



Regionalization and Globalization

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**TRANSNATIONAL REGIONALIZATION
OF GLOBALIZED ECONOMIC AREA:
SYSTEMATICAL AND SYNERGETIC APPROACH**

Abstract

Analysis of factors for development of transnational systems is mainly focused on formation of institutional and organizational preconditions, provided by governments and international organizations or internal conditions for self-development. None of the approaches guarantees the adequate level of objectivity and efficiency, which is corroborated by contradictory practice of existing transnational systems. The author believes that combination of the systematic and synergic approaches enables to study the factors of transnational regionalization in a brand new way.

Key words:

Globalized economic area, «new regionalism», social and economic system, boundary integrity of transnational region, antinomy, integration, disintegration, regionalization, global asymmetry and de-synchronization of development.

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The relationship between globalization and regionalization has been the subject of many discussions. Some people consider regionalization and globalization to be complementary notions, others – contradictory. Empirically, their objectives and mechanisms are not completely similar – some of them are compatible and some are different. Unlike economic globalization, which is primarily oriented towards meeting the competitive requirements and search for the new forms of allocation of economic activity in order to gain new advantages and benefits, regionalization is generally aimed for optimization of the real and potential advantages through development of international cooperation within a certain territory. Some authors [2, 4, 9, 10] suppose that the new wave of regionalisation («new regionalism») that occurred in late 90's was for the most part a reaction of countries to the acceleration of the globalization processes. Regional agreements, consolidation of local institutions, cooperation in different fields offered to countries a better opportunity for development (stimulating function) and possibilities to resist the challenges of globalization (protective function). Thus, regionalization makes it possible for countries to adjust to new geopolitical conditions of development being formed under the influence of ever-expanding process of globalization into all the spheres of modern mega-society.

The modern science is less focused on the problems related to establishing the driving forces and mechanisms for the functioning of globalization on transregional level. Traditionally the national economy is regarded as a main object for research in international and global economy. Such an approach does not meet the modern realities anymore. Even while aware of inevitability of globalization, we still apply standard approaches and patterns developed for the national level to resolve emerging contradictions, which is as senseless as employment of technologies, developed a century ago, within the «new economy». The effectiveness would be minimal.

In such conditions it is necessary to: a) critically review the existing theoretical concepts and to outline the essential features of modern regionalism as an integral element of the globalization process; b) carry out a systematic analysis of the direction of transregional system development; c) demonstrate that the new wave of regionalism development was objectively based on antinomy of the globalization process. The paper is aimed at solution of the above-mentioned problems.

1. Essential Features of the «New Regionalism» within Globalized Economy

The current stage of regional process development can be described as open regionalism. Its goal is to expand the free market, encourage free migration of capital and labor rather than formation and operation of closed trade unions. Incidentally, the objective is not only to expand cooperation within existing regional and subregional groups but also to extend cooperation between various unions. Thus, the current stage of regionalization is a result of the long-term transformation of international relations between countries, which being united in certain alliances, coalitions or clusters, form specific economic zones within their common territory. Basically, it functions as a structure-forming element of the global system and emerges in two forms: passive (as an object of globalization) and active (appearing as its subject).

A number of scientific schools developed different approaches to define the concept of modern regionalism.

Realists consider the international system to be anarchic in terms of its origin, as egocentric interests of different nations are of determinative importance. A variety of forms of regionalism may be a result of: efforts made in an attempt to keep the influence of the competitive state in check («equilibrium version»); systematization of collective relations in order to protect common economic interests («stability version»); necessity for consolidation of one's geopolitical and geo-economic positions («imperial version»).

Such an approach leaves the reverse process out of account, which, as maintained by the author, is determinative at present; specifically, how the interests of subjects of the global economy affect formation of regional systems (within «new regionalism»). Even developed countries, which emerge as the hub of the world economy, are forced to take the realities of the global economy and the related changes in geopolitical situation into consideration¹. There are also cases when countries united to implement global agreements². Therefore, it would be reasonable to point out another form of regionalism – the «global version», which aims at establishing global processes on the regional level.

The given approach is focused on priority of interests of the sovereign countries as the main subject of international relations. However, the entry of non-government participants onto the international scene is becoming progressively more a regular feature of the modern world affairs. As a result, in order to

¹ Despite the hegemonic tendencies of the policy of USA, the military operations in Iraq have demonstrated the vulnerability of national policy in the face of common world opinion and behavior of other subjects of international law; whereas, the Eastern EU enlargement has stimulated integration processes in the Eastern Europe.

² Such as WTO, the UNO Regional Commissions, the European Monetary Union and others.

support their basic notion of national interests, the realists' search for evidence that the new players are merely a more sophisticated and concealed instrument in the hands of the sovereign states³, which is a disputable issue.

Institutionalists consider that the anarchy, mentioned by the realists, can be corrected by means of the powerful and efficient institutions – a cascade of various regional coalitions and alliances. Such an approach offers an interesting aspect for analysing regionalization as a way of lessening market entropy and reducing the chaotic character of the world economy to such that is economically adequate. A number of researchers of this school explains the formation of transnational regions by the domestic processes occurring within countries and between the authorities of different levels (central, regional, municipal). However, this is mostly inherent to large federal states, where the regions are highly active and inclined to separatist tendencies.

The adherents of **cognitive** approach regard regionalism as a kind of social reflection, rooted in the prevailing present (and changeable in the course of mutual adjustment) ideas of identity and sense of territorial community. The concept of «emerging regionalism» and region building prevalent in Western Europe is actually an indirect reaction to cognitive approach. In a number of cases, regionalism is interpreted as «constructed» (sometimes «invented») phenomenon, inseparable within the social and political framework [20: 224]. For instance, the collapse of the old bipolar world triggered the evolution of the new forms of regionalism, such as the Black Sea economic cooperation, the Barents-European Arctic project and others. The major players of regionalization include both governments and non-governmental structures (economic «interest groups», public organizations, political parties etc) [15: 90–104]. For example, the members of private pipeline projects to a considerable extent define the geoeconomic situation of the Southwestern frontiers of Russia [5: 30–31]. Such an approach obviously extends the notion of «region», making it flexible, «mild», adaptable and open to interpretation.

Making an allowance for such variety of approaches, in the author's opinion, it would be rational to settle upon the broad interpretation of regionalization as a process of searching for or establishing of adequate local identification by the subjects of the world economy through strengthening of interrelations (determined in political, economic, social and cultural terms) within a certain territory. This process also contains some subjective features.

³ For classical development of realistic theories refer to: Morgenthau H. *Politics Among Nations: The Struggle for Power and Peace*. N.Y. 1978. For critical analysis of modern realism, refer to: Legro J., Moravcsik A. *Is Anybody Still a Realist?* // *International Security*. 1999. Fall. Vol. 24. No.2.

2. Boundary Integrity of Social and Economic System as a Precondition for the Process of International Regionalization

The author's hypothesis is based on the fact, that the whole process of regional development as a social and economic system is generally oriented towards boundary integrity of the entire social organism on a certain hierarchic level. This standpoint is not categorical. There are several opposite viewpoints concerning the objectives of development of social and economic system, although all of them share the fact that they identify the objective of development with its function⁴. It happens when the system is attributed with such objectives as satisfaction of the inhabitants' needs and those of the nation in general, raising of the standards of living, production and self-reproduction, quality maintenance of the system, survival of society etc.

Analysis of the objectives from the perspective of the systematic approach allowed to make the following conclusions.

1. Motivation for development does not secure its integrity in any way [11: 96]. The practice of world countries demonstrates its groundlessness. For example, the collapse of the USSR was preconditioned by the exhausted potential of the existing social and economic system and the urgency for the new models for further development.

On the other hand, it would be wrong to state that the national economy was a purposeless system [6: 434]. It is only the existence of precisely formulated objectives that enables to find the right solutions or understand the current state of a system, i. e. the result of the functioning of the national economy and various links between its structural elements⁵. Otherwise, the system loses its significance.

2. National economy as an integral unit definitely increases the vital capacity of not only the economic structures, but also the society in general. However, this does not confirm the existence of the common objective adequate for national development at every stage of time. The experience of most countries makes it obvious that the objectives of national economy development are subject to change determined by the stage in the economic cycle, its geoeconomic and geopolitical situation in the world system and an entirety of factors peculiar

⁴ Among the major functions of national economy the following ones can be pointed out: its importance in the system of international distribution of labor, satisfaction of material and other needs of individuals, creation of favorable environment for extended evolution, creation of favorable environment for human development, revealing of essential human features and forces, adaptation of society to the changes of external environment.

⁵ The aforementioned conclusions do not apply to the natural systems, which integrity is indubitable but the objective is bounded by the natural circulation secured through vital functions of organism and reproduction of species.

to the country. Therefore, to seek for one «universal» objective appropriate for all the national economies would mean to ignore the existing diversity of countries.

3. The above-mentioned objectives are similar to the functions of economy. An objective cannot be set by the human-made system, which is what the national economy is, although, it is for the most part determined by it and depends on it. The individuals are the sources of objectives, which, being elements of the economic system, form them. The modern development of the economy of knowledge and information reveals the prime significance of the human factor in the development of both, the national economy and the mega-society in general. Thus, the model of open economy used by the majority of world countries is able to perform its functions only if the principle of economic democracy is employed, specifically, a coordination and harmonization of interests of those involved in the social and economic process, and a creation of favorable conditions for their achievement.

Hence, the author feels it is reasonable to apply the notion of boundary integrity of the compound social organism (transnational region) on certain hierarchic and time levels as a criterion, which would facilitate designation of the general guiding line for the functioning of the social and economic system without limiting its flexibility by defining the structural and effective criteria. The system must retain a certain degree of integrity while it stimulates its evolutionary development and functioning. Otherwise, aggravation of internal inequities, which would actually place it against the common world tendencies of development, will lead to an increase of entropy tendencies beyond the boundary level. Consequently, the system may equally enter an involution path of development followed by a downfall, or else perform a qualitative leap (creation of the system with higher level of organization). It is under dynamic integrity of social and economic system as specific territorial community that the stimulating and protective function of the regionalization process can be realized.

As a rule, each successive EU enlargement was preceded by intensification of disparities between the volumes of output (supply) and the volumes of sales (demand) in the domestic market, between purchasing power of consumers and pricing policy of producers, between the quantity of workplaces and the unemployed, between the necessity for structural reformation of the national economy and the requirement to relocate a part of production and technologies overseas, between geoeconomic interests of region countries and its competitive abilities. The most recent EU enlargement was precedent by a contraction of business activity and a growing decline in industrial activity at the end of 2000. The Europeans accounted for that by the shift in economic cycles and transition to informational-technological model of development entailing structural reformations, formation of the new model of stimuli and mechanisms of management within integrated commodities and financial markets.

Table 1.

The leading economies: Real GNP, consumer prices, unemployment rate
(Annual rates of fluctuations and unemployment) [21, p.21]

	Real GNP				Consumer prices				Unemployed			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
Leading economies	3,4	4,1	1,9	2,7	1,4	2,3	2,1	1,8	6,4	5,9	5,9	5,9
Leading countries:	3,0	3,8	1,6	2,4	1,4	2,3	1,9	1,7	6,1	5,7	5,9	6,0
1. The USA	4,2	5,0	1,5	2,5	2,2	3,4	2,6	2,2	4,2	4,0	4,4	5,0
2. Japan	0,8	1,7	0,6	1,5	-0,3	-0,6	-0,7	-	4,7	4,7	5,3	5,2
3. Germany	1,6	3,0	1,9	2,6	0,7	2,1	2,0	1,3	8,3	7,8	7,6	7,4
4. France	3,2	3,2	2,6	2,6	0,6	1,8	1,5	1,4	11,3	9,7	8,8	8,2
5. Italy	1,6	2,9	2,0	2,5	1,7	2,6	2,2	1,6	11,4	10,6	9,9	9,5
6. The UK*	2,3	3,0	2,6	2,8	2,3	2,1	2,2	2,4	6,0	5,6	5,3	5,4
7. Canada	4,5	4,7	2,3	2,4	1,7	2,7	3,0	2,2	7,6	6,8	7,2	7,1
Other countries	4,8	5,2	3,0	3,8	1,3	2,4	2,8	2,3	7,3	6,3	6,1	5,7
including:												
1. Spain	4,0	4,1	2,9	3,2	2,2	3,4	2,9	2,3	15,9	14,1	12,7	11,7
2. The Netherlands	3,9	3,9	2,9	2,7	2,0	2,3	3,9	2,4	3,2	2,8	3,0	3,0
3. Belgium	2,7	3,9	2,4	2,4	1,1	2,9	2,2	1,3	8,8	7,0	7,0	7,0
4. Sweden	4,1	3,6	2,6	2,8	0,5	1,0	1,8	1,9	5,6	4,7	4,1	4,0
5. Austria	2,8	3,2	2,2	2,6	0,5	2,0	1,7	1,6	3,8	3,3	3,4	3,3
6. Greece	3,4	4,0	3,8	3,8	2,2	2,9	3,4	3,3	11,7	11,1	10,9	10,7
7. Portugal	2,8	3,0	2,4	2,8	2,2	2,8	3,8	2,3	4,4	4,1	4,0	4,0
8. Ireland	9,8	10,7	7,0	6,2	2,5	5,3	4,0	3,3	5,6	4,3	3,7	3,7
The EU	2,6	3,4	2,4	2,8	1,4	2,3	2,3	1,8	9,1	8,2	7,8	7,9

* The consumer prices are based on indexes of retail prices excluding interest charges.

Accordingly, the following question emerges: is it possible for domestic demand to secure European growth under such conditions? The analysis of the leading European economies (Germany, France, the UK) [3: 45–51] shows that even under the scenario of rapid growth Europe is hardly likely to secure demand necessary to stimulate development of other countries. Acceleration of European economic growth was associated with increase in export caused by depression of Euro and rapid economic expansion of the USA, the most important trade partner of the EU. However, the exchange rate of Euro steadily began to rise within the European area and the USA economy shared signs to instability (growth of unemployment, intensified volatility in the financial markets). The growing capital mobility in Europe and the precautionary measures on direct investments (high ratio of capacity utilization, arrangement of orders and pre-orders, reduction of long-term interest rates and relative significance of bank credit) enabled to support European exporters and domestic producers, which face competition of imported products. On the other hand, it caused the rise in for imports prices and therefore consumer prices. None of the

mentioned events can be considered positive macroeconomic policy that could be a basis for high-tech progress. Implementation of the NAIRU macroeconomic concept does not make the things better either⁶. Orientation to the internal factors of economic growth alone prevents taking the advantage of international trade and augments the problems caused by globalization of financial and commodities markets, the rise of the world entropy, and the transition to informational and technological model of economic development. Thus, the regional system was predisposed to carry out quantitative and qualitative transformations (expansion of the alliance member countries and switch to the model of extensive integration, including political integration), i.e., to evolve to the new stage of development.

3. Antinomy of Globalization as Objective Reason for Expansion of Regionalization

Economic science keeps discovering new features of the world social and economic system as an integrated community and its inherent forms of interrelation in the world economy on different levels of its structural organization. By virtue of analysis of correlation between the system-forming factors which approaches and functions of the system apply to, application of systematic approach in the second section permitted to delineate the existing discrepancies between the objectives of national economy and transformation of the external global environment. However, the analysis would be incomplete without a consideration of the mechanisms for self-organization and self-development of the transregional system according to the economic cycles of development (synergic approach)⁷.

The notion of «globalization» is often associated with a brand new level of the world economic interaction, which is characterized by the worldwide, all-round interrelationship of the world economic subjects and the emergence of global problems or those of the entire civilization. Therefore, it is possible to assume that the general vector of development is defined by certain target function, which aims at achievement of optimal integrity as far as the given mega-society is concerned, i.e. the level of globalization (integration).

It is a well-known fact that the character of interrelation between the system's elements is distinguished with processes, different in quality and orientation, which take place in time and space. Their coordination and the harmonization of various interests were always some of the primary challenges for state policy and civilization

⁶ The NAIRU concept implies the unemployment rate to be of structural nature and cannot be decreased without an increase in inflation rates. The modern experience of the USA, in which the stimulating policy of economic growth has led to an increase in labor productivity, showed the impracticability of such approach in the modern world economy.

⁷ Synergetics, the main notions of which were formulated by Prof. G. Hacken, is a heuristic method for research of open self-organized systems inclined to cooperative effect, which is followed by formation of spatial, temporal or functional structures.

in general. For that reason, globalization cannot be considered a 19th and 20th century's phenomenon only. With that, globalization should be regarded rather as an essential source for diversification, which is achieved by integration, than a way for attainment of homogeneity. As a result of such diversification, the vitality is secured and the structure of the very system becomes enhanced and complicated. Consecutively, the interrelation of contradictory tendencies supplies potential needed for development and transformation of economy, which intensifies development on a higher level.

The author believes the violation of the diversity principle was the profound reason of the last subsequent globalization crisis in late 90's. The current world practice of allocation of production, market of commodities and services, capital and spheres of influence shows the monopolistic standing of the seven leading industrial countries. They secure 45% of the world GDP, around 60% of exports and 64% of import for commodities, along with 70% and 50% respectively for services. Trade between industrially developed countries expanded quickly, leading to an increase in interregional trade. The USA, the EU and Japan contain 92% of the major multinational companies. In consequence of unsteady development of the world economy and diminished interdependence of countries with different level of development, the gap in average rates of the national income between the richest and poorest countries has widened. In 1960, the GDP per capita in the 20 richest countries was 18 times higher than that in the 20 poorest ones. In 1995, that gap ran up to 37 times [13: 208–209]. Therefore, it would be rational to accept the S. Korablin's view that the occurrence of the system effect by no means implies its equal division between all participants of international cooperation. The modern world is asymmetric [8: 1]. As the modern globalized economic system has formed, it provides disproportionate advantages to the major countries and groups of countries. Moreover, the weakest subjects of the world economy cannot protect their interests. Despite of this, economic leaders are forced to take into account the interests of their less developed partners (in order not to make the cooperation useless for them). This gap between the world economics incited the anti-global manifestations and stimulated the search for the new local forms of international cooperation based on the potential advantages of a specific region.

The antinomy of globalization as a process is doubtless since it can be classified by two opposite tendencies in equilibrium. Based on the real experience and the historical process, as far as globalization is concerned, the opposite tendencies are integration and disintegration⁹. It is worth mentioning that the antonymic process (like globalization) engenders the following condition: expansion of integration (or rather the level of organization) is normally accompanied with the growth of disintegration and chaos; furthermore, in case of a balanced development, their ratio re-

⁹ Insufficient theoretical research of such phenomena as integration and disintegration resulted in misunderstanding of the profound reasons of global transformations in the world economies and caused inadequate reaction of economic subjects to the transformations in the world economy. The ratio of these two opposite tendencies of development with the process of globalization can be illustrated by the following formula: $G \sim I + D$, where G stands for globalization, I – integration and D – disintegration.

mains relatively equal – 50 : 50 [1]. Once the essence of any process can be expressed by binary relation of its development tendencies ($G = I + D$), the difference in potentials of integration and disintegration, hereby derived, creates energy, constituting a source for development of a globalized (supranational) system.

Thus, the expansion of the international division of labor, entailing rapid development of international production complexes and transnational companies, development of computer technologies and electronic communications, enhanced mobility of production factors, labor, capital and technologies were the required preconditions for rapid growth of transborder exchanges and, as a result, integration of markets and national economies. In early 20th century, the dynamics of growth of the world GDP and the world exports were nearly identical. Yet, starting from the 60's, the exports proceeded to increase more rapidly than the GDP. In late 20th century, the growth of the world exports was almost two times as much as that of the GDP. This means the national economies were more oriented towards the world market than to the domestic market which is indicative of the growing integration of the national systems into the global products flow (refer to the Table 1, 2).

The occurrence of major qualitative changes in international relations and co-operation was indicated less by the huge scope and share of exports of goods and services than by the export of capital and property trade by a way of trade in securities, bank deposits and debt instruments. The current mobility of world capital is much higher than it was in the 80's. So far, the major competitors in the world capital market are the financial systems of the USA, EU and Japan, which share 90% of the market. The turnovers in the international share and exchange markets are dozens or even hundreds of times higher than trade turnovers. In 1997 the world stock turnover was estimated at 40 trillion dollars while the currency and interest arbitrage between countries turned over 400 trillion dollars.

Dynamic development of international business activities, transnationalization of production, trade and banking activities speeded up integration of national financial markets and mechanisms. For instance, in 2001 the total outflow of capital abroad throughout all years from developed countries (as direct and portfolio investments, shares, securities) amounted to 10 trillion dollars while the gross external debt in developing countries reached 2.2 trillion dollars [22: 78, 107].

Integration of the world economic system on a micro level was mainly driven transnational companies. According to the annual report on the world investments (year 2001) published by the U.N. Conference on issues of trade and development UNCTAD, 63.000 transnational corporations plus 800.000 of foreign subsidiaries exist in the world¹⁰. A half of the world's industrial production, nearly two thirds of trade and just about 80 percents of patents and licenses for new technical equipment are controlled by them. They have an over 90 per cent share of the world markets of

¹⁰ To compare, 40 thousand of such corporations operated in mid 90's, controlled 250 thousand of subsidiaries abroad. In preceding 30 years, the quantity of transnational companies was increased nine times (7.000 similar companies were registered in 1970, 11 thousand plus 86 thousand of foreign subsidiaries – in 1976, and 24 thousand of transnational companies – in 1990).

wheat, maize, coffee, timber, and ferrous metals, 85 per cent of the copper and bauxite markets, 80 per cent of the tea and tin markets and 75 per cent of the markets of bananas, natural rubber and raw oil. They have become the principal element of the connecting material (or base) that forms the global economy.

Table 2.

The average annual growth rates of export and import (%) [18: 16, 17]

Regions	1980–1985		1985–1990		1990–1995		1995–2000		2000–2001		2001–2002	
	ex- port	im- port	ex- port	im- port	ex- port	im- port	ex- port	im- port	ex- port	im- port	ex- port	im- port
The world	-0,7	-0,5	12,4	12,5	7,6	7,0	3,7	3,9	-4,0	-4,0	4,0	4,4
Developed economies	0,1	-0,3	13,8	13,4	6,6	5,2	2,7	4,4	-3,5	-4,6	2,9	3,6
Developing economies	-3,7	-1,7	12,5	12,9	11,0	12,7	5,7	2,8	-6,3	-4,4	5,4	5,0
Counties of Central and Eastern Europe	2,5	1,1	0,5	2,7	5,0	4,1	4,4	2,9	5,1	8,6	9,4	12,9

Table 3.

Growth of the world production, 1997–2002 (annual growth, %) [17: 5]

Regions	1997	1998	1999	2000	2001	1990– 2000	2002 (forecast)		
							Con- sensus Econo- mics	Econo- mist Intelli- gence Unit	IMF
The world	3,4	1,8	2,6	3,8	1,3	2,2	1,2	1,4	2,4
Developed economies	3,0	2,1	2,4	3,4	1,0	2,0	–	1,1	0,8
Transition economies	1,9	-0,9	2,7	6,0	4,3	-3,0	3,0	–	3,6
Developing economies	5,3	1,1	3,4	5,4	2,1	4,3	–	–	4,4

Source: World Bank, World Development Indicators (various issues); IMF, World Economic Outlook (December 2001); EIU, Consensus forecasts (various issues); Consensus Economics, Consensus Forecast (11 February 2002).

Table 4.

**Some indices of direct foreign investments and international production,
 1982–2002 (billion dollars, %)**

Indices	Current cost					Annual growth ratio				
	1982	1990	2002	1986– 1990	1991– 1995	1996– 2000	1999	2000	2001	2002
Inflow of direct foreign investments	59	209	651	23,1	21,1	40,2	57,3	29,1	–40,9	–21,0
Outflow of direct foreign investments	28	242	647	25,7	16,5	35,7	60,5	9,4	–40,8	–9,0
Total inflow of direct foreign investments	802	1954	7123	14,7	9,3	17,2	19,4	18,9	7,5	7,8
Total outflow of direct foreign investments	595	1763	6866	18,0	10,6	16,8	18,2	19,8	5,5	8,7
Cross-border mergers and associations	...	151	370	25,9	24,0	51,5	44,1	49,3	–48,1	–37,7
Sales of foreign subsidiaries	2737	5675	17685	16,0	10,1	10,9	13,3	19,6	9,2	7,4
Gross output of foreign subsidiaries	640	1458	3437	17,3	6,7	7,9	12,8	16,2	14,7	6,7
Export of foreign subsidiaries	722	1197	2613	13,5	7,6	9,6	3,3	11,4	–3,3	4,2
GDP (actual prices)	10805	21672	32227	10,8	5,6	1,3	3,5	2,6	–0,5	3,4
Export of goods and non-factor services	2053	4300	7838	15,6	5,4	3,4	3,3	11,4	–3,3	4,2

Source: UNCTAD, World Investment Report 2003. FDI Policies for Development: National and International Perspectives, table I.1, p. 3.

However the new aspects of economic internationalization and integration of national economic systems, which are identified with the process of globalization, were accompanied with an equally strong anti-globalization movement and disintegration tendencies. «The time we live in is the time of the world revolution», as Boutros Boutros Ghali, General Secretary of the U. N. used to emphasize, «The planet is gripped in a vice of two opposing forces: globalization and disintegration.» The given remark most accurately represents the specific character of modern development: integration of economic systems and disintegration in the social and cultural spheres, observed in the aggravation of antinomy between regions, social systems, cultures and religions. The problem is that cer-

tain countries, especially small and poor ones, cannot manage to control the affairs beyond their borders. At the same time, spontaneous integration processes directed by more powerful states could also be of negative impact.

So far, no persuasive argument has been made to support that the globalization process stimulated stable economic growth. An analysis of the main economic and social indices of development in the world over the last twenty-year period of the 20th century (1980–2000) as compared with the previous two decades (1960–1980), carried out by the American Center for Economic and Policy Research, showed a slowing of world progress in most of the categories¹¹.

Formation of globalized economic area entails intensification of competition on the level of businesses, national and international regions. Polarization of the world community and marginalization of certain countries has intensified and the level of entropy of the world market has risen.

In addition, the negative effects of integration and unifying tendencies in international economy include disintegration in the international division of labor along with an emerging importance of inter-corporate division of labor. Some of the industries embarked on development by the cluster principle of concentration of intellectual product, technologies (such as techno parks and technopolices) or financial resources (service and off-shore areas). Deconcentration of accessory production is taking place. For example, parts and units supplied from Japan make up about 45%, from South Korea and Singapore – around 30% of the final cost of the PCs produced by IBM Company in the USA. As a result, a considerable share of control over the national economy is transferred from the sovereign states to transnational companies and international organizations, whose own interests are often different from the national interests.

Alternatively, the programs of liberalization and structural adaptation, recommended to a number of states by international organizations, extensively bring the internal social policy under the influence of external economic factors. Thus, implementation of resolutions agreed to at the Uruguay round of multilateral trade negotiations within the framework of GATT on reduction of tariff protection and liberalization of trade was of a destructive affect for the economies of Sub-Tropic Africa. There was a substantial drop in revenues from import duties. The yearly loses to Africa caused by the Uruguay resolutions are estimated at approximately 3 million dollars.

The global asymmetry and de-synchronization led to the inevitable search for methods to minimize the negative outcomes and endeavors to reset the geo-

¹¹ A considerable decrease in the annual rates of economic growth per capita occurred in all of the surveyed groups of countries, the rich through the poor. For instance, in the poor group it fell from 1,9% to 0,5%, while the correspondent rate in the countries with medium levels of income has decreased from 3% to less than 1% [16: 2]. Except for the rich countries, life expectancy of the population has diminished; the progress to lower infant mortality has slowed down along with advances of school education and campaigns against illiteracy.

political balance by means of regional groups. The author takes the O. Bohomolov's view on regional groups, which considers them to be a typical feature of the globalization process. Trade, economic and currency unions and alliances permit to expand the division of labor at a regional level and to consolidate the member countries' global competitive position by a creation of favorable preconditions for cooperation.

Consequently, regionalism as a factor of external and internal policy takes on a special significance in the modern post-bipolar world. It is founded on the growing importance of such notions, as territory and social period (time), and the exigency to combine geopolitics, geoeconomy and socio-cultural features of a territory. Thus, when analyzing the geoeconomy of «vast areas», V. Derghachov puts an emphasis on elaboration of the strategy required for supranational system development or technique for implementation of the regional development priorities in multi-aspect communication space within liberalization of international economic relations [4: 139].

In view of the above-stated, the author derives the following conclusions on regionalization:

1. It is a stimulating and, at the same time, restraining element of globalization; they are in both a direct and a reciprocal interrelationship; the extent of globalization activity entails a corresponding intensification of regional processes and vice versa.
2. It is developed through recurrent amplification of integration and disintegration tendencies; makes it possible to resolve the emerging clash of integration and disintegration tendencies in the world economy.
3. At the stage of economic growth of system development integration tendencies and efforts for expansion of relations with neighboring countries with the intention to benefit from international activity prevail.
4. Escalation of disintegration tendencies and conversion of antinomy between integration and disintegration into antagonism can be observed at the stage of stabilization when the economic system has exhausted the potentialities of the advantages attained; the process of regionalization is intensified in an attempt to resist the negative consequences of globalization and to settle the existing contradictions, enabling to search for the adequate local and territorial identities in order to gain new advantages in an already formed globalized area.
5. Disintegration tendencies predominate at the stage of economic recession and an economic system obviously requires a new model to transition into a new stage; the globalized system is split into regional groups followed by a search for the new territorial architecture of the given area, redistribution of geoeconomic and geopolitical forces and interests between economic subjects.

6. Institutional and organizational forms of regionalization are defined by the phase of the economic cycle; predominance of integration processes induces establishment of transnational associations while preponderance of disintegration incites establishment of transregional groups.

Thus, regionalization and globalization are interdependent and interrelated processes in the world economy. They are not contradictory but mutually complementary. Contradictions arising between them are not of antagonistic nature and represent a correlation between integration and disintegration tendencies at different levels of the world economic system.

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