

THE THEORETICAL ASPECTS OF INTEGRATION PROCESSES ON THE REGIONAL LEVEL

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Abstract

In this article theoretical aspects of interregional integration processes are covered. Different approaches are resulted in understanding the essence of integration between separate regions, hierarchical levels of integration, legitimacy use of theories of the international integration is found out at the analysis of regional interrelations. It is offered the authors approach for the allocation of types of integration processes at a level of region.

Keywords: interregional integration, regional cooperation, economic relations.

JEL Classification: F 15, F 16, F 59

1. INTRODUCTION

One of the features of modernity is the growth of interdependence of the economies of different countries, development of integration processes on the micro and macro level, the intense transition of the civilized countries from the closed national economy to the economy open. This trend first (since 1950) was developing in Europe, but then (from 1960) and expanded to other regions. Many countries refuse to voluntarily part of national sovereignty and form merger integration with other countries. The main reason for this process is to improve the economic efficiency of production, and integration itself is primarily economic in nature. Growing interdependence of economies put on the agenda include addressing problems in the world economy and the formation of responses to the challenges of time. Accordingly, the study of mechanisms of integration processes is extremely important today.

2. ECONOMIC VIEWS OF INTERREGIONAL INTEGRATION

The study defined the problems on a large number of works. Among the foreign scientists: A. Weber, W. Izard, A. Losh, D. Mid, B. Ohlin, F. Perry, D. Stiglitz, J. Tinbergen, J. Tunen, Y. Shishkov. Coverage of issues concerning the processes of economic integration into the global economy and were engaged in domestic economists: O. Amosha, P. Belenkiy, O. Bilorus V. Budkin, V. Heyets, V. Golikov, B. Danilishin, M. Dolishniy, S. Zlupko, M. Kozoriz, Y. Makogon, N. Mikula, A. Mokiy, V. Pila, S. Pisarenko, S. Pirozhkov, P. Romaniuk, W. Sidenko, D. Stechenko, A. Filipenko, V. Chuzhykov, M. Chumachenko and many others. Review sources showed that the attention of scientists focused on various aspects of international integration process, such as: the question of accession to various international and regional organizations (WTO, the EEA) (Baziluyk, 2005), the development of cross-border cooperation (Mikula, 2004), the choice of optimal vector foreign policy [7], the functioning of euroregions [10], creating all sorts of innovative forms of regional development (Stechenko, 2002) and so on. However, still many unresolved issues related to inter-regional integration processes. In our opinion, require further development of theoretical foundations of integration processes between the regions of internal states and different countries.

The purpose of the article will study the integration of theoretical plane interconnections between regions of the country and various states. To achieve required: first, to trace the various approaches to understanding the integration process, and secondly, determine the legality of the

using of theories of international integration (trade, competition) to the analysis of interregional interaction in the modern conditions, and, thirdly, suggest ranking interregional integration processes.

3. THE CHARACTERISTICS OF THE ECONOMIC INTEGRATION

There are several definitions of integration, those different scientific schools of modern economic thought (market, institutional, structural), generalized by A. Filipenko (Filipenko, 2005). Market comes from a known school postulates that the market is the best regulator of the economy, which can not be replaced by any artificial mechanisms of the state (the principle of *laissez faire*). The essence of the school market is that in an integrated economic system have made the same conditions for the movement of factors of production, as in the national market environment. In the common economic space of a few countries provided competitive and full freedom of action of market forces. Economic integration in this case is considered so deeper than the freer is the effect of market forces and lower the regulatory impact of state.

Another trend of modern economic thought was named institutional. His supporters are trying to find a compromise between market and state regulatory mechanisms of international economic integration. According to representatives of this school, integration is the embodiment of a certain unity of economic and political-legal aspects. Unlike the market school, institutionalists recognize that the integration of national economy can not be achieved just one market methods.

In the mid 60's of XX century some French, English and Italian economists (e.g., P. Streeten) (Streeten, 1964) subjected to criticism neoliberal approaches to economic integration and suggested that other models that had the name "structural school". The views of representatives of the school significantly different from one another. But is that unites them: first, very critical stance on the traditional theory of international trade, and secondly, the desire to identify the structural aspect of the integration process. Real integration in understanding the structural school – it is something more than just a union of several economies. It is available only at the stage of economic union that is interpenetration of national households, which is an integral part of the process of inevitable change their structure. The main problem of regional integration, as ideologues of the flow, in determining the optimal ratio of national programs of economic policy with the benefits arising from international cooperation.

Obviously, the existence range of definitions of integration due primarily historical development of integration processes: the rule of free market concepts to the formation of the institutional infrastructure and partnerships between individual integrated fulfilments.

Internationalization of production is the foundation of economic integration. Internationalization of productive forces due primarily into their national borders each country. Analysis of "classic" version of economic integration, especially in the EU, can be noted that economic integration is different from the internationalization of economic life, first, more complicated universal character of international economic relations among developing countries towards the creation of large economic systems in within a specified group of states and, secondly, that these economic relations are regulated by collective supranational bodies. Such an approach to the definition of economic integration allows specific features and characteristics that separate it into the background of other phenomena in the internationalization of economic life. Key among them is the following (Mocherniy et al., 2006).

The first, integration is the development of stable, deep connections and division of labour between the national economy, accompanied by mutual adjustment and supplement of certain enterprises, industries, economic regions of different countries, leading to the formation of economic systems, which cover primarily, close the level of economic growth.

Secondly, integration – the process is controlled in a sense that it requires conscious, concerted action actors (business associations, regions and states) about the coordination and functioning of relationships in the new created groups. Regulatory function while performing state aids individual countries and international institutions.

The third, special feature of the integration is its regional character, which provides geographic proximity, the presence of common borders and economic relations between the countries that made up for a long historical period.

The fourth, the economic integration provides for effective market mechanisms, based on the laws of competition and profit, by which economic and social functions of the state. Functioning market mechanism is possible if there is economic democracy, equality, the availability of different forms of ownership and management of competition and other inherent market categories.

In the fifth, in the process of integration taking place deep structural changes in the countries are more efficient economic proportions, leading eventually to higher social productivity.

These features of the integration cause it's flowing at different levels. At the time, academician M. Dolishniy proposed to allocate such hierarchical level of regional integration:

- innerregional;
- interregional (including at the international level);
- international (Dolishniy, 2003).

At each level are specific drivers, having specific barriers. Each level requires specific approaches to the regulation of economic interaction.

4. NEED TO STUDY INTER-REGIONAL INTEGRATION

In this study we focus on interregional (including the regions of other countries) integration. It was consolidation interregional economic relations on the basis of deepening regional and industry specializations allows the fullest use and disclose internal capacity of territories and ensure full integration of Ukraine's regions in a single socio-economic complex. Under these conditions, regional economic integration requires the development of actions at the state level that will accelerate regional cooperation, will develop the internal market and competitive position in foreign markets. Find rational ratio required in the regions of economic freedom on the one hand, and "self-sufficiency", on the other. The principle of deepening inter-regional economic cooperation must implemented as the basis of national competitiveness, which is distributed to markets in goods and services, labour and capital [12]. Obviously, the necessity of deepening inter-regional cooperation at this stage is not controversial.

Mechanism of international and interregional links of the region can be described using the theories developed in the scientific literature for the national economy, open up in the world economic space. Interregional economic relations covering virtually all areas of economic activity: bilateral barter between the regions of the country, scientific-technical cooperation, cooperation in finance and credit, investment and innovation, industrial relations of cooperation, redistribution and use of human resources, etc. Foreign economic relations characterize this mechanism as a subsystem of world economic space. These processes are represented in the export and import flows of production, foreign investment, international exchange of information technologies, etc.

Theories of interregional exchange are closely intertwined with the theories of international trade, competition and integration. The proximity of these theories depends on similarities of basic concepts, factors, problems, methodology of analysis. It should be noted that the theory of industrial specialization of countries and regions were originally developed in the international economy. So, B. Ohlin, winner of the Nobel Prize, his major work named "Interregional and international trade" (1933), thus emphasizing similarities and differences of both types of trade. Conclusions theories of international specialization can apply for a theoretical justification of interregional exchange and specialization with the appropriate features:

- The theory of comparative advantage D. Ricardo explains international and regional specialization of the region on those goods, in the production of the region has comparative advantages, based on a relatively low cost;
- Theorem of Heksher-Ohlin-Samuelson groundwork industry specialization based on providing the region-specific and mobile factors of production. This commodity prices and

factoring in conditions of increased openness of countries and regions aligned, approaching world average level;

- Under the theory of the life cycle of goods in international and interregional trade in some regions by R. Vernon realizes its comparative and competitive advantages in developing and manufacturing new products (innovative territory), others specialize in the production of traditional, standard products (adaptive territory);

- According to the theory of economies of scale by P. Krugman, even in conditions of imperfect (monopolistic) market the region's participation in international and territorial division of labor is winning, which results in improving the structure of consumption, the welfare of the population;

- Under the theory of competitive advantage by M. Porter specialization and economic links of the region stipulates competitiveness of firms and determinants of natural and created competitive advantages of the region.

International and regional integration, despite the uniting features, and have significant differences. One of the reasons that cause the difference of international and interregional economic relations, as the A. Granberg, is that the interregional division of labour and interregional trade – a process taking place in various parts of a national free trade zone, one customs territory, one monetary system, a national labour market and capital. To interregional trade, as a rule, no administrative, customs, political, linguistic and other barriers that, in varying degrees are in international economic relations (Granberg, 2006). Although, undoubtedly, there may be exceptions.

In market conditions made the interregional economic integration is direct economic (industrial, scientific, technical, technological) relations at the level of primary economic activities are growing, provide a gradual unification of regional economies. The point with this is mind: to change the separation syndrome, survival alone must take the principle of expanding inter-regional economic cooperation, which is distributed to markets in goods and services, labour and capital [11]. Obviously, that market conditions regional economic integration based on mutual interest of the market and any region of the isolation is not beneficial, because each of them are interested in the broad market for its products.

The logic of the integration process, in our opinion, based on the presence of strong economic connections between economic entities, organizations, etc., As well as the deepening economic relations between the “old” and “new” Europe has become one of the main background for connection new members.

5. ROLE OF REGIONAL COOPERATION FOR THE DEVELOPMENT OF INTERREGIONAL INTEGRATION

Along with the study of inter-regional economic integration can not be left outside the purview of the concept of regional economic cooperation. Consideration of regional cooperation is important, especially because cooperation is the main prerequisite for integration. In terms of N. Mikula, interregional cooperation is one of the three components of the international regional cooperation, along with interterritorial and transboundary (Mikula, 2004). Interterritorial cooperation means any mutually agreed-upon activities aimed at initiating relations between territorial communities and authorities of two or more contracting parties (other than relations of transfrontier cooperation between neighbouring governments), including the conclusion of territorial communities and authorities of other cooperation agreements [13]. So interterritorial cooperation is broader concept than the interregional cooperation, and defines the right of territorial authority at any level with the relevant local authorities of other states. In turn, inter-regional cooperation legal framework outlines areas that are on the second after the central level. Apparently, this definition focuses on the relations between regional authorities, the narrow nature of the term.

Cross-border cooperation is clearly working adjacent territories of neighbouring states, that is crucial is the existence of boundaries between working areas. N. Mikula recognizes that the notion of "interterritorial and interregional" can be used as identical, if you decide on the term "region" (Mikula, 2004). Discussions on this matter does not become quiet and still.

Another view: inter-regional economic cooperation is a system of economic relations and interests at the regional level, emerging and developing in the functioning of regional economic systems and due to the territorial division of labour, availability of competitive advantages and natural resources and geopolitical conditions. Regional cooperation in the context of the functioning of the border region of I. Storonyanska considered as a step that precedes the emergence of integration processes. A number of transformational factors that determine the need for internal border region to process of integration in mezolevel:

- A production and cooperative connections between the regional economic systems that generates interlocking economic interests;
- Unity of transport networks and border crossings, which causes the common tasks of socio-economic infrastructure;
- Common problems of nature and environmental protection;
- High degree of economic interaction, which predetermines the density of social contacts;
- Similarity (perhaps, unity) ethnic and history traditions and religious situations (Storonyanska, 2002).

This definition probably needs clarification in the "totality of relations and interests at the regional level". Therefore we propose to determine the inter-regional cooperation as the totality of relationships between individual actors of regional economy, representing different regions. These actors are regional authorities, companies, organizations, units of large enterprises, small and medium enterprises, etc. Interpretation of regional cooperation as the aggregate relations between subjects, but not the regions, in our opinion, specifies researched phenomenon.

6. INTEGRATION OF COMPANIES - THE BASIS OF INTERREGIONAL ECONOMIC INTEGRATION

In the framework of inter-regional integration processes should provide integration of government and at the enterprise level. Also found on the division of real, functional and institutional integration, which are parallel and interrelated (Belozybenko and Usova, 2004). This classification requires a clearer distinction justification. In our view, appropriate to provide institutional and private corporate integration. Institutional type of integration or the integration of regional authorities – a process of interpenetration, merging regional reproductive processes, resulting in converging social, political, institutional structure integrated regions, including regions of different countries. The choice of "institutional type of integration", argued that the initiators in these cases mostly serve state structures of selected regions.

In the case of private-enterprise type of integration or integration at the enterprise level it is on the integration of capital and assets of companies. This distinguished:

- Horizontal integration (merger involves companies that operate in one area on one industry market. Thus companies tend to resist the stronger competitors);
- Vertical integration (integration of the companies that operate in different fields, but connected between successive stages of production or turnover).

As a result, private-enterprise integration is structures based on networks of direct links. This type of integration connections stable compared with the integration of institutional least because they are made by the criterion of economic efficiency. However, this does not preclude state regulation of private-enterprise integration, especially in transition economies. By M. Dolishniy the role of government in shaping and implementing the strategy of regional development in view of permanent impact of the integration processes should increase, not decrease. This enhancement regions in the implementation process of international integration can give positive results for the optimization of conditions of economic cooperation between the

regions, strengthening the role of the state in ensuring political and economic security, plays its guarantor role in resolving contentious issues at the international level, defender domestic markets and producers from unfair competition and expansion of the domestic market space dubious foreign firms that supply low quality products (Dolishniy, 2003). Ask for the conclusion: at least at the legislative level, a major role in deepening inter-regional integration in individual countries should play a government, but if it comes to cross-border cooperation - is the initiative should take the regional participants of economic life.

Next stop on interregional integration within one country and integration between regions of different countries. In terms of planned economy in the country existed only high integrated national space. With independence the major share of established economic relations was broken off and relations between Ukrainian regions becomes significantly weaker. One of the main causes of weakening of interregional interaction researchers called a strong influence on the economy of foreign economic relations (Varnaliy, 2007). Import was intensively displacing with the internal market of domestic producers, this also contributed to the reduction of customs tariffs and the abolition of most non-tariff restrictions on imports. Since the Ukrainian export of forest products and dominates the initial stages of production and imports – products of a high degree, the increase in foreign trade unessential influence on the internal cross-industry and interregional industrial relations.

At the same time, transition to market relations has allowed avoiding many previous artificial connections (e.g. deliveries between the same ministries, remote from each other by thousands of kilometres), reduced the dependence of consumers from monopoly businesses, has opened opportunities for peripheral regions to work on markets in neighbouring countries, etc. Main positive change is that to operate such an integration factor as the interest of producers and regional authorities in expanding markets.

A restoration integration trend is not the “reintegration” in terms of restoration of pre-existing economic links that existed in a single economic complex. New regional integration is based on the market efficiency and, moreover, must consider the task of social policy and geostrategic interests. Given the substantial interregional differences, the level of internal integration of domestic economy is far from optimum.

7. EUROREGIONS

Regarding the integration processes between regions of different countries (interterritorial and cross-border cooperation), the simplest form of this today is a direct interaction between territorial communities – cities, towns, which are mostly informal in nature and aimed at joint action in case of emergencies. In addition, indicating such forms as [14] 1) agreement on cross-border cooperation (can include the creation of cross-border cooperation, such as Europe, units, etc.) and 2) a euroregions (provides creation of organizational structure and financing system in the form of inter-regional associations, consortia).

Highest level of cross-border cooperation has been in the form euroregions. There are six euroregions in Ukraine (on the western border – “Bug”, “Carpathian”, “Lower Danube” and “Upper Prut” in the north-east – “Dnieper” and “Slobozhanshchyna”). However, there are a number of obstacles to the effective functioning of the objects and subjects of the Ukrainian side in the euroregions:

- No systematic and prospective approach to the euroregional cooperation;
- Low level of involvement of organizations and representatives of the parties to and implement the goals of euroregions;
- Lack of training capacity in the regional government, the lack of financial support;
- Lack of implementation of appropriate organizational methods, tools, principles, procedures, structures, imperfection of legal mechanism of cooperation (Dolishniy, 2006).

The existing division of interregional integration, first, institutional and private-corporate and, secondly, the integration between the regions of the country and different states, defines the

need for completely different in substance and methods of stimulating these processes. These types of integration processes can be combined in one term – spatial integration, stressing its different orientation in time and space, reducing influence of the administrative border between the regions. Certainly, the proposed conceptual apparatus is supplemented by further refinements. Either way, axiomatic, in the opinion of the author, is the assertion that agreements can not be at a sufficient level to deepen the integration processes between business entities. Conversely, relations between enterprises of different countries are arranged mostly in spite of the presence or absence of regulations.

8. CONCLUSIONS

Thus, analyzing the theoretical foundations of inter-regional integration processes, come to the following conclusions:

- 1) Existing of different definitions of integration between regions depends on the historical development of integration processes: the rule of free market concepts to the formation of the institutional infrastructure and partnerships between individual integrated actors;
- 2) To study the mechanism of international and interregional economic relations of the region appropriate to consider the theoretical achievements, developed for the national economy, open to the world economic space. This is because the theory of interregional exchange is closely intertwined with the theories of international trade, competition and integration and similarities are basic concepts, factors, problems, methodology of analysis;
- 3) Consider it appropriate to distinguish between the integration of regional authorities and the level of economic entities on the one hand, and on the other hand, integration between the regions of the country and various states. This approach allows developing an adequate logic of management of these processes to meet demands.

Given the words, directions for further research, in our opinion, may be to develop tools and methodology of evaluation of integration processes to create ways to improve their effectiveness.

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