments structure:

• Trade Balance

• Balance of services and non-commercial payments

• Balance of capital and credit flows

The trade balance is the ratio of the value of exports and imports.

The economic content of an asset or deficit in a country's trade balance depends on its position in the world economy, the nature of its relations with its partners and overall economic policy.

The balance of services and non-commercial payments includes:

• payments and receipts for transportation, insurance, electronic, telecommunication and other types of communications, international tourism, exchange of scientific and technical and production experience, export services, maintenance of diplomatic, trade and other representations abroad, information transfer, cultural and scientific exchanges, various commission fees, advertising, organization of exhibitions, fairs, trade in licenses, leasing operations, etc.;

• According to world statistics, the rules in the section "Services" include, oddly enough, the payment of profits from investments abroad and interest on international loans, although they are usually closer to the capital flow in economic terms;

• According to the IMF method, one-way transfers are shown:

- government operations - subsidies to other countries through economic assistance, state pensions, contributions to international organizations;

- private transfers - transfers of foreign workers, specialists, relatives to their homeland.

The three above-mentioned groups of operations - services, investment income, one-way transfers - are called invisible operations, in contrast to the export and import of real values (goods).

The main income (+) and expense (-) items of balance of international accounts are presented in Table 6.

Table 6. Profit (+) and expense (-) articles of balance of international accounts

Profit Articles (+) (Sources of money)	Expense Articles (-) (Methods of using funds)
♦ Export of goods and services	♦ Import of goods and services
♦ Inflow of capital	♦ Export of capital

♦ Private and state gifts from abroad	♦ Donations abroad
♦ Transport services provided to non-residents	♦ Use of transport of other states
♦ The cost of foreign tourists in a given country	♦ The cost of tourism abroad
♦ Military expenses of other states	♦ Military expenses abroad
♦ Interest and dividends received from abroad	♦ Interest and dividends paid to non-residents
♦ Sale of assets of this country to non-residents	• Acquisition of foreign assets (for example, stocks, bonds and real estate)
♦ Deposits of non-residents in depositories of a given country	♦ Deposits in foreign depositories
♦ Gold sales to non-residents	♦ Gold purchases abroad
♦ Sale of national currency to non-residents	♦ Purchase of foreign currency

Balance of flows of capital and loans – expresses the ratio of export and import of public and private capital, provided and received international loans.

In economic terms, these operations are divided into two categories:

• international movement of entrepreneurial capital;

• international loan capital movement.

The international movement of entrepreneurial capital includes:

• Exit of capital:

♣ Direct investments abroad, conducted by national firms.

♣ Acquisition by foreign investors of foreign shares and bonds.

♣ Acquisition of bank deposits by foreign residents with foreign banks.

• Capital inflows:

♣ Direct investments in the economy of the country, which are carried out by foreign firms.

♣ Acquisition by foreign investors of shares and bonds of another country.

♣ Acquisition by non-residents of bank deposits of the country.

The international loan capital movement includes:

• Long-term and medium-term operations are government and private borrowings and loans that are provided for more than one year.

• Short-term transactions - include international loans for up to one year; current accounts of national banks in foreign banks (holdings); transfer of money capital between banks.

Errors and omissions - includes data as statistical errors and unrecognized operations. Indicators sharply increase in crisis situations.

Transactions with liquid foreign currency assets are the final balance sheet item, reflecting operations with liquid foreign currency assets involving the national currency authorities and resulting in changes in both value and composition of central official foreign exchange reserves.

Modern classification of balance of payments articles by the IMF methodology:

A. Current operations

Goods

Services

Investment income

Other services and revenues

Private one-way remittances

Official one-way remittances

B. Direct investment and other long-term capital

Direct investment

Portfolio investment

Other long-term capital

The summary of A + B corresponds to the concept of the underlying balance in the United States

C. Short-term capital

D. Errors and omissions

Outcome: A + B + C + D corresponds to the US liquidity concept

E. Compensating articles

Revaluation of foreign exchange reserves, distribution and use of SDR (SDR).

F. Extreme funding

G. Commitments of foreign reserve assets of foreign official bodies.

The summary A + B + C + D + E + F + G corresponds to the concept of official settlements in the United States

N. Final Reserve Change

SDR (SDR)

Reserve position in the IMF

Other requirements

IMF Loans

The methodology of compiling the balance of payments is determined by the international standard - "Manual on Balance of Payments", which is being developed and published periodically by the IMF. Currently, the 6th edition of the Guide to Balance Sheet Preparation and the International Investment Position of the Countries, adopted in 2007, is in effect.

Classically, the balance of payments consists of a current account (current account balance of payments) and an account of operations with capital and balance of payments financial account. The current operations account includes operations with real values that occur between residents and non-residents; operations related to the provision or receipt of non-repayable values for current use: goods, services, income and current transfers. Consists of:

Balance of goods movement

Balance of service movement

The balance of incomes (wages - includes wages and other income received by residents of the country for work performed outside its economic territory (border residents, seasonal workers, staff of international organizations, etc.); investment income - covers the receipt and payment of income from direct , portfolio and other investments, as well as income from reserve assets), Balance of transfers (transfer of material and financial assets to residents from non-residents and vice versa, which does not provide for compensation in the form of a certain value equivalent: private transfers, charitable assistance in cash, cash contributions of government agencies, technical assistance, humanitarian assistance).

The balance of the account of operations with capital and financial account includes:

Balance of operations with capital: receipt or payment of capital transfers (transfers for investment purposes, forgiveness of debt, transfers of migrants, etc.), acquisition or realization of non-financial assets and property rights (trademarks, patents, copyrights, rights to extraction of minerals, etc.) ;

The balance sheet of a financial account (all operations that result in the transfer of ownership of external financial assets and claims of the country, or, in other words, the emergence and settlement of financial liabilities between residents and non-residents) are recorded:

Direct investments: equity, reinvested earnings and other capital (loans to direct investment enterprises).

Portfolio investments: equity securities, and debt securities (bonds and other long-term debt securities), money market instruments (bills, notes, etc.) and derivative financial instruments.

Other investments: trade and bank loans, loans, including loans and loans from the IMF and international financial organizations, financial leasing agreements, cash currency and deposits, as well as other short-term assets / liabilities.

Reserve operations: monetary gold, special drawing rights, IMF reserve position (25% of the country's quota), assets in foreign currency, consisting of cash, deposits, securities and other requirements.

In the case of a negative balance (negative, passive), reserve assets are written off to cover this negative balance, in case it is positive (positive, active), reserve assets are replenished.

2. Interconnection of the accounts of the balance of payments. It can be traced using the Walras rule:

′ IM = X + NA + NR,

where IM - country imports, X - exports, NA (net assets) - net sales of assets (cost difference between assets sold to and purchased from foreigners), NR (net interests) - net interest payments (difference in value of interest on invested capital received from abroad and paid to foreigners)

′ IM - X - NR = NA, where the left side is the current balance, the right balance of capital transactions

To regulate the imbalance of the balance of payments, official reserves (OR) of the Central Bank of the country are used:

IM - X - NR = NA ± OR

This correlation also manifests itself in the absorption approach to the balance of payments, which, moreover, illustrates the connection of the external sector with the state of internal equilibrium. The trade balance is considered as the difference between what is produced in the country and what is consumed:

Y = C + I + G + (EX-IM),

where C is consumption, I - investments, G - state expenditures, together - A (absorption)

For Y - A <0 (domestic demand exceeds domestic production) EX - MI <0, imports grow. Under full employment, the only way to improve the current account is to reduce absorption. If unemployment remains A, Y will remain stable, Y will grow at the expense of EX. Under the conditions of devaluation, the current account will improve, the end result will be inflation.

This connection was also studied in the framework of monetarist theories, which were based on the following postulates:

′ If the demand of the population for money exceeds their offer from the Central Bank, then he is satisfied with the flow of money from abroad.

′ If the supply of money to the Central Bank exceeds the demand for them, then money goes abroad.

Demand for money: L = k * P * Y, where P - the level of domestic prices, Y - real income.

Money supply: M = R + D, where R is international reserves, and D is an internal loan.

Denote P = E * Pf, where E is the price of foreign currency in national currency, Pf is the level of external prices.

Assume L = M, k * E * Pf * Y = R + D and we obtain:

E (%) + Pf (%) + Y (%) = R (%) + D (%), or

R (%) - E (%) = Pf (%) + Y (%) - D (%), that is, interest rate changes and exchange rates are equal to changes in external inflation plus changes in real income minus interest rate changes in the domestic loan.

In a system with a fixed exchange rate of growth of domestic lending will be accompanied by a decrease in reserves, reducing the domestic loan will mean a growth of the balance of payments and equalization of supply and demand for money.

3.3. State regulation of the balance of payments

One of the important objects of state regulation is the balance of payments. State regulation of the balance of payments - a set of economic measures of the state (monetary, financial, monetary, etc.), aimed at the formation of the main items of the balance of payments, as well as the balance of the current, depending on the monetary and economic situation and the state of international payments of the country.

The main functions of the state regulation of the balance of payments are:

- regulation of foreign economic operations with the help of normative acts and state control bodies;

- direct involvement of the state in international economic relations as an exporter of capital, a creditor, a borrower;

- determining participation of the state in the redistribution of national income through the state budget (40-50%);

- availability of state property, including gold and foreign exchange reserves. The development of economic science and balance of payments theory contributed to the emergence of a large number of methods of regulating the balance of payments. Their application depends on what balance of payments the country has. Countries with a deficit in the balance of payments can take the following measures:

- Deflation (anti-inflationary) policy. Such a policy is aimed at reducing domestic demand - it is a restriction of public (budget) costs, freezing prices and wages. At the same time, the government actively uses relevant financial and monetary instruments, such as changing the discount rate of the National Bank, setting limits to the growth of money supply, and credit constraints.

- Devaluation. The fall in the exchange rate of the national currency is aimed at stimulating exports and prohibiting the import of goods. However, the role of devaluation in adjusting the balance of payments depends on the specific conditions of its conduct and the accompanying general economic and financial policies. Devaluation stimulates the export of goods only in the presence of the export potential of competitive goods and services and the favorable situation on the world market.

- Currency restrictions. Currency restrictions should be distinguished according to their application: for current and financial operations of the balance of payments. In a passive balance sheet, measures are taken to restrain capital exports and stimulate the flow of capital to support the exchange rate. With an active balance of payments in order to prohibit the inflow of capital and increase the exchange rate of the national currency, forms of currency control of financial transactions are used.

- Budget and tax and monetary policy. Usually used to reduce the balance of payments deficit: budget subsidies to exporters; protectionist increase of import duties; cancellation of interest tax payable to holders of securities in order to inflow capital into the country. Among the regulators of monetary policy a special place belongs to the interest rate discount rate.

A special place among the instruments used as a means of state regulation of the balance of payments is the exchange rate, increase or decrease which directly affects the country's economic situation (its foreign economic indicators, foreign exchange reserves, indebtedness, dynamics of commodity and financial flows change).

If a fixed exchange rate is introduced (in one form or another), then the equilibrium is restored directly to the balance of payments positions.

In a floating exchange rate, the equilibrium is restored on the foreign exchange market, and the exchange rate changes until the supply and demand of foreign currency are balanced within current and long-term capital transfers.

Economic policy, carried out in modern conditions by the state, is a complex system of measures aimed at creating the optimal conditions for the functioning of the national economy. One of the conditions for the effective functioning of the open economic system is the absence (prevention) of the country's balance of payments deficit.

In economic theory, the effectiveness of the use of state measures to achieve the balance of payments balance has been formulated and in practice confirmed. Among these, the following are important:

1. Financing the total payment deficit without changing the exchange rate or the state of the national economy:

a) if the deficit is temporary, the government may use official reserves, refraining from influencing the supply of money. When the balance of payments balance becomes positive, the amount of reserves is resumed;

b) "deficit without tears" if the currency of a country is the key in a particular currency system. In this case, the country has more opportunities to refrain from corrective action in the presence of a deficit balance of payments.

2. Introduction of currency control in one form or another. Thus, the government may introduce restrictions on the acquisition by residents of foreign currency and its use, maintaining an official fixed exchange rate, or to pursue a policy of a multi-currency rate.

3. Introducing (saving) the floating exchange rate regime. In this case, the national currency depreciates until the equilibrium is restored in the currency market.

4. Setting the fixed rate mode. This path is considered "classical medicine from a payment imbalance" and is to bring the national economy into line with a fixed rate. If non-residents still do not want to accumulate the national currency, the government at the expense of official reserves reduces the supply of money, reduces prices, revenues and wages until the demand and supply of foreign currency in the market is established at a certain predetermined level.

5. Policy of currency compromise. In this case, the combination of elements of options three and four, and the exchange rate is used only as a partial stabilization tool:

a) variable parity (Bretton Woods system) – in this case, the country maintains a fixed exchange rate (option four) as long as this can be done at the expense of minor changes in the national economy, and when such opportunities are exhausted, the national currency is devalued, and the exchange rate is set at a new level; b) guided currency swings: the government changes the exchange rate until a new equilibrium is reached.

The analysis of a small open economy model clearly demonstrates that international flows of goods and services, reflected in the current account of the balance of payments, are tightly connected with the flow of funds for the accumulation of capital, reflected from the capital account. Since the flow of capital is the difference between investments and savings, the impact of economic policies on these flows can always be determined by examining the action of one or another policy on investment and savings.

The policy that stimulates investment leads to a positive balance of the capital account and the current account deficit. A policy that stimulates savings leads to a deficit in the flow of capital and a positive balance of current account balance.

An assessment of economic policy and its effects on the open economy is the subject of controversy among economists and politicians. For example, many economists consider the current account deficit to be a very serious problem. Because it reflects a low level of savings in the country, this means that the population of the country is less likely to postpone the future. In a closed economy, the low level of savings leads to a low level of investment, and hence to lower capital stock in the future.

In an open economy, the low level of savings leads to an increase in external debt, which naturally has to be paid. In both cases, a high level of current consumption leads to lower consumption levels in the future, which means that future generations should take on the burden of low levels of national savings.

At the same time, the current account deficit does not always reflect unfavorable processes in the country's economy. For example, when developing countries are on the path to industrialization, they often finance large volumes of investment through foreign loans. In this case, the positive balance of capital movements and the current account deficit are an indicator of economic development.

Thus, it is impossible to assess the state of the economy only in the state of the account of the movement of capital and current account. On the contrary, the factors that determine these international flows should be considered.

TOPIC 4

INTERNATIONAL ECONOMIC ACTIVITY

4.1. Essence, types and forms of international economic activity

4.2. Subjects of international economic activity, criteria of their classification

4.3. International economic activity of enterprises, its essence, characteristics and forms

Keywords and concepts:

international economic activity
foreign economic activity
investment privileges
internationalization
tax privileges
profit of the country
export
imports
offshore
cooperation
classification
offshore zone
financial resources
transnational corporations (TNCs)

4.1. Essence, types and forms of international economic activity

International economic activity is an integral system of economic relations between national economies of different countries, belonging to them or formed by them by subjects of economic life, as well as international organizations, which has its own interconnections, patterns and realizes those specific interests. , which relate to the benefits of international cooperation, division of labor and factor placement.

Allocate the following main types of international economic activity:
• export / import of goods, capitals, labor force;

• export / import of services;

• co-operation;

• financial transactions;

• scientific and technical relations;

• joint venture;

• counter trade;

• currency transactions;

• organization and participation in fairs, exhibitions, tenders, etc.;

• work on a contractual basis;

• international lease relations.

Types of foreign economic activity are also defined in the Law of Ukraine "On Foreign Economic Activity". The types of foreign economic activity carried out in Ukraine by the subjects of this activity include:

• export and import of goods, capital and labor;

• provision of services by foreign economic entities of Ukraine to foreign business entities, including: production, transport and forwarding, insurance, consulting, marketing, export, brokerage, brokerage, agency, consignment, management, accounting, auditing, legal, tourist and others that are not directly and exclusively prohibited by the laws of Ukraine; provision of the aforementioned services by foreign subjects of economic activity to subjects of foreign economic activity of Ukraine;

• scientific, scientific and technical, scientific-industrial, production, educational and other cooperation with foreign subjects of economic activity;

raining and training of specialists on a commercial basis;
• international financial transactions and securities transactions in cases stipulated by the laws of Ukraine;

• credit and settlement transactions between foreign economic entities and foreign business entities; Creation of subjects of foreign economic activity of banking, credit and insurance institutions outside Ukraine; creation by foreign subjects of economic activity of the said institutions on the territory of Ukraine in cases stipulated by the laws of Ukraine;

• joint business activity between the subjects of foreign economic activity and foreign business entities, which includes the creation of joint ventures of different types and forms, joint business operations and joint ownership of property both on the territory of Ukraine and abroad;

• entrepreneurial activity on the territory of Ukraine, connected with granting of licenses, patents, know-how, trademarks and other intangible objects of property by foreign business entities; similar activity of subjects of foreign economic activity outside Ukraine;

• organization and implementation of activities in the field of exhibitions, auctions, auctions, conferences, symposiums, seminars and other similar activities carried out on a commercial basis with the participation of foreign economic entities; organization and implementation of wholesale, consignment and retail trade on the territory of Ukraine for foreign currency in cases stipulated by the laws of Ukraine;

• commodity exchange (barter) operations and other activities, based on forms of counter trade between foreign economic entities and foreign business entities;

• Leases, including leasing, transactions between the entities of foreign economic activity and foreign business entities;

• operations for the purchase, sale and exchange of currency at foreign exchange auctions, foreign exchange and interbank foreign exchange market;

• work on a contractual basis of natural persons of Ukraine with foreign business entities both on the territory of Ukraine and abroad; the work of foreign physical persons on a contractual payment basis with subjects of foreign economic activity both on the territory of Ukraine and abroad;

• other types of foreign economic activity, not prohibited directly and exclusively by the laws of Ukraine.

International economic activity is mediated in the complex of numerous forms of cooperation between different countries, industrial and commercial trade contacts that extend beyond the borders of individual states, as well as means of regulating identified contacts by national and international institutions. These forms correspond to the nature of the traditional specialization, which is connected with the achieved levels of economic development and the placement of factors of production, natural resources, as well as specialization, which is formed in accordance with the notions of the appropriate directions of concentration of labor efforts for producers and countries as a whole.

- Forms of international economic activity:
- International trade in goods;
- Provision of international services;
- Cross-border capital movements;
- International credit;
- International monetary and financial relations;
- International labor migration;
- Participation in the activities of international economic organizations;
- International cooperation in industrial scientific and technical spheres;

Joint solution of economic means of global development problems.

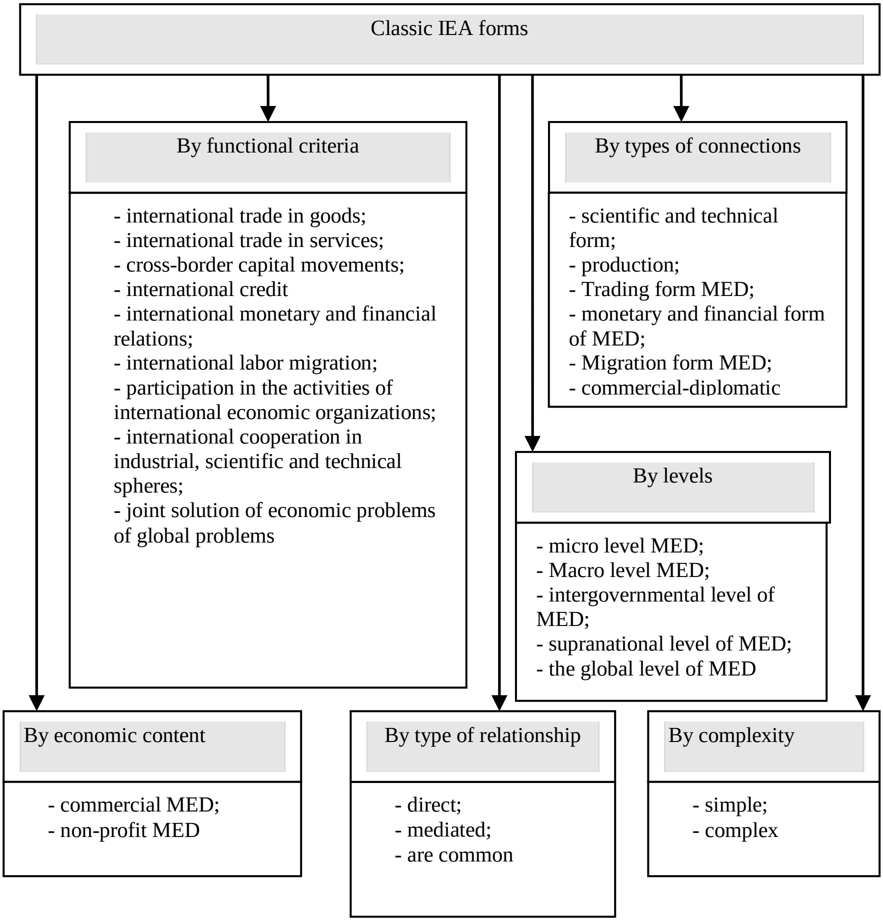

Fig.6. Classical forms of international economic activity

- As for the levels of economic activity, the following can be conditionally distinguished:
- • micro level
- macro level
- intergovernmental or supranational level

It is necessary to take into account the belonging of the subjects of international economic activity to one of two fundamentally different classes:

a) entrepreneurial or

b) the regulator.

4.2. Subjects of international economic activity, criteria of their classification

Subjects of international entrepreneurial activity in any country are those legal entities, individuals, organizational organizations that are endowed with appropriate capacity and rights. In Ukraine, according to the Law of Ukraine "On Foreign Economic Activity", such entities may be:

♣ individuals - citizens of Ukraine, foreign citizens and stateless persons with the appropriate legal capacity;

♣ legal entities are registered as such in Ukraine and have a permanent location on the territory of Ukraine (enterprises, organizations and associations of all types, including joint stock companies and other types of business associations, associations, unions, concerns, consortia, trading houses, intermediary and consulting firms , cooperatives, financial institutions, international associations, organizations and others), including legal entities whose assets and / or capital are wholly owned by foreign business entities;

♣ the association of physical, legal, physical and legal persons who are not legal entities in accordance with the laws of Ukraine but who have a permanent location in the territory of Ukraine and which are not prohibited from carrying out economic activities by the applicable civil law laws;

♣ structural units of foreign business entities (branches, branches, etc.) that are not legal entities but have permanent location in the territory of Ukraine;

♣ joint ventures with the participation of Ukrainian and foreign business entities that have a proper registration and have a permanent location on the territory of Ukraine;

♣ other economic entities provided for by the laws of Ukraine. Criteria for the classification of subjects International Economic Activity

• nation-wide

• coordination

• sectoral

• Territorial

• local

• specialized functionalities

Microeconomic, as well as other levels of international economic activity, has its functional differences, a specific circle of subjects, the goals they pursue, and the means of realizing these goals. the goals that they pursue in their activities are interconnected and mutually dependent on one another. First and foremost, they are:

• maximization of individual profits, as international economic activity is considered as a substance, sometimes an alternative sphere of commercial interests implementation (compared with this goal, other goals can be considered as means of realization);

• expansion of production as an independent goal of economic life; In addition, expansion of production is a guarantee of increased profits, reduction of competitive risks and a means of combating competitors through their absorption;

• expansion of markets due to penetration or expansion of such penetration into the economic sphere of foreign countries;

• Increasing the efficiency of international economic activity through the approximation of production to consumers in cases of foreign investment, the intensification of international marketing policy;

• overcoming institutional, tariff and non-tariff barriers - avoiding or reducing customs duties, national restrictions on the implementation of certain administrative transactions;

• solving problems related to instability of international prices and correlated prices (primarily due to currency revaluation and devaluation).

Speaking about the subjects of international economic activity at the macro level, it should take into account its dual nature. It is both the economic and regulatory practice of the state in the person of its authorized bodies, which directly results in the movement across the borders of international cooperation objects or is aimed at forming a regime of such cooperation. In the structure of the state apparatus it was decided to allocate the following classification groups of bodies:

• nation-wide - Parliament, President, Cabinet of Ministers;

• coordination - the Ministry of Economy, the National Bank, the Ministry of Finance and others;

• sectoral – ministries and departments responsible for the livelihoods of individual sectors, sectors of the economy;

• territorial - regional, local authorities;

• specialized functional - institutions that are guided by their national interests in their activities, supporting national participants in international cooperation.

The transfer of authority from national to international regulatory structures takes place in accordance with the international legal regime established by bilateral and multilateral agreements between countries as sovereigns of international relations, as well as statutory documents of international organizations. Cooperation of countries, although it has its main goal of creating a favorable climate for international economic activity, extends to the sphere of direct decision-making on prices, volumes and technical conditions of trade. The most famous example of an international entity that specializes in such a policy is OPEC, the organization of oil exporting countries.

4.3. International economic activity of enterprises, its essence, characteristics and forms

International economic activity of enterprises is carried out in the following basic forms:

1. Export and import of goods and services. This is often the first foreign-economic operation of the firm. This operation involves, as a rule, minimal obligations and the lowest risk for the company's operating resources, requiring small expenditures. For example, firms can increase their exports by loading their excess capacities, which minimizes the need for additional investment.

2. Contractual, cooperative agreements (licensing, franchising). When licensing, the firm (licensor) enters into a relationship with a foreign firm (the licensee), offering the right to use the production process, trademark, patent, know-how in exchange for a license fee. Franchising is one of the ways of cooperation (first of all international) in the sale of goods and services of a well-known firm (franchisor) through a specially created sales organization (franchisee) with its participation due to the franchisee's right to use the trademark and know-how of the franchisor.

For example, the well-known copier manufacturer, Xerox, having a reputable reputation, creates a network of sales companies in different countries for the joint promotion of various printing services for the market. The franchising of goods and services is also used by well-known firms: Mc Donalds, Singer, Coca-Cola, Hilton. The greatest application of franchising is in the field of services: tourism, home appliances service, fast food, car repair. Often companies purchase foreign licenses and apply for franchising after they have succeeded in exporting their products to the foreign market.

3. Economic activity abroad (research, banking, insurance, subcontracting, leasing). Contract manufacturing involves the conclusion by the company of a contract with a foreign manufacturer who can manufacture goods, which can be carried out by the said firm. The lease is provided by the lessor for temporary use of the tenant of the property for an agreed rent for a certain period in order to obtain a commercial benefit. The range of goods leased is quite wide: cars and trucks, aircraft, tankers, containers, computers, communication facilities, standard industrial equipment, warehouses, ie movable and immovable property, which relates to fixed assets. In international practice, there are three types of rent depending on its duration:

• short-term lease - rental, which can range from several hours to one year;

• medium-term lease - hiring, which provides for the lease of property for a term of 1 to 3 years;

• long-term lease - for a period of more than three years.

4. Portfolio and direct investment abroad. Investment activity abroad may be related to the establishment of an enterprise of its own production branch; investing in shares of an existing foreign firm; investing in real estate, government securities.

The above classification of forms of international business is quite conventional. For example, economic activity abroad (3) is almost always accompanied by investment there (4).

At various stages of the development of the IER, one of the forms of international economic activity prevails. At present, for many developed countries, the leading form is the transnational production activity, which is based on the foreign investment activity of enterprises.

TOPIC 5

INTERNATIONAL ECONOMIC INTEGRATION

5.1. Concept and main features of international economic integration
5.2. Concepts of development of international economic integration
5.3 Development of Regional Economic Integration
5.4. Efficiency of international economic integration

Keywords and concepts:

European integration
economic integration
European Union
internationalization
applicant countries
development concept
candidate country
development
association
process
stage
criteria
integration
implementation
Association Agreement
international integration
vertical integration
horizontal integration
the structure of the integration process

5.1. Concept and main features of international economic integration

The development of the world economy at the present stage is increasingly gaining the character of the integrity and continuity of its national elements. This determines the predominance of centripetal forces in the development of the world economy and the growth of openness of national economies, acts as a catalyst for the internationalization of economic life. Modern world economic development is characterized by two main trends. On the one hand, the processes of international economic integration are growing, amplified and dominated. International economic integration as a phenomenon is characterized by the absence of any form of discrimination of foreign partners in each of the national economies, but as the process is manifested in the erosion of differences between economic actors from different countries. On the other hand, these processes are not straightforward, since along with the integration processes in separate regions of the world there are disintegration processes caused by political, national and religious reasons (for example, in Central and Southeastern Europe, the Balkans, etc.). . International economic integration can be defined as a qualitatively new stage of development and a form of manifestation of the internationalization of economic life, which involves convergence and mutual adaptation, interweaving of all structures of national economies. In the broadest sense, international economic integration is defined both as a relationship and as a process. Integration in the first sense can be interpreted as the absence of any form of discrimination between foreign partners and each of the national economies. In this regard, international economic integration is seen as the highest level of development of international economic relations. As a process of integration manifests itself in erasing the differences between economic actors - representatives of different states. At the micro level there are horizontal and vertical integration. Horizontal integration arises in the merger of firms that produce similar or homogeneous goods for the purpose of their further implementation through a common system of distribution and obtaining additional profits and is accompanied by the production abroad of goods similar to those produced in the country of origin.

Vertical integration involves merging firms that operate in different production cycles. There are three forms of vertical integration: - integration "down" (for example, joining a manufacturer of raw materials or semi-finished products to the main production company); - industrial integration "up" (for example, the acquisition by a steelmaking company of a plant producing steel); - non-productive integration "up", which includes the sphere of distribution. At a certain level of development of microintegration there are transnational corporations. They are the most integrated structures (including Chrisler, General Motors, Volkswagen, Toyota, Honda - Vertical, Exoon, Mobil, Texaco - Horizontal Integration). At the level of national economies, integration develops on the basis of the formation of economic unions of countries with a degree of harmonization of their national policies. Here we are talking about the phenomenon of economic regionalism. Consequently, we have a two-tier structure of the integration process. A characteristic feature of the global economy at the present stage is the creation and development of integration groups at the macro level (from agreements on cooperation to economic unions) and micro-level (from agreements on co-operation in production to the creation of transnational companies). International economic integration is a higher level of development of international economic relations, when the internationalization of economic life manifests itself in the close interaction and interdependence of national economies of two or more countries and the pursuit of their agreed interstate trade and economic policy, both between themselves and in relations with third countries.

There is a high level of internationalization of production based on the development of deep stable relationships and the division of labor between national economies Economic integration is significantly different from economic cooperation of countries. At the stage of economic integration: a) an international economic complex with its structure and management bodies is formed. Common conditions of economic activity are defined and agreed upon within each country, at the interstate and supranational levels; b) the possibility of combining various resources for a joint solution of socio-economic problems increases; c) the basis of integration processes is not only foreign trade, but also close cooperation in the field of production and scientific activity, and on preferential terms in comparison with other countries; d) Integration cooperation is of a complex and long-term nature.

There are several definitions of integration formulated by various scholarly schools of contemporary economic thought, namely: market, market-institutional. The concept of a market school is that in an integrated economic space, the same conditions for the movement of factors of production must be fulfilled as in the national market system. In a single economic space of several countries, competition and full freedom for the market forces are provided. International economic integration in this case is considered to be deeper, the freer is the operation of market forces and the smaller the regulatory influence of the state. Another trend of modern neo-liberalism was called the market-institutional. His supporters are trying to find a compromise between market and state regulatory mechanisms of international economic integration, believing that integration is the embodiment of a certain unity of economic, political and legal aspects. In contrast to the market school, institutionalists recognize that it is impossible to integrate national economies with market-based methods. The market-institutional school focuses on measures that can eliminate discrimination in mutual cooperation, restore the leading role of the market mechanism of regulation of economic processes, minimize state interference in the field of international economic integration. Some researchers see the beginning of integration in the activities of governments of countries that eliminate discrimination. At the same time, they suggest differentiating between integration and ordinary cooperation, when the difference is not qualitative but quantitative. While co-operation includes actions aimed at reducing discrimination, the process of economic integration consists of means that lead to the elimination of various forms of discrimination. The views of the representatives of the structural school differ significantly from each other. For them, genuine integration is more than merely the unification of several national farms. It is possible only at the stage of the economic union, when the interpenetration of national economies occurs, which is an integral part of the inevitable process of changing their structure. In other words, for the full integration it is important not so much to ensure absolute freedom of movement of goods and factors of production, that is, the freedom of the market mechanism, as the coordination of economic policy of states, aimed at mitigating the uneven economic development of individual countries of the integration complex and separate regions within these countries , as well as to ensure the establishment of national balance of payments. Integration should mean not just the sum of national economies, but some new quality, a more perfect economic organism. International integration has specific goals:

1. To increase the competitiveness of national economies of the countries-participants of integration, to jointly counteract the challenges of globalization.

2. To take advantage of the "economies of scale", which allow to expand the size of the market, stimulate the inflow of foreign direct investment.

3. To promote structural reforms in the economies of the countries-participants of integration.

4. To associate countries that carry out deep economic reforms to regional trade agreements of the countries with a higher level of development. Countries with higher levels of development, involving their neighbors in the integration process, are also interested in accelerating reforms, creating a full-fledged capacious market there.

5. To obtain for national producers’ easier access to financial, labor, material resources, to new technologies, to work on a wider (bigger) market.

6. Establish good-neighborly relations between countries in all directions.

7. To increase the influence of integrated participants in the world market. Integration allows you to act jointly in international organizations, and so on. The process of economic integration occurs when two or more countries unite together to create a wider economic space. Countries conclude an integration agreement hoping for an economic gain, although they may also pursue political and other goals. At the macro level are the following main forms of international regional economic integration: the zone of preferential trade; free trade zone (association); a customs union, a common market, economic and political alliances (Table 7).

Table 7.Forms of International Regional Economic Integration

Forms of International Economic Integration	Key features					
	Reduced domestic tariffs	Removing domestic tariffs	Joint external fare	Free movement of capital and labor	Harmonization of economic policy	Political integration
Preferential trade zone	X					
Free Trade Zone (Association)	X	X				
Customs union	X	X	X			
The common market	X	X	X	X		
Economic Union	X	X	X	X	X	
Political union	X	X	X	X	X	X

Preferential trade zone is a zone with a preferential trade regime, when two or more countries reduce reciprocal tariffs on imports of goods while maintaining the level of tariffs in trade with other countries. The most illustrative historical example of this form of integration is the preferential system of the British community (from 1932), which united 48 states. The free trade zone is characterized by the absence of restrictions on trade exchanges (customs tariffs, quotas) between the participants in the zone. But at the same time, each country retains such restrictions and barriers in relation to third countries (non-members). The principles of a free trade zone can apply to all and to a limited range of goods. The advantage of this grouping in comparison with other forms of integration associations is that its members must coordinate their interests within relatively narrow limits. The disadvantage is that, as the member countries of the agreement apply different tariffs in trade with third countries, the outsider country may enter the internal market of the association through the territory of that member of the group whose rates of duty towards non-members are minimal. Typical examples are the European Free Trade Association (1960), the Free Trade Area "USA-Canada" (1988), the North American Free Trade Agreement (NAFTA). The next stage (form) of international economic integration is a customs union. The Customs Union is an agreement between two or more states, which stipulates the elimination of internal tariffs and the establishment of a common external tariff. Thus, the customs union provides for the replacement of several customs territories by one with the complete elimination of customs duties within the customs union and the creation of a single external customs tariff. Agreements on the establishment of a customs union acted in Benelux (from 1948), in the European Union (from 1968 p.). The customs union becomes a common market with the elimination of any restrictions on the movement of goods, services, as well as production factors - capital and labor. In the framework of the common market, free movement of not only goods, but services, capital and citizens (labor force) is provided. Such conditions of economic relations in general are characteristic of the European Union integration process. The preconditions for the transition to a common market are created by a customs union, since it eliminates customs duties between member states and develops a common trade policy with respect to third countries. However, for the creation of the single market, this is not enough, because it is necessary to solve a few very important tasks, namely: to develop a common policy for the development of individual sectors and sectors of the economy (the choice of a specific sector or sector depends on how important it is for the future integration of the industry. In the process of integration, the European Union, in the transition to a single market, recognized agriculture and transport as priority areas); create conditions for the free movement of capital, labor, services and information (which will complement the free movement of goods); to form joint funds for the promotion of social and regional development. These economic steps necessitate harmonization and unification of national laws, and thus require the formation of supranational authorities of control and control. The construction of a common market should result in the creation of a truly single economic, legal and informational space and give impetus to the transition to a qualitatively new stage of economic integration - an economic union. In the economic union, the free movement of factors and production results is complemented by the harmonization of domestic and foreign economic policies. In the participating countries, as a rule, a single monetary unit function. Signs of the economic union are: the elimination of any trade restrictions and the implementation of a unified foreign trade policy; free movement of goods, services, capital and citizens; rigorous coordination (in essence - unity) of economic, financial and social policies. An example of an economic union is the European Union. A major component of the economic union is the monetary union - the introduction of a single regional currency, the formation of a single regional bank, which is the issuing center of this currency unit, the coordination and establishment of a single monetary and coordinated macroeconomic policy, etc., is ensured. On the basis of economic ones, political unions are created, in which, along with economic, political integration is also ensured. The economic nature of the integration groups and the relationships between the countries that make up them determines the logic and continuity in the formation and development of forms of international regional economic integration. In the formation of zones of preferential and free trade, customs unions, interstate relations relate only to the sphere of exchange, that is, trade integration is developing. Deeper forms of intergovernmental coordination create conditions for integration in the sphere of production. The levels, forms and types of international economic integration are closely interconnected.

The key criteria for economic conditions of integration are the following criteria: level of development of countries, their resource and technological potentials; the degree of maturity of market relations, in particular national markets for goods, services, capital and labor; the scale and prospects of the development of economic interconnections of the countries, etc.; Infrastructure and socio-cultural interoperability are also important. At the same time, the processes of forming economic integration groups of countries have a pronounced regional specificity.

5.2. Concepts of development of international economic integration

Within the framework of existing scientific schools, various concepts of international economic integration emerged. Among proven practice are considered models of two-speed and multi-speed Europe. It is taken into account the fact that, due to different starting conditions, the participants of the integration, having declared common goals, can spend different amount of time to achieve them. Examples of high-speed integration are the Maastricht Treaty (1992) on the convergence criteria for the creation of a single internal market for the EU and the European Monetary Union.

With the multi-speed integration, the theory of concentric circles corresponds. According to this concept, the first circle forms the highly integrated core of countries, and secondly, less integrated countries. This theory is often associated with a large EU enlargement (2004-2007). Similar processes can also take place under the FTAA - Free Trade Area of North America and South America.

The concept of flexible geometry or selective integration allows members of the association and third countries, depending on political or economic circumstances, to participate only in certain integration events. On this basis, the countries of Central and Eastern Europe cooperate with the European Investment Bank, cooperate between the European Free Trade Association (EFTA) and the EU, and so on. Close to the previous one is popular in the first half of the 50's of the twentieth century. The theory of sectoral integration M. Schumann. He initiated the creation of the European Coal and Steel Union (ECUU) and Euratom, on the basis of which the European Economic Community was subsequently established.

The theoretical doctrines of international economic integration include the possibility of maneuver by individual countries on the choice of forms, depth, mechanisms of interaction of their economies in regional groups. Such theoretical conclusions are in line with the current needs of Ukraine, whose economy is located in the zone of power lines of the two main «gravity fields» - the European Union and the SES. Awareness of this geopolitical and geo-economics reality, its determinism by a combination of historical, economic, ethnic, psychological and other factors leads to more decisive steps towards Ukraine's integration into the European economic space.

In world practice, two main methods of implementing all types of international economic integration are used. By the first method, integration begins, develops and deepens with industrial, administrative measures and shares. The second method is based on the principles of liberalization of the economy and foreign trade, which limits administrative measures on the basis of a multilateral agreement and provides free exchange of goods between countries in a large market space in accordance with the requirements of the law of demand and supply.

In accordance with its internal content and tools, the first method got the name of the institutional, and the second - the functional one. It should be emphasized that in the real integration practice both these methods and the corresponding tools interact and intertwine. Their ratio depends on the form (state) of integration and the region in which the integration processes take place.

It is believed that the necessary conditions for the application of functional tools existed in the world economy at the end of the nineteenth and early twentieth centuries, when the gold standard system operated, free currency conversion and the international mobility of factors of production took place. It is also known that this system only extended to a group of developed countries. Among the liberal mechanisms and integration tools we can name the following: higher real income (and, accordingly, growth rate); greater equality of opportunity and income; increasing freedom of choice.

Integration methods require the harmonization, coordination and unification of economic and social policies. Harmonization implies, on the one hand, the preservation of the levers of state control over economic processes, and, on the other hand, requires the adaptation of national legislation to the jointly developed normative and legal principles. In real practice of integration, harmonization has three main dimensions. First, it means creating a redistribution mechanism by introducing a system of transfers through a variety of funds. In particular, the European Social Fund, the European Investment Bank, the European Fund for the Guarantee of Agrarian Development, and the European Regional Development Fund were organized in the EU. Secondly, harmonization within the integration community leads to a corresponding decrease in its level with third countries. Thirdly, the concentration of redistribution in the integration pool contributes to the process of centralization.

Coordination means voluntary coordination of certain spheres of economic policy. Unification is carried out at higher levels of economic integration. For example, in the European Union today it covers monetary policy.

Methods and instruments of international economic integration are transformed in the process of deepening and diversifying the integration formations. In particular, recent scientific literature discusses such concepts as neufuncturalism, which implies an increase in the role of national governments in the process of integration, and neo-institutionalism, when integration problems are solved at the supranational level through the harmonization and development of a common economic policy.

Economic integration groups of countries can be formed in different ways:

«Bottom-up», in the process of deepening internationalization and transnationalization of economic life, when agreements between the countries on the creation of a free trade zone, a customs union or a common market precede a rather long period of development of international economic relations at the level of entrepreneurs, firms and corporations. These links are actively supported at the state level, while large-scale bilateral projects are being developed and implemented to deepen international economic cooperation. It is in this way that integration processes in North America, first of all, between the United States and Canada;

"Top-down", when, for various political and socio-economic reasons, an integration group of countries that do not yet fully meet the criteria of integration compatibility is created, but in the process of further regulated and coordinated at the supranational level, cooperation reaches this or that form of international economic integration.

Mostly, in this way, economic integration in Europe was evolving through bilateral and multilateral negotiations and the associated participation of individual countries in the work of integration groups that are already functioning. In particular, today the countries of Eastern Europe, which realize the goal of integration into the European Union, are moving in this way. The same can be said about Mexico, its involvement in the formation and development of the North American Free Trade Agreement. It should be noted that for the formation and development of specific forms of international regional economic integration, the interrelation of the mentioned new ways is characteristic (Fig. 7).

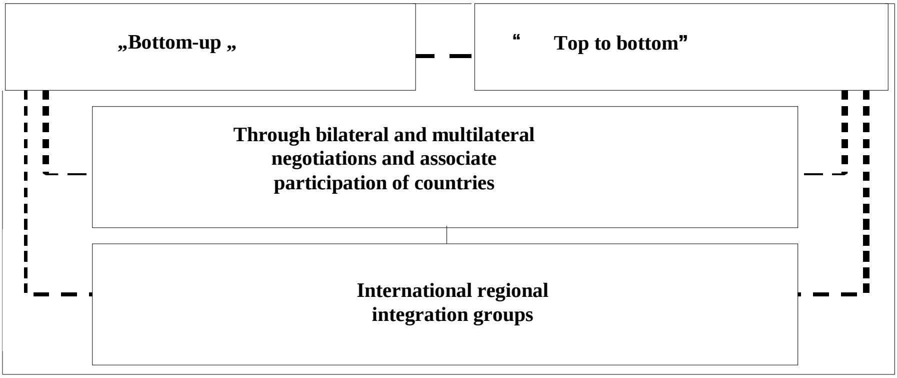

Fig. 7. Ways of formation of interstate regional integration groups

In general, the consistent development of forms of international regional economic integration ensures the most complete, most rational use of the country's economic potential and increase their development rates. At the same time, important issues of social policy are being solved at the expense of an objectively reduced price for basic goods and services and the creation of new jobs, and due to the concentration of efforts of the participating countries on the priority programs of socio-economic development. Mature integration groups produce and implement powerful and effective mechanisms, tools for providing collective economic security.

However, despite the obvious economic benefits, the processes of international regional economic integration take place against the backdrop of complex interweaving of political and socio-economic problems. The main factors that cause the emergence and existence of these problems are:

- nationalism;

- traditional conflicts between individual countries and groups of countries;
- ideological differences;
- political, legal, economic and socio-cultural differences of the participating countries;
- rising costs of implementing regulatory functions at the supranational level;
- contradictions associated with the expansion of integration groups, etc.

Modern processes of international economic integration have certain peculiarities, namely: the dynamism of the processes of international economic integration as a whole, due both to the action of objective factors and to the "chain" reaction of the countries of the world to the development of separate integration groups; uneven development and implementation of forms of international economic integration, caused by manifestations of obvious differences in the economic development of countries and regions of the world; development along with integration disintegration processes that have deep roots in the historical, political, economic and social laws of world development. In the modern world, integration and disintegration are developing asynchronously, as two differently oriented processes. At the same time, disintegration phenomena and processes can have not only a local character (Quebec province in Canada, England and Wales in Great Britain, Corsica in France, Catalonia and the Basque country in Spain, the split of Czechoslovakia into two states, etc.) but also global.

Integration and disintegration are objective interconnected processes. Moreover, disintegration forms the preconditions for integration on new quantitative and qualitative principles. In some cases, conditions for reintegration may be created. It is advisable to distinguish between: full, partial, extended reintegration. In the first case, it is a question of the restoration of one or another integration group in the previous composition on the same political and economic basis. Partial reintegration takes place when separate members (participants) of integration groups on the previous principles or all participants, but on qualitatively new principles, unite.

Extensive reintegration is significantly characterized by the inclusion of newly restored integration organizations on one or another basis.

The development of international integration processes requires the availability of a number of objective and subjective prerequisites, the degree of development of which is significantly different in certain regions of the world economy. This affects the nature and level of regional economic integration. The most important objective prerequisites are:

- modern scientific and technological revolution, which at the same time is a material basis for the development of international economic integration. Qualitative changes in the productive forces, the emergence of fundamentally new means of production, technologies and changes in this regard, the very nature and structure of production conflicts with the limited national markets, the existence of various interstate barriers to the movement of capital, goods and services, labor. The magnitude and fundamentally new nature of the problems of contemporary world socio-economic development make it impossible or ineffective for them to be solved by individual countries, and the need to combine various types of resources becomes evident. The modern scientific and technological revolution objectively predetermines the formation of an optimal economic space, within which the appearance and constant updating of a wide range of goods and services is ensured, profitable functioning of production, maximum satisfaction of the growing needs of society within one or more countries;

- socio-economic homogeneity of the national economies that are coming closer. At the present stage of global economic development, there are two main models of the national organization of production and foreign economic relations: market and planning. It is obvious that the formation of a common economic space involves a fundamental similarity of the foundations of the organization of national production in individual countries, the common conditions of management of producers;

- the presence of sufficiently high and close levels of economic development of countries, groups of countries and regions of the world in conditions of uneven distribution of resources. Significant differences in the national levels of labor productivity, labor qualification, and the competitiveness of integrated products and services can be the basis for obtaining unilateral advantages, one-sided specialization of individual national economies, leading to economic and administrative barriers to the formation of a common economic space;

- the presence of a rather long period and experience of mutual economic cooperation of a group of countries. Integration is a continuation of the economic interaction of the countries, its new state, the highest level of economic cooperation. Integration occurs on the basis and as a result of deepening and expanding the economic interaction of different countries.

For the development of international economic integration are also important economic and geographical proximity of countries, the presence of common borders. It significantly intensifies mutual economic ties, reduces transport costs, creates conditions for the implementation of large joint projects of cooperation. As a rule, countries with common historical, cultural and other developmental conditions are more likely to become economically integrated.

he goal of promoting integration may be targeted activities of social groups and classes, parties, legislative and executive authorities in the development of their own integration processes. This premise is subjective and reflects objective economic processes, but at the same time affects them, can to some extent contribute to the development of integration or to hinder it.

It is also important to note among the prerequisites for integration:

trends in demographic development;

availability and necessity of solving global and regional problems (energy, food, ecological, use of the oceans and outer space, economic growth and population growth, economic security,

disarmament, etc.);

a sharp reduction of distances through the development of transport and communication networks;

market "unification" of economic development.

Integration has several levels of development. The main thing is interaction at the level of enterprises and organizations - direct producers of goods and services. It is here that there are integration links in the main spheres of reproduction, structural adjustment of national economies is carried out, which leads to their complementarity and interweaving. For this reason, the growth of volumes and branches of mutual trade structures, international capital movements, scientific-industrial cooperation, labor migration are decisive factors in the development of integration processes in general. Integration of the main parts of the economies of different countries is complemented by interaction at the state level. Such interaction is carried out, firstly, by creating conditions for integration processes by state structures, and secondly, by the direct participation of state enterprises and organizations in international economic cooperation. Finally, the level of the integration group itself as an economic community with its inherent features and characteristics. As a result of an intergovernmental union (agreement), the integration group begins to act as a qualitatively new and relatively independent entity, which forms its own system of relations with each member of the association, and outside of it. In this case, the distinction between the powers of the economic group as a whole and its individual participants, the definition of the conditions of the interaction of the integration community with the third states, and other intergovernmental organizations are important. As a form of identification and stage of development of internationalization of economic life, economic integration at the same time is significantly different from traditional economic cooperation of different countries. From 1947 to 1995 in the world more than 60 integration groups were created. Currently, there are more than 200 international economic integration associations in the world in different regions of the world. Their activities are accompanied by static and dynamic effects of the integration process.

The static effects of the integration process are as follows. As a result of the creation of an integration association, the implementation of the principle of mutual free trade leads to an increase in the flow of goods between its participants. This result is called the effect of creating a trade. At the same time, protectionism in relations with third countries and the intensification of mutual trade within the integration group leads to a certain collapse of trade and economic relations between them and members of the association. Such a result in economic science is called the effect of the deviation of trade. Trade creation takes place when economic integration leads to a change in the origin of the product, that is, a product manufactured by a national producer at higher costs is replaced by a similar product manufactured in another country, a member of the integration association, but at a lower cost of resources. Such a change is a step towards the allocation of resources between industries through the use of the free trade mechanism. And this potentially contributes to the welfare of the country.

The effect of trade diversion occurs when imports of low-cost products from non-member countries are replaced by imports of goods with relatively higher production costs from a member country. Such a change means moving away from the allocation of resources through the free trade mechanism and leads to a reduction in welfare. Since these two effects take place at the same time, the country will have a net gain from participating in the integration process when the effect of creating (increasing) trade in absolute terms is greater than the effect of the deviation. Otherwise, the country will suffer net losses as a result of participating in a particular integration union, and the welfare of the nation will diminish.

Also, the effect is observed when a portion of the income of the state from the collection of import duties is transformed into consumer gain as a result of lowering the price of the goods. Since after entering the integration association consumers become available products with lower production costs, consumption of this type of goods will increase.

Thus, the combined effect of integration on the welfare of the country is determined by comparing the effects of creating and rejecting trade. If the first effect is greater than the second, then welfare increases, otherwise the welfare of the nation will diminish. In addition to the above, economic integration also causes other static effects.

Thus, an economic union of states allows each of its participants to save on administrative costs, because in the event of elimination of various barriers, the simplification of customs clearance procedures decreases (or disappears altogether when it comes to higher levels of integration) the need for a complex system continuous control over the movement of goods and services crossing the mutual borders of the members of the association.

Secondly, the scale and depth of integration processes can lead to an improvement in the aggregate terms of trade in the economic bloc in relations with third countries, as compared with the trade conditions of individual countries. Each member of the integration association, through membership in it, can strengthen its market positions in the global economy, including in relations with third countries.

The integration process largely transforms the conditions and parameters of the functioning of the national economic system and the consequences of such a transformation are called the dynamic effects of economic integration, which are as follows:

1. Reducing (or completely abolishing) restrictions on the movement of goods and factors of production leads to a more competitive environment for national producers and reduces the level of their monopoly power in the domestic market compared with the integration period.

2. The possibility of an unimpeded exit of the country's producers into the internal market of the integration group potentially contributes to the effect of saving on the scale of production of certain export goods.

3. The consequence of economic integration may also be the change in the structure of consumption of products.

4. Economic integration contributes to the growth of investment in the economies of the countries-members of the association from internal and external sources. Such an activation of the investment process is conditioned by structural changes in production and consumption, internal and external economies in scale of production, as well as rising income and real demand. The growth of investment is also contributing to reducing the risk and elements of uncertainty.

5. In addition, business circles in third countries are interested in investing in the development of production on the territory of the member states of the economic bloc to circumvent trade barriers and other restrictions applied against outsiders.

6. Among the implications of the creation of an integration association, the increase in the mobility of factors of production within the zone of integration should also be mentioned. As a result, capital and labor move from sectors where they are in surplus to those sectors of the economy that are experiencing a shortage of these productive resources. This leads to an increase in the economic efficiency of production and, accordingly, an increase in the return on each production resource used within this integration group.

Specifically, determining which stage of development is one or another integration group is rather difficult. However, there is a possibility to classify existing integration groups for the purposes of their education, the consequences of integration, etc.

5.3. Development of Regional Economic Integration

The modern picture of the world integration process is enriched by new phenomena that are caused by changes in the system of world economic relations and the emergence of appropriate prerequisites for the formation of integration groups in different regions of the world. Almost all WTO member countries are members of one or more regional integration groups or trade agreements. Trade within the regional integration groups is included in the list of withdrawals of the WTO, but in recent years it has gained considerable weight in the multilateral trading system. The sharp increase in the number of regional trade agreements in the early 1990's continues, no less intense, and today. At the beginning of 2010, more than 400 regional trade agreements were brought to the attention of the WTO. Of these, 324 were registered in accordance with Article XXIV of GATT 1947 and GATT-1994, 68 - in accordance with Article V of the GATS, 230 of them came into force. According to WTO forecasts, by 2020, if the previous agreements are followed and the current negotiations are successfully concluded, taking into account regional trade agreements that have come into force but have not been notified to the WTO, the number of integration groups that are planned to be set up is close to 400. Of these, free trade agreements amount to more than 90%, while customs unions are less than 10%. Significant restrictions on the competence of the WTO and the significance of regional groups are evidenced by the fact that almost 60% of world trade is traded in the middle of existing trade unions: the EU - 22.8%; 18 countries in the Asia-Pacific region - 23.7%; North America - 7.9%. Integration groups differ in their economic potential, forms of integration and influence on world economic relations. The most powerful groups are NAFTA and the EU - they account for almost two thirds of world GDP.

North American economic integration is conditioned by global changes in the system of world economic relations, which have become the character of a stable planetary trend. It is the product of the progressive process of internationalization of economic life, the interpenetration and interpenetration of national economies, many of which have become powerful productive forces that have expanded the possibilities of internal aggregate demand and are actively seeking new markets (goods, services, capitals, and new technologies) outside their own state borders . North American economic integration is also the result of the entry of the world economy into a qualitatively new stage in development, in which foreign economic relations lose their auxiliary role relative to politics and turn into an independent, even decisive factor of existence (or rather, survival) of the world community. In this space, the role of North America is now determined not by the influence of the United States on world economic relations, but by the force of the combined potential capabilities of three in their own large national economies of the North American continent, united in one.

So in the Western Hemisphere, integration trends have continued in the Latin American region in the joint market of the Southern Cone Group - MERCOSUR, and on the North American continent in the free trade zone - NAFTA, which has declared itself as a trilateral economic integration of continental scale, including Mexico, USA and Canada.

The most developed integration group in the North American region is NAFTA - North American Free Trade Association, formed in January 1994 by the United States, Canada, Mexico (the NAFTA name consists of the first letters of the words North American Free Trade Association).

The origins of the formation of NAFTA are due to already mentioned planetary trends, specified in the strengthening of economic interdependence and deepening interpenetration of the three North American states. It is on this basis that the North American continent has a prototype of the future single economic complex, in which the national economies (Mexico, Canada and the United States) integrate and begin to function as components of a single economic system in its embryonic form.

The model for the development of integration processes in the North American region is different in comparison with Western European integration. In Western Europe, the momentum of integration went from top to bottom - from governments, national authorities, and then interstate bodies of the EEC member states. In North America, impulses to create a business complex were from the bottom up, from the desire for cooperation at the micro level, between American and Canadian companies. From the beginning of the 20th century, the boundaries between the United States and Canada gradually eroded through the free flow of goods, capital, labor force. A qualitative change in economic relations between the United States and Canada took place in 1988, when an American-Canadian Free Trade Agreement was concluded at the interstate level. It provided for the mutual obligations of the two countries to eliminate the restrictions on trade in goods and services (in transport, telecommunications, computer, financial systems, tourism), abolish restrictions on foreign ownership in the Canadian financial system and Canadian banks in USA and a number of other provisions.

The close link between the Canadian economy and the US economy is evidenced by the fact that North American monopolies control almost half of the mining industry and more than 40% of manufacturing in the Canadian economy. In turn, the US is heavily dependent on Canadian imports of raw materials, not to mention Canada's traditionally a major trading partner in the United States. Simultaneously in the 80's, early 90's was the process of interpenetration of the economies of the United States and Mexico. Of course, Canada could not stay away from the Mexican-American rapprochement: it joins the negotiation process, which ended in September 1992 by signing a tripartite agreement on the creation of a North American Free Trade Area (NAFTA). Each of the three participating countries has its own economic interests in NAFTA, and of course each of them has the hope of realizing these interests through free trade.

The integration processes in NAFTA, according to the organizers' plan, will be based on the type of integration in the EEC: the creation of common markets for goods, capital, labor, technologies of the USA, Canada and Mexico, ultimately - merging the processes of reproduction of member states, the formation of a single economic organism three countries. By population size, GDP and a number of basic economic indicators, the North American integration group is comparable to the European Union. NAFTA has a powerful (especially due to the US) economic potential, for example, the annual volume of production of goods and services in the USA, Canada, Mexico is 3 trillion. dollars, and their share in world trade makes almost 20%.

According to this agreement, since January 1994, the formation of one of the largest markets in the world has begun. In 2010, this integration group eliminated all trade, as well as investment barriers between member states, eliminating all duties between the three countries.

The integration processes in NAFTA compared with the EU are: the dominant position in the North American economic region of the USA, the weak interdependence of the economies of Canada and Mexico and associated with these processes’ asymmetric economic cooperation between the United States, Canada, Mexico. The specificity of NAFTA is determined by a number of characteristics, which to a certain degree distinguish it from both Western European and other models of international economic integration.

First, the North American Free Trade Area has continental proportions. In the world economy - this is the first integration group with such a characteristic.

Secondly, there is a significant gap between the countries in the levels of economic development of the member states, which complicates the creation of a single economic complex. For example, the volume of GDP in 1996 was US $ 6785 billion, in Canada - 607, in Mexico - $ 608 billion. But if per capita GDP, labor productivity and a number of other key economic indicators are closer to the United States, then Mexico lag far behind the United States and Canada.

Thirdly, the United States is a prominent center for the North American Free Trade Area, a world leader with enormous scientific and technological, technological potential and a competitive economy.

Fourth, the agreement has a large-scale character: it covers the manufacturing sector, international trade, financial relations between the member states of the free trade zone, investment activity, expands the free movement of capital, unlimited export of profits and incomes, deepens the liberalization of mutual trade, regulates the migration of workers strength, etc.

Fifth, NAFTA member countries are both Atlantic and Pacific, they are almost equidistant from two other powerful world economic regions - Western Europe and the Asia-Pacific region, which makes it possible to develop economic relations with them evenly and substantially to influence the development of these links.

In NAFTA, the weakly developed networks of inter-governmental bodies and the absence of bodies of supranational regulation of integration processes in the European community are completely absent. It is planned that a full-fledged common market within the framework of North American integration will be formed by 2010.

At the same time, NAFTA members declared their main goal to create a non-common market of the Western European model, and a free trade zone, which would enable each participating country to develop economic relations with other countries and regions without hindrance or restrictions. It is not about agreeing trade and economic policies of each member of NAFTA with certain supranational structures, as is practiced in the EU.

In the future, NAFTA can integrate with the countries of South America, in particular MERCOSUR trade and economic bloc (created in 1991 in Argentina, Brazil, Uruguay, Paraguay and which began operations in 1994). Subsequently, other states of the region can join them. By 2020, it is anticipated to achieve a genuine "integration breakthrough" on one of the most important directions for the USA - in the Asia-Pacific region (APR).

5.4. Efficiency of international economic integration

In terms of multidirectional, intergovernmental integration groups can be considered as agreements that violate the principle of non-discrimination. Although the purpose of these agreements is to create advantages for member countries, one cannot ignore the various "deformations in resource allocation or trade and investment diversions" that may arise in the process of implementing any integration association and thus make it impossible to achieve the intended benefits. There are grounds to state that the participation of the country in the WTO and / or in the regional trade union is a requirement of the present stage of the international division of labor. At the same time, it should be clearly understood that integration within the regional group also involves certain risks.

Obviously, membership in the WTO is one of the important conditions for effective regional integration, gaining a decent place in the global economy. In particular, joining the WTO has opened the prospect for Ukraine to establish a free trade zone with the EU, thus laying the foundations for broad integration into the EU internal market.

However, participation in an intergovernmental integration group is insufficient for economic growth. The significance of an individual integration group should not be overestimated from the point of view of its economic "self-sufficiency" to ensure sustainable growth and development. Most integration groups combine small economies. Thus, the total domestic product of the CEFTA countries in the year of the accession of most of its members to the EU was one and half times less than the GDP of Spain, and the GDP of the MERCOSUR countries, which includes only developing countries, in 2012 amounted to about 7% of the US GDP.

However, even European developed countries are not capable of providing sustainable development and a decent quality of life for citizens, using only internal resources. Moreover, one cannot hope that developing countries or transformational economies will be able to create a solid basis for long-term development within the framework of a closed economic union. That is, for such countries, in essence, there is no rational alternative to development than accelerated and active integration into the world economy and sustainable access to developed world markets.

In addition, the same contradictions exist within the trade unions themselves. The objectives of sustainable development for developed and developing countries can vary significantly. For developed countries, external expansion is important in order to expand spheres of influence, attract as many countries as possible to the technological circuits. For developing countries, it is important to prevent the devastating effects of individual factors of globalization, in particular, trade shocks.

For developing countries and transformational economies, the attempts at the same time to achieve two complex goals, related, on the one hand, to the general liberalization of the country's economic environment, and on the other two attempts to protect individual markets, are characteristic. This, in essence, precludes the full use of the benefits of expanding the world trade system.

Participation of the country in several multilevel integration associations can lead to complication of policies and contradictions of the implemented measures, and to affect the economic outcomes in general. This is due to the fact that the benefits or preferences that some countries give to others may be lost (or unfairly expanded) in the binding of contradictory bilateral or multilateral agreements.

Most often, such a danger arises when trying to introduce elements of a common tariff policy within one association with the simultaneous focus on free trade with third countries. Attempts to introduce multi-level and multilevel integration can complicate politics and have dubious efficiencies, as numerous diverse mutual obligations within a single regime (first of all, the customs union) expanding the "spaghetti spike", which could result in the further expansion of controversial spheres. The term "tangle of spaghetti" means the existence of a number of diverse bilateral and multilateral agreements, which may lead to the complication of mechanisms for determining the country of origin, and thus - blocking or unjustifiably expanding trade flows, which may result in increased shadowing of foreign economic activity.

Developing countries often seek to achieve high socio-economic indicators in the short term without proper institutional provision (hence ignoring risks and challenges). However, international experience shows that only a persistent and consistent solution to complex political and economic issues can accelerate the country's development.

The modern world is characterized by deep integration processes, the formation of regional international economic and political unions, the formation and development of which has significant effects both on individual countries and on the global economy as a whole. The enlargement of the EU, which has become an important development event in the world, means not only the acquisition of additional advantages and incentives for its development by the new democracies, but also the strengthening of the system of European values in general, the practical implementation of the provisions of the economic theory of international economic integration.

Formation of interstate integration groups is a multidimensional process, which depends on a number of factors, the main of which are the following:

• the need to support regional preferences in competition, preservation and optimal protection of traditional (national) markets and economic ties;

• increasing the competitive position of national industries by reducing the cost of imported import resources and production components and components owned by partner countries;

• reducing transaction and transport costs, using less expensive manufacturing factors available in partner countries to maintain competitive exports, as well as increasing domestic demand, hence public welfare;

• ability to guard against unfair competition or trade aggression on the domestic markets of partner countries by other economic and political groups or TNCs;

• the expansion of the possibilities of the national medium-sized business in terms of the initiation and security of activities in the territories of the partner countries;

• accelerating the overcoming of historical and cultural conflicts due to the revival of trade and mutual economic penetration.

The peculiarities of the formation of interstate integration groups in modern conditions are:

1. If earlier the agreements on the establishment of an integration group were concluded mainly between countries belonging to the same geographical region, now tendency to create unions of geographically distant countries (which is especially characteristic of the countries of the Asia-Pacific region).

2. Developing countries are increasingly taking measures aimed at establishing close trade relations with traditional partners rather than with major developed countries in order to access their capacious markets, which, in turn, could be a source of sustainable export expansion and national income.

3. The practice of a differentiated approach to the timing of the implementation of the obligations of participating countries within the framework of separate integration groups is introduced, depending on the level of their economic development.

4. The practice of concluding comprehensive agreements, which increasingly have the character of the so-called WTO + (WTO plus), extends to such conventions, in addition to traditional trade issues (including the reduction of barriers to investment, intellectual property, bona fide trade practices), rules are set up to create the most favorable regulatory and investment regimes, improve competition, standardize, facilitate working conditions in partner countries,

strengthen the protection of the environment, etc. - ie form The mutual obligations that contain elements are characteristic not only for the free trade zone (and customs union), but also for the common market (or even economic union).

Interstate integration groups can be seen as a mechanism for the revival of trade. Formation of integration groups, in which favorable conditions for the expansion of trade are established, confirms the global tendency of a general reduction of protectionist measures and barriers in world trade. At the same time, the establishment of interstate integration groups, as practice shows, in most cases, really leads to the revival of domestic trade in the short and medium term. However, the consequences in the long run are controversial.

The reason is that the preferential conditions for partner countries within the framework of a separate economic union and, at the same time, the preservation of protectionist barriers for others, can "preserve" the national system of production, and therefore - reduce competitiveness, slow down structural changes, restrain the entry of new capital and management, which, in the end, could lead to a deterioration of the structure of foreign trade.

Therefore, firstly, the initial growth of trade within the integration group will cease over time, and the share of domestic trade in the long run will not undergo significant changes, and secondly, this growth can only be indicative of the growth of trade turnover, which, however, has little effect on income level of the country. At the same time, the effectiveness of the integration group's activities is increasing if the goal of integration is precisely to ensure the competitiveness of exports of all (or most) of the participating countries, rather than the need to increase intra-regional trade volumes and / or to strengthen individual sectors or industries in the participating countries.

So, for the countries of South-East Asia, an important factor in strengthening regional ties was precisely the integration into the global economy. Exports to foreign markets have shaped the high demand for imports from neighboring countries. The strengthening of Korea and the openness of China have contributed to regional growth, and thus to the strengthening of the economies of the region. That is, the formation of ASEAN took place on the wave of economic growth and integration expansion, and not the restriction of foreign trade relations.

Today, in the case of intergovernmental integration groups, a compromise has been adopted that recognizes that they are effective if they complement the multilateral agreements or the strategy of "individual" liberalization and are aimed at improving competitiveness in general.

According to the criteria of the World Bank valuation, regional trade agreements affect the interests of the global economy as a whole:

1. Should cover all sectors of the economy without exception.

2. The transition period should not exceed 10 years and has a clear timetable for liberalization of trade in certain industries.

3. Liberalization of trade on the terms of integration should precede the creation of a new integration association.

4. The common customs duty established within the customs union shall not exceed the lowest duty in the country with the lowest level of customs duty within the framework of the integration group.

5. The rules for joining the integration group of new members should be liberal and not hinder their expansion.

6. The rules for determining the country of origin of the goods should be transparent and not used for the purpose of protectionism within the group.

7. A quick transition to more advanced forms of integration is desirable, since it provides a more rational distribution and use of factors of production.

8. Antidumping measures should not be applied between the members of the integration association, and in relation to third countries, the rules for their application should be transparent and understandable.

Analyzing trends in the world economy, we can predict the further development of international integration. Therefore, any form of integration should be directed at economic and institutional support that is in line with the contemporary world development trends, and the created integration groups must comply with WTO requirements and rules.

TOPIC 6

INTEGRATION IN WESTERN EUROPE AND UKRAINE

6.1. Development of economic integration in the EU
6.2 Free movement of factors of production in the EU common market
6.3 The mechanism, criteria and key stages of the accession of new members to the EU
6.4 Ukraine in the process of European integration

Keywords and concepts:

European Parliament
the only free market
European Union
mechanism
integration
development
criteria
process
steps
contract
adoption
common market
principles of interaction
Copenhagen criteria
factors of European integration

6.1. Development of economic integration in the EU

The ideas of European unity were revived after the First World War. The growth of the economic and political influence of the United States, the beginning of the national liberation movement in the colonies, post-war devastation and the economic crisis in Europe have created favorable conditions for the revival of European unity as the only way out of the crisis.

The main objective of integration policy was proclaimed the creation of a federation of European nations, which would ensure their reconciliation and revival after the catastrophe brought to nationalism. In 1926 in Vienna, the first congress of the Pan-European Union was held, attended by two thousand participants from 24 countries. During the congress, the directions for the development of the European Confederation were defined: the military alliance, the gradual formation of a customs union, the common use of the colonies of European states, a single currency, the cooperation of European and other states within the League of Nations.

The main task of the pan-European movement was to spread the idea of a united Europe among parliaments, representatives of industrial and public circles.

The paradigm of cooperation has been realized only after the devastating Second World War. The path to cooperation between Western European countries was largely determined by:

- the unity of goals in restoring war-torn national economies;
- the unity of goals in the economic, political and military confrontation of the bloc of the socialist countries;
- the ability to create an alternative "third force" in the world.

The united Europe was promoted by the active work of numerous European movements that propagated various ideas of the unification of Europe. These movements were united in the general European movement in 1948, which called for the creation of the European Union and the Council of Europe. The future union should be based on three great European values: the principle of community, respect for personality and freedom.

The London Treaty on the Establishment of the Council of Europe (1949) and the European Convention on Human Rights, adopted by it, laid the foundations for the creation of a modern European architecture. The Council of Europe was founded with the aim of "implementing the closest alliance through the adoption of agreements, adaptation of joint measures in the economic, social, cultural, scientific, administrative spheres, etc." (1st of the London Treaty). The goals of Western European integration evolved over time. The factors contributing to and hindering the integration processes in Europe are shown at Fig. 8.

Factors of European integration

A. POSITIVE

1.Internal:

- Small area of Europe - spatial proximity of countries.
- Limited resources.
- Development of transport.
- The desire of enterprises to expand markets.
- Interpenetration of capital.
- Utilizing the benefits of economies of scale.
- Closeness of levels of economic development.

2.External:

- Competition with the US and APR countries.
- The desire to prevent wars.

Б. NEGATIVE

- National strategic interests.
- Competition between firms and organizations in countries.
- Nationalistic views of the population

Fig. 8. Positive and negative factors of European integration

West European integration began on May 9, 1950 with a report by Robert Schumann (Minister for Foreign Affairs of France) who proposed to unite the coal and steel industry of France and the Federal Republic of Germany. This concept was implemented on April 18, 1951, by signing the Treaty of Paris, established by the European Coal and Steel Community (ECVS) with six-member states: Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

The success of the treaty has pushed these six countries to expand the process to other areas. So, on March 25, 1957, the named countries signed the Treaty of Rome on the establishment of the European Economic Community (EU) and the European

Atomic Energy Community, the so-called Euratom. Thus, gaining strength in 1958, the Treaty of Rome united three major Western European organizations: the EUSR, the EEC and Euratom. The group includes countries with a high level of economic development. This has largely determined the dynamics of their growth over the coming years.

The Treaty of Rome provided for the elimination of national barriers to the free movement of goods and services, labor, capital, as well as the gradual transition to a unified policy in various spheres of economic life of the participating countries. Stages of EU economic integration development are given in Table 8.

Table 8. Stages of economic integration of the EU

The stage of integration	Statutory acts of EU primary law	Period
Free trade zone	Paris Treaty 1951	EEU in 1958–1968
Custom Union	Roman treaty 1957	EEU in 1968–1986
Single market	The only European act 1986	EEU in 1987–1992
Economic Union	Maastricht Treaty 1992 Amsterdam Treaty 1997 Nice treaty 2001	EU with 1993
Political union	European Constitution 2004 (not in force), Lisbon Treaty of 2007	EU with 2004

The Paris Treaty on the Establishment of the European Coal and Steel Community laid down new principles for the cooperation of industrialists from different states: the coordination and modernization of production, the abolition of trade duties and quantitative restrictions on the movement of goods, the provision of equal access for users to sources of production, the prohibition of unfair competition, discrimination on grounds of nationality.

The Treaty of Rome, the founding of the European Economic Community (1957), defined the main objective of the EEC: the creation of a common market through the formation of a customs union that envisaged the free movement of goods, services of capital and labor; common policy on third countries and the introduction of a common customs tariff; conducting a common policy in agriculture and transport.

The Paris and Rome treaties have established the founding institutions of the Communities (ECVS, EEC, Euratom). The Community's executive functions were divided between the two institutions initially separate for each Community: the Commission and the Council of Ministers. The EEC Treaty has provided for four main institutions: the European Parliamentary Assembly, the Council, the Commission, the Court. The Assembly and the Court were common to all three Communities.

The merger agreement was signed in Brussels on April 8, 1965, and came into force on July 1, 1967, which provides for a single Commission and Single Council, for the three European Communities.

The Single European Act (1986) defined the strategic course and practical policy of the European Community for many years to come. The European act consolidated and consolidated the legal framework for integration policy, further developed its institutional structure. The Single European Act has decided to complete the formation of a single internal market for goods, services, capital and labor; consolidated the priority of the Community's research and technological policy.

The implementation of the provisions of the Single Act led to the transition of the European integration processes to the next important stage – the conclusion of the Treaty establishing the European Union (Maastricht Treaty, which was signed on 7 February 1992 in Maastricht, the Netherlands) between members of the European Community and entered into force on 1 November 1993. The Maastricht Treaty identified the following EU objectives: promoting socio-economic progress, in particular by creating an area without internal borders, strengthening economic and social cohesion and creating an economic and monetary union with the introduction of a single currency over time; strengthening of the EU's identity on the international scene, in particular through the implementation of a common foreign and security policy, including the definition of joint defense with time; strengthening the protection of the rights and interests of citizens of the member states through the establishment of the citizenship of the Union and the expansion of close cooperation in the field of justice and home affairs.

The Amsterdam Treaty, signed on October 2, 1997, entered into force on May 1, 1999. The agreement introduced a common policy in the judiciary, in the area of free movement of people and healthcare, as well as the granting of new powers to the European Parliament.

The Nice Treaty was signed on February 26, 2001, when it came into force on 1 February 2003. The agreement changed the mechanism for redistributing representative quotas in EU institutions, taking into account the future enlargement of the EU. The Treaty of Nice, the former Treaty of the EEC and the Treaty on the EU, were merged into one single version.

The Lisbon Treaty was signed on December 13, 2007. ratified by all 27-member states and came into force in December 2009 (Croatia joined the EU in 2013). Its main objectives are to make the EU more democratic, European citizens expect high standards of accountability, openness, transparency and participation, and make the EU more effective and capable of solving global challenges such as climate change, security and sustainable development. From 1 December 2009, the European Union acquired the right of subjectivity.

The Lisbon Treaty allowed for the renewal of EU bodies and institutions. The European Parliament is an EU legislative body representing citizens of the EU Member States and directly elected by direct voting. Since the entry into force of the Lisbon Treaty (December 1, 2009), the European Parliament has received the same legislative powers as the Council of the European Union. Since then, the vast majority of EU legislative acts have been adopted jointly by the EU Council and the European Parliament.

Parliament has three main functions:

1. Together with the Council, it has a legislative function and, as a body elected by direct vote, acts as the guarantor of the democratic legitimacy of European laws.

2. Carry out democratic oversight over the activities of the EU institution, in particular the Commission. The Parliament is authorized to approve or reject the nominees of commissioners and has the right not to approve the Commission as a whole.

3. Together with the Council, he controls the implementation of the EU budget and thus has an impact on EU spending, he / she approves or rejects the budget as a whole.

The Council of the European Union is the EU legislative body representing individual EU member states, which includes 28 ministers from the EU member states. The EU Council is the main decision-making body that coordinates EU economic policy and plays a central role in foreign and security policy.

Functions of the Council of the European Union:

• Adopts European laws (in many areas this is done in conjunction with the European Parliament);

• coordinates the overall economic policy of the EU member states;
• concludes international agreements between the EU and one or more countries or international organizations;

• Approves the EU budget (together with the European Parliament;

• develops a common foreign and security policy of the EU, based on the guidelines formulated by the European Council;

• Coordinates cooperation between national courts and police forces in criminal cases.

The European Commission is an EU executive body created for the independent representation of the interests of the EU as a whole, consisting of 28 members per representative per country. The European Commission is the only EU institution empowered to initiate bills. The Commission also implements EU policies in various spheres, ensures budget execution, manages EU programs, presents them in international negotiations, and ensures the implementation of EU treaties, in particular in the area of external assistance.

The European Commission carries out four main functions:

1. Initiates new bills and sends them to the Parliament and the Council.

2. Manages and implements EU policies and budget.

3. Ensures compliance with European legislation.

4. Represents the European Union on the international scene, for example, in negotiations between the EU and other countries.

The European Council consists of the heads of states and governments of the EU member states: prime ministers and presidents. It defines the political orientation and priorities of the European Union. Under the Lisbon Treaty, the European Council has become a fully-fledged EU institution with a clearly defined role. Accordingly, a new post of President of the European Council, elected for a 5-year term, was introduced.

The main tasks of the European Council:

• defines a medium and long-term strategy for the development and functioning of the European Union;

• coordinates the activities of the Union;

• coordinates and defines the main objectives of the European Union's activities in the international arena.

European External Action Service - On 7 July 2010, the European Parliament approved the concept of a new foreign policy body in the institutional structure of the European Union - the European External Action Service.

The main task of the Service is to coordinate the EU's foreign policy between its main institutions (EU Council, European Commission, European Parliament) and the member states of the Union, and the effective representation of the EU abroad. At the same time, the control of external cooperation programs, development assistance policies and neighborhood policy will remain the same as the European Commission. The EU’s main diplomatic body will consist of a central administration and 136 EU representations abroad.

The European Court of Justice is the official institution of the European Union, which covers all the judicial power of the EU. Its main functions are:

• verifies, for compliance with the treaties, documents issued by European institutions and governments;

• ensures fulfillment of obligations by Member States under EU treaties;

• interpret the Community's right to request a national court.

Currently, there are 28 EU member states in the EU: Belgium, Italy, Luxembourg, the Netherlands, France, Germany (1957); Great Britain Denmark, Ireland (1973); Greece (1981); Austria, Finland, Sweden (1995); Poland, Hungary, Czech Republic, Slovakia, Slovenia, Cyprus, Malta, Estonia, Lithuania, Latvia (2004); Bulgaria, Romania (2007); Croatia (2013).

In 2012, the European Union received the Nobel Peace Prize "For more than six decades to contribute to peace and reconciliation, democracy and human rights in Europe."

6.2. Free movement of factors of production in the EU common market

The move to the formation of a single free market in Europe took decades. The provisions of the Treaty establishing the EEC were not sufficient to create a genuine common market. Despite successes in the implementation of the principle of free movement of goods and currency co-operation, by the mid-80s of the twentieth century, the free movement of services, capital, individuals, and freedom of settlement was not introduced. There were still technical (various norms, standards, requirements), fiscal (various tax systems) and physical (border control) barriers. Only by signing the Single European Act in Luxembourg on February 17, 1986, the process was accelerated. This Act supplemented the EEC Treaty with a clause stating that the Community would take the activities necessary to establish the internal market by 31 December 1992. The single internal market has been defined as a space without internal borders, within which the free movement of goods, persons, services and capital will be ensured.

The realization of the strategy of the common market made possible the refusal of full approximation of legislation and acceptance of the principle of mutual recognition. According to this approach, the EU Council defines only basic safety, health, environment and consumer requirements, while other European institutions are involved in harmonizing the details of their practical application. National legislation of the same nature is not subject to Community control and is subject to mutual trust.

The single internal market consists of four elements (so-called traffic freedoms):

• Freedom of movement of goods;

• freedom of movement of workers;

• freedom of movement of services;

• freedom of movement of capital.

The principle of the free movement of goods applies to both industrial and agricultural goods and consumer goods which have been produced or extracted in one of the Member States, as well as those lawfully imported into the territory of the Community.

The creation of a single market required the elimination of customs barriers in trade between Member States, as well as various non-tariff barriers: technical, fiscal and physical. Customs barriers were finally abolished in the second half of 1968. The Common Customs Tariff for third countries was established on July 1, 1968. Quantitative restrictions (quotas, prohibitions on imports and exports), as well as measures having a similar effect, such as technical norms, provisions on the composition of goods, type of packaging, etc., were prohibited in order to allow free movement of goods. All products in the Union market are subject to the same standards and certification requirements. Tax discrimination is also prohibited, that is, the levy on goods brought from other Member States is higher than taxes levied on similar national products. It is also prohibited to levy other duties that would directly or indirectly protect producers of similar goods in that Member State.

Restrictions on the import, export or transit of goods may only be imposed if they are required: considerations of public morality, public order and safety, health and human life, the protection of animals and plants, the protection of national treasures possessing artistic, historical and archaeological value, as well as the protection of industrial and commercial property. However, the above prohibitions and restrictions should not be a means of arbitrary discrimination or a disguised restriction on trade between members of the Community.

The liberalization of the services market in the Community has been slow. In its initial phases, there were attempts to harmonize the existing legislation on the provision of services in the Member States. However, such harmonization was extremely difficult and could last very long. It was therefore decided to introduce the principle of mutual recognition of national standards and rules, while harmonization at Community level was covered only by the basic rules. Great difficulties were caused by an attempt to liberalize the financial services market. As a result, this market is now regulated by a number of Community legal acts. The freedom to provide financial services means, above all:

• the right of banks, insurance and other financial institutions to freely provide their services in other Member States directly from their head office or through branches;

• the right of nationals of Member States to carry out banking, insurance and other operations on the territory of the whole Community;

• harmonization of the conditions for the functioning of the securities market in the Community.

The institutional principles of the free movement of citizens were formed on June 14, 1985 in Schengen, a small town in Luxembourg, by signing an agreement on the formation of the Schengen zone.

Belgium, Luxembourg, the Netherlands, Germany and France have agreed to gradually abolish controls at common frontiers and introduce freedom of movement for all citizens of the EU Member States that have signed this agreement, other Member States and third-country nationals. The agreement entered into force on March 26, 1995. The city of Shengen is near the point of convergence of the borders of Luxembourg, Germany and France.

The same five countries signed on June 19, 1990. The Schengen Convention, which sets out measures and guarantees for the introduction of freedom of movement. The Schengen Convention complements relevant domestic measures and is subject to ratification by national parliaments. Since then, the Schengen Convention has already been signed by 30 states.

There is a big difference between the formal entry into force of the agreement and the actual abolition of border control. Border control can be lifted only when the technical conditions for joining the Schengen Information System are met.

The treaty and the Convention, together with the declarations and decisions adopted by the Schengen Executive Board, constitute a set of documents known as the "Schengen Derboks". The Protocol to the Amsterdam Treaty regulates the introduction of the Schengen acquis into EU treaties. For this purpose, it is distributed between the first "pillar" (Section IV of the Treaty establishing the European Community: visas, asylum, immigration and other issues related to the free movement of people) and the third (Section VI of the EU Treaty: provisions on cooperation between law enforcement and judicial bodies in criminal cases). The legal inclusion of Schengen in the European Union was accompanied by the integration of institutions. The Council of Ministers took over the responsibilities and powers of the Schengen Executive Committee, and the General Secretariat of the Council - the responsibilities and powers of the Schengen Secretariat. The Schengen countries have, in particular, taken such joint measures:

• abolished control on common borders

• developed common rules for the crossing of external borders

• at airports and ports, terminals have been split up for those traveling within the Schengen area and for those who came from outside

Harmonized entry conditions and visa requirements for short-term stays • created the Schengen Information System, etc.

The Protocol to the Amsterdam Treaty proclaims that all countries joining the EU must fully accept the Schengen acquis along with the rules developed by the institutions on the basis of this work.

On March 15, 2006, the Schengen Borders Code, which amended the Schengen Convention, was adopted. The Schengen Borders Code is a Community Code on the rules governing the movement of persons across borders. This Regulation changes the existing legislation on border checks conducted for individuals. It is aimed at improving the legislative component of the integrated border management policy by establishing rules for crossing external borders and reintroducing checks at internal borders.

The right to free movement within the territory of the European Union is primarily the citizens of the Member States who: are hired workers, establish companies, exercise freedom of establishment or provide services in the territory of the Community.

The freedom of movement of workers includes the right to:

• acceptance of the proposed work;

• free movement for this purpose by the territory of the Member States of the Community,

• stay in one of the Member States in order to find work there,

• settlements in the territory of one of the Member States after having found employment.

Hired workers, free workers, entrepreneurs or service providers, as well as their families, have the right to work, settlement, residence, social protection and minimum assistance for the integration of the society of their Member State of their choice.

However, the aforementioned rights do not apply to employment in the public administration. Foreigners have no right to manage state bodies and perform public-law functions.

The right to move and reside freely within the territory of the Member States has not only economically active persons (those who work or are seeking work) and their families, but also students, pensioners and other citizens of the Member States, provided that They have enough means to hold (from pensions or other sources of income) and health insurance. For a minimum amount of maintenance, the amount of income considered below is considered to be below which the citizens of the receiving state have the right to social assistance.

Citizens of other Member States are entitled to the same treatment as local workers, the right to equal pay and access to educational facilities. EU legal acts also guarantee the right to all social services in the fields of education and health (benefits, allowances, scholarships, etc.), as well as mutual recognition of diplomas. All this means the elimination of any discrimination between workers in the Member States of the Community, which was applied in the light of their nationality in the areas of employment, pay and other conditions of work.

6.3. The mechanism, criteria and key stages of the accession of new members to the EU

The EU's socio-economic and political successes contribute to attracting new members. After all, the scope of the EU is quite broad. This is a single market, a policy, an economic and monetary union and international relations (Table 9). One of the priorities of the enlarged EU foreign policy is the formation of relations with its neighbors. It is dedicated to the new European Union policy - European Neighborhood Policy. It aims to create a zone of stability for peace and prosperity south and east from the new borders of the enlarged European Union by establishing close, long-term relations with neighboring countries.

The EU rules clearly define the procedure for the admission of new members. Each institutional body of the European Union has its own clearly defined powers in the process of admitting new members to the EU.

Table 9. Spheres of EU activity

Subject	Elements
Single market	Protection of the principles of a single economic space from violations of member states

Policy	Agrarian; transport; antitrust; tax; social regional; ecological; industrial; scientific and technical; development of "trans-European" routes; health care, youth; general and vocational education; culture; protection of consumer rights; energy; tourism; protection of civil rights, employment policy; visa; shelter; immigration; coordination of customs services activities
Economic and Monetary Union	Coordination of economic policy, control over the status of national budgets; issue of euro
International relations	Foreign trade policy; promoting economic development in developing countries.

From the point of view of the consistency of actions and the exercise of the powers of individual EU institutions (the Council, the Commission and Parliament), the following twelve steps can be singled out:

1) the European state applies for membership of the European Council;

2) The European Council requests the European Commission to prepare a "Opinion" (Oriipole / Avis);

3) The European Commission presents the "Evaluation" to the European Council;

4) The European Council unanimously decides to enter into accession negotiations with the candidate state;

5) The European Commission proposes, and the European Council unanimously approves the main components and principles of the EU position in negotiations with the candidate state;

6) The Council (Ministers) conducts negotiations with the candidate state;

7) The draft Treaty of Accession is agreed upon between the EU and the Candidate State;

8) The draft Treaty of Accession is sent to the European Council and the European Parliament;

9) The European Parliament approves the accession treaty by a majority of the States;

10) the European Council unanimously approves the accession treaty;

11) The Member States and the candidate State formally sign the Accession Agreement;

12) Member States and the candidate State ratify the accession treaty in accordance with their constitutional rules.

The candidate state becomes a member of the European Union. The criteria for joining the EU must be met. The terms of accession to the EU are set out in the Copenhagen European Council held from 21 to 22 June 1993: "The associated states of Central and Eastern Europe that have expressed such a desire can become members of the European Union. The entry will take place as soon as the Associated State is in a position to take taking on the responsibilities of membership, having obtained the necessary political and economic requirements.

These requirements are called Copenhagen Criteria: the first is "the stability of the institutes that are guarantors" of democracy, the rule of law, human rights and respect for and protection of minority rights "(political criterion);
the second is "the existence of a functioning market economy, as well as the ability to cope with competitive pressure and market forces within the European Union" (economic criterion);

the third is "the ability to assume the responsibilities of membership, including the pursuit of the goals of the political, economic and monetary union" (criterion of membership);

the fourth - "the ability of the European Union to absorb new members, while supporting the dynamics of European integration, is an important factor in the common interest of both the Union and the candidate countries." Sometimes this criterion is called "independent", because its essence is to ensure that the entry of new countries does not weaken European integration.
The decisions of the Luxembourg Council (12-13 December 1997) stated that "the

observance of the Copenhagen political criterion is a prerequisite for the beginning of the association negotiations."

"The existence of a market economy" as a component of the economic criterion should be met before the negotiations begin.

"The ability to cope with competitive pressure and market forces within the European Union" (this component of the economic criterion should be met in the medium term - 5 years.

The third criterion - the "membership criterion" - is, as the candidate countries' negotiations show, most difficult to implement. At the time of negotiations on the acquisition of membership in the Union, for today, for harmonization, 35 directions of the joint EU enlargement are specified.

In the process of joining the EU there are five main stages:
1. Consultation phase - continues before the country submits an application for accession.

- As practice shows, at this stage, the applicant countries entered into one of three types of associative agreements:

- European Agreement (European Agreement). In the 1990s, such agreements were concluded with the ten former socialist countries of Central and Eastern Europe: Poland (1991), Hungary (1991), Romania (1993), Bulgaria (1993), Czech Republic (1993), Slovakia (1993), Estonia (1995), Lithuania (1995), Latvia (1995), Slovenia (1996).

- Association Agreement (Association Agreement). Such agreements were concluded with Turkey in 1963, Malta in 1970, and Cyprus in 1972.

- Stabilization and Association Agreement (Stabilization and Association Agreement). Such agreements were signed with the Balkan countries. The advisory phase ends with the submission by the applicant country of the application for accession to the European Union.

2. Evaluation Stage - Continued between the submission by the country of the application for membership and the commencement of accession negotiations. At

this stage, countries try to fulfill as much as possible the criteria for EU membership. The state officially becomes a candidate country for accession to the EU.

3. Negotiation stage - lasts from the beginning and until the end of the negotiations on the introduction.

In the process of accession negotiations, the conditions under which each candidate can join the European Union, and the terms for the adoption, implementation and legal implementation of the acquis communautaire ("common EU acquis") are determined. In some cases, prioritization may be taken into account, but they must be clearly defined in terms of content and duration.

Each candidate country is acting on a stand-alone basis and may be admitted to the EU as quickly as it quickly achieves compliance with membership criteria and membership obligations.

Negotiations take place in the form of a series of bilateral conferences between Member States and each of the candidate countries for each of the 35 sections of the Auschwitz community. Among these sections are competition policy, transport policy, energy, tax policy, customs union, agriculture, justice and home affairs, financial sector, regional policy, budget allocations, etc.

The overall success of the negotiation process is estimated by the number of sections on which the negotiations are completely completed. The results of the negotiations are included in the draft agreement on the accession of the candidate country to the European Union.

4. The ratification stage - continues between the signing of the accession agreement and its ratification.

Before signing the accession agreement, it must be submitted to the European Council for approval and to the European Parliament for consent. Upon signing, the accession agreement is submitted to the EU member states and candidate countries for ratification and acceptance by the candidate countries of the decision on admission, if necessary, through the referendum procedure. That is why the successful negotiation process, and even their completion, is not a guarantee of the country's accession to the EU.

For example, Norway, whose government twice successfully (in 1972 and 1994) successfully negotiated and even signed the accession agreement, did not become a member of the European Union, as opponents of the accession to the EU were twice able to win the referendum with a slight advantage. Switzerland has already applied for membership, but the process was not completed, because at the referendum in December 1992, the Swiss voiced opposition to the ratification of the Agreement on the European Economic Area.

5. Implementation phase - commenced after all the ratification procedures and the entry into force of the agreement. Only then will the country become a full member of the European Union.

In accordance with the defined mechanism for the admission of new members to the EU, a European country will submit an application for membership to the European Council.

The application of the applicant country for EU membership is issued in an arbitrary form; the established sample or the requirements for the registration of the application does not exist. The main thing is that this should be an official appeal, which should clearly state the request of the country to acquire EU membership, comply with the requirements and carry out the corresponding obligations.

From the examples of applications it can be determined that this is a letter from the Head of Government of the country - the candidate for the presidency of the Council of Ministers of the EU, which expresses the desire of the country to acquire membership in the EU, and does not contain any clear explanations, or a letter - a memorandum or a letter - to which is attached the memorandum. In this case, the grounds for the application, the historical, cultural, political, economic and other arguments of the country's membership in the European family are presented, its successes during the last years in the implementation of reforms, etc., are described. Usually, countries more willing to join the EU, submit short application forms, less willing to supplement their comprehensive memorandums.

6.4. Ukraine in the process of European integration

For the current stage of the development of the world economy, an increase in the number of international integration groups and their participants is characteristic (one country may be a member of several free trade zones or customs unions). Integration contributes to the development of foreign economic relations, the growth of commodity circulation and welfare, and increases the level of international cooperation. An example of the EU, which today is the economic union of independent countries of Europe, is the highest form of integration in the world and the largest market, is illustrative. For Ukraine, as in any country, the opening of this market is very important.

The European Union is a political and economic union, which currently includes 28 European countries. The principle of association of countries within the EU is considered unique. There is no doubt that the formation of both economic and political unions has its own characteristics, and they are manifested in the interests of their participants. At the same time, political interests in integration encourage countries to intensify economic transformations within the country in accordance with established requirements. That is, the relevance of a political desire determines the intensity of economic transformations that the integration process itself requires, so it is possible to reduce both the time of adaptation of domestic legislation to the requirements of the union and the reduction of successive types of integration.

It is clear that this or that form of economic cooperation, to which the country claims, is determined by the partners, as it is in the relations between Ukraine and the EU. It involves a certain institute of regulation of mutual obligations, in particular concerning mutual trade and the sphere of agrarian economy. Formation and regulation of bilateral relations in a certain mutually beneficial direction is the result of the country's good political and economic will in realizing the specific goals and strategies of economic development, which requires the process of adaptation of law, economy and social standards.

The EU's main priorities are to support peace and stability in Europe, respect for the common values of the EU and the well-being of the peoples of the member states. The fundamental principles of the EU are to ensure the free movement of people, goods, services and capital between member states. All countries of the European Union share common democratic values, ensure respect for human rights, the rule of law, and the protection of the rights of minority communities.

The experience of other countries shows that the processes of integration begin gradually from those forms that, in certain political and economic conditions of world or regional development, are most effective for its participants. The choice also depends on what tasks are set by a country that claims to be part of an already existing alliance of countries. Such goals for the participants as newly created integration associations and participation in the existing alliance may be the innovative restoration of economic potential, accelerating the development of individual branches of the economy, consolidating the positions of individual commodity groups in the world market, etc.

The main stimuli of integration are common economic interests, which together with the principles of mutually beneficial relations form the basis of the agreement. The goal of the agreement is to eliminate barriers to trade, create conditions for fair competition, increase the expediency of investing, jointly protect intellectual property rights, establish an effective mechanism for cooperation and resolve conflicts, and develop regional multilateral cooperation. In this regard, on March 21, 2014, the signing of the political part of the Association Agreement between Ukraine, on the one hand, and the European Union and its member states, on the other hand (hereinafter - the Agreement, the Association Agreement), was signed on June 27, 2014, and signed the economic part of the Agreement, which ensures the functioning of an in-depth and comprehensive Free Trade Area (hereinafter referred to as the "Free Trade Area"). These events are the most important in the current decade for the development of Ukraine.

European integration is an unchanged strategic priority of the state policy of independent Ukraine and is dictated by the fact that it belongs to European civilization. The Ukrainian people deliberately made their choice in favor of European integration and intend to gain membership in the EU. To this end, the strategy of Ukraine's integration into the European Union has been adopted and consistently implemented in the state.

The dynamics of the process of European integration of Ukraine is determined by:

• willingness and ability of the Ukrainian society, business and the state to carry out the necessary socio-economic and democratic transformations, moving closer to European standards and norms, real implementation of European values and legal field;

• favorable economic and political situation in the international environment of our state, in particular transatlantic relations, development of mutually beneficial partnership, formation of security and development of cooperation.

The consistency and persistence of Ukraine, its future successes on the path of economic and political reforms, the real rapprochement of the country to European political, economic and legal standards will allow in the future to gain membership in the EU. The main positive achievements in relations with the EU are the possibility of successful implementation of the provisions of the Association Agreement and the formation of the CEFTA. For Ukrainian consumers, the creation of PPZVT will increase the range of products, increasing the supply will reduce the prices of domestic producers, especially for imported products. EU goods will stimulate Ukrainian producers to improve their production, processing and storage technologies.

Difficulties may arise due to technical barriers, the need to harmonize domestic standards with European ones. The main risk of the free trade zone for Ukrainian commodity producers is the lack of readiness of the current regulatory framework for the requirements in the area of sanitary and phytosanitary measures of the EU. This is most important for livestock products, fruits and vegetables and ready-made food products. In addition, the underdeveloped infrastructure of the market can also hinder the export of domestic products. The problem of changing the geographical names of goods due to the implementation of obligations to comply with historical indications of products originating in the EU countries remains relevant.

Economic benefits will also be secured by macroeconomic stability, additional foreign investment, a positive trade balance surplus, and so on. Creating favorable conditions for producers can provide a synergistic effect for the entire Ukrainian economy. A capacious domestic market will help consolidate the tendency to increase the competitiveness of products.

The Association Agreement between Ukraine and the European Union allows the parties to move from partnership and cooperation to political association and economic integration. An integral part of the Agreement is the creation of an in-depth and comprehensive Free Trade Area between Ukraine and the EU, which, among other things, provides for an integrated program of adaptation of the regulatory norms in the field of trade to the relevant EU standards.

The Association Agreement clearly defines two main objectives: first, it is a political component of integration for the purpose of the next EU membership and, secondly, an economic component. Article 1 of the task on economic integration provides for "the introduction of conditions for strengthening economic and trade relations, which will lead to the gradual integration of Ukraine into the EU internal market", including through the creation of PPZVT. This task also involves supporting Ukraine's efforts to complete the transition to a market economy, including through the gradual adaptation of its legislation to EU law. In this regard, the dominant component of the Agreement is its economic part, and above all, the place of the agricultural sector of Ukraine's economy in the processes of integration.

The Association Agreement text has more than 1000 pages of preamble, 7 main sections, 43 annexes and 3 protocols.

The preamble regarding economic integration states that:

- the political association and economic integration of Ukraine with the European Union will depend on progress in the implementation of this Agreement, as well as on the achievements of Ukraine in ensuring respect for common values and progress in approaching the EU in the political, economic and legal spheres;

- Such an in-depth and comprehensive free trade area associated with the process of wide-ranging adaptation of Ukrainian legislation should contribute to further economic integration into the EU internal market, as provided for in the Agreement.

However, this absolutely does not guarantee and is not a sufficient condition for Ukraine's integration into the EU, which is also taken into account in the preamble, namely, "this Agreement does not define in advance and leaves open future development of Ukraine's relations." Although one of the objectives of the Agreement is to create conditions for enhanced economic and trade relations that will lead to the gradual integration of Ukraine into the EU internal market, including through the creation of the IERE and supporting Ukraine's efforts to complete the transition to a functioning market economy, including through gradual adapting its legislation to EU membership.

The agreement consists of the following sections:

I. General principles

II. Political dialogue and reform, political association, cooperation and convergence in the field of foreign and security policy

III. Justice, Freedom and Security

IV. Trade and trade related issues

V. Economic and industrial cooperation

VI. Financial cooperation and anti-fraud regulations

VII. Institutional, general and final provisions.

Section I "General Principles" states that the principles of a free market economy will form the basis for EU-Ukraine relations. And among the main principles of strengthening the relations between them is the rule of law, the fight against corruption, and so on.

Section II "Political Dialogue and Reforms, Political Association, Co-operation and Convergence in the Field of External and Non-Pectoral Policy" focuses on issues of political dialogue, foreign and security policy.

Section III "Justice, Freedom and Security" contains provisions on the rule of law and respect for human rights, cooperation in the field of migration, as well as addressing issues such as smuggling of goods, economic crimes, in particular in the field of taxation; corruption in the private and public sector, etc.

Section IV "Trade and Trade-related Issues" outlines the terms of trade and the application of trade policy instruments, namely, the abolition of customs duties, fees and other charges, non-tariff measures, technical barriers (including labeling and labeling), sanitary measures (the procedure for certification and protective measures is also outlined), as well as specific provisions on goods, administrative cooperation and cooperation with third countries, protective measures of trade (global protective protections anti-dumping and countervailing measures), etc.

At the same time, in Chapter 5 "Customs and Trade Facilitation" separately, issues related to relations with the business community, fees and payments, customs valuation, customs cooperation, in particular the creation of a subcommittee on customs cooperation, approximation of customs legislation, etc. were considered.

Also, the establishment of business, trade in services and e-commerce, current payments and capital movements, the creation of a subcommittee on geographical indications (GI), patents, protection of intellectual property rights, competition, trade in forestry and fishery products, trade in energy carriers, etc. are also stipulated.

Section V "Economic and Industrial Cooperation" contains provisions on cooperation in the field of energy, including nuclear energy, public finance management, taxation, statistics, agriculture and rural development, the environment, trans-regional and regional cooperation, transport, space, science and technologies, industry and entrepreneurship policy, mining and metallurgy, financial services, founding and operating legislation Society, Information Society, Tourism, Consumer Rights Protection, Education and Training, Culture, Participation in Programs and Agencies of the European Union, etc.

Chapter 17 "Agriculture and Rural Development" refers to cooperation for the development of agriculture and rural areas. Cooperation should promote the promotion of modern and sustainable agricultural production, but taking into account the protection of the environment and animals, in particular through the spread of organic production methods; improving the competitiveness of the agricultural sector, market efficiency, investment climate; promotion of quality policy for agricultural products, etc.

As a result of the creation of a free trade zone, the process of rapprochement of the economies of Ukraine and the EU member states and the consistent development of trade rules will be based on EU trade procedures and technical regulations adopted by the EU. The Parties establish each other the most favorable trade regimes in certain sectors of the economy, commodity groups and tariff quotas, which will lead to the abolition and reduction of customs duties.

In particular, for agricultural products, the European Union immediately cancels most import duties (83.1% of tariff lines), sets transitional periods of 37 years at 2% of tariff lines, while the wide application of duty-free tariff quotas (14.9% of goods). Ukraine, in turn, will reduce tariffs more gradually, first by 35.2% of tariff lines and preserve non-zero import duty rates for individual products, but will apply tariff quotas only to several product groups (sugar - first 30 thousand tons, after 5 years - 40 thousand tons, pork - 20 thousand tons, poultry - at first 18 thousand tons, in 5 years - 20 thousand tons).

Within the limits of the quotas Ukraine is allowed to export to the EU 1.6 million tons of grain in the first year with an increase of this volume to 2 million tons in five years (including wheat - from 950 thousand tons to 1 million tons, corn - from 250 to 350 thousand tons, barley - from 400 to 650 thousand tons, oats - 4 thousand tons, barley groats - from 6,3 to 7,5 thousand tons, bran - from 16 to 20 thousand tons, sunflower seeds - 100 thousand tons), meat (including beef - 12 thousand tons, pork - 40 thousand tons, poultry - from 36 to 40 thousand tons), milk and cream - from 8 to 10 thousand tons, dry skim milk - from 1.5 to 5 thousand tons, butter - from 1.5 to 3 thousand tons, eggs - 3 thousand tons, m d - from 5 to 6 thousand tons, sugar - 30 thousand tons, sugar syrups - 27 thousand tons, garlic - 500 tons, mushrooms - 1000 tons, processed tomatoes - 10 thousand tons, apple juice - from 10 to 20 thousand tons, grape juice - from 10 to 20 thousand tons.

Section VI "Financial Cooperation and Anti-Fraud Regulation" stipulates the issue of EU financial assistance to Ukraine through the application of appropriate instruments and mechanisms. In order to combat corruption and fraud, the parties will use effective methods through mutual administrative assistance and cooperation.

Section VII «Institutional, General and Final Provisions» refers to the creation of an Association Council that will monitor the implementation of the Agreement, discuss it at special summits, and so on. It also provides for the creation of a Committee and the Parliamentary Committee of the Association.

The annexes of the Agreement provide a schedule for cancellation of export duties, information on cancellation of duties, an indicative set of tariff quotas for import into Ukraine, geographical indications of agricultural products and foodstuffs, etc. It is also noted that the Agreement provides for its review, analysis and the possibility of introducing certain protective measures, if necessary.

Along with the positive factors of integration, the free trade area with the EU carries significant challenges for Ukraine's economy, which are related to the complete or partial loss of traditional foreign markets, primarily on domestic products, which is currently not competitive on the markets of EU member states. The solution of these problems will facilitate the successful adaptation of domestic business to the conditions of the EU and minimize the losses of the Ukrainian economy. The Free Trade Area will stimulate the influx of foreign investment into Ukraine, the creation of new businesses and jobs, faster implementation of European standards and the development of transport and logistics infrastructure, which will ensure the growth of production and export of not only raw materials, but also products with higher added value.

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INTERNATIONAL ECONOMICS

TEXTBOOK

Навчальне видання

Підручник

Міжнародна економіка

С.О. Гуткевич, М.Д.Корінько, Ю.М.Сафонов

Надруковано з оригінал-макету, наданого авторами

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