

## REGIONALIZATION AND TRANSNATIONALIZATION IN THE FORMATION OF THE GLOBAL ECONOMY

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The paper examines the relationship between regionalization and transnationalization as the processes of the global economy formation. It is emphasized that at the heart of the both processes, regionalization and transnationalization, is the objectively operating law of the international division of labor at the micro and macro levels: at the levels of the national states, the institutions functioning in them, as well as the enterprises themselves. Taking into account the objectivity and the essence of the processes, an attempt is made to confront the contradiction of certain inconsistencies between regionalization and transnationalization that, on the one hand, facilitates the development of these processes and, on the other hand, may lead to the specific results of this contradiction resolution. The development of regionalization in its essence reduces the number of national states, and this naturally constrains the possibilities of transnationalization. The formation of the global economy results in the loss of the content of the regionalization and the transnationalization concepts. It is stated that economic practical experience suggests that in the terms of functioning the centralized organization of transnational corporations (TNC) is of greater economic efficiency compared with the market-organization of the national economy. Under the conditions of the development of TNCs, any country should build its organizational policies around the principle of the state centralism, which always provides the levers to eliminate the negative effects of market regulation of the national enterprises and to prevent the use of TNCs as a means of establishing nonequivalent international cooperation worldwide.

**Keywords:** regionalization, transnationalization, global economy, international division of labor, regional integration union, transnational corporation, production factor, tax system, foreign direct investment.

**Introduction.** The current state of the global economic processes development is often described with the help of the frequently used terms «regionalization» and «transnationalization». It should be noted that for a wide range of readers, these terms and concepts they define, are perceived quite clearly since the media widely covers the topic of Ukraine's accession to the world's most advanced integration union – the European Union (EU), and the theme of transnational corporations (TNCs) and transnational banks (TNB) is also quite often fully covered in the media and the scientific literature.

**Analysis of the research and publications.** The analysis of the scientific literature allows to conclude that the study of regionalization and transnationalization is at the heart of the globalization which is successfully developing in the modern world.

The classical approach to the international division of labor is studied thoroughly by I.I. Dyumulen [1], the new ideas on international division of labor is an outcome of globalization can be found in the e-sources [2]. Among scientific works dedicated to studying of the nature, driving forces, factors, vector direction of the integration processes, the works of the following scientists should be mentioned: Yu. Pakhomov, D. Lukianenko, B. Gubsky [3], which focused on the national economies in the global competitive environment; A. Filipenko, V. Budkin, A. Dudchenko [4], whose works were devoted to the modern international integration processes in Europe; V. Novitsky [5], which covered a wide variety of issues related to globalization and integration processes.

Of particular interest are the work by T. Semenenko on TNCs functioning in the competitive business environment [6], the thesis by G. Grydasova in which she comes to the conclusion that the TNCs' possibilities are widely used by different structures in their own political interests and that the mighty transnational corporations are able to influence po-

litical, economic, cultural fields, as well as consciousness of a separate individual and the whole society [7], the thesis by S. Sardak on global regulatory system of human resources development by where the crucial role of humans in the global economic system is viewed as a key factor of production, the main resource, the producer and the consumer of economic and social benefits that are exposed to global threats, problems, challenges, trends, etc. [8].

Among the studies of globalization, one should note such works by foreign scientists as U. Beck, O. Bogomolov, M. Delyagin, Z. Brzezinski, D. Rodrik [9], G. Soros, J. Stiglitz, I. Wallerstein [10], and Ukrainian scholars V. Bazylevych, O. Bilorus, T. Kalchenko [11], S. Radzievska [12], O. Rogach, V. Sidenko, O. Shnyrkov. Most of their recent publications focus on various issues related to the problem of globalization: contradictions, paradoxes, challenges and even dangers of the globalization processes.

**Unresolved issue.** However, not enough attention is paid to the relationship between the processes of regionalization and transnationalization, their role in the formation and development of the global economy, as well as the whole topic of some inconsistencies between these processes and the possible consequences of the inconsistency. Thus, the study of the interrelation between the regionalization and the transnationalisation has become both interesting and important.

**The objective of the study** is to identify the relationship between the notions of regionalization and transnationalization.

To achieve the objective it is necessary to take into account that these two processes: firstly, are directed to the global economy formation; secondly, are based on the international division of labor; thirdly, promote the growth of productivity.

We should bear in mind that both processes give rise to the conflict in the integration devel-

opment, which finds itself in huge difference between practically increasing gap in the standards of living between various countries and theoretically desired effect of leveling those standards worldwide.

**The main part.** One of the most effective economic laws operating on the country level and internationally is *the law of the division of labor*. It's worth noting that the law was recognized in the socialist economic system, but only to the extent to which the planned system of economic governance allowed it. In the modern market economy, the law of the division of labor works domestically and internationally, leading to the internationalization processes beyond nation states.

The main indicator of the internationalization of labor, public production, and the foundation of this process is the economic exchange between countries, which is based on the international division of labor [1, p. 11]. The international division of labor is the form of territorial or geographical division of labor. It is the process of sustained concentration of production of certain kinds of material goods and services over the domestic needs in some countries, i.e. for external exchange, and also the process of sustained satisfaction of the domestic needs with certain goods and services through import from other countries.

In other words, the production of certain products over the needs of the country is accompanied by the consumption unsecured by the country's own production capabilities. Therefore, ***the division of labor means the exchange between the countries of the excessive products to the insufficiently produced goods or the goods that are not produced at all domestically to meet the country's needs.***

***The international division of labor*** generates economic relations between the participants and especially in the exchange of products and payments related to this exchange. These relationships have become complicated over time, extended to areas of production, capital investment, labor, distribution of benefits. According to the definition, ***the new international division of labor is an outcome of globalization.*** The term was introduced to describe an ongoing geographic reorganization of production, which finds its origins in ideas about a global division of labor. It is a spatial division of labor which occurs when the process of production is no longer confined to national economies. Under the «old» international division of labor, until around 1970, underdeveloped areas were incorporated into the world economy principally as suppliers of minerals and agricultural commodities. However, as developing economies are merged into the world economy, more production takes place in these economies. This has led to a trend of transference, or what is also known as the «global industrial shift», in which production processes are relocated from developed countries to developing countries [2]. ***Different kinds of labor and corresponding subjects of the division of labor find themselves in various relations. The way representatives of the operating economic activities act determine the type of social international division of labor. Their interaction can be based on an equal and mutually beneficial cooperation, or on the dictation of the strong to the weak.*** So,

the analysis of the international division of labor requires special approach which takes into account not only the specialization of countries in the world economy, but more precisely, the type of public interaction and interdependence between the participants of the global economy.

Also, it is necessary to identify whether their interactions are based on the democratic principles, which provide equality and mutual benefits to partners or the interests of the stronger prevail. It should be noted that as yet it is impossible to assert implicit victory in the international economic relations of democracy. Moreover, *the resultant division of labor across continents closely follows the North – South socio-economic and political divide, wherein the North – with one quarter of the world population – controls four fifths of the world income, while the South -with three quarters of the world population – has access to one fifth of the world income* [2].

The obvious reasons behind the international division of labor is the difference in countries' provision with the natural resources, the climatic and geo-economic conditions, the level of scientific and technological progress. *Participation in the international division of labor gives benefits to all its members, but to different extent.* The main goal of the national economy for effective functioning in the conditions of globalization is to improve the ability to produce goods and services with lower expenses and better quality for export, to expand the range of products, and to increase its global market share. In the fundamental monograph «National economies in the global competitive environment» outstanding Ukrainian scientists Yu. Pakhomov, D. Lukianenko, B. Gubsky determine the forms of the international division of labor as specialization and cooperation of individual countries, groups of countries or regions of the world and mention that the deepening of specialization leads to the following kinds and forms of international cooperation – intersectorial, intrasectorial, between particular enterprises [3, p. 30-40].

The social division of labor and increased exchanges of goods, services and factors of production between the national economies create conditions for the development of integration processes. It is widely accepted that integration is the close mutual interrelationships between national economies. Thus, the development of trade between the two countries on the basis of the objective law of international division of labor can be considered as a prerequisite for further consolidation of their economies, their further integration. ***The trade relations between the states based on the division of labor are of objective character; however, the seller and the buyer show subjectivity in choosing each other. This possibility of choice generates a market mechanism, market functioning of the economy.***

Trade objectively creates possibilities for specialization and co-operation between the countries' enterprises strengthening the states' interdependence and leading to their integration.

In terms of the conceptual development of world trade theory, integration can be evaluated in the context of whether it is a step towards freer trade, or vice versa, towards additional limitations to the intensity of trade flows. The objective pre-

requisites for the formation of regional integration groups is deepening internationalization and transnationalization, the expansion of economic globalization, diversification of the information component of economic development.

In the early stages of research on integration processes the international economic integration equated with trade and pay liberalization. Representatives of **the market school** stated that the integration processes were considered deeper when the market forces were stronger and the regulatory influence of the state was not dominant [4, p. 332]. **Market-institutional trend of contemporary neo-liberalism** acknowledges that the integration of national economies can not be achieved solely by market methods, and focuses on efforts to eliminate discrimination in mutual cooperation, on the recovery of market mechanism of economic processes regulation and on minimal government intervention in international economic integration. For the representatives of **the structural school**, the real integration is more than just a union of several economies; this is the kind of the original change of quality of the system: integration must present not simply the sum (total number) of national economies, but some new quality, improved economic organism [4, p. 9-10].

*International economic integration* is regional in nature. It comprises mainly neighboring countries which are geographically close. No wonder, culturally, historically, economically or ethnically close nations feel a natural inclination to mutual cooperation, determine trends of economic regionalization. **Economic regionalization is the process of progressive creation of a common market and geographically reproductive area by historically and culturally related countries, accompanied by harmonization of conditions of trade, reduction and elimination of reciprocal restrictions to enhance economic efficiency and to address global competition** [5, c. 641].

The notion of «international economic integration» is identical with the notion of «regional economic integration» or «economic regionalization»: the terms mean consistent association of independent nation-states and eventually the process leading to the unification of these states into a single entity (state). The term «transnationalization» draws attention to the fact that the production goes beyond national economy and unites the manufacturing processes taking place in various countries. Thus, the term «transnationalization» refers not to the country as a whole, but to the subjects of this country's economic system, formed by multinational and transnational corporations and institutions (transnational banks).

Under the circumstances of the growing role of TNCs, the cooperation and/or competition of the enterprises of the national economy, their partners from abroad, and TNC entities with centralized control by corporate headquarters, their functioning in the market conditions on the territory of home and host state recipients is becoming a burning problem. The solution to the problem has effect not only on the economic development of countries where TNCs operate and the TNCs themselves, but on the world economy as a whole. At the same time international integration is taking

place at the macro level in the form of creation of regional integration unions, thus raising the problem of mergers and acquisitions of the enterprises belonging to these countries into larger ones. The solution to the above mentioned problem is closely related to the stages of development of these regional unions, as well as to the development of the TNCs in the countries which are integrating.

*Complications of relations between the countries and the TNCs functioning in them is mentioned in the scientific literature.* Such complications can even acquire the character of contradictions between home and host state recipients which is explained by the fact that entrepreneurial part of national economies can either participate in the formation and operation of TNCs or not to participate. In the latest case, the national enterprises become competitors of TNCs. **In the conditions of TNC development the enterprise of the national economy may face two alternatives: either in one form or another to cooperate with it by joining the activities with the TNC, or to compete with it.** Common for all TNCs is the centralized organization of all their management activities combined with a broad economic independence given to its foreign companies, subsidiaries and affiliates. This principle of centralized management across the corporation remains immutable.

By entering any host country TNCs quite naturally start relations with the national economic entities (corporations). If these relationships are formed as competitive, at least two factors, the economic capacity and the availability of centralized planning and management in TNCs, become significant competitive advantages for them. The result of these advantages is the complete or partial takeover of the share of the market previously controlled by domestic producers.

From this perspective, these specifics of TNC management may have different results for home and host state recipients ranging from some advantages, improving the whole economic development to some losses, complete domestic destabilization. It logically follows from the fact that the goal of any TNC is to maximize profit under any unforeseen conditions of the world development which may come into conflict with the interests of the country in which TNC operates. To overcome this contradiction it's necessary to *integrate the countries in which TNCs operate by forming a regional union with centralized organization of management as a successor and by developing TNCs management systems in the process of its converting to regional union of home and host state recipients.*

Thus, the TNC development should lead to the formation (on the basis of the countries where it functions) of the regional integration union with a centralized management system which provides a broad economic independence to its components – the recipient countries. But actually this combination [6, p. 211-213] of transnationalization process at the micro level with regionalization process at the macro level leads to the following **contradiction: TNCs are successfully developing precisely through the use of the belonging of their constituent parts to different countries with different conditions of legal regulation of economic processes, which gives them the opportunity to take**

**advantage of the international division of labor by transfer prices, and the specifics of financing and taxation of production and consumption in different countries. The union of these countries will lead to the unification of the legal regulation of economic processes, and thus to the loss of TNCs of the opportunities that promote their competitive advantage on the national, regional and world markets.**

It is important to add that on the territory of the countries there may be a certain number of TNCs, and if their development is accompanied by the countries' joining each other, home and host state recipients, it may well be natural to lead to the formation of a single planetary economy.

That is why in the research papers on this issue the formation and development of TNCs is fully justified as a logical stage in the construction of a single planetary economy. But if the construction of a single planetary economy is regarded as a natural process of transformation of TNCs, then it is logical to assume that the main principle of the governance of a single planetary economy will be the principle of centralized control on the scale of the entire planet, that is, on a global scale.

The conclusion is quite logical, and if we observe the hypothesis expressed by many scholars about the possibility of transforming the TNC system into a single planetary economy, then the only centralized management with varying degrees of economic independence of individual components will be in force (as in previous TNCs), that can be conventionally determined by the term «state». Similarly, the so-called institution that will occupy the highest level in the management hierarchy will be called «the world government».

By their definition, TNCs operate in a competitive struggle with national enterprises that are not included in their structure. And if, in accordance with the above scheme, the transformation of TNCs into regional unions of the home and host states will take place and on their basis the single planetary economy will be formed, then one component left should be the national enterprises out-

side the TNCs. However, in the process of regional integration, these national enterprises will acquire the status of global enterprises through mergers and acquisitions which will also be governed by the «world government».

Thus, the question arises whether this will lead to the complete monopolization of economic relations and the disappearance of the competition mechanism, which is considered the basis for the development of the economic system. In our opinion, the answer to this question should be negative since the centralization of management will be accompanied by a broad operational autonomy of individual subsystems of the entire global system.

It should be concluded that the formation of TNCs and their successful development implies the existence of national (state) economies, and the formation of regional (state) unions, reducing the number of «state» economies, thus reducing the opportunities for the formation and development of TNCs. It is in the conditions of this inconsistency that the process of global economy formation will develop.

**Conclusions and research perspectives.** First of all, the development of regionalization in its essence reduces the number of national countries, and this naturally limits the possibilities of transnationalization. Consequently, the formation of the global economy leads to the loss of content by the concepts of regionalization and transnationalization.

Secondly, the economic practical experience suggests that the centralized organization of TNCs functioning is of greater economic efficiency compared with the market-organization of the national economy functioning.

Thirdly, under the conditions of the development of TNCs, any country should build its organizational policies around the principle of the state centralism, which always provides the levers to eliminate the negative effects of market regulation of the national enterprises and to prevent the use of TNCs as a means of establishing nonequivalent international cooperation, similar to the colonial regime, worldwide.

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## РЕГИОНАЛИЗАЦИЯ ТА ТРАНСНАЦИОНАЛИЗАЦИЯ У ФОРМУВАННІ ГЛОБАЛЬНОЇ ЕКОНОМІКИ

### Анотация

У статті розглядається співвідношення регіоналізації та транснаціоналізації в процесах формування глобальної економіки. Підкреслюється, що в основі регіоналізації і транснаціоналізації міститься об'єктивно діючий закон міжнародного поділу праці на мікро- і макрорівні: на рівні національних держав і функціонуючих підприємств й установ. При цьому робиться спроба на основі дослідження сутності процесів регіоналізації і транснаціоналізації, їх взаємозв'язків виявити ту суперечність, яка сприяє розвитку цих процесів і одночасно із цим може привести до специфічних результатів її розв'язання. Розвиток регіоналізації за своєю сутністю зменшує кількість національних країн і цим цілком закономірно обмежує можливості транснаціоналізації. Формування глобальної економіки веде до втрати змісту понять «регіоналізація» і «транснаціоналізація». Стверджується, що з позицій економічної практики централізовано організоване функціонування ТНК доводить свою більшу економічну ефективність у порівнянні із ринково організованим функціонуванням національної економіки. За умов розвитку ТНК будь-яка країна в основу організації економічного життя має покласти принцип державного централізму, згідно з яким завжди мати важелі, спроможні коректувати негативні впливи ринкового регулювання функціонування національних підприємств і не допускати використання ТНК як засобу встановлення у світі нееквівалентного режиму міжнародного співробітництва.

**Ключові слова:** регіоналізація, транснаціоналізація, глобальна економіка, міжнародний поділ праці, регіональне інтеграційне об'єднання, транснаціональна корпорація, фактор виробництва, податкова система, прями іноземні інвестиції.

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## РЕГИОНАЛИЗАЦИЯ И ТРАНСНАЦИОНАЛИЗАЦИЯ В ФОРМИРОВАНИИ ГЛОБАЛЬНОЙ ЭКОНОМИКИ

### Аннотация

В статье рассматривается соотношение регионализации и транснационализации в процессах формирования глобальной экономики. Подчеркивается, что в основе и регионализации, и транснационализации лежит объективно действующий закон международного разделения труда, соответственно на микро- и макроуровнях, на уровнях национальных государств и функционирующих в них предприятий и институций. При этом делается попытка на основе исследования сущности процессов регионализации и транснационализации выявить то противоречие, которое способствует развитию этих процессов и вместе с тем может привести к специфическим результатам его разрешения. Развитие регионализации по своей сути уменьшает количество национальных стран и этим вполне закономерно ограничивает возможности транснационализации. Формирование глобальной экономики ведет к утрате содержания понятиями «регионализация» и «транснационализация». Утверждается, что с позиций экономической практики централизованно организованное функционирование ТНК доказывает свою большую экономическую эффективность по сравнению с рыночно организованным функционированием национальной экономики. При условии развития ТНК любая страна в основу организации экономической жизни должна положить принцип государственного централизма, в соответствии с которым всегда имеют рычаги, корректирующие негативные влияния рыночного регулирования функционирования национальных предприятий и не допускать использования ТНК как способа установления в мире неэквивалентного режима международного сотрудничества.

**Ключевые слова:** регионализация, транснационализация, глобальная экономика, международное разделение труда, региональное интеграционное объединение, транснациональная корпорація, факторы производства, налоговая система, прямые иностранные инвестиции.